

F I N A L R E P O R T  
LIQUOR SYSTEM ANALYSIS STUDY COMMITTEE

Senator Larry Murphy, Co-chairperson  
Representative Dennis Renaud, Co-chairperson

Submitted to the General Assembly  
January 1990

Prepared by the Legislative Service Bureau



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AUTHORIZATION AND APPOINTMENT

The Liquor System Analysis Study Committee was established by the Legislative Counsel "to analyze issues related to Iowa's wholesale liquor system and the liquor purchasing habits of Iowans, including the potential effects in border communities if prices are reduced by 10 to 15 percent".

Members serving on the Study Committee were:

Senator Larry Murphy, Co-chairperson  
Representative Dennis Renaud, Co-chairperson  
Senator John Kibbie  
Senator Donald Gettings  
Senator Jack Rife  
Senator Richard Vande Hoef  
Representative William Harbor  
Representative Dennis May  
Representative Michael Peterson  
Representative Hugo Schnekloth

COMMITTEE PROCEEDINGS

The Study Committee was granted one meeting day, which took place on Tuesday, October 31, 1989.

MEETING -- OCTOBER 31, 1989

The meeting of the Study Committee was held on Tuesday, October 31, 1989, in Room 22 of the Statehouse. Presentations were made by representatives of interested groups.

Mr. Russell Laird, Iowa Restaurant and Beverage Association, recommended privatization of the wholesale sale of alcoholic liquors and adoption of an excise tax based on gallons sold which is competitive with neighboring states.

Mr. Gene Kennedy, State Association of Beverage Retail Establishments, recommended reduction of the wholesale liquor markup rate currently mandated by law to be 50 percent.



Mr. Jim West, Grocers Association of Iowa, answered questions regarding Iowa's Dramshop law. Mr. Chuck McGregg, Wine Institute, and Mr. Lynn Walding, Attorney General's Office, were also available to answer questions from Committee members.

Special Agent Richard Walker, Division of Criminal Investigation, Department of Public Safety, discussed enforcement of laws prohibiting importation of certain amounts of liquor from neighboring states. Mr. Walker stated that eleven agents are available to enforce laws relating to importation of liquor, in addition to laws relating to gaming.

Dr. Kenneth Stone, Extension Economist, Iowa State University, discussed his study analyzing possible outcomes of a reduction of the wholesale liquor markup percentage. His research indicated that Iowa experiences significant leakage of liquor sales as a result of Iowans' purchasing liquor in neighboring states.

Mr. Richard Morrell, Mr. Jim Kuhlman, and Mr. Norm Rogers, Alcoholic Beverages Division, Department of Commerce, maintained a neutral position regarding a possible change in the wholesale markup rate. They discussed current trends in liquor retailing and consumption.

#### RECOMMENDATIONS

The Study Committee made two formal recommendations. Bill drafts are being prepared to implement the recommendations as follows:

1. The price of alcoholic liquor sold by the Alcoholic Beverages Division of the Department of Commerce should include a markup of up to 45 percent, rather than up to 50 percent, of the wholesale price.

2. Increased funding should be allocated for increased staffing in the Division of Criminal Investigations for enforcement of provisions relating to importation of alcoholic liquor into the state.

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