

# AGENDA

## ALCOHOLIC BEVERAGES COMMISSION MEETING

Iowa Department of Revenue  
Alcoholic Beverages Commission  
April 11, 2024 10 AM-12 PM (CST)  
<https://meet.goto.com/868993757>  
You can also dial in using your phone.  
United States: (224) 501-3412  
Access Code: 868-993-757

### Call to Order

Chairperson Eubank

1. Introductions/Opening Remarks
2. Approval of Agenda - **ACTION ITEM**
3. Approval of Minutes - **ACTION ITEM**
4. Public Comment

Chairperson Rachael Eubank

5. Alignment

Director Mary Mosiman

6. Administrator's Report

Administrator Stephen Larson

- A. Alcohol and Tax Operations & Financials
  1. Fiscal Year 2024 Financials
  2. Overall Operations and Distribution
  3. Warehouse Capacity Discussion
  4. Plans for Fiscal Year 2025

Leisa Bertram, Bureau Chief

Steve French, Chief Financial Officer

- B. Licensing

Spencer Morehouse, Bureau Chief

- C. Regulatory Compliance

DeMario Luttrell, Bureau Chief

- D. 2024 Legislative Update

Tyler Ackerson, Legislative Liaison

7. New Business

Chairperson Rachel Eubank

8. Next Meeting Date

Chairperson Rachel Eubank

### Adjournment

Chairperson Rachel Eubank

NOTE: Committee and Board agendas may be amended any time up to 24 hours before the meetings. Agenda items may be considered out of order at the discretion of the chair. Meetings will not convene earlier than stated above. If you require accommodations to participate in this public meeting call 515.281.7400 option 7 or TTY at (toll-free) 866.469.2223 to make your request. Please notify ATOD at least 48 hours in advance.

\*Items of Interest Indexed on Next Page



**Department of Revenue**

# **Alcohol & Tax Operations Division, Operations & Finance**

**April 11, 2024**

**Cedar Rapids, IA**

# FY24 Finance Results through March

- **Liquor Sales, 0.4% increase**

- \$326.4 million total liquor sales revenue
  - \$1.2 million increase compared to FY23

- **\$332.3 million total revenue collected, 0.5% increase**

- Split Case fee; \$2 million, 22.7% increase
  - Bottle Deposit and Surcharge; \$3.9 million, 5% increase

- **Operational Metrics**

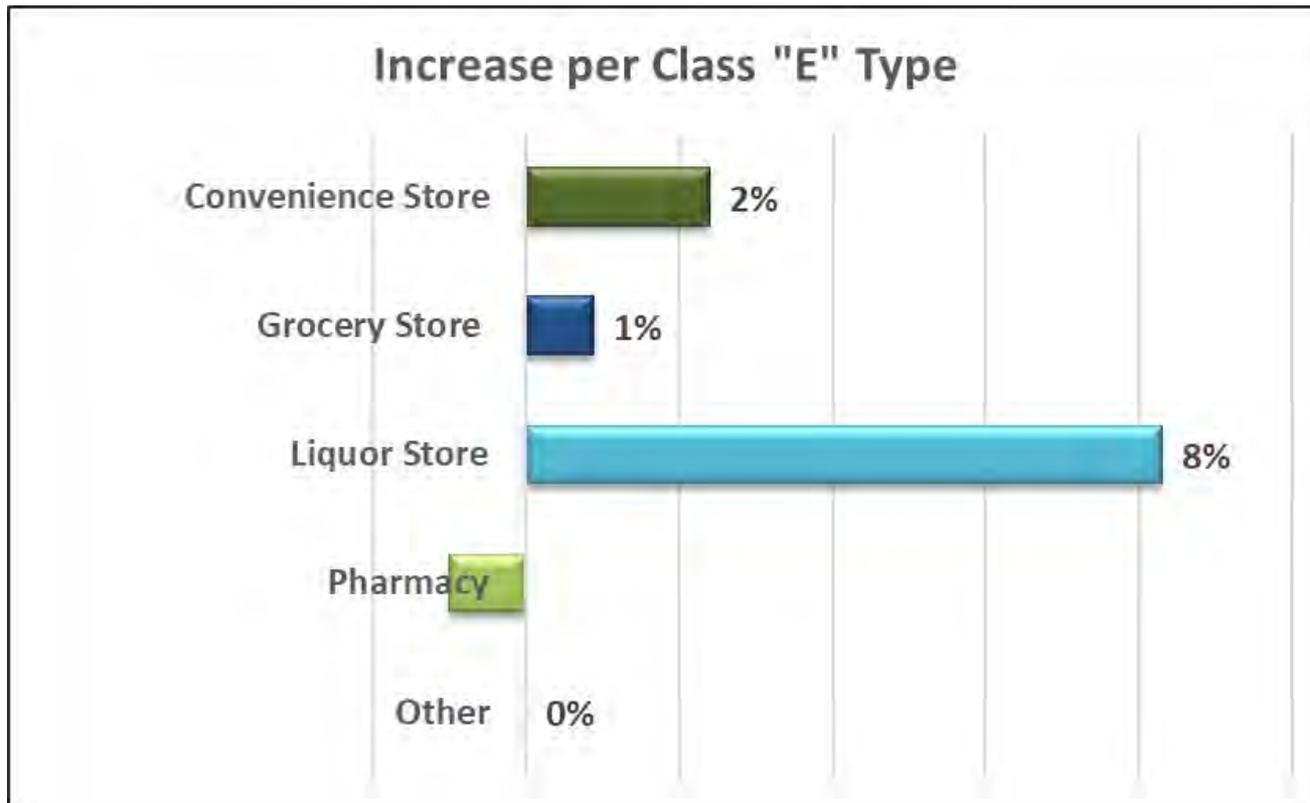
- Decreases; Cases (-1.2%), Bottles (-2%), Picks (-6%)
  - Increases; Deliveries 4.8%, Orders 8.1%
  - Days Comparison- Feb 29th, -2 in March, YTD -1

- **Transfer Totals**

- FY24 estimate, \$151.5 million
  - Behind by (-2.6%), \$109.2 million transferred (-\$4 million) comp to FY23

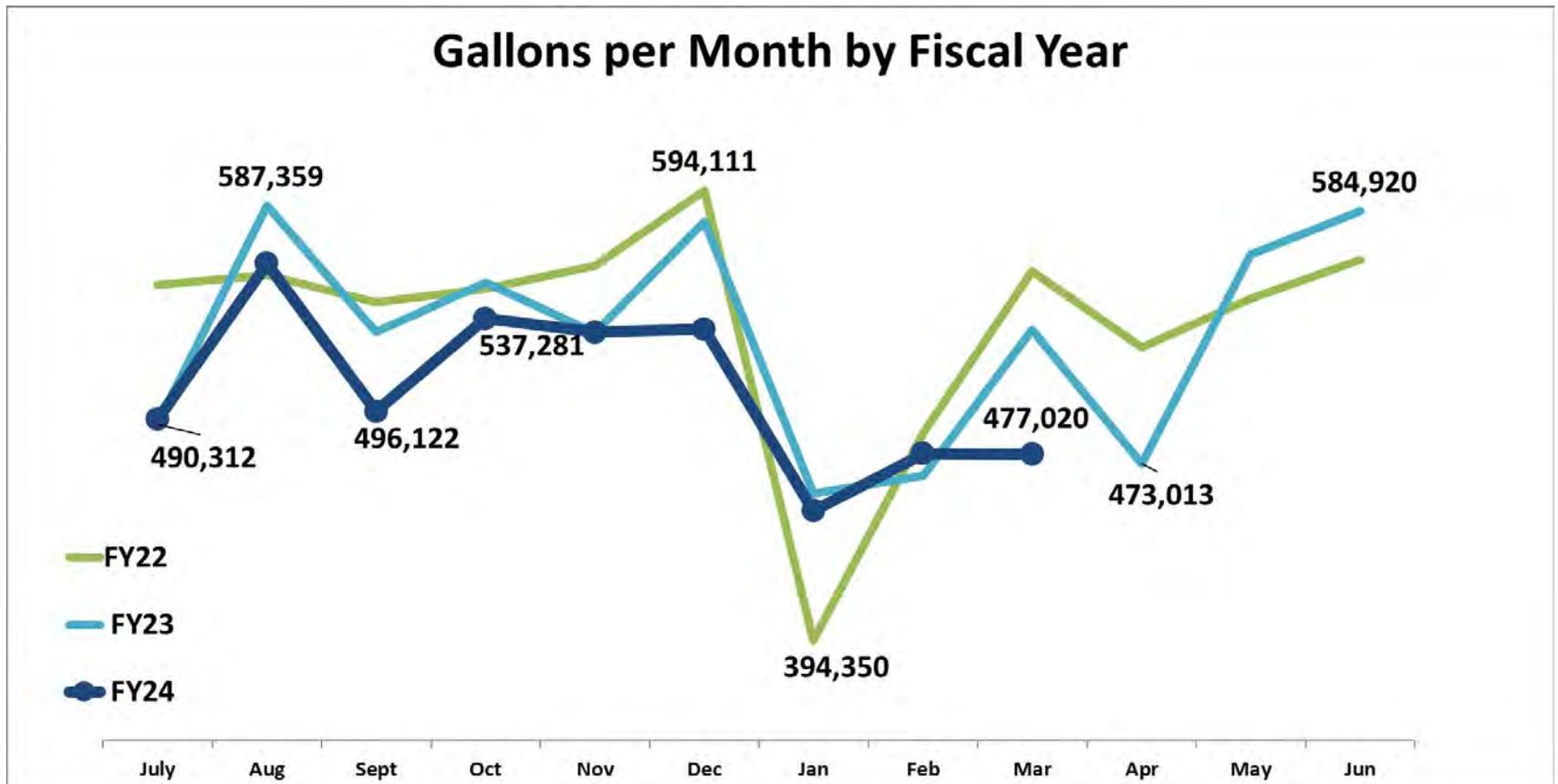
# Class “E” Retail Population, 2,085

- **23** new licenses since last meeting in January
- Since July '23, 53 new; Convenience Store 28, Liquor Store 22, Grocery 4



