

1999

2006

Administrative
Transition
Planning
Notebook

Seven Years of
Innovation,
Technological Advances,
Enhanced Service
& Fluid Commerce
in the Iowa Alcoholic
Beverages Division.

November 15, 2006



ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa



1999

2006

Gray area represents the Iowa Alcoholic
Beverages Division as of January 1, 1999.

White area summarizes the Division and its
initiatives taken through 2006.

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Identifying opportunities for improvement and enhancement. Thinking outside the box. The Iowa Alcoholic Beverages Division has employed constant scrutiny and utilized creative thinking to establish an identity, cut costs, improve service and better serve Iowa taxpayers. Over the past 7 years, the Division has used innovative thinking and action to change the Iowa landscape.

Charter Agency Status

The Division wasted time and money complying with bureaucratic requirements and completing low value-added tasks and functions. (For example, obtaining Executive Council approval for out of town travel.)

Governor Tom Vilsack, in 2004, designated the Division as one of six "Charter Agencies" in state government. The status allowed the Division shed the bureaucratic "red tape" and to operate more like a private business. The charter agency designation, which stresses results over rules, gave the Division the freedom to engage in creative and streamlined business methods in exchange for a commitment to use that freedom to increase revenues. For example, the Division receives the following freedoms as a Charter Agency:

- ◆ Exemption from full time employee caps.
- ◆ Authority to schedule travel without using the state travel agency contractor.
- ◆ Exemption from seeking Executive Council approval for out-of-state travel,
- ◆ Exemption from across-the-board budget cuts.
- ◆ Access to a \$3 million Charter Agency grant fund to foster innovation.



The Division lacked a recognizable identity among customers and the general public.



Distinctive Agency Logo

The Division designed a professional logo that signifies its identity as the wholesaler of distilled spirits and the regulator of all alcoholic beverages in Iowa. The logo features the silhouetted outlines of wine, liquor and beer bottles on a blue background.

Kaizen Process Improvement

The Division's order entry, accounting and taxation processes were bogged down, delivered poor service to customers and involved numerous inefficient tasks.

After completing two Kaizen process-improvement events, the Division streamlined the process by which it receives, processes and delivers liquor orders, as well as the subsequent accounting that is involved. The Division also improved its beer and wine tax collection procedure. The Kaizen events helped the Division reduce the order entry and accounting process from 80 non-value-added steps to 25, which frees order entry and accounting personnel for other mission-critical work. The lead time on the Division's beer and wine tax collecting procedures was reduced from 11-16 days to 2-3 days with non-value-added steps being reduced from 54 to 20.

Integration in Licensing Duties

The Division's liquor licensing section was divided into inefficient, dysfunctional silos, with each licensing clerk only evaluating, processing and fielding customer questions regarding a specific license type.

The Division's licensing section has broken down silos that previously impeded reciprocal workflow between staff members. Currently, each of the section's five licensing clerks can reevaluate, approve and answer customer inquiries regarding all liquor license types. Removing the silos resulted in improved customer service, decreased lag time in the license approval process and improvement in overall employee morale.

Emergency Management Plans

The Division relied on an outdated emergency plan in the event that Division operations were disrupted.

The Division has completed a comprehensive, up-to-date Continuation of Government plan. Key decision makers within the organization, in addition to the state's Emergency Management agency have copies on file.

State-run Warehouse and Distribution Operation

A contracted private company performed liquor warehouse operation and distribution duties with primary goal to make a profit.

A dedicated state work force performs warehouse operations and distribution duties across the state with goals of cost savings and excellent customer service. Assuming the operations reduced state costs by 25%. Whereas the Division would have paid the previous contractor \$2.40 per case delivered, the Division is able to complete the tasks at a rate of \$1.69 per case.



Revised Delivery Routes

The contracted private company operating the state's liquor warehouse and distribution system utilized inefficient delivery routes that resulted in unnecessary employee overtime and fuel/mileage costs.

The Division has made a commitment to maintaining a close scrutiny of its transportation operation and trucking routes. In February 2005, the Division revised trucking routes that had been unaltered for eight years, thus reducing the total annual mileage by 114,000 and saving the state \$250,000. In August, the Division completed further revision to its trucking routes, saving an additional 54,000 miles and \$83,000 annually. Along with saving the state fuel and vehicle maintenance costs, the new routes ensure compliance with federal trucking regulations.