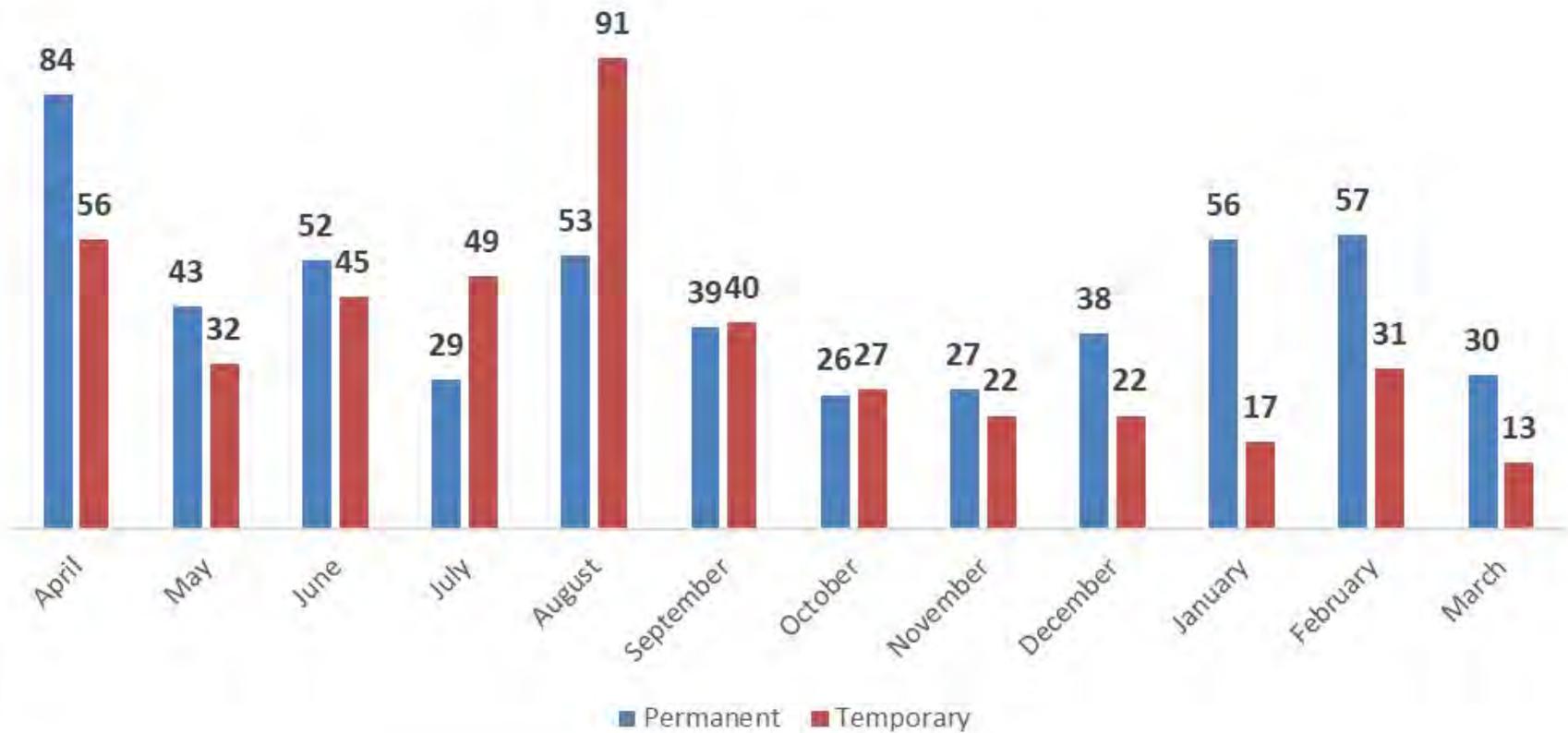
# Gallons Analysis, through March

- 4.5 million gallons sold (-3.7%) decrease, 175k



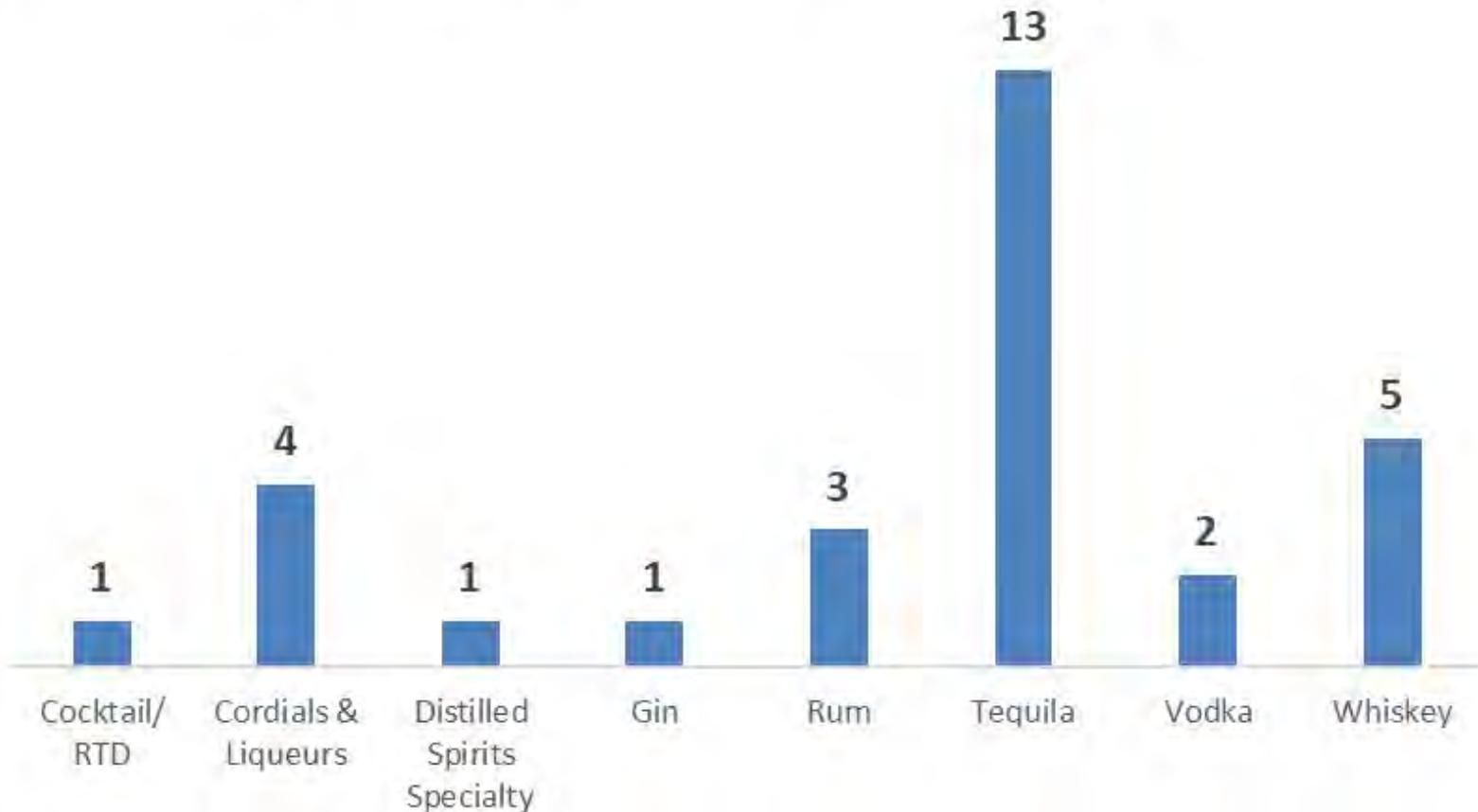
# Operations

Rolling 12- Month Listed Products



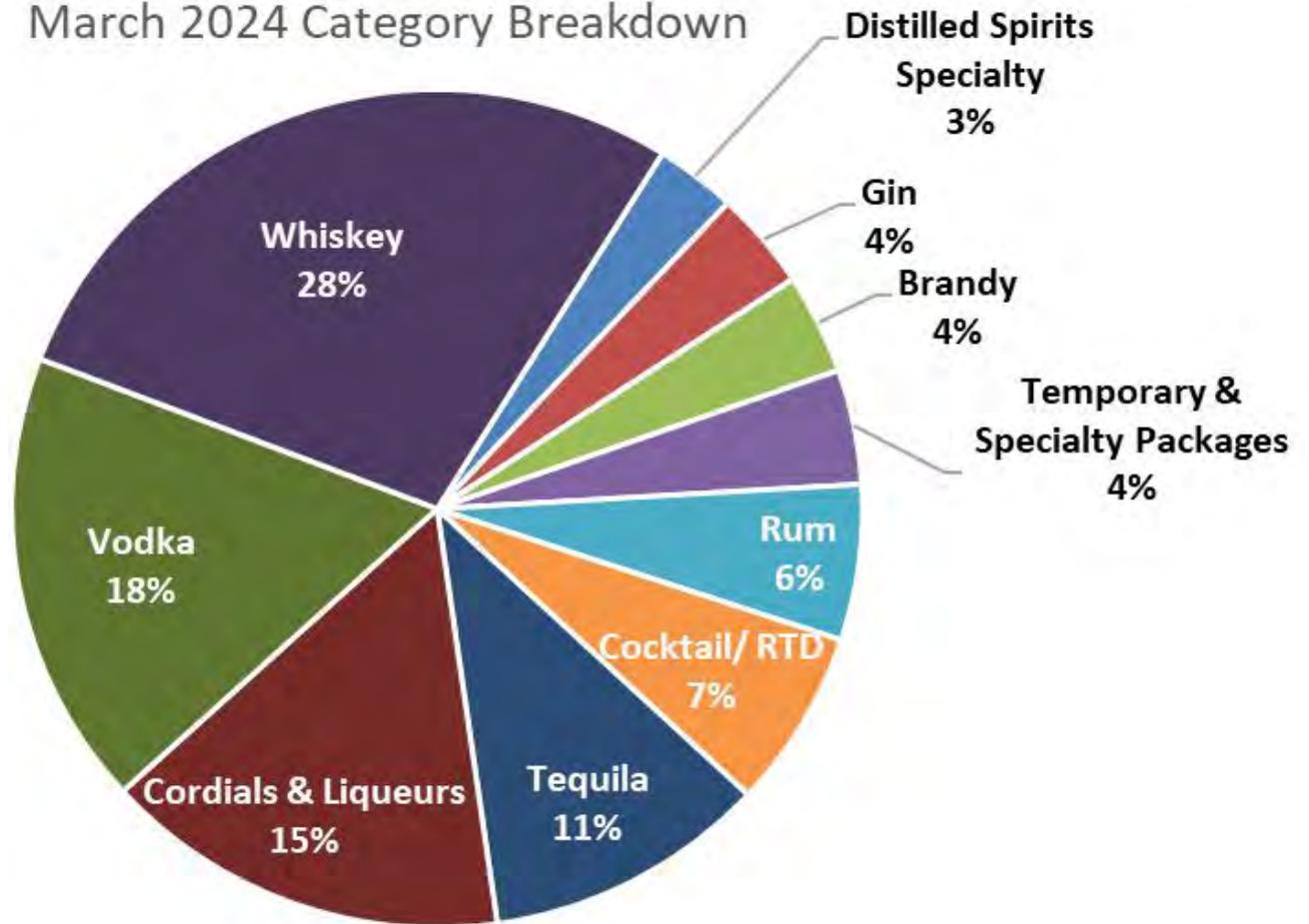
# Operations

March 2024 Permanent Product Categories



# Operations

March 2024 Category Breakdown



# Projects and Updates

- **Boiler Replacement- Complete**  
New exhaust system- roof
- **Phone Removal Project- Complete**  
Removed majority of desk phones  
Cell phones and shared lines
- **HVAC and Building Automation**  
Building work has begun,  
Bi-weekly progress meetings
- **Warehouse Redesign**  
Procurement and installation of 1 additional wrapper  
Will Call area clean up  
Racking updates for greater efficiency  
Input from Ruan

# Warehouse Capacity Study

- **Project initiated-** IDR Project Management Office (PMO) in partnership with Ruan Project Manager. High level discussions.
- **Purpose-** Evaluate short-term & long-term warehouse needs and determine how to meet the needs of Iowa's alcohol sales and distribution responsibilities.
- **Hy-Tek Capacity Study-** Continue long-term project that started with the study. Review and evaluate recommendations provided at the conclusion.
- **Action-** Engage Subject Matter Experts (SMEs) from functional areas to identify improvement opportunities. Identify stakeholder groups to engage, develop communication plan tailored to each group.
- **Method-** Use IDR tool SMART (Strategic Method & Realization Techniques). Shared tool for all internal stakeholders. External stakeholders will have access to project reports, ask questions, etc.

# Warehouse Capacity Study (Cont'd)

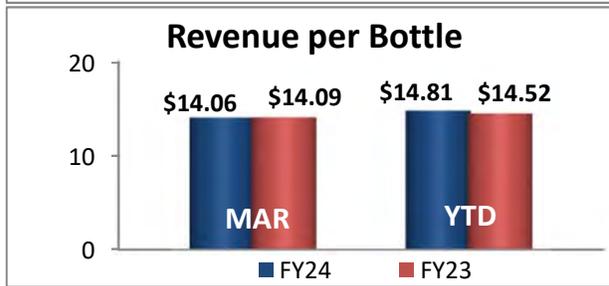
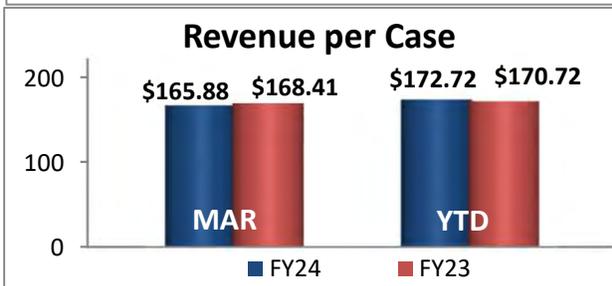
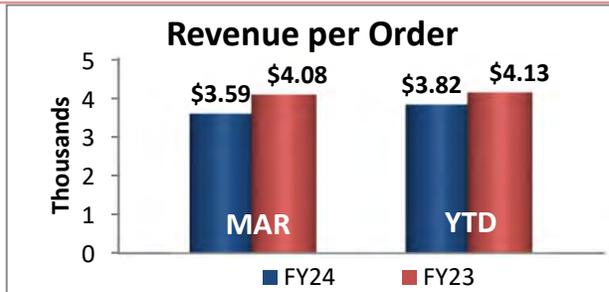
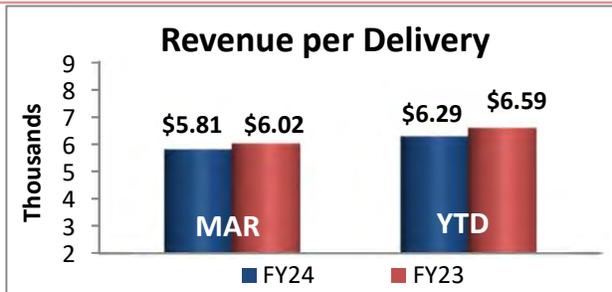
- **Team-** Internal and External members  
Project Sponsor- Steve Larson  
Business Champion- Leisa Bertram  
PMO from IDR and PM from Ruan
- **Support-** Involvement of other Revenue offices; Data Office, Security Team, Legal Team, CFO, Organizational Change Management (OCM), Standing Steering Committee (Committee members are the 7 division administrators)
- **Getting Started-** Project Managers  
Get together for planning purposes  
Planned kickoff meeting- provide a high-level overview of the project plan  
Project Charter- Approved by the steering committee  
More information and details coming in the next few months

## Iowa Alcoholic Beverages Division

### March Sales Comparison Year Over Year ACCRUAL Basis

Category	FY 2024	FY 2023	% Change	Amt Change
Liquor Sales	\$33,368,656	\$36,368,816	-8.25%	(\$3,000,160)
Split Case Fee*	\$192,489	\$190,769	0.90%	\$1,721
Bottle Dep and Sur	\$400,582	\$424,393	-5.61%	(\$23,811)
<b>Total Revenue</b>	<b>\$33,961,727</b>	<b>\$36,983,978</b>	<b>-8.17%</b>	<b>(\$3,022,251)</b>
Deliveries	5,845	6,144	-4.87%	(299)
Orders	9,468	9,069	4.40%	399
Cases	204,732	219,608	-6.77%	(14,876)
Bottles	2,416,015	2,624,714	-7.95%	(208,699)
Picks	409,327	474,336	-13.71%	(65,009)

\*On July 1 FY24, the split case fee was raised from \$0.75 to \$1.00



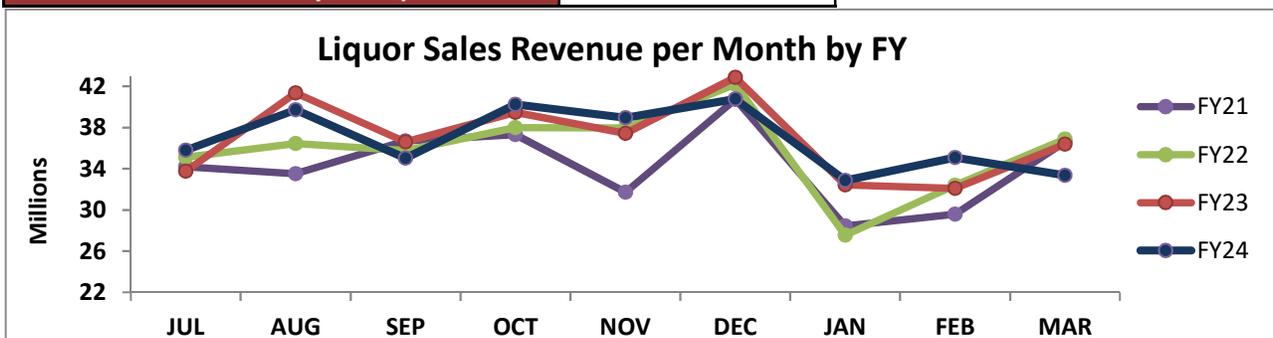
### Fiscal Year Sales Comparison Year to Date ACCRUAL Basis

Category	FY 2024	FY 2023	% Change	Amt Change
Liquor Sales	\$331,766,384	\$332,339,942	-0.17%	(\$573,558)
Split Case Fee	\$2,031,724	\$1,690,620	20.18%	\$341,104
Bottle Dep and Sur	\$3,985,868	\$3,829,204	4.09%	\$156,663
<b>Total Revenue</b>	<b>\$337,783,976</b>	<b>\$337,859,766</b>	<b>-0.02%</b>	<b>(\$75,790)</b>
Deliveries	53,723	51,249	4.83%	2,474
Orders	88,401	81,747	8.14%	6,654
Cases	1,955,642	1,979,038	-1.18%	(23,396)
Bottles	22,804,806	23,273,771	-2.01%	(468,965)
Picks	3,982,763	4,234,271	-5.94%	(251,508)

Number of Sales Days Comparison

Year to Date -1

Mar -2



## Iowa Alcoholic Beverages Division

### March Sales Comparison Year Over Year - Cash Basis

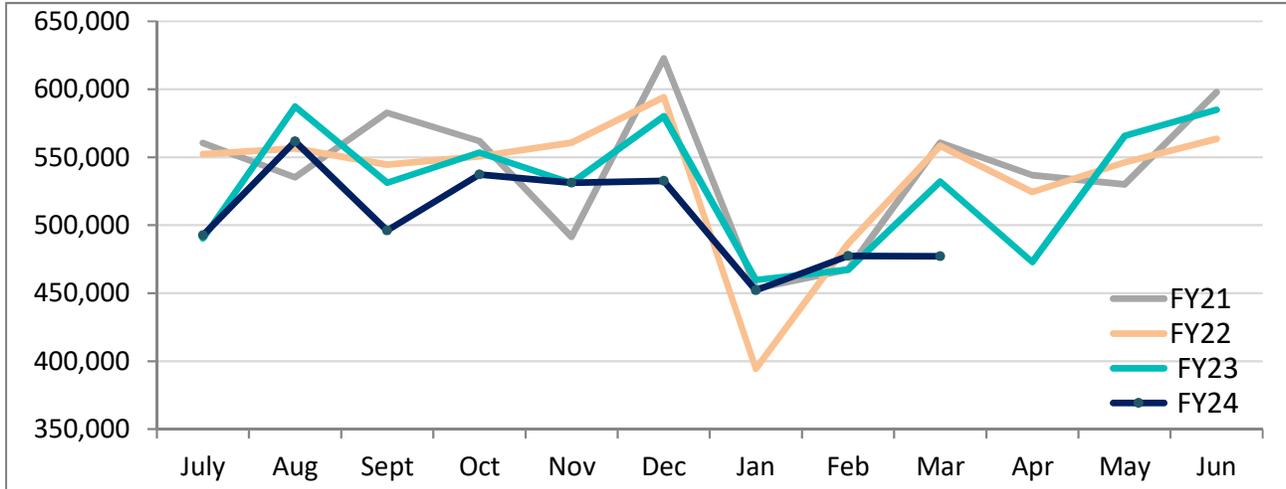
Category	FY 2024	FY 2023	% Change	Amt Change
Liquor Sales	\$33,583,486	\$34,034,068	-1.32%	(\$450,582)
Split Case Fee	\$198,077	\$169,240	17.04%	\$28,837
Bottle Dep and Sur	\$397,683	\$381,205	4.32%	\$16,478
Total Revenue	\$34,179,246	\$34,584,513	-1.17%	(\$405,267)
Bailment Fee	\$222,218	\$241,780	-8.09%	-\$19,561

### Fiscal Year Sales Comparison Year-to-Date - Cash Basis

Category	FY 2024	FY 2023	% Change	Amt Change
Liquor Sales	\$326,392,894	\$325,157,006	0.38%	\$1,235,888
Split Case Fee	\$2,011,021	\$1,639,380	22.67%	\$371,642
Bottle Dep and Sur	\$3,907,356	\$3,722,621	4.96%	\$184,735
Total Revenue	\$332,311,271	\$330,519,007	0.54%	\$1,792,264
Bailment Fee	\$2,160,517	\$2,179,757	-0.88%	-\$19,240
<b>Number of Sales Days Comparison</b>		<b>Year to Date -1</b>	<b>Mar -2</b>	

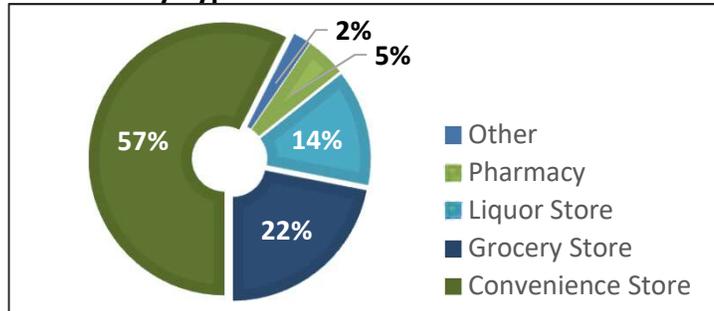
### Gallons by Month per FY

Gallons	FY 2024	FY 2023	% Change	Amt Change
Month Total	477,020	532,106	-10.35%	(55,086)
YTD Total	4,557,785	4,732,618	-3.69%	(174,833)
YTD Average	515,108	530,560	-2.91%	(15,451)
Accrual Month Sales	33,368,655.54	36,368,816.00	-8.25%	-\$3,000,160
Accrual YTD Sales	331,766,383.67	332,339,941.84	-0.17%	-\$573,558
Month Sales/Gallon	\$69.95	\$68.35	2.35%	\$1.60
YTD Sales/Gallon	\$72.79	\$70.22	3.66%	\$2.57



### Class E Licensees by Type

Licensee Type	Total LE's
Other	43
Pharmacy	99
Liquor Store	287
Grocery Store	457
Convenience Store	1,199
<b>Total</b>	<b>2,085</b>
<b>Trend Mo/Mo</b>	<b>+6</b>



**Iowa ABD  
Liquor Trust Fund Summary  
FY 2024**

**March Fiscal Year 2024 Revenues**

Wine Tax	511,720	
License Revenue	957,142	
Liquor Sales	33,583,486	
Split Case Revenue	193,787	
Bottle Deposit Surcharge	397,683	
Misc. Revenue	4,750	
<b>Total Liquor Control Fund Revenue</b>		<b>35,648,568</b>

**March Fiscal Year 2024 Expenses**

Personnel Expenses	233,939	
Liquor Purchases	22,690,067	
Bottle Deposit/Recycle Surcharge	190,782	
Ruan Operations	725,885	
Information Techonology	206,523	
City and County Payments	352,420	
Transfer to ABD Gen. Fund	-	
Sunday Sales Transfer - IDPH	-	
Iowa Economic Development	-	
Substance Abuse Transfer	2,386,910	
General Fund Reversion	10,000,000	
Misc. Liquor Control Fund Expenses	140,229	
<b>Total Liquor Control Fund Expenditures</b>		<b>36,926,755</b>

**Revenues over Expenditures** (1,278,187)

1/3 Cash Balance as of **04/08/2024** 15,494,976

**Suggested General Fund Reversion 9,000,000**  
**Economic Development Transfer 500,000**  
**Required Substance Abuse 2,364,409.13**

**Est. Ending Cash Balance: 3,630,566**  
**Less Obligation Below (2,821,577)**  
**Est. NET Cash Balance: 808,989**

Expense Obligation	\$	(452,541)	
March Sales not yet posted		-	
April Sales Posted		(2,369,036)	
<b>Net obligation</b>	<b>\$</b>	<b>(2,821,577)</b>	

**Iowa ABD Reversion Analysis  
FY2024 / FY2023**

	<u>Liquor Sales</u>		<u>Split Case Revenues</u>			<u>Total Revenue</u>		<u>FY24 vs. FY23</u> <u>% Change</u>
	<u>FY23</u>	<u>FY24</u>	<u>FY23</u>	<u>FY24</u>		<u>FY23</u>	<u>FY24</u>	
July	\$ 26,647,080.91	\$ 29,072,302.75	\$ 137,177.00	\$ 181,023.25		\$ 26,784,257.91	\$ 29,253,326.00	9.22%
August	\$ 41,876,055.55	\$ 37,732,282.06	\$ 211,402.00	\$ 225,163.00		\$ 42,087,457.55	\$ 37,957,445.06	-9.81%
September	\$ 36,403,968.82	\$ 35,127,123.91	\$ 176,857.50	\$ 210,007.25		\$ 36,580,826.32	\$ 35,337,131.16	-3.40%
October	\$ 41,357,112.79	\$ 43,545,939.32	\$ 191,845.50	\$ 257,226.00		\$ 41,548,958.29	\$ 43,803,165.32	5.43%
November	\$ 36,573,337.11	\$ 37,203,852.21	\$ 191,517.00	\$ 224,517.50		\$ 36,764,854.11	\$ 37,428,369.71	1.80%
December	\$ 40,811,357.06	\$ 35,644,443.75	\$ 196,861.25	\$ 217,512.00		\$ 41,008,218.31	\$ 35,861,955.75	-12.55%
January	\$ 35,871,242.53	\$ 40,588,506.95	\$ 203,561.25	\$ 280,746.50		\$ 36,074,803.78	\$ 40,869,253.45	13.29%
February	\$ 31,582,783.69	\$ 33,894,957.31	\$ 160,918.50	\$ 203,755.00		\$ 31,743,702.19	\$ 34,098,712.31	7.42%
March	\$ 34,034,067.98	\$ 33,583,486.23	\$ 169,239.75	\$ 193,787.00		\$ 34,203,307.73	\$ 33,777,273.23	-1.25%
April								
May								
June								
July								
<b>Total</b>	<b>\$ 325,157,006.44</b>	<b>\$ 326,392,894.49</b>	<b>\$ 1,639,379.75</b>	<b>\$ 1,993,737.50</b>		<b>\$ 326,796,386.19</b>	<b>\$ 328,386,631.99</b>	<b>0.49%</b>

	<u>Substance Abuse Reversion</u>		<u>General Fund Reversion</u>		<u>IEDA Reversion</u>		<u>Total Reversion</u>		<u>FY24 vs. FY23</u> <u>% Change</u>
	<u>FY23</u>	<u>FY24</u>	<u>FY23</u>	<u>FY24</u>	<u>FY23</u>	<u>FY24</u>	<u>FY23</u>	<u>FY24</u>	
July	\$ 1,874,898.05	\$ 2,047,732.82	\$ 11,500,000.00	\$ 9,000,000.00	\$ -	\$ -	\$ 13,374,898.05	\$ 11,047,732.82	-17.40%
August	\$ 2,946,122.03	\$ 2,657,021.15	\$ 9,500,000.00	\$ 6,000,000.00	\$ -	\$ -	\$ 12,446,122.03	\$ 8,657,021.15	-30.44%
September	\$ 2,560,657.84	\$ 2,473,599.18	\$ 10,000,000.00	\$ 14,000,000.00	\$ 500,000.00	\$ 500,000.00	\$ 13,060,657.84	\$ 16,473,599.18	26.13%
October	\$ 2,908,427.08	\$ 3,066,221.57	\$ 11,000,000.00	\$ 10,500,000.00	\$ -	\$ -	\$ 13,908,427.08	\$ 13,566,221.57	-2.46%
November	\$ 2,573,539.79	\$ 2,619,985.88	\$ 10,000,000.00	\$ 11,000,000.00	\$ -	\$ -	\$ 12,573,539.79	\$ 13,619,985.88	8.32%
December	\$ 2,870,575.28	\$ 2,510,336.90	\$ 9,500,000.00	\$ 9,000,000.00	\$ 500,000.00	\$ 500,000.00	\$ 12,870,575.28	\$ 11,510,336.90	-10.57%
January	\$ 2,525,236.26	\$ 2,860,847.74	\$ 9,500,000.00	\$ 8,250,000.00	\$ -	\$ -	\$ 12,025,236.26	\$ 11,110,847.74	-7.60%
February	\$ 2,222,059.15	\$ 2,386,909.86	\$ 8,500,000.00	\$ 10,000,000.00	\$ -	\$ -	\$ 10,722,059.15	\$ 12,386,909.86	15.53%
March	\$ 2,394,231.54	\$ 2,364,409.13	\$ 9,750,000.00	\$ 9,000,000.00	\$ 500,000.00	\$ 500,000.00	\$ 12,644,231.54	\$ 11,364,409.13	-10.12%
April									
May									
June									
July									
<b>Total</b>	<b>\$ 22,875,747.03</b>	<b>\$ 22,987,064.24</b>	<b>89,250,000</b>	<b>86,750,000</b>	<b>\$ 1,500,000.00</b>	<b>\$ 1,500,000.00</b>	<b>\$ 113,625,747.03</b>	<b>\$ 109,737,064.24</b>	<b>-3.42%</b>

**Obligation**

**151,500,000      151,500,000**

**Over/Under Reversion**

**(37,874,253)      (41,762,936)**  
**75.00%              72.43%**

**On Track**  
**75.00%**  
**-2.57%**

**Iowa ABD Reversion Analysis  
FY2024 / FY2023**

	<u>Liquor Sales</u>		<u>Split Case Revenues</u>			<u>Total Revenue</u>		<u>FY24 vs. FY23</u> <u>% Change</u>
	<u>FY23</u>	<u>FY24</u>	<u>FY23</u>	<u>FY24</u>		<u>FY23</u>	<u>FY24</u>	
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March	\$ 34,034,067.98	\$ 33,583,486.23	\$ 169,239.75	\$ 193,787.00		\$ 34,203,307.73	\$ 33,777,273.23	-1.25%
April	\$ 33,467,845.31		\$ 177,097.50			\$ 33,644,942.81		
May	\$ 41,449,645.18		\$ 213,656.25			\$ 41,663,301.43		
June	\$ 37,891,235.10		\$ 182,215.50			\$ 38,073,450.60		
July-Aug (H/O)	\$ 7,884,468.99		\$ 47,263.50			\$ 7,931,732.49		
<b>Total</b>	<b>\$ 445,850,201.02</b>	<b>\$ 326,392,894.49</b>	<b>\$ 2,259,612.50</b>	<b>\$ 1,993,737.50</b>		<b>\$ 448,109,813.52</b>	<b>\$ 328,386,631.99</b>	<b>0.49%</b>

	<u>Substance Abuse Reversion</u>		<u>General Fund Reversion</u>		<u>IEDA Reversion</u>		<u>Total Reversion</u>		<u>FY24 vs. FY23</u> <u>% Change</u>
	<u>FY23</u>	<u>FY24</u>	<u>FY23</u>	<u>FY24</u>	<u>FY23</u>	<u>FY24</u>	<u>FY23</u>	<u>FY24</u>	
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March	\$ 2,394,231.54	\$ 2,364,409.13	\$ 9,750,000	\$ 9,000,000	\$ 500,000.00	\$ 500,000.00	\$ 12,644,231.54	\$ 11,364,409.13	-10.12%
April	\$ 2,355,146.00		\$ 9,000,000		\$ -		\$ 11,355,146.00		
May	\$ 2,916,431.10		\$ 11,000,000		\$ -		\$ 13,916,431.10		
June	\$ 2,665,141.54		\$ 10,000,000		\$ 500,000.00		\$ 13,165,141.54		
July-Aug (H/O)	\$ 555,221.27		\$ -		\$ -		\$ 555,221.27		
<b>Total</b>	<b>\$ 31,367,686.95</b>	<b>\$ 22,987,064.24</b>	<b>119,250,000</b>	<b>86,750,000</b>	<b>\$ 2,000,000.00</b>	<b>\$ 1,500,000.00</b>	<b>\$ 152,617,686.95</b>	<b>\$ 109,737,064.24</b>	<b>-3.42%</b>

Obligation

151,500,000      151,500,000

Over/Under Reversion

1,117,687      (41,762,936)  
100.74%      72.43%

On Track

75.00%

-2.57%

**Iowa ABD FY24**  
**Cash Flow - Liquor Control Fund**  
**July 1, 2023 - June 30, 2024**

( Projection )