Great Places Trailers

The Division utilized undecorated trailers to deliver liquor orders to customers.

The Division donated advertising space on liquor delivery trailers to Sioux City, Coon Rapids and Clinton, all cities designated as Iowa Great Places. Each community was allocated a trailer for a traveling billboard to advertise the tourist attractions for that community. The value of the advertising space is estimated at \$65,000/year.



The Iowa Pledge Program

Tobacco enforcement and education was not sponsored by the state. Local authorities had to take the initiative individually, and many had an insufficient budget to do so.

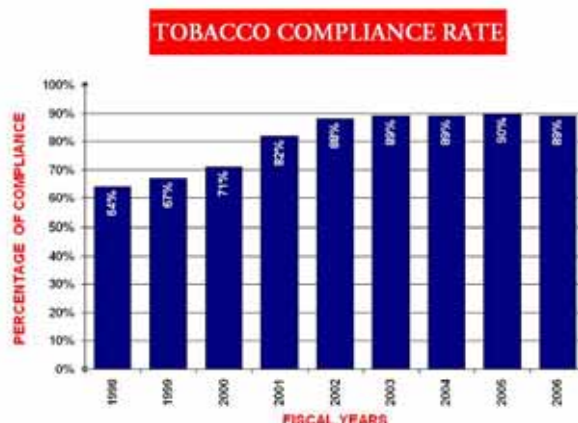
In 2000, the Iowa Alcoholic Beverages Division was allotted \$1 million in funds from the tobacco settlement to institute a state-wide tobacco compliance and education program. The Division, in turn, launched the Iowa Pledge Program. The Division has partnered with more than 220 law enforcement agencies to offer training opportunities for tobacco retailers and conduct compliance checks. Clerks who complete an Iowa Pledge class and pass an online test are certified in the program. Employers of certified clerks receive an affirmative defense against a civil penalty if a certified clerk slips up and sells tobacco to a minor. The Division hired five tobacco investigators to oversee education and enforcement efforts in all regions of the state.



Iowa's retailers were 64% compliant with the state's youth access laws, putting into jeopardy, nearly \$5 million in federal substance abuse funds under the Center for Substance Abuse Prevention's SYNAR program.

Tobacco Compliance Rate

Iowa's retailers have achieved a 89% compliance rate, far above the 80% benchmark established through the SYNAR program.



Lack of a reliable state-wide database of tobacco retailers stemmed from the fact that tobacco permits were locally issued, resulting in many tobacco retailers slipping through the cracks in terms of compliance checks and educational efforts.

Tobacco Licensee Database

The Division has partnered with over 220 local law enforcement agencies to collect local permitting data and build an accurate and up-to-date state-wide tobacco retailer database.

Tobacco compliance checks were primarily conducted by health officials for data collection purposes only. Violations resulted in a warning letter from the health department.

Tobacco Compliance Checks

Each tobacco retailer in the state is checked at least once every fiscal year, resulting in approximately 5,500 checks conducted annually. Where violations occur, retailers are ticketed and held accountable accordance with Iowa law. The introduction of consequences for violations contributed to the 25% increase in retailer compliance.

Results of tobacco compliance checks initiated by the state were not made available to the public.

Public Compliance Check Results

An on-demand, fully searchable, real-time database of compliance check results for all tobacco compliance checks conducted through the Iowa Pledge program is available on-line to health advocates, retail chains and other stakeholders.

Iowa's tobacco retailers relied on industry-sponsored training programs to teach clerks basic skills to avoid selling tobacco to kids.

Tobacco Compliance Training

Through the Iowa Pledge program, the Division has trained 6,145 clerks in how to evaluate an Iowa driver's license and effectively refuse illegal tobacco sales, contributing to the 25% improvement in the state's retail compliance rate.

Retailers had to purchase educational materials from industry-sponsored programs.

Tobacco Educational Materials

The Division issues educational materials, including age verification calendars and ID checking guides, to retailers at no charge.