<b>CASH IN</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>TOTAL</b>	<b>April</b>
Liquor Sales	\$ 29,072,303	\$ 37,732,282	\$ 35,127,124	\$ 43,545,939	\$ 37,203,852.21	\$ 35,644,444	\$ 40,588,507	\$ 33,894,957	\$ 33,583,486	\$ 326,392,894	\$ 33,467,845
Wine Tax	712,791	(160,230)	609,214	511,069	756,415	664,583	785,004	570,467	511,720	4,961,031	563,489
Licenses and Permits	1,082,563	1,126,295	1,265,897	1,043,826	968,279	1,048,136	1,522,990	1,420,446	957,142	10,435,574	1,494,702
Split Case Fee	181,023	225,163	210,007	257,226	224,518	217,512	280,747	203,755	193,787	1,993,737	177,098
Bottle Deposit Fee	355,965	443,561	437,009	527,961	444,060	404,612	497,135	399,370	397,683	3,907,356	405,713
Other - Fees,NSF	-	60	160	220	60	160	160	120	79	1,019	80
Other Misc. Income	3,279	1,313	200	120	38,329	16,896	1,363	564	954	63,018	2,890
Lease Revenue	-	-	-	-	508	-	508	-	-	1,015	817
Other Sales/Service-Recycling	-	83	6,949	5,486	5,011	5,615	5,058	4,030	3,717	35,948	2,563
<b>TOTAL CASH IN</b>	<b>\$ 31,407,924</b>	<b>\$ 39,368,527</b>	<b>\$ 37,656,559</b>	<b>\$ 45,891,848</b>	<b>\$ 39,641,031</b>	<b>\$ 38,001,958</b>	<b>\$ 43,681,470</b>	<b>\$ 36,493,710</b>	<b>\$ 35,648,568</b>	<b>\$ 347,791,595</b>	<b>\$ 36,115,195</b>
<b>CASH OUT</b>											
Cities-Liquor Sales Dist	\$ -	\$ 1,159,850	\$ (634,026)	\$ 271,012	\$ 296,200	\$ 256,260	\$ 224,505	\$ 242,128	\$ 324,670	\$ 2,140,599	\$ 536,455
Counties-Liquor Sales Dist	-	92,311	(65,139)	17,897	14,981	12,366	14,688	12,638	27,750	127,492	55,225
Transfer to Liq Gen Fund(0001)	-	-	-	-	-	-	-	715,000	-	715,000	-
Iowa Economic Development	-	-	-	-	500,000	-	500,000	-	-	1,000,000	500,000
Substance Abuse	-	2,047,733	2,657,021	2,473,599	3,066,222	2,619,986	2,510,337	2,860,848	2,386,910	20,622,655	2,394,232
General Fund Reversion	-	9,000,000	6,000,000	14,000,000	10,500,000	11,000,000	9,000,000	8,250,000	10,000,000	77,750,000	9,750,000
Capital Outlay	7,500	1,431,319	867	-	(52,220)	-	-	-	-	1,387,466	9,352
Personnel Expenses- All	169,251	258,743	246,455	378,814	241,158	190,847	248,097	241,661	240,882	2,215,908	233,458
Liquor Purchases	11,252,075	24,960,883	26,528,805	23,808,142	26,314,099	26,865,707	23,435,474	23,649,123	22,690,067	209,504,376	23,214,875
Bottle Deposit/Surcharge	38,612	356,456	187,202	255,942	186,112	284,669	283,021	295,221	190,782	2,078,018	231,731
ABD Operations Expenses	123,936	71,601	75,722	74,128	73,199	23,556	116,421	101,828	82,185	742,576	65,875
RUAN Fleet	-	532,678	417,096	457,153	559,121	461,046	455,952	572,063	442,069	3,897,179	468,894
RUAN Warehouse	-	376,565	298,200	295,171	375,209	309,437	331,738	347,527	283,816	2,617,665	353,345
IT Expenses	28,482	670,648	229,341	232,288	644,334	276,731	2,053,495	176,000	206,523	4,517,843	214,932
Misc. Trust Fund Expenses	72,274	74,677	64,983	1,081,416	59,394	43,541	79,451	123,674	51,101	1,650,510	58,439
<b>TOTAL CASH OUT</b>	<b>\$ 11,692,131</b>	<b>\$ 41,033,465</b>	<b>\$ 36,006,527</b>	<b>\$ 43,345,564</b>	<b>\$ 42,777,810</b>	<b>\$ 42,344,147</b>	<b>\$ 39,253,177</b>	<b>\$ 37,587,711</b>	<b>\$ 36,926,755</b>	<b>\$ 330,967,287</b>	<b>\$ 38,086,813</b>
<b>TOTAL CHANGE IN CASH</b>	<b>\$ 19,715,793</b>	<b>\$ (1,664,938)</b>	<b>\$ 1,650,032</b>	<b>\$ 2,546,285</b>	<b>\$ (3,136,779)</b>	<b>\$ (4,342,189)</b>	<b>\$ 4,428,293</b>	<b>\$ (1,094,001)</b>	<b>\$ (1,278,187)</b>	<b>\$ 16,824,308</b>	<b>\$ (1,971,618)</b>
<b>BEGINNING CASH BALANCE</b>	<b>\$ -</b>	<b>\$ 19,715,793</b>	<b>\$ 18,050,855</b>	<b>\$ 19,700,887</b>	<b>\$ 22,247,171</b>	<b>\$ 19,110,392</b>	<b>\$ 14,768,203</b>	<b>\$ 19,196,496</b>	<b>\$ 18,102,495</b>	<b>\$ -</b>	<b>\$ -</b>
Increase/(Decrease) in Cash	19,715,793	(1,664,938)	1,650,032	2,546,285	(3,136,779)	(4,342,189)	4,428,293	(1,094,001)	(1,278,187)	16,824,308	(1,971,618)
<b>ENDING CASH BALANCE</b>	<b>\$ 19,715,793</b>	<b>\$ 18,050,855</b>	<b>\$ 19,700,887</b>	<b>\$ 22,247,171</b>	<b>\$ 19,110,392</b>	<b>\$ 14,768,203</b>	<b>\$ 19,196,496</b>	<b>\$ 18,102,495</b>	<b>\$ 16,824,308</b>	<b>\$ 16,824,308</b>	<b>\$ (1,971,618)</b>

Iowa ABD FY24  
Profit and Loss Statement  
July 1, 2023 through March 31, 2024

	March FY 2024	March FY 2023	Amount Chg.	% Chg.	YTD FY 2024	YTD FY 2023	Amount Chg.	% Chg.
<b>Liquor Sales Revenue</b>	<b>33,583,486</b>	<b>34,034,068</b>	<b>(450,582)</b>	<b>-1.32%</b>	<b>326,392,894</b>	<b>325,157,006</b>	<b>1,235,888</b>	<b>0.38%</b>
<b>Cost of Sales</b>								
Bailment	22,917,685	21,497,418	1,420,267	6.61%	211,598,084	209,788,707	1,809,377	0.86%
Less: Bailment Fees	(221,448)	(211,995)	(9,453)	4.46%	(2,056,942)	(2,058,873)	1,931	-0.09%
Less: Special Handling Fees	(1,821)	(398)	(1,423)	357.96%	(11,416)	(9,295)	(2,121)	22.82%
Less: Defective Products	(3,848)	(152)	(3,696)	2428.72%	(42,234)	(20,755)	(21,479)	103.49%
<b>Total Cost of Sales</b>	<b>22,690,568</b>	<b>21,284,874</b>	<b>1,405,694</b>	<b>6.60%</b>	<b>209,487,493</b>	<b>207,699,784</b>	<b>1,787,709</b>	<b>0.86%</b>
<b>Gross Profit</b>	<b>10,892,918</b>	<b>12,749,194</b>	<b>(1,856,276)</b>	<b>-14.56%</b>	<b>116,905,402</b>	<b>117,457,222</b>	<b>(551,821)</b>	<b>-0.47%</b>
<b>Gross Profit %</b>	<b>32.44%</b>	<b>37.46%</b>	<b>-5.02%</b>	<b>-13.41%</b>	<b>35.82%</b>	<b>36.12%</b>	<b>-0.31%</b>	<b>-0.85%</b>
<b>Operating Expenses</b>								
ABD Operations Expenses	82,185	96,690	(14,505)	-15.00%	680,386	561,940	118,446	21.08%
ABD License CC Fees and Bank Charges	6,482	6,591	(109)	-1.65%	62,648	54,323	8,326	15.33%
Ruan Fleet Expenses	442,069	373,638	68,432	18.31%	3,897,179	3,381,138	516,041	15.26%
Ruan Warehouse Expenses	283,816	284,884	(1,068)	-0.37%	2,617,665	2,448,808	168,857	6.90%
Other Expenses Related To Distribution	-	9,440	(9,440)	-100.00%	1,387,466	2,817,616	(1,430,149)	-50.76%
<b>Total Operating Expenses</b>	<b>814,552</b>	<b>771,242</b>	<b>43,310</b>	<b>5.62%</b>	<b>8,645,344</b>	<b>9,263,824</b>	<b>(618,480)</b>	<b>-6.68%</b>
<b>General and Administrative Expenses</b>								
Warehouse Administration	39,597	19,811	19,786	99.88%	352,525	398,697	(46,172)	-11.58%
Product Administration	32,107	33,843	(1,736)	-5.13%	263,306	293,713	(30,407)	-10.35%
Outreach and Education	28,578	29,576	(998)	-3.37%	277,513	-	277,513	-100.00%
Admin Actions	30,645	37,492	(6,847)	-18.26%	363,188	-	363,188	-100.00%
License Administration	43,117	39,265	3,852	9.81%	370,797	352,105	18,692	5.31%
Accounting	69,644	87,341	(17,697)	-20.26%	650,405	779,488	(129,084)	-16.56%
Information Technology	206,523	550,471	(343,947)	-62.48%	4,517,843	5,990,426	(1,472,583)	-24.58%
Buildings and Grounds	28,109	33,010	(4,901)	-14.85%	315,259	376,874	(61,614)	-16.35%
<b>General and Administrative Expense Total</b>	<b>478,320</b>	<b>830,807</b>	<b>(352,487)</b>	<b>-42.43%</b>	<b>7,110,835</b>	<b>8,191,303</b>	<b>(1,080,468)</b>	<b>-13.19%</b>
<b>Income from Operations</b>	<b>9,600,046</b>	<b>11,147,145</b>	<b>(1,547,099)</b>	<b>-13.88%</b>	<b>101,149,223</b>	<b>100,002,096</b>	<b>1,147,127</b>	<b>1.15%</b>
<b>Other Revenues</b>								
Split Case Fee	193,787	169,240	24,547	14.50%	1,993,737	1,639,380	354,358	21.62%
Bottle Deposit/Surcharge	397,683	381,205	16,478	4.32%	3,907,356	3,722,621	184,735	4.96%
Recycling	3,717	5,130	(1,413)	-27.54%	35,948	32,150	3,798	11.81%
Lease Reimbursement	-	-	-	-100.00%	1,015	1,633	(618)	-37.84%
Other Revenue & Reimbursements	1,033	8,524	(7,491)	-87.88%	64,038	81,797	(17,759)	-21.71%
Wine Tax and License Fees	1,468,862	1,827,011	(358,150)	-19.60%	15,396,606	18,073,882	(2,677,276)	-14.81%
<b>Total Other Revenues</b>	<b>2,065,082</b>	<b>2,391,110</b>	<b>(326,027)</b>	<b>-13.63%</b>	<b>21,398,700</b>	<b>23,551,462</b>	<b>(2,152,762)</b>	<b>-9.14%</b>
<b>Other Expenses</b>								
Bottle Deposit Fee	42,859	39,200	3,659	9.33%	494,668	489,728	4,940	1.01%
Recycle Surcharge Fee	147,923	125,598	22,326	17.78%	1,707,286	1,424,747	282,539	19.83%
License & Liquor Refunds	13,704	13,846	(142)	-1.02%	149,031	200,583	(51,552)	-25.70%
Substance Abuse Transfer	2,386,910	2,222,059	164,851	7.42%	20,622,655	20,481,515	141,140	0.69%
Iowa Economic Development	-	-	-	-100.00%	1,000,000	1,000,000	-	0.00%
Sunday Sales Transfer	-	-	-	-100.00%	1,000,000	1,000,000	-	0.00%
City and County Payments	352,420	509,734	(157,314)	-30.86%	2,268,091	2,115,613	152,478	7.21%
<b>Total Other Expense</b>	<b>2,943,816</b>	<b>2,910,437</b>	<b>33,379</b>	<b>1.15%</b>	<b>27,241,731</b>	<b>26,712,186</b>	<b>529,545</b>	<b>1.98%</b>
<b>Net Profit</b>	<b>8,721,313</b>	<b>10,627,818</b>	<b>(1,906,505)</b>	<b>-17.94%</b>	<b>95,306,192</b>	<b>96,841,372</b>	<b>(1,535,180)</b>	<b>-1.59%</b>
<b>Return on Sales</b>	<b>25.97%</b>	<b>31.23%</b>	<b>-5.26%</b>	<b>-16.84%</b>	<b>29.20%</b>	<b>29.78%</b>	<b>-124.22%</b>	<b>-1.96%</b>

**Iowa ABD**  
**Net Income Statement**

	March FY 2024	March FY 2023	Amount Chg.	FY 2024 % Chg.	YTD FY 2024	YTD FY 2023	Amount Chg.	% Chg.
<b>Revenues</b>								
<b>Operating Revenues</b>								
Liquor Sales	33,583,486	34,034,068	(450,582)	-1.32%	326,392,894	325,157,006	1,235,888	0.38%
Split Case Revenue	193,787	169,240	24,547	14.50%	1,993,737	1,639,380	354,358	21.62%
Bottle Deposit/Surcharge	397,683	381,205	16,478	4.32%	3,907,356	3,722,621	184,735	4.96%
Fuel Reimbursement	-	-	-	-100.00%	-	7,626	(7,626)	-100.00%
<b>Total Operating Revenues</b>	<b>34,174,956</b>	<b>34,584,512</b>	<b>(409,556)</b>	<b>-1.18%</b>	<b>332,293,988</b>	<b>330,526,634</b>	<b>1,767,354</b>	<b>0.53%</b>
<b>Non-Operating Revenues</b>								
Lease Revenue	-	-	-	-100.00%	1,015	1,633	(618)	-37.84%
License Fees	957,142	1,307,907	(350,765)	-26.82%	10,435,574	12,827,040	(2,391,466)	-18.64%
Wine Tax	511,720	519,104	(7,385)	-1.42%	4,961,031	5,246,842	(285,810)	-5.45%
Fines/Penalties & NSF fees	79	100	(21)	-20.53%	1,019	340	679	199.84%
Recycling	3,717	5,130	(1,413)	-27.54%	36,088	32,376	3,712	11.46%
Misc. Funding Sources	954	10,542	(9,588)	-90.95%	65,909	140,701	(74,792)	-53.16%
Tobacco Revenue	20,755	60,363	(39,607)	-65.62%	451,599	549,591	(97,991)	-17.83%
Intra-Department Transfers	-	250,000	(250,000)	-100.00%	715,000	750,024	(35,024)	-4.67%
<b>Total Non-Operating Revenues</b>	<b>1,494,367</b>	<b>2,153,146</b>	<b>(658,778)</b>	<b>-30.60%</b>	<b>16,667,237</b>	<b>19,548,546</b>	<b>(2,881,309)</b>	<b>-14.74%</b>
<b>Total Revenues</b>	<b>35,669,324</b>	<b>36,737,658</b>	<b>(1,068,335)</b>	<b>-2.91%</b>	<b>348,961,225</b>	<b>350,075,180</b>	<b>(1,113,955)</b>	<b>-0.32%</b>
<b>Expenses</b>								
<b>Operating Expenses</b>								
Purchase of Spirits	22,690,067	21,278,369	1,411,698	6.63%	209,504,376	207,692,684	1,811,692	0.87%
Operations Expenses	82,185	96,690	(14,505)	-15.00%	680,386	561,940	118,446	21.08%
ABD License CC Fees and Bank Charges	6,483	6,591	(108)	-1.64%	62,649	54,323	8,326	15.33%
Ruan Fleet Expenses	442,069	373,638	68,432	18.31%	3,778,283	3,381,138	397,145	11.75%
Ruan Warehouse Expenses	283,816	284,884	(1,068)	-0.37%	2,736,560	2,448,808	287,753	11.75%
Other Expenses Related To Distribution	-	9,440	(9,440)	-100.00%	1,387,466	2,817,616	(1,430,149)	-50.76%
Warehouse Administration	35,427	19,328	16,099	83.29%	318,833	255,129	63,704	24.97%
Product Administration	32,107	33,843	(1,736)	-5.13%	263,306	293,713	(30,407)	-10.35%
Licensing Administration	43,117	38,563	4,554	11.81%	370,797	346,726	24,070	6.94%
Outreach and Education	28,578	40,218	(11,640)	-28.94%	287,317	285,198	2,119	0.74%
Administrative Actions	45,688	61,406	(15,718)	-25.60%	422,607	401,777	20,829	5.18%
Accounting	69,644	87,341	(17,697)	-20.26%	650,405	779,438	(129,034)	-16.55%
Information Technology	206,523	550,471	(343,947)	-62.48%	4,517,843	5,990,426	(1,472,583)	-24.58%
Buildings and Grounds	29,488	34,748	(5,260)	-15.14%	329,576	394,062	(64,486)	-16.36%
Safety and Security	4,735	1,100	3,635	330.40%	38,326	160,784	(122,458)	-76.16%
Bottle Deposit Fee	42,859	39,200	3,659	9.33%	494,668	489,728	4,940	1.01%
Recycle Surcharge Fee	147,923	125,598	22,326	17.78%	1,707,286	1,424,747	282,539	19.83%
Liquor and License Refunds	13,704	13,846	(142)	-1.02%	149,031	200,583	(51,552)	-25.70%
Tobacco	63,583	59,891	3,691	6.16%	500,218	565,231	(65,013)	-11.50%
Economic Development Transfer	-	-	-	-100.00%	1,000,000	1,000,000	-	0.00%
Substance Abuse Transfer	2,386,910	2,222,059	164,851	7.42%	20,622,655	20,481,515	141,140	0.69%
Liquor Profits Transfer	10,000,000	8,500,000	1,500,000	17.65%	77,750,000	79,500,000	(1,750,000)	-2.20%
<b>Total Operating Expenses</b>	<b>36,654,906</b>	<b>33,877,222</b>	<b>2,777,684</b>	<b>8.20%</b>	<b>327,572,587</b>	<b>329,525,567</b>	<b>(1,952,979)</b>	<b>-0.59%</b>
<b>Non-Operating Expenses</b>								
Sunday Sales Transfer	-	-	-	-100.00%	1,000,000	1,000,000	-	0.00%
Payments to City and Counties	352,420	509,734	(157,314)	-30.86%	2,268,091	2,115,613	152,478	7.21%
Non-Operating Expenditures	116,779	167,396	(50,617)	-30.24%	1,132,465	1,464,969	(332,503)	-22.70%
Intra-Department Transfers	-	250,000	(250,000)	-100.00%	715,000	750,000	(35,000)	-4.67%
<b>Non-Operating Expenses Total</b>	<b>469,199</b>	<b>927,131</b>	<b>(457,932)</b>	<b>-49.39%</b>	<b>5,115,556</b>	<b>5,330,581</b>	<b>(215,025)</b>	<b>-4.03%</b>
<b>Total Expenses</b>	<b>37,124,105</b>	<b>34,804,352</b>	<b>2,319,752</b>	<b>6.67%</b>	<b>332,688,144</b>	<b>334,856,148</b>	<b>(2,168,004)</b>	<b>-0.65%</b>
<b>Net Income</b>	<b>(1,454,781)</b>	<b>1,933,306</b>	<b>(3,388,087)</b>	<b>-175.25%</b>	<b>16,273,082</b>	<b>15,219,032</b>	<b>1,054,049</b>	<b>6.93%</b>