Combination Licensing

Different types of licenses expired at different times, meaning licensees often had to undergo the application process multiple times per year.

The Division revised its policy to allow licensees to apply for multiple licenses at the same time—once per year. An establishment that sells beer, wine and liquor for on premise consumption, for example, now applies and pays for all three permits at the same time.

Corporate Synchronized Licensing

Franchised corporations had to re-apply for licenses after the various expiration dates of each of their establishments.

Franchised corporations are able to apply for licenses for all their locations in Iowa at the same time. Synchronizing licenses of corporations frees the Division's licensing staff for other mission-critical tasks.

Facility Upgrades

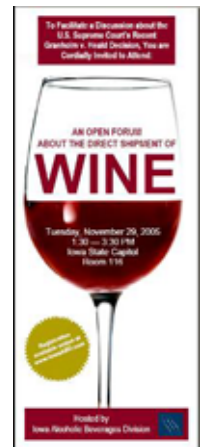
The Division's central offices had been largely unaltered since the facility was built in 1982.

Emphasizing efficiency, the Division made several improvements to its Ankeny facility. Improvements include the addition of low-wattage light bulbs on timed switches, a re-vamped heating and air-conditioning system and water-saving bathroom faucets. While more efficient, the upgrades also helped enhance the comfort and, thus, productivity of employees.

Public Issue Forums

Stakeholders and the general public were given no forum to voice their opinions on Division policy.

To factor public opinion on pertinent issues, the Division has issued public forums on a number of topics affecting the beverage alcohol industry. Past forums have addressed dram shop insurance coverage, high risk drinking on college campuses, the "Granholm" decision on the interstate shipment of wine directly to consumers and statutes regulating the native wine industry.



Dram Shop Coverage Increase

Iowa's dram shop liability statute required on-premise liquor licensees to carry a minimum of \$25,000 in dram shop insurance coverage. As a result, victims of injury due to over-service or underage drinking at on-premise licensed establishments were able to recover a maximum compensation of \$25,000 per incident.

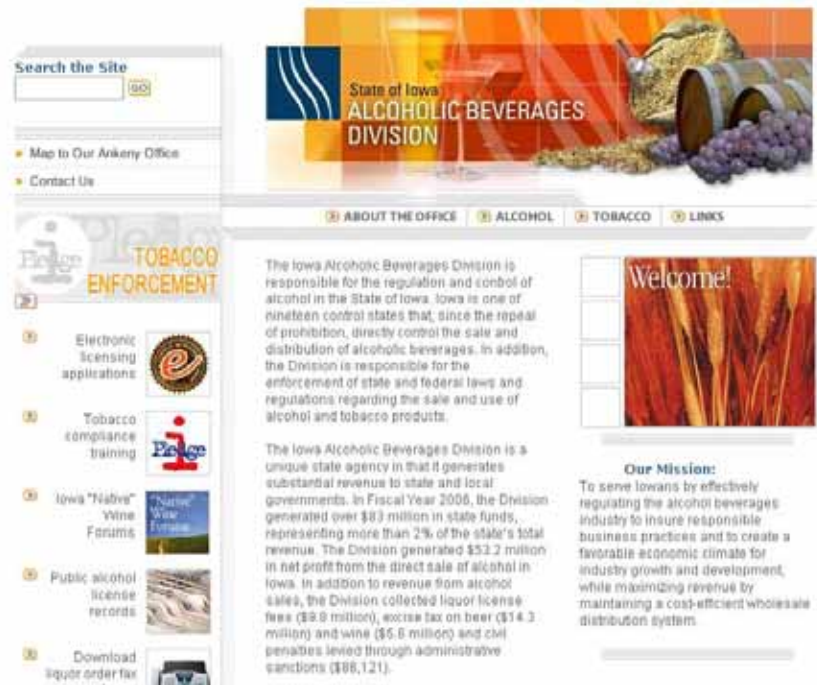
Individuals who are victimized by a person who became illegally intoxicated in a licensed establishment no longer have to be victimized by inadequate compensation. The minimum coverage limit was raised to \$150,000 per incident.

As computers, the internet and online services have become more commonplace in society, the Division has made a commitment to establish and maintain a technology-friendly environment. The Division has employed technology for both internal networking and external service to minimize costs and maximize customer service.

Dynamic Web Site

The Division's web site consisted of a handful of pages of little interest to the public, customers or other stakeholders.

The Division launched a new homepage with an easy-to-remember address, www.IowaABD.com. The site has vastly improved navigation and is up-to-date and content-rich – improving transparency to Division operations and enhancing citizens' access to government. The site serves as a clearinghouse for virtually all information relevant to stakeholders as well as the general public. The site also functions as a portal into the Division's Electronic Licensing System and an enrollment system for Iowa Pledge tobacco retailer certification classes.



Electronic Fund Transfer System

70% of customers paid for liquor using electronic fund transfers (EFT).

The Division has further streamlined the payment process for liquor orders by moving 100% of customers to electronic fund transfers (EFT).

Electronic Inventory Management

Inventory counts in the state's liquor warehouse system were taken manually and written on count sheets. Counts were keyed into the system twice. Then a key-punch operator keyed in the item code, aisle slot and level for each product. Items were often mis-keyed and slots were often missed.

Inventory counts are now conducted using a scanner loaded with the warehouse logistics and the corresponding UPC codes of all products. The scanner automatically checks to verify that warehouse slots and product codes correspond, significantly reducing keying errors. Counts are now electronically sent via wireless access points to the main inventory system, eliminating manual data entry and associated keying errors. The new process has shortened the inventory period from several days to several hours.

Warehouse Reporting

Warehouse reports were generated nightly by a night operator who manually submitted every job, manually changed printer paper and tore apart and distributed the reports to key staff.

Currently, an employee submits one request that runs and prints all reports. Many reports are e-mailed to recipients.

Electronic Ordering and Picking

Customer liquor orders were selected using paper order forms resulting in high error rate. Warehouse workers, then, were required to fumble with paper documents, pens, and ink markers to select customer liquor orders.

Customer orders are keyed into the Division's ordering system and the orders are transferred via a wireless connection to mini-computers worn on the wrists of warehouse workers. Using the mini-computers, warehouse personnel determine the location, size and quantity of products to be picked and the products are scanned into the invoice system with a finger-worn ring scanner tethered to the mini-computer. The hands-free system allows warehouse personnel to easily record orders and handle product at the same time.



Online Alcohol Laws

Iowa liquor laws, rules, policies were available in printed format upon request by interested parties.

Laws and rules are available 24/7 on the Division's website www.IowaABD.com. The link routes users directly to the appropriate section of the Iowa Code online at the state legislature web site.

Mobile Wireless Internet Cards

The Division's tobacco investigators were limited to dial-up internet connections when working outside the office.

The Division's tobacco investigators have been outfitted with mobile wireless internet cards that can be used anywhere a cellular phone signal is accessible. The internet cards allow investigators to access the state tobacco database and to log onto the Division's web site to supplement Iowa Pledge Retailer Certification classes.

Mobile Product and Invoice Scanners

State drivers did not handle invoice adjustments. Rather, the customer was asked to contact the Division's order entry section.

The Division's truck drivers are equipped with a portable personal computer and scanner. Drivers scan products to be returned and the customer's invoice is adjusted electronically. Upon return to the Division, the scanners use a wireless connection to download data to the master inventory system.



Electronic Licensing

The Division's licensing system involved paper application forms, and correspondence between license applicants, local authorities, dram carriers and the state often took place through U.S. mail.

As Iowa's liquor licensing authority, the Iowa Alcoholic Beverages Division processes and approves over 10,000 licenses annually. While the agency is responsible for licensing the alcoholic beverage industry, it is also charged with maintaining, promoting and safeguarding a regulated market. The Division recently introduced a new internet-based licensing system. Save for the license itself, the system is now a paperless process. While the application process has been made easier, all the approval measures remain in place ensuring that the Division maintains its regulatory standards.



Electronic Application and Approval

Liquor license applicants, insurance companies, and cities and counties utilized a cumbersome, error-prone paper process to apply for and approve a liquor license. Many delays in the process were created by incomplete or inaccurate information supplied by the applicant.