## Licensing Stats:

### LICENSING DATA - Number of active licenses as of April 4th, 2024.

- On-Premise Retail Licenses (12 & 8 month)- **5,712**
- Off-Premise Retail License (12 month only available)- **3,510**

The licensing department is currently managing **11,970** individual licenses/permits/certificates.

<b>All licenses able to operate as of 4/04/2024</b>	<b>Total</b>
Class "C" Retail Alcohol License (LC)	4,673
Special Class "C" Retail Alcohol License (BW)	862
Class "F" Retail Alcohol License (LF)	116
Class "D" Retail Alcohol License (LD)	21
Special Class "C" Retail Native Wine License (WCN)	40
Class "B" Retail Alcohol License (LG)	1,218
Class "E" Retail Alcohol License (LE)	2,085
Special Class "B" Retail Native Wine License (WBN)	207
Distiller's Certificate of Compliance (CD)	300
Class "A" Wine Permit (Native) (WAN)	109
Class "A" Wine Permit (WA)	47
Vintner's Certificate of Compliance (CV)	606
Class "A" Beer Permit (Native) (BAN)	97
Class "A" Beer Permit (BA)	48
Brewer's Certificate of Compliance (CB)	251
Class "A" Native Distilled Spirits License (ND)	29
Manufacturer's License (CM)	19
Broker's Permit (SP)	42
Wine Direct Shipper Permit (DS)	1,196

<b>Wine Carrier Permit (AC)</b>	3
<b>Grand Total</b>	11,970

<b>Special Event licenses Issued January 1 - April 4, 2023 vs. 2024</b>		
	<b>2023</b>	<b>2024</b>
<b>5 Day</b>	142	217
<b>14 Day</b>	8	6
<b>Charity Event Permit (36 Hrs)</b>	23	32
<b>Total</b>	173	255

**Automatic Renewals:**

- As of April 4th, 2024 there are **1,800** licenses enrolled in the automatic renewal program.
  - Class E Retail Alcohol License (LE): **1,072**
  - Brewer's Certificate of Compliance (CB): **91**
  - Distiller's Certificate of Compliance (CD): **106**
  - Vintner's Certificate of Compliance (CV): **161**
  - Wine Direct Shipper Permit (DS): **370**

**NATIVE MANUFACTURING:**

	<b>Jan 2023</b>	<b>Dec 2023</b>	<b>Current (as of 4/4/24)</b>
Native Breweries (BAN)	99	98	97
Brewpubs	43	44	44
Native Wineries (WAN)	116	108	109
Native Distilleries (ND)	26	27	29
Manufacturers (CM)	18	18	19

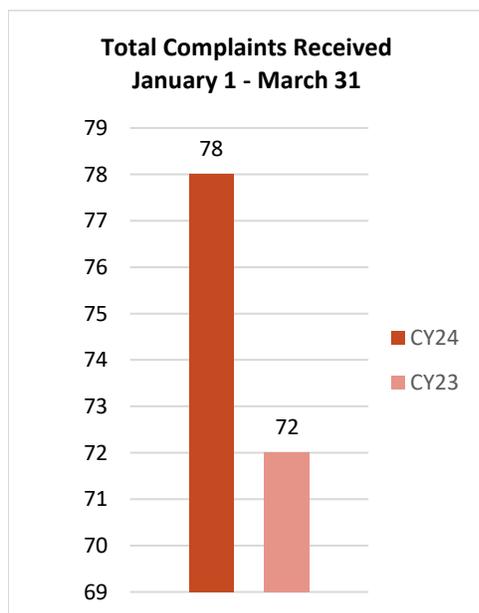
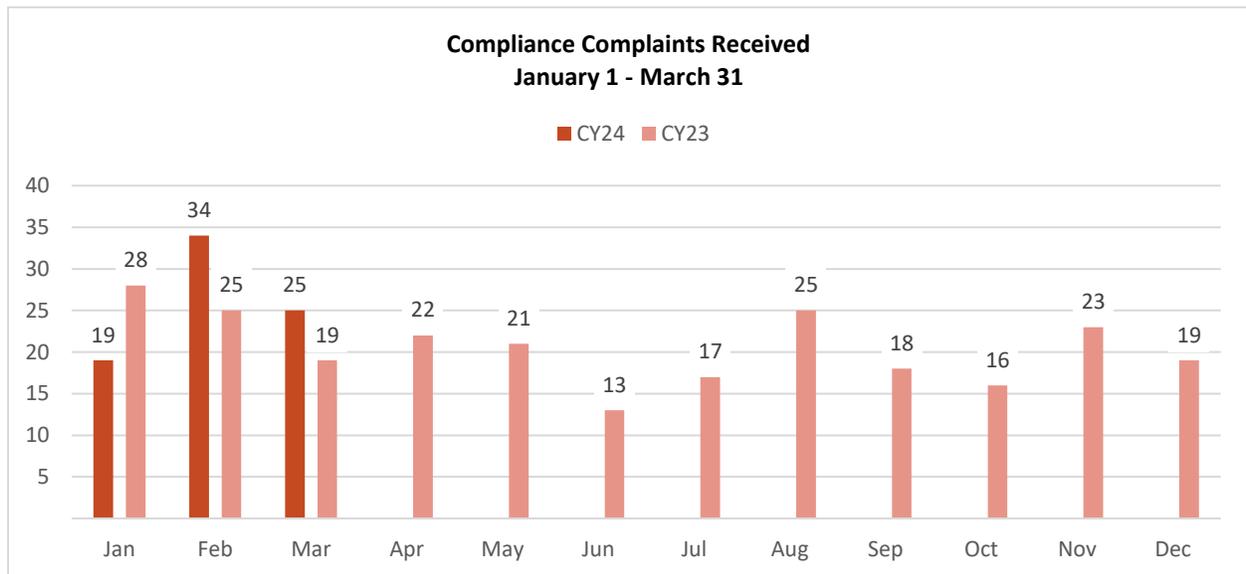


**DATE:** April 8, 2024  
**FR:** Alcohol Regulation Unit – DeMario A. Luttrell, Bureau Chief  
**RE:** State of Alcohol Regulation - For the period March 1 through March 31

The April 2024 Regulatory Compliance Report reflects Calendar Year summarized data.

## COMPLIANCE COMPLAINTS

A comparison of compliance complaints received in CY24 to CY23 is shown in the chart below.



### Top 5 Complaint Categories Resulting in Investigations Month of March 2024

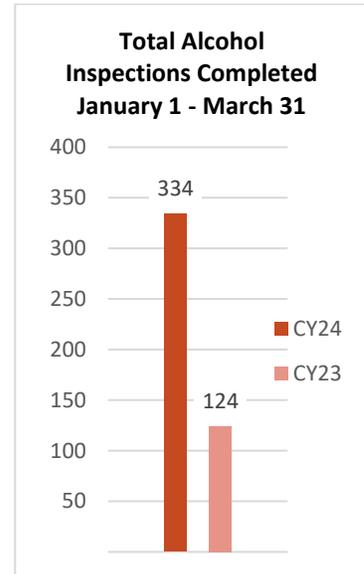
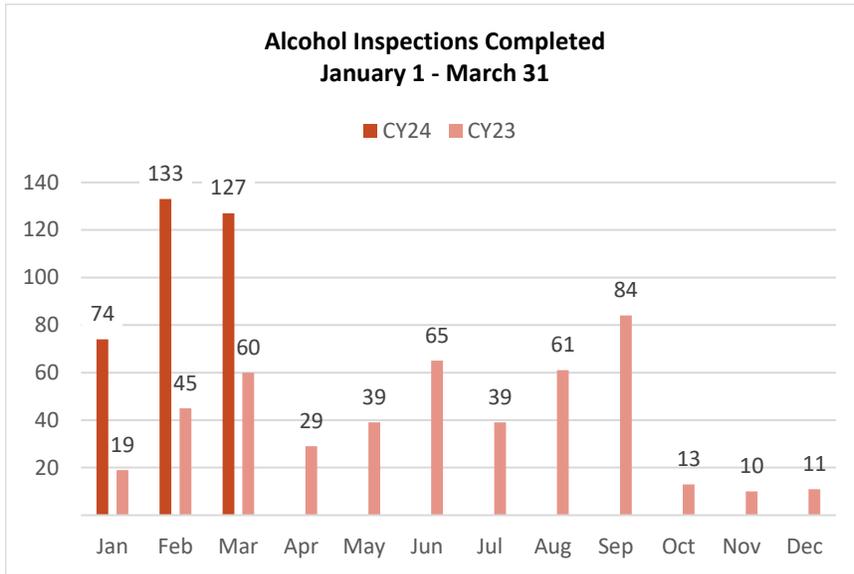
- Selling / Serving Underage Person (Alcohol)
- Criminal Activity
- Overserving
- After Hours
- Bootlegging

# ALCOHOL COMPLIANCE PROGRAM

The Alcohol Compliance Program consists of inspections, investigations, and audits.

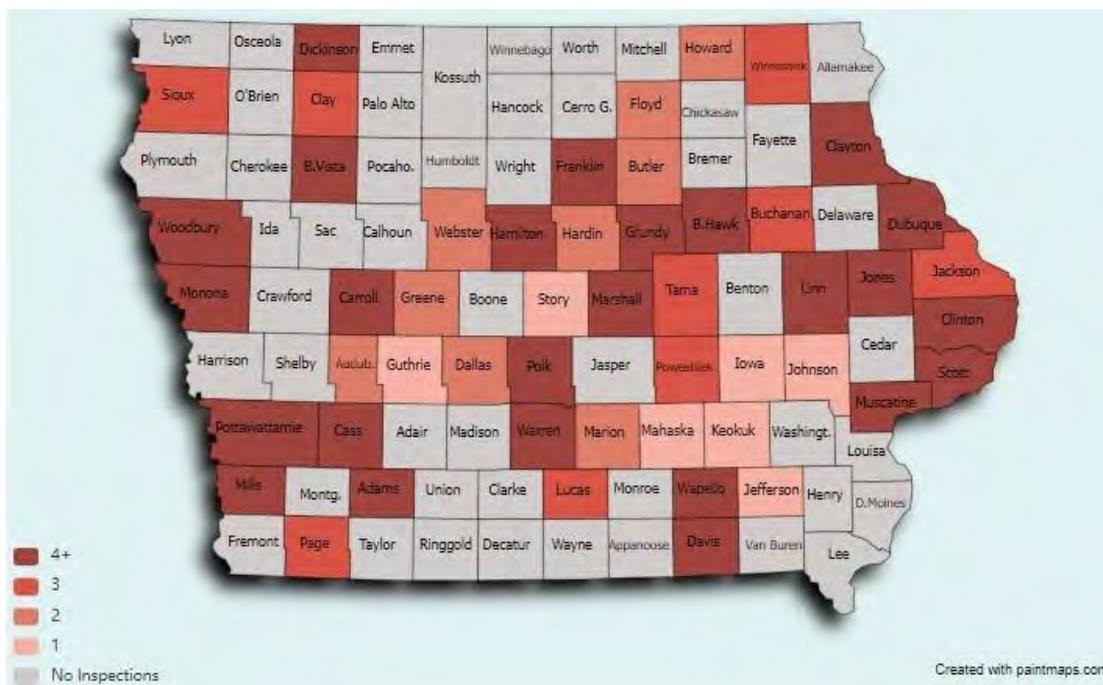
## ALCOHOL INSPECTIONS

The charts below show alcohol compliance inspections completed in Calendar Year 2024.

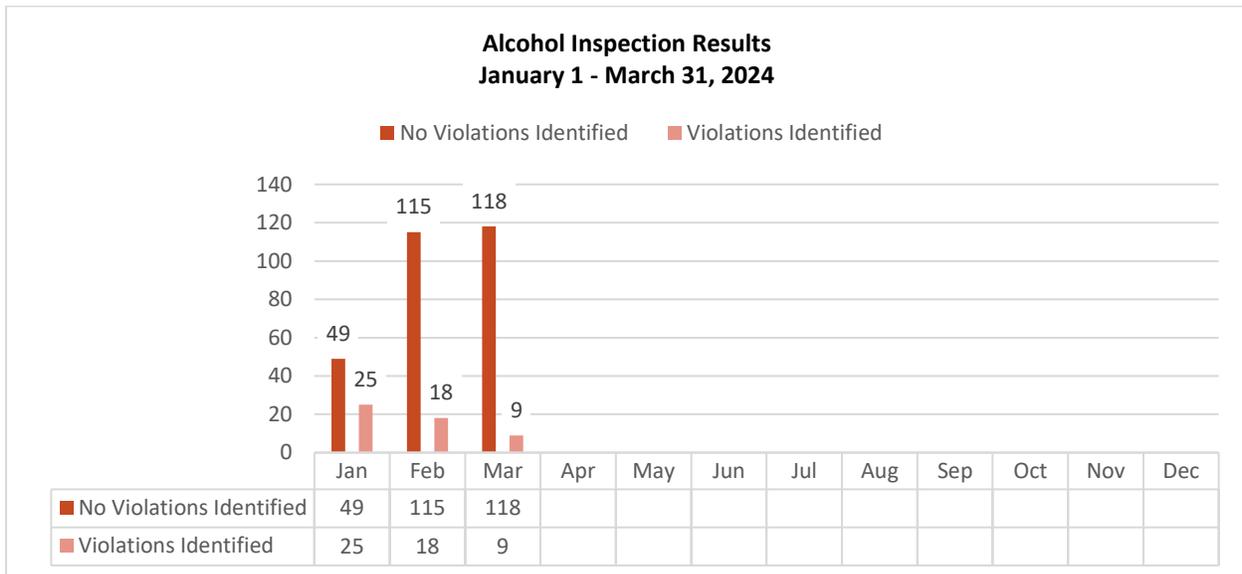


In Calendar Year 2024, compliance inspections were conducted in 50 of Iowa's 99 counties detailed in the map below.