Liquor license applicants, insurance companies, and cities and counties utilize an on-demand, streamlined on-line application, creating a nearly paperless liquor licensing system. As the applicant completes the on-line application, incomplete or inaccurate information results in error messages, notifying the applicant of the problem before the application is submitted. As a result, the lag time between when a business submits an application and when the application is ultimately approved by the Division has been significantly reduced.

Streamlined Electronic Applications

License applications were long and confusing for applicants. Each additional license privilege (e.g. outdoor service, Sunday sales, catering, etc) required the individual to complete and submit a separate application.

Liquor license applications were streamlined by eliminating unnecessary questions. For example, the application for an off-premise application was condensed from 30 to 15 questions. Additionally, licenses were combined so an applicant could complete one application and select additional privileges.

Electronic Dram Shop Approval

Liquor license applicants were required to obtain an *original* certificate of dram shop insurance coverage to submit along with the completed license application, resulting in delays in the license approval and issuance process.

Through the Division's e-licensing system, liquor license applicants indicate their dram shop insurance provider. After applications are completed, the insurance companies electronically verify the appropriate policy information, completely eliminating the paper certificates.

Viewable Public Records Database

Anyone interested in viewing public license records had to contact the Division or their local authority to acquire a paper copies.

The Division's Electronic Licensing System offers a database of licensee records open to the public. Viewers can search the database to obtain license contact information or ownership information, and an on-demand reporting system allows users to obtain specific reports or generate mailing labels.

On Demand Reporting

Complete the Report Criteria and select Output Fields you require. Then click on GENERATE to produce the report.

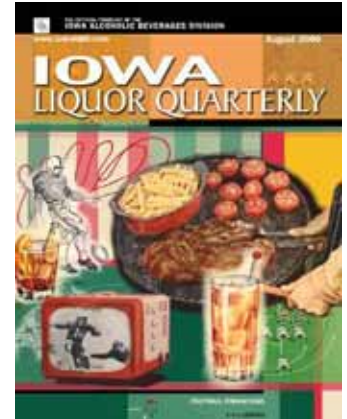
REPORT CRITERIA			
Status: (Any)	License Type: (Any)	Side License Type: (Any)	Position Type: (Any)
Active	Broker (SP)	Brew Pub	Beer Tavern
Approved by Local Authority	Class A Liquor License (LA) (Private Club)	Carryout Beer	Beer wholesaler
Local Authority: (Any)	Applicant: (Any)	Applicant: (Any)	Insurance Company: (Any)
City of Ackley	Adair	Adams	Acceptance Indemnity Ins Co
City of Ackworth	City of Ackley	City of Ackley	ACCEPTANCE INSURANCE COMPANIES
Effective From Date: []	Effective To Date: []	Previous Address: []	Business Phone: []

As the exclusive wholesaler of distilled spirits in Iowa, the Iowa Alcoholic Beverages Division serves more than 500 businesses licensed to sell liquor for consumption off premise. Over the past several years, the Division has sought to enhance customer service with seamless ordering and delivery procedures, as well as increased communication with all licensees.

Iowa Liquor Quarterly Magazine

The Division Administrator lacked an on-going institutionalized way to communicate with on-premise licensees. Communication was generally achieved through formal form letters. Additionally, a list of wholesale prices was made available only to Class E (off premise) licensees. On premise licensees had no way of knowing if they were receiving a fair price.

The Division publishes the Iowa Liquor Quarterly, a full color magazine distributed free of charge to all liquor licensees as well as other stakeholders. The costs of creating, printing and mailing the ILQ are covered by advertising revenue. The ILQ offers the Division Administrator an opportunity to communicate regularly with licensees. Additionally, a listing of all products carried in the state liquor warehouse, complete with wholesale prices is included. Prior to the ILQ, only class "E" or wholesale licensees were able to access the price/listing information.



Legally Speaking...

Licensees received no information or notification of current or pertinent legal issues.



The Division is able to communicate with licensees and other stakeholders about pertinent legal issues in the beverage alcohol industry via a dedicated page in the Iowa Liquor Quarterly entitled "Legally Speaking." The Division's regulation section and assistant attorney general cover legal issues currently affecting licensees in Iowa.