**Iowa State Map of Inspections by County  
January 1 – March 31, 2024**



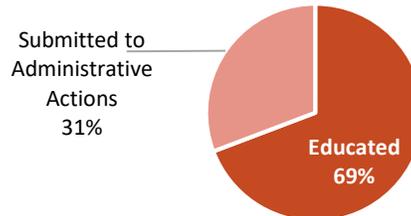
The charts below show alcohol inspection results for Calendar Year 2024.



#### Top 5 Violations Identified by Inspection Month of March 2024

- Smokefree Air Act
- Infusing
- Failure to Display License
- Illegal Gambling
- Employ a Person Under 16/18 to Sell/Serve Alcohol

#### Alcohol Inspection Violations Outcomes January 1 - March 31, 2024



## ALCOHOL INVESTIGATIONS

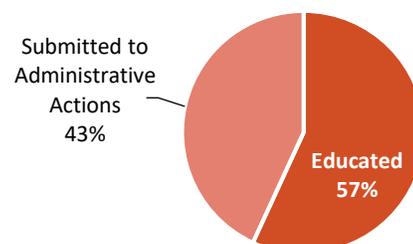
### INVESTIGATIONS COMPLETED

In January through March, 2024, 51 investigations were completed as compared to 48 investigations completed in January through March, 2023. Investigations outcomes for Calendar Year 2024 are detailed in the chart to the right.

### TAX COMPLIANCE PARTNERSHIP

Alcohol compliance investigations conducted by the Alcohol Regulation Unit resulted in Iowa Department of Revenue sales tax liability assessments in Calendar Year 2024 totaling \$207,364. (Data provided by the IDR Compliance Division.)

#### Alcohol Investigations Outcomes January 1 - March 31, 2024



# ALCOHOL TAX AUDITS

## ALCOHOL TAX AUDIT PROGRAM

The Tax Audit Program is a three-level system:

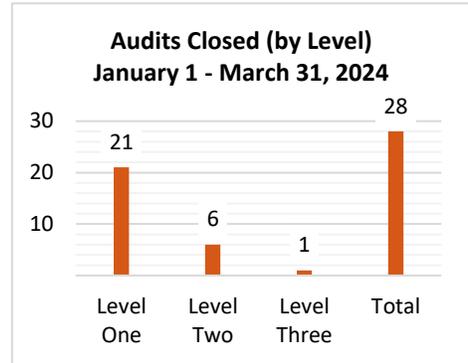
Level 1 – Three month’s records review

Level 2 – One year’s records review

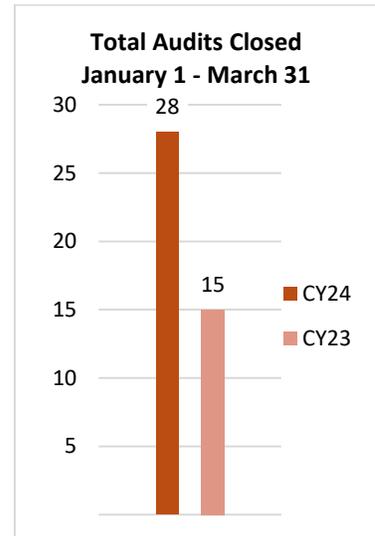
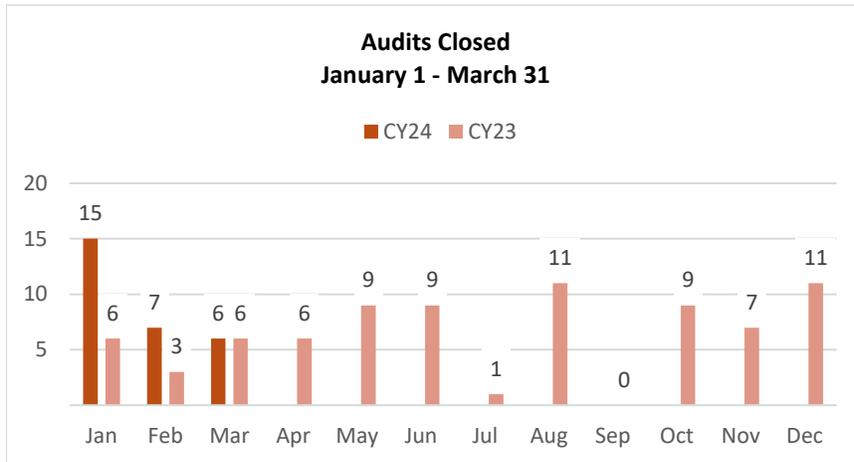
Level 3 – More than 1 year’s records review

The purpose of the three-level system is to conduct audits more efficiently by focusing efforts on the more complex Level 2 and Level 3 audits. The Level 1 audits allow the Division to reach more licensees and permittees in the state.

The chart to the right shows Audits Closed by Level in Calendar Year 2024.

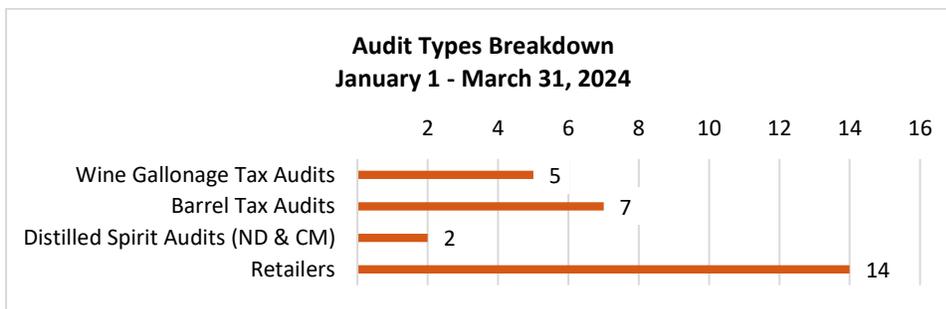


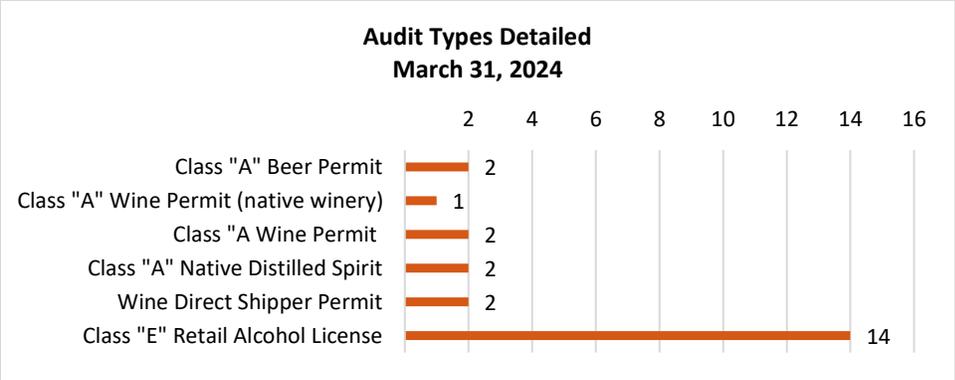
The chart below shows a comparison of Audits Closed by calendar year.



In March 2024, a wine gallonage tax audit was completed establishing a wine gallonage tax liability in the amount of \$13,629. This audit liability is due April 15, 2024.

The two charts below show Audits Closed by Audit Types in Calendar Year 2024.



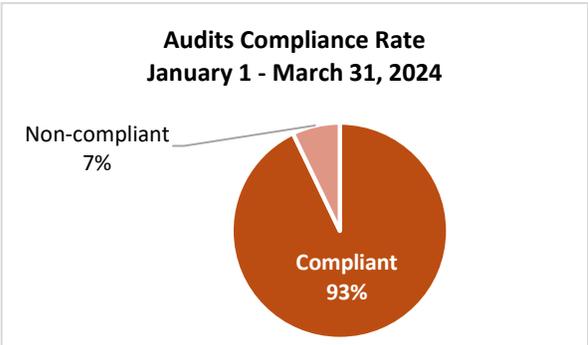


**ALCOHOL TAX AUDITS COMPLIANCE**

In March 2024, six audits were closed with a compliance rate of 83%. Non-compliant is defined as audits where additional barrel, wine gallonage, and Iowa sales tax liabilities are identified and assessed.

All audits conducted incorporate education in laws, rules, and the reporting of gallons.

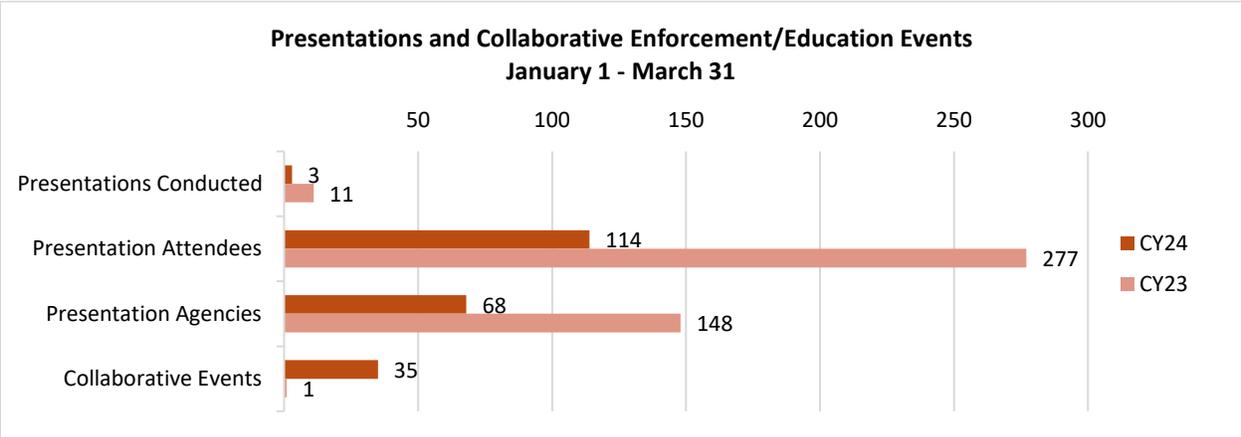
The chart to the right shows the compliance rate for Calendar Year 2024.



**EDUCATION AND OUTREACH  
OF LAW ENFORCEMENT AND LOCAL OFFICIALS**

**Presentations and Collaborative Enforcement/Education**

The Education and Outreach Program is designed to address the educational needs of non-licensee stakeholders to include law enforcement, prosecutors, city and county clerks, and other local authorities. This program is focused on providing educational content that is designed to strengthen collaboration with IDR. Comprehensive, detailed presentations cover regulatory rules and laws, and best practices on a range of topics specific to local authorities. A comparison of program results for CY24 and CY23 is contained in the chart below.

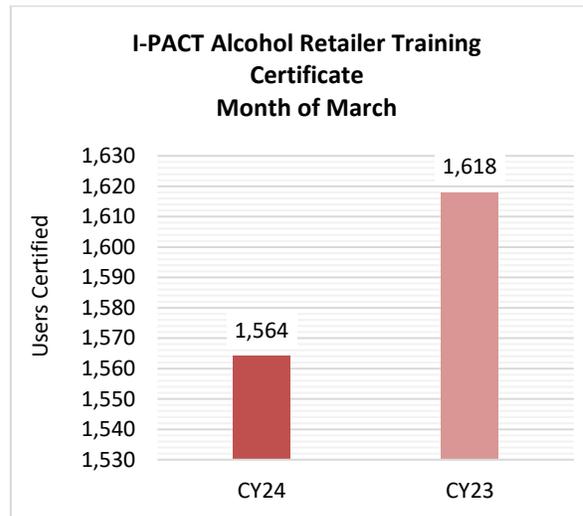


## EDUCATION AND OUTREACH OF RETAILERS

### I-PACT Alcohol Retailer Training Certification

A comparison of I-PACT Alcohol Retailer Training Certification results for March is contained in the chart to the right.

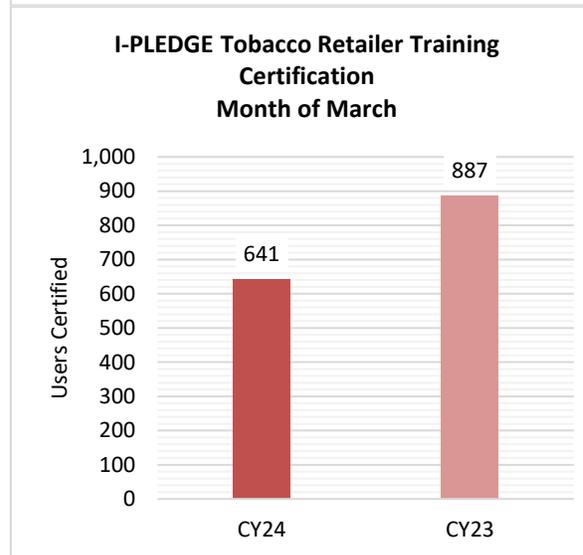
A decrease of 54 users were certified in CY24 March as compared to CY23 March.



### I-pledge Tobacco Retailer Training Certification

A comparison of I-pledge Tobacco Retailer Training Certification results for March is contained in the chart to the right.

A decrease of 246 users were certified in CY24 March as compared to CY23 March.



## I-pledge TOBACCO, ALTERNATIVE NICOTINE & VAPOR PRODUCT ENFORCEMENT PROGRAM

### Tobacco Compliance Checks

- Tobacco underage-buy compliance checks are completed in partnership with local law enforcement and the Iowa State Patrol. Compliance checks are conducted during the months of October through June each fiscal year.
- A comparison of tobacco compliance check results for FY24 and FY23 from October through March are listed in the chart to the right. The compliance rate is the same in FY24 and FY23.

Tobacco Compliance Checks Completed October 2023 through March 2024		
	FY24	FY23
Compliant	2,332	2,455
Non-compliant	214	202
Total	2,546	2,657
Compliance Rate	92%	92%

\* FY24 compliance check data is subject to change.

## IOWA ABD AGE-TO-PURCHASE APP

Iowa Mobile ID can be accepted as a valid form of ID at businesses throughout the state by using the Iowa ABD Age-to-Purchase App from the Alcoholic Beverages Division of the Iowa Department of Revenue.

- Iowa Mobile ID is available in the Apple Store and Google Play.
- The app allows residents to keep a digital version of their Iowa-issued driver's license or ID on their smartphone.
- The app is free and optional for all Iowans to download.
- The Iowa Mobile ID is a companion to the physical card and does not replace it.
- Iowans should still carry their physical ID card.

### Security

Through the use of a QR code, Iowa's Mobile ID creates a contactless and more secure way to verify identity. In addition, it allows Iowans to be in greater control of their information as users approve requests for each transaction before any information is shared.

Age-to-Purchase App Usage		
Month of March		
Validations	CY24	CY23
Physical ID	15,201	11,261
Mobile ID	1	*0

\* Functionality not available during CY23 March.