Eye on Iowa

Exemplary and unique Iowa bars were left unrecognized.

The Iowa Liquor Quarterly magazine and the Division's web site feature a section entitled "Eye on Iowa Class C Licensees" where a unique Iowa bar is showcased with a story and several photos. The article serves as entertaining reading as well as a guide to some of Iowa's top establishments.



Electronic News Service

The Division lacked a way to communicate breaking news to customers and stakeholders.

The Division publishes a weekly "ABD E-News" via e-mail to a wide range of stakeholders, listing special announcements, breaking news and pertinent news articles from Iowa and across the country.



The Division sent letters to customers notifying them of changes to schedules, deliveries or other related matters.

ABD Newsletter

The Division sends a monthly newsletter to its Class E licensees to communicate various announcements in holiday schedules, delivery changes and operational changes. The “ABD News” also lists new products and promotions offered by the various brokerage companies.



The Division offered customers a chance to specially order products not listed in the Division's product portfolio, however the orders took up to 60 days to arrive and customers were often left out of the loop.

Special Order Program

While the Division offers up to 1,300 different products, Class E licensees are able to fulfill special orders for their customers via the Division's Special Order Program. Customers can ask their area retailer for a specific product not offered in the Division's portfolio, and the retail licensee can contact the Division to arrange a special shipment of the product. The Division's purchasing assistants locate the product and notify the licensee when it arrives at the State Liquor Warehouse.

Customers had to wait up to 3 months for an ABD field auditor to visit to process and credit defective merchandise. To return unwanted products, customers had to call the Division's products section to schedule a merchandise return.

Defective Products Policy

The Division's truck drivers collect defective merchandise from customers on their weekly delivery routes and make note on the return invoice. The drivers notify the Division's accounting section of the defective merchandise upon their return to the central office and the accounting section issues credit back to the customer. The drivers also collect the defective products and transport them back to the Division.

Customers could place liquor orders via telephone or fax.

Ordering Options

Customers may e-mail liquor orders to ABD, reducing error and streamlining the ordering process.

Orders that were faxed to the Division were inconsistent, unorganized and often difficult to read.

Standardized Fax Order Forms

Customers visit www.IowaABD.com and download a standard fax form. They have the option of filling it out manually and faxing it to the Division or filling it out electronically on a Microsoft Excel document that automatically calculates the case and bottle totals.

Customers were required to pay the entire liquor invoice dollar amount upon delivery even if the order was short merchandise or contained defective product. The customer received credit 2-3 weeks later.

On-the-Spot Invoice Adjustments

The customer invoice is adjusted to reflect any shortage or defective merchandise and the customer is only charged for actual received product.

The Iowa Alcoholic Beverages Division is a unique state agency in that it generates substantial revenue to state and local governments. Generating revenue from the wholesale of distilled spirits, beer and wine excise taxes, collection of liquor license fees and civil penalties, the Division has transferred more than \$1 billion to the state's coffers in the past 18 years.

Funds Generated

The Division generated \$56 million in revenue in Fiscal Year 1998.

The Division generated over \$83 million in revenue from the wholesale of liquor, excise taxes on beer and wine, license fees and civil penalties in Fiscal Year 2006.

FISCAL YEAR 2006 REVENUE GENERATED \$83,015,806



Funds Transferred

The Division transferred \$56 million to Iowa coffers in Fiscal Year 1998.

The Division transferred over \$83 million to Iowa's General Fund, substance abuse programs, municipal programs and beer and wine promotion.

FISCAL YEAR 2006 REVENUE TRANSFERRED \$83,015,806



Distilled Spirits Sales by Dollar

The Division sold \$92.328 million worth of distilled spirits at wholesale in Fiscal Year 1998.