**Legislative Update – Iowa Alcoholic Beverages Commission Meeting – April 11, 2024**

Bill Number	Title	Description	Current Status
<p align="center"><a href="#"><u>SF2427</u></a></p>	<p>An Act relating to the duties and responsibilities of the department of revenue including confidentiality of records, sports wagering, the lottery, cigarette and tobacco taxes, alcoholic beverages, and including effective date provisions.</p>	<p>Department’s policy bill</p> <ul style="list-style-type: none"> <li>● Clarifies the prohibited interests in alcohol licensees that apply to the Director and three members of the Iowa Alcoholic Beverages Commission</li> <li>● Implements a recusal standard for Department employees employed by an alcohol licensed business</li> <li>● Requires alcohol-licensed businesses to submit ownership updates within 45 days of the changes being made</li> <li>● Applies infusion and cocktails to-go regulations to wine slushies</li> </ul>	<p>Eligible for Senate debate; awaiting House committee consideration</p>
<p align="center"><a href="#"><u>SF2396</u></a></p>	<p>An Act relating to state taxation by modifying lottery and alcoholic beverages provisions under the purview of the department of revenue, changing the taxation of lump sum distributions of retirement income, increasing estimated tax thresholds, making appropriations, and</p>	<p>Department’s technical bill</p> <ul style="list-style-type: none"> <li>● Codifies the definition of “operating still” for native distilleries</li> <li>● Restores the ability for open containers of beer to be taken from the licensed premises to an immediately adjacent licensed premises, temporarily-closed public right-of-way, or private place</li> <li>● Clarifies that retail alcohol licenses issued to</li> </ul>	<p>Passed Senate 49-0; awaiting House committee consideration</p>

**Legislative Update – Iowa Alcoholic Beverages Commission Meeting – April 11, 2024**

<b>Bill Number</b>	<b>Title</b>	<b>Description</b>	<b>Current Status</b>
	including effective date and retroactive applicability provisions.	native manufacturers must be connected to the manufacturing facility	
<a href="#"><u>HF2448</u></a>	An Act relating to exceptions to the penalty for supplying an alcoholic beverage to certain persons under legal age.	Allows the director to approve additional training programs that qualify for the affirmative defense when sales are made to a minor	Enrolled
<a href="#"><u>HF2605</u></a>	An Act providing for the regulation of hemp and hemp products, providing penalties, and making penalties applicable.	Explicitly prohibits alcohol licensees from selling alcoholic beverages containing THC	Enrolled
<a href="#"><u>HF2648</u></a>	An Act relating to alcoholic beverage licenses, including native distilled spirits alternating proprietorships and the issuance of five-day retail alcohol and native wine licenses, and providing fees.	<ul style="list-style-type: none"> <li>● Allows native manufacturers to obtain up to six 5-day retail licenses in a calendar year.</li> <li>● Allows the special class "C" retail native wine license to be issued with a 5-day duration.</li> <li>● Allows native distilleries to participate in an alternating proprietorship arrangement.</li> </ul>	Passed House; awaiting Senate consideration
<a href="#"><u>HF2669</u></a>	An Act relating to the sale of wine, including private wine sales and wine auction permits, providing fees, and making penalties applicable.	<ul style="list-style-type: none"> <li>● Creates a new wine auction permit which allows the holder to purchase wine from private collections and resell the wine to wine wholesalers and wine retailers.</li> <li>● Allows wine wholesalers to purchase wine from private collections and resell to wine retailers.</li> </ul>	Passed House; awaiting Senate committee consideration

**Legislative Update – Iowa Alcoholic Beverages Commission Meeting – April 11, 2024**

Bill Number	Title	Description	Current Status
<a href="#"><u>SF2425</u></a>	An Act relating to civil liability and associated insurance requirements of alcoholic beverage licensees or permittees who also sell or serve consumable hemp products.	<ul style="list-style-type: none"> <li>● Requires on-premises retail alcohol licensees to carry an additional dramshop hemp liability insurance policy as a condition of holding an on-premises retail alcohol license</li> <li>● Requires the Department to determine the amount of the policy and minimum insurance coverage requirements</li> </ul>	Eligible for Senate consideration
<a href="#"><u>SF2417</u></a>	An Act establishing an excise tax on the sales price of consumable hemp products sold or purchased at bars or restaurants.	Imposes a new 25% excise tax on consumable hemp products that are sold at a "bar" or "restaurant" as defined in the bill. Also exempts these products from sales tax.	Eligible for Senate consideration

## Items of Interest

- II. Senate File 2417 Excise tax on consumable hemp products sold or purchased at bars and restaurants
- III. House File 2605 Regulation of hemp and hemp products, providing penalties and making penalties applicable
- IV. Class “E” Liquor License and Code Book Updates-March 2024 *Cityscape*
- V. Iowa ABD Age to Purchase Mobile App Flyer
- VI. Mobile ID is Here Flyer from IowaDOT
- VII. Regulators and Lawmakers Across the Country Sound the Alarm on DTC Spirits Shipping-March 12, 2024 *WSWA*
- VIII. Who is winning from the moderation trend? *IWSR Website*
- IX. Most American now live in a legal marijuana state-and most have at least on dispensary in their county-February 29, 2024 *Pew Research Center Website*
- X. The Rise of Cannabis Drink Culture-March 12, 2024 *The Drinks Business*
- XI. Hemp-derived THC producers wary of how US Farm Bill could change market-April 4, 2024 *MJBizDaily*
- XII. Regulatory Bulletin THC and CBD in Alcoholic Beverages Revised November 17, 2023
- XIII. Consumer Preferences Key Drivers of BevAL Purchases Decisions for Gen-Z & Millennial-April 1, 2024 *RNDC Monday Morning Insights*
- XIV. Modern Alcohol Consumption Examined: Tracking Gen-Z & Millennial Habits-March 20, 2024 *Park Street University*
- XV. How Michigan Lost \$1 Million of Liquor-April 6, 2024 *Reason.com*
- XVI. Economic Brief: Current State of the Iowa Economy-Iowa Department of Revenue Volume 5 Issue 3

**Senate File 2417 - Introduced**

SENATE FILE 2417  
BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 3186)

**A BILL FOR**

- 1 An Act establishing an excise tax on the sales price of
- 2 consumable hemp products sold or purchased at bars or
- 3 restaurants.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.3, Code 2024, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 110. The sales price from the sale or  
4 purchase of consumable hemp products subject to the excise tax  
5 under chapter 423H.

6 Sec. 2. NEW SECTION. 423H.1 **Definitions.**

7 1. For the purposes of this chapter, unless the context  
8 otherwise requires:

9 a. "*Bar*" means an establishment where one may purchase  
10 alcoholic beverages, as defined in section 123.3, for  
11 consumption on the premises and in which the serving of food is  
12 only incidental to the consumption of those beverages.

13 b. "*Consumable hemp product*" means the same as defined in  
14 section 204.2.

15 c. "*Department*" means the department of revenue.

16 d. "*Restaurant*" means an eating establishment that offers  
17 food to the public or guests, and includes the bar area within  
18 a restaurant.

19 e. "*Retailer*" means a bar or restaurant.

20 f. "*Sales price*" or "*purchase price*" means the same as  
21 defined in section 423.1.

22 2. All other words and phrases used in this chapter and  
23 defined in section 423.1 have the meaning given them by section  
24 423.1 for the purposes of this chapter.

25 Sec. 3. NEW SECTION. 423H.2 **Tax imposed.**

26 A tax of twenty-five percent is imposed on the sales price or  
27 purchase price of consumable hemp products sold by a retailer  
28 in the state of Iowa. This tax shall be collected and paid to  
29 the department by the retailer who sells the consumable hemp  
30 product.

31 Sec. 4. NEW SECTION. 423H.3 **Exemptions.**

32 There is exempted from tax imposed by this chapter the  
33 following:

34 1. The sales price from the sales of consumable hemp  
35 products that this state is prohibited from taxing under the

1 Constitution of the United States or the Constitution of the  
2 State of Iowa.

3 2. The sales price or purchase price of sales for resale of  
4 consumable hemp products.

5 Sec. 5. NEW SECTION. 423H.4 Administration by director.

6 1. The director of revenue shall administer the excise  
7 tax on consumable hemp products as nearly as possible in  
8 conjunction with the administration of the state sales tax law,  
9 except that portion of the law which implements the streamlined  
10 sales and use tax agreement. The director shall provide  
11 appropriate forms, or provide on the regular state tax forms,  
12 for reporting the sale of consumable hemp products excise  
13 tax liability. All moneys received and all refunds shall be  
14 deposited in or withdrawn from the general fund of the state.

15 2. The director may require all persons who are engaged  
16 in the business of deriving any sales price or purchase  
17 price subject to tax under this chapter to register with  
18 the department. The director may also require a tax permit  
19 applicable only to this chapter for any retailer not collecting  
20 taxes under chapter 423.

21 3. Section 422.25, subsection 4, sections 422.30, 422.67,  
22 and 422.68, section 422.69, subsection 1, sections 422.70,  
23 422.71, 422.72, 422.74, and 422.75, section 423.14, subsection  
24 1, and sections 423.23, 423.24, 423.25, 423.31 through  
25 423.35, 423.37 through 423.42, and 423.47, consistent with  
26 the provisions of this chapter, apply with respect to the tax  
27 authorized under this chapter, in the same manner and with  
28 the same effect as if the excise taxes on consumable hemp  
29 product sales were retail sales taxes within the meaning of  
30 those statutes. Notwithstanding this subsection, the director  
31 shall provide for monthly filing of returns and for other than  
32 monthly filing of returns both as prescribed in section 423.31.  
33 All taxes collected under this chapter by a retailer are deemed  
34 to be held in trust for the state of Iowa.

35

EXPLANATION

S.F. 2417

1           The inclusion of this explanation does not constitute agreement with  
2           the explanation's substance by the members of the general assembly.

3       This bill establishes an excise tax on the sales price  
4 of consumable hemp products sold or purchased at bars and  
5 restaurants in this state.

6       The bill imposes an excise tax of 25 percent on the sales  
7 price of consumable hemp products sold at a bar or restaurant,  
8 but exempts the sales price of such consumable hemp products  
9 from the sales tax. The bill defines "bar" and "restaurant".

10       The department of revenue (DOR) is required to administer  
11 the excise tax. The bill requires DOR to administer the  
12 excise tax as nearly as possible in conjunction with the  
13 administration of the state sales and use tax laws.

14       The moneys collected from the excise tax imposed in the bill  
15 are deposited into the general fund of the state.

**House File 2605 - Reprinted**

HOUSE FILE 2605  
BY COMMITTEE ON PUBLIC SAFETY

(SUCCESSOR TO HSB 665)

(COMPANION TO SF 2352 BY  
COMMITTEE ON JUDICIARY)

(As Amended and Passed by the House March 12, 2024)

**A BILL FOR**

1 An Act providing for the regulation of hemp and hemp products,  
2 providing penalties, and making penalties applicable.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

H.F. 2605

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DIVISION I  
IOWA HEMP ACT

Section 1. Section 204.2, Code 2024, is amended by adding the following new subsections:

NEW SUBSECTION. 01. "Advertise" means to present a commercial message in any medium, including but not limited to print, radio, television, sign, display, label, tag, or articulation.

NEW SUBSECTION. 6A. "Distribute" means to transfer possession.

NEW SUBSECTION. 15A. "Registrant" means a person who is registered with the department of health and human services pursuant to section 204.7.

Sec. 2. Section 204.2, subsection 2, paragraph c, Code 2024, is amended to read as follows:

c. A hemp product is deemed to be a consumable hemp product if ~~it is any of the following~~ all of the following apply:

(1) It is any of the following:

(a) Designed by the processor, including the manufacturer, to be introduced into the human body.

~~(2)~~ (b) Advertised as an item to be introduced into the human body.

~~(3)~~ (c) Distributed, exported, or imported, offered for sale, or distribution sold to be introduced into the human body.

(2) Its maximum total tetrahydrocannabinol concentration is less than or equal to the lesser of the following:

(a) Three-tenths of one percent on a dry weight basis.

(b) Four milligrams per serving and ten milligrams per container on a dryweight basis.

Sec. 3. Section 204.2, subsection 11, paragraph b, subparagraph (1), Code 2024, is amended to read as follows:

(1) (a) An item or part of an item with a maximum tetrahydrocannabinol concentration that exceeds three-tenths of one percent on a dry weight basis the maximum total

1 tetrahydrocannabinol concentration allowed for a hemp product  
2 under section 124.204, subsection 7.

3 (b) An item or part of an item that is metabolized or  
4 is otherwise subject to a biotransformative process when  
5 introduced into the human body and that exceeds the maximum  
6 total tetrahydrocannabinol concentration allowed for a  
7 consumable hemp product.

8 Sec. 4. Section 204.7, subsection 8, paragraph a,  
9 subparagraph (3), Code 2024, is amended to read as follows:

10 (3) The consumable hemp product complies with packaging  
11 and labeling requirements, which shall be established by rules  
12 adopted by the department of health and human services ~~by rule.~~  
13 Each container storing consumable hemp shall be affixed with  
14 a notice advising consumers regarding the risks associated  
15 with its use. The department of health and human services  
16 shall adopt rules regarding the language of the notice and its  
17 display on the container.

18 Sec. 5. Section 204.7, subsection 8, paragraph a, Code 2024,  
19 is amended by adding the following new subparagraph:

20 NEW SUBPARAGRAPH. (4) The consumable hemp product complies  
21 with restrictions upon the sale or other distribution of a  
22 consumable hemp product established by rules adopted by the  
23 department of health and human services.

24 Sec. 6. Section 204.7, subsection 8, Code 2024, is amended  
25 by adding the following new paragraph:

26 NEW PARAGRAPH. *Ob.* (1) A person is engaged in the retail  
27 sale of a consumable hemp product, if any of the following  
28 apply:

29 (a) The person offers to distribute a consumable hemp  
30 product to a consumer in exchange for consideration.

31 (b) The person is an owner of a business that distributes  
32 consumable hemp products to consumers in exchange for  
33 consideration.

34 (c) The person is a business that distributes consumable  
35 hemp products to consumers in exchange for consideration and

1 presents a consumable hemp product to a consumer in the form  
2 of a gift.

3 (2) A person, including a business, is engaged in the sale  
4 of a consumable hemp product regardless of whether the person  
5 is registered with the department of health and human services  
6 as provided in this section.

7 Sec. 7. Section 204.12, subsection 1, Code 2024, is amended  
8 to read as follows:

9 1. A Unless another civil penalty is otherwise provided in  
10 this chapter, a person who violates a provision of this chapter  
11 is subject to a civil penalty of not less than five hundred  
12 dollars and not more than two thousand five hundred dollars.  
13 The department shall impose, assess, and collect the civil  
14 penalty. Each day that a continuing violation occurs may be  
15 considered a separate offense.

16 Sec. 8. Section 204.14A, Code 2024, is amended by adding the  
17 following new subsections:

18 NEW SUBSECTION. 1A. A person shall not use, market, or  
19 distribute a raw or dried flower form of hemp for the purposes  
20 of inhalation as described in subsection 1, paragraph "b"  
21 or "c". Any raw or dried flower form of hemp marketed or  
22 distributed within this state shall contain the following  
23 notice on the raw or dried product container:

24 This is a raw or dried agricultural commodity not suitable or  
25 intended for human consumption in conjunction with Iowa Code  
26 section 204.14A, subsection 1, paragraph "b" or "c".

27 NEW SUBSECTION. 1B. A person required to be registered  
28 to manufacture or sell consumable hemp under section 204.7  
29 shall not manufacture, produce, distribute, market, or sell a  
30 synthetic consumable hemp product, as defined by rules adopted  
31 by the department of health and human services.

32 Sec. 9. Section 204.14A, subsection 2, Code 2024, is amended  
33 to read as follows:

34 2. A person who violates ~~subsection 1~~ this section is guilty  
35 of a serious misdemeanor.

1     Sec. 10. NEW SECTION. 204.14B Sale of consumable hemp  
2 product — failure to register — civil penalty.

3     1. A person engaged in the retail sale of a consumable  
4 hemp product in this state without being registered with the  
5 department of health and human services as required in section  
6 204.7 shall be subject to a civil penalty of not more than ten  
7 thousand dollars. The department of health and human services  
8 shall impose, assess, and collect the civil penalty. Each day  
9 that a continuing violation occurs may be considered a separate  
10 offense.

11    2. All civil penalties collected under this section shall be  
12 deposited into the general fund of the state.

13    3. A person in violation of this section is not also subject  
14 to a civil penalty as provided in section 204.12.

15     Sec. 11. NEW SECTION. 204.14C Sale of consumable hemp  
16 product — failure to register — criminal penalty.

17    1. a. A person engaged in the retail sale of a consumable  
18 hemp product who is not registered with the department of  
19 health and human services as required in section 204.7 commits  
20 a serious misdemeanor.

21    b. A person engaged in the retail sale of an item advertised  
22 as a consumable hemp product that is not a consumable hemp  
23 product commits a serious misdemeanor.

24    2. This section shall be presumed not to be in conflict with  
25 or limit a prosecution for a violation of any other provision  
26 of law, including but not limited to chapter 124 or 21 U.S.C.  
27 ch. 13.

28     Sec. 12. NEW SECTION. 204.14D Persons under legal age —  
29 criminal offense.

30    1. A person shall not sell, give, or otherwise distribute  
31 a consumable hemp product to a person under twenty-one years  
32 of age.

33    2. A person who violates subsection 1 is guilty of a simple  
34 misdemeanor.

35     Sec. 13. NEW SECTION. 204.14E Persons under legal age —

1 scheduled violation and community service.

2 1. A person under twenty-one years of age shall not consume,  
3 possess, purchase, or attempt to purchase a consumable hemp  
4 product.

5 2. A person who violates subsection 1 shall be subject to a  
6 scheduled violation in the form of a civil penalty pursuant to  
7 section 805.8C, subsection 3, paragraph "d".

8 3. In addition to the imposition of a civil penalty as  
9 provided in subsection 2, a person who violates subsection 1  
10 shall be subject to a court appearance as provided in section  
11 805.10. The court shall sentence the person to perform a  
12 specified number of hours of unpaid community service as deemed  
13 appropriate by the court subject to the following:

14 a. For a first violation, eight hours, unless waived by the  
15 court.

16 b. For a second offense, twelve hours.

17 c. For a third or subsequent offense, sixteen hours.

18 4. A person who violates this section is not subject to a  
19 civil penalty as provided in section 204.12.

20 5. A person does not violate subsection 1 by possessing  
21 a consumable hemp product if the person is employed by a  
22 registrant and the person is possessing the consumable hemp  
23 product as part of their employment.

24 Sec. 14. NEW SECTION. 204.14F Persons under legal age —  
25 exception — cooperation with department of public safety or  
26 local law enforcement agency.

27 1. a. A person who would otherwise act to commit an offense  
28 under section 204.14D is not guilty of that offense if the  
29 person acts under the direction or consent of the department  
30 of public safety or a local law enforcement agency as part of  
31 an enforcement investigation.

32 b. A person who would otherwise act to commit a violation  
33 under section 204.14E is not subject to that offense if the  
34 person acts under the direction or consent of the department  
35 of public safety or a local law enforcement agency as part of

1 an enforcement investigation.

2 2. In enforcing this section, the department of public  
3 safety or a local law enforcement agency shall take all  
4 measures necessary to ensure that a consumable hemp product  
5 is not introduced into the body of a person under the age of  
6 twenty-one.

7 3. Notwithstanding chapter 22, any personal information  
8 identifying the person committing an offense or violation as  
9 described in this section shall be confidential.

10 Sec. 15. NEW SECTION. 204.15A Hemp products — order of  
11 confiscation and disposal.

12 1. The department of health and human services may order the  
13 confiscation and disposal of a hemp product based on any of the  
14 following:

15 a. It is falsely advertised, sold, or distributed as a  
16 consumable hemp product.

17 b. It exceeds the maximum tetrahydrocannabinol concentration  
18 allowed under section 124.204, subsection 7, or this chapter.

19 c. It is a consumable hemp product manufactured, sold,  
20 or distributed by a person who is not registered with the  
21 department of health and human services as is required in  
22 section 204.7.

23 2. The department of health and human services shall act  
24 in consultation with the department of public safety. The  
25 department of health and human services may request assistance  
26 from the department of public safety or a local law enforcement  
27 agency as necessary to carry out the provisions of this  
28 section. The department of health and human services, upon  
29 request, shall deliver any sample of the item to the department  
30 of public safety or a local law enforcement agency.

31 3. A person required to be registered with the department of  
32 health and human services as provided in section 204.7 shall  
33 pay the department of health and human services all actual  
34 and reasonable costs of the destruction of the item. If that  
35 department assumes any amount of the costs, it may charge that

1 amount to the person.

2 Sec. 16. Section 805.8C, subsection 3, Code 2024, is amended  
3 by adding the following new paragraph:

4 NEW PARAGRAPH. *d.* (1) For violations of section 204.14E,  
5 the scheduled fine is as follows:

6 (a) If the violation is a first offense, the scheduled fine  
7 is seventy dollars.

8 (b) If the violation is a second offense, the scheduled fine  
9 is one hundred thirty-five dollars.

10 (c) If the violation is a third or subsequent offense, the  
11 scheduled fine is three hundred twenty-five dollars.

12 (2) The fine shall be imposed as a civil penalty.

13 (3) The crime services surcharge under section 911.1 shall  
14 not be added to the penalty, and the court costs pursuant to  
15 section 805.9, subsection 6, shall not be imposed.

16 (4) Notwithstanding section 805.12, any civil penalty paid  
17 under this subsection shall be retained by the city or county  
18 enforcing the violation.

19 Sec. 17. Section 805.10, subsection 1, Code 2024, is amended  
20 by adding the following new paragraph:

21 NEW PARAGRAPH. *e.* When a violation charged involves the  
22 consumption, possession, purchase, or attempt to purchase of  
23 a consumable hemp product as provided in section 204.14E, for  
24 which there is a community service sentence.

25 DIVISION II

26 REGULATION OF ALCOHOLIC BEVERAGES

27 Sec. 18. Section 123.49, subsection 2, Code 2024, is amended  
28 by adding the following new paragraph:

29 NEW PARAGRAPH. *1.* Sell, give, or otherwise supply any  
30 alcoholic beverage containing tetrahydrocannabinol, including  
31 any isomers, derivatives, or analogs of tetrahydrocannabinol,  
32 whether naturally occurring or synthesized, to any person on  
33 the licensed premises.

34 Sec. 19. NEW SECTION. 123.49A Restriction on alcoholic  
35 beverages containing tetrahydrocannabinol.

H.F. 2605

1 A holder of a license, permit, or certificate of compliance  
2 issued by the department under this chapter shall not  
3 manufacture, import, or sell at wholesale in this state an  
4 alcoholic beverage containing tetrahydrocannabinol, including  
5 any isomers, derivatives, or analogs of tetrahydrocannabinol,  
6 whether naturally occurring or synthesized.



## Class “E” Liquor License and Code Book Updates

*Amanda Trebon Boyd, Membership Services Coordinator for the Iowa League of Cities. She can be reached at (515) 974-5321 or [amandatrebonyd@iowaleague.org](mailto:amandatrebonyd@iowaleague.org).*

*Tyler Ackerson, Legislative Liaison with the Iowa Department of Revenue Research & Policy Division. He can be reached at [tyler.ackerson@iowa.gov](mailto:tyler.ackerson@iowa.gov).*

### Navigating Changes to Iowa’s Class “E” Retail Alcohol License

The landscape of alcohol licensing in Iowa underwent some changes with the enactment of 2022 Iowa Acts, Senate File 2374 (SF2374). One notable transformation was the renaming of the Class “E” liquor control license to the Class “E” retail alcohol license, accompanied by expanded privileges. This article aims to shed light on these changes and delve into the newly introduced Automatic Renewal Program for Class “E” Retail Alcohol Licenses, providing insights for both licensees and local authorities.

### The Evolution of Class “E” Retail Alcohol License

Before the legislative update, the Class “E” liquor control license restricted licensees to selling alcoholic liquor solely to on-premises liquor retailers and for off-premises consumption, requiring separate permits for beer and wine sales. Post SF2374, the license underwent a nomenclature shift to the Class “E” retail alcohol license, opening doors for the sale of beer and wine to customers for off-premises consumption without necessitating additional permits.

### Introduction of Automatic Renewal Program

One of the key features introduced is the Automatic Renewal Program, streamlining the license renewal process for Class “E” retail alcohol licensees. This program allows eligible license holders to renew their licenses automatically, provided certain conditions are met. Iowa Code Section 123.35(2) allows Class “E” retail alcohol licensees to automatically renew their license without approval by the local authority or the Iowa Department of Revenue (IDR) upon payment of the renewal fee, provided certain conditions are met:

- Applicants must give written consent to participate in the program.
- No suspensions, revocations, or civil penalties were issued during the preceding license term.
- No pending administrative proceedings.
- No other violations of Iowa Code Chapter 123.
- No dishonored payments to IDR for liquor orders.
- No unenrollment by local authority.
- Premises is a safe and proper place conforming to all applicable federal, state, and local laws.

### How the Program Works for Licensees

Licensees can enroll in the program by completing a new or renewal application and giving consent to participate in the program. Each license must be separately enrolled, and payment methods are stored for easy renewal fee processing in subsequent terms. Licensees receive email notifications 70 days before the license expiration date, offering an opportunity to update payment methods and any information that has changed since the preceding license term (such as disclosing any new criminal history violations). Payments for automatic renewal are withdrawn 50 days before the license’s expiration date. The license is unenrolled in case of payment failure, requiring a manual renewal application submission.

### How the Program Works for Local Authorities

Local authorities play a crucial role in determining licensee eligibility for the Automatic Renewal Program, designating licenses as “eligible” or “ineligible” during the review process. Even if marked as “ineligible,” licenses can still receive approval for issuance. An email notification is sent to the local authority 70 days before the license expiration date as a reminder of upcoming automatic renewal. Local authorities must unenroll the licensee at

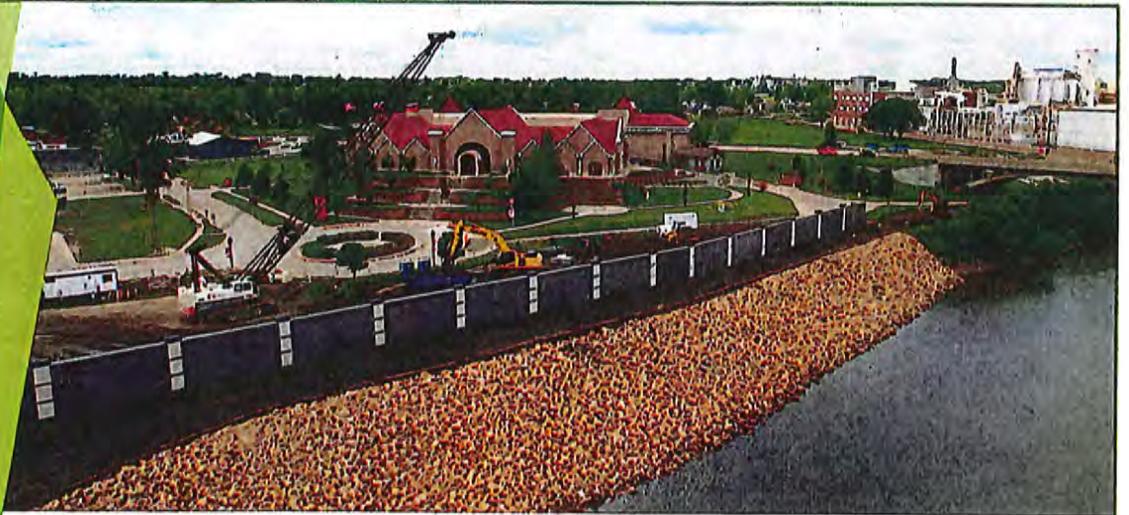
least 51 days before expiration to cease automatic renewal. If unenrollment occurs on or after the 50-day mark, automatic renewal is disabled for the term following the immediate next one. For instance, if a licensee enrolls in 2023 and unenrolls after the 50-day mark in 2024, it affects the renewal in 2025. Upon unenrollment, licensees receive an email notification, and the renewal process shifts to manual submission, subject to local authority and IDR examination and approval or denial.

### Code Book Considerations for Cities

With these legislative changes, cities are encouraged to review and potentially update their code books to reflect the current state of alcohol licensing. Many city codes may now be outdated due to these legislative changes as many mirrored the state code for alcohol licensing. Many cities' codes do not call for Class E licensing or do not include the ability to enroll in an auto-renewal process as it may require formal approval from the council. Adding the option for automatic renewal may help to streamline the renewal processes for many cities.

The city's code of ordinances, acting as a governing document, needs to be clear, enforceable, and accessible. Codification services, often provided by private companies or local Councils of Government, can assist cities in ensuring their code books are up-to-date and comply with legal requirements.

The changes in Iowa's alcohol licensing landscape, particularly the evolution of the Class "E" retail alcohol license and the introduction of the Automatic Renewal Program, bring about opportunities for streamlined processes for both licensees and local authorities. Cities are encouraged to update their code books to align with these changes, ensuring clarity, accessibility, and compliance with state laws. As Iowa adapts to these new measures, licensees, local authorities, and cities collectively contribute to a more efficient and transparent regulatory framework for the retail alcohol industry. <<



**Providing engineering and technical management solutions that build communities and improve lives.**

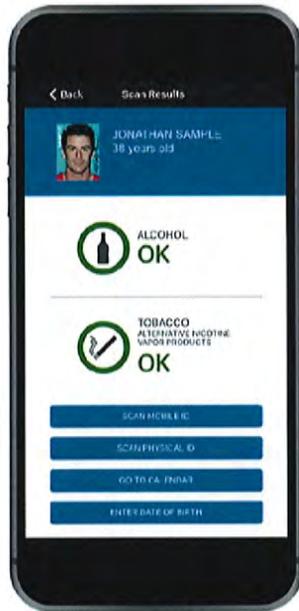


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DES MOINES

BROADBAND + CONSTRUCTION + ENVIRONMENTAL + GEOSPATIAL  
GOVERNMENT + LAND DEVELOPMENT + PLANNING + TRANSPORTATION + WATER

# Iowa ABD Age to Purchase Mobile App



A no-cost supplemental tool to assist Iowa retailers in verifying the age of customers while serving or selling alcohol, tobacco, alternative nicotine or vapor products.

## App Features:

- Scan State-issued Physical IDs
- Verify Iowa Mobile IDs
- Date of Birth Calculator
- Age to Purchase Calendar
- Links to I-PACT & I-PLEDGE Retailer Training Programs

**SCAN TO  
LEARN MORE**



The Iowa ABD Age to Purchase App is available for iOS and Android.



This app is strictly a supplemental tool and is not a replacement for any reasonable and necessary steps or factual evidence that may be needed to determine the age of a person.

**IOWA**  
Department of Revenue  
Alcohol & Tax Operations Division



BUSINESSES, ORGANIZATIONS, AND AGENCIES:

# MOBILE ID IS HERE!

**Iowa Mobile ID gives your business, organization, or agency a convenient