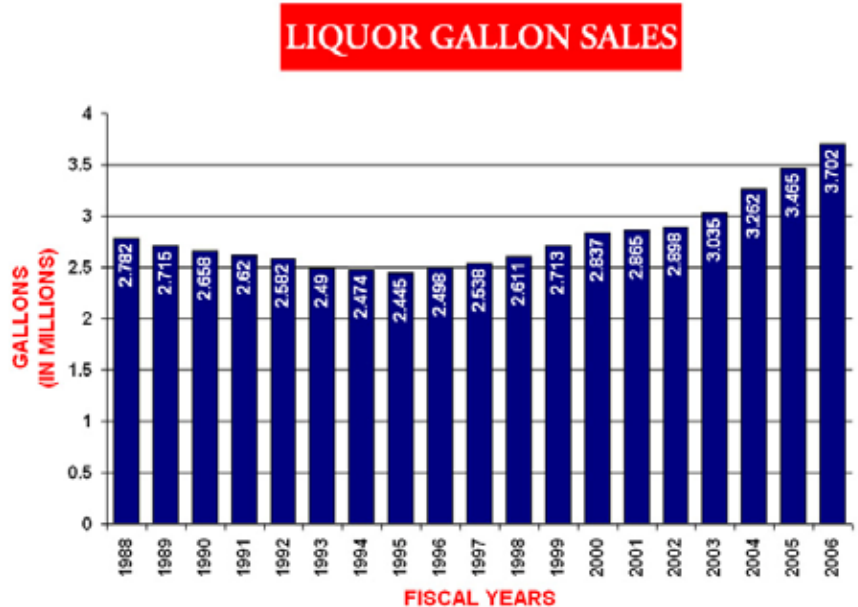
The Division generated more than \$160 million from the wholesale of distilled spirits in Fiscal Year 2006. The year's sales are the latest in a continual increase that has spanned 11 years. Dollar sales have increased by 57% since FY1998.



Distilled Spirits Sales by Gallon

The Division sold 2.611 million gallons of distilled spirits in Fiscal Year 1998.

The \$160 million at wholesale was based on sales of 3.7 million gallons. Gallonage sold has increased at a slower rate than dollar sales. The difference indicates that Iowans are purchasing more expensive, or premium, products.



Liquor Profit

Iowa's liquor profit was \$12.13 per gallon sold in FY 1998.

Iowa's liquor profit was \$14.67 per gallon sold in FY 2006.

Product Portfolio

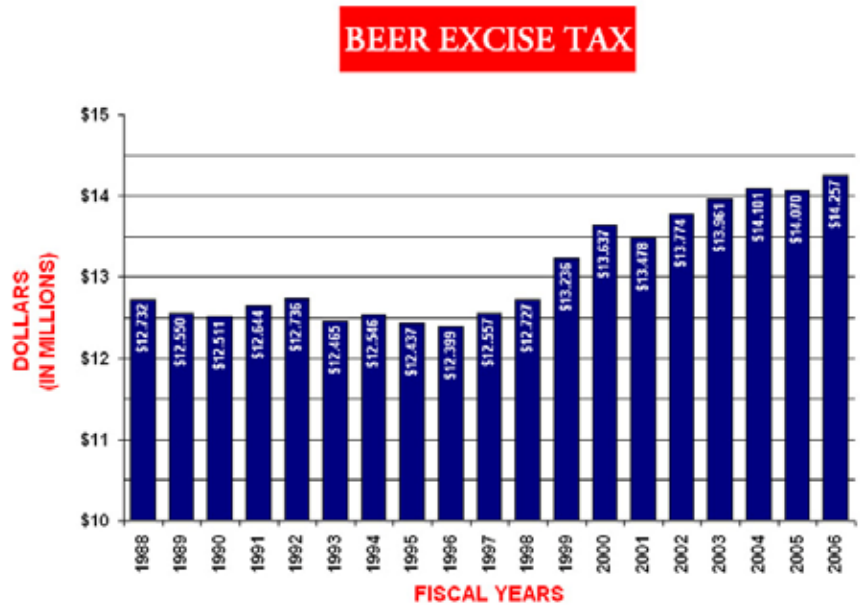
The state liquor warehouse carried 900-1,000 products.

The state liquor warehouse currently carries between 1,200 and 1,300 products.

Beer Excise Tax

The Division collected \$12.727 million from the beer excise tax in Fiscal Year 1998.

The Division collected \$14.257 from the \$0.19/gallon excise tax on beer.



Wine Excise Tax

The Division collected \$3.806 million from the wine excise tax in Fiscal Year 1998.

The Division collected \$5.668 from the \$1.75/gallon excise tax on wine.



Native Wine License

Retailers wishing to sell Iowa native wines had to purchase a \$500 liquor license to do so. The relatively high cost of the appropriate license served as a barrier to the fledgling native wine industry in getting product to consumers through retail channels.

The Division partnered with the native wine industry to advocate legislation creating a \$25 native wine license, assisting native wineries in distributing Iowa native wines by giving retail outlets incentives to carry native wines.

The Division employed a flat mark-up rate of 50% on all categories of distilled spirits.

Variable Mark-Up Rate on Vodka

The Division, in 2004, introduced a pilot variable mark-up rate (VMR) on the state's excise tax on the vodka category. Whereas distilled spirits are normally taxed at a flat 50%, the variable mark-up on vodka taxes low-end products at 60% and premium products at 40% with 2% intervals in between. The VMR is meant to induce a price compression at the retail level that encourages customers to "trade up" to a more expensive product. The "trade up" behavior allows customers to purchase a higher-end product for just a few dollars more and enhances the state's tax revenue. Better to collect 40% on a \$30 product, for example, than to collect 60% on a \$10 product.

The Division had transferred a total of \$544.8 million through Fiscal Year 1998.

\$1 Billion Revenue Milestone

The Iowa Alcoholic Beverages Division reached a major milestone in the agency's history on May 20, 2005. Administrator Lynn Walding announced that the Division topped the \$1 Billion mark with the May 2005 transfer to the general fund. Reorganized on July 1, 1987, when the last state liquor store was closed and the state became the exclusive wholesaler of distilled spirits, the Division generated that revenue contribution in a span of less than 18 years. Currently, the Division's total revenue contribution sits at \$1.094 billion.



future initiatives

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The Iowa Alcoholic Beverages Division has made a commitment to continually search ways to innovate, incorporate technology, enhance customer service and generate increased revenue.

Great Places Contribution

The Division currently has three trucks on the road with Great Places designs.

With three trucks already on the road with designs promoting Iowa Great Places, the Division will continue its participation in the Iowa Great Places Initiative by donating advertising space on its remaining trailers for Great Place designs.

State Liquor Warehouse Reorganization

Space in the State Liquor Warehouse currently allows the Division to list up to 1,300 products.

The Division is seeking opportunities to install new pallet racking in the State Liquor Warehouse that will utilize vertical space, and thus allow the Division to significantly increase its product portfolio.

Expanding the Variable Mark-Up Rate

The Division's variable mark-up rate is effective only on the vodka category.

The Division is exploring the possibility of incorporating its variable mark-up rate system on other products categories.

'Native' Winery Definition

Iowa laws regarding native wineries are subject to controversy over what constitutes an actual "native" Iowa wine.

Currently, Iowa Law allows local wineries to import grape juice from other states, ferment it in Iowa, and label it as a "native" wine. Speculation of whether the current statutes allow wineries to produce products that potentially mislead customers has brought the issue to the Division's attention. After a series of public forums on the issue, the Division hopes to come to a consensus with stakeholders and chart a course of action for modified legislation.

'Granholm' Legislation

The State of Iowa currently lacks an efficient regulatory structure for wine shipped across state borders directly to consumers.

In 2005, the U.S. Supreme Court struck down laws in Michigan and New York that prohibited out-of-state wineries from shipping their products directly to consumers in their states. Although Iowa is a reciprocity state—one that allows other states to ship wine into Iowa if those states allow Iowa wine to be shipped to them—certain current statutes may be deemed unconstitutional if challenged. The Division aims to draft recommended modifications to the current legislation to ensure the fairness and constitutionality of Iowa's wine laws.

Increased Revenue

The Division generated over \$83 million in revenue in Fiscal Year 2006.

With sales of distilled spirits at an all-time high, the Division expects revenue from liquor sales to continue its upward trend. The Division will also combine cost savings and other revenue initiatives to transfer additional funds to state coffers. In Fiscal Year 2007, the Division estimates its total revenue contribution to eclipse \$86 million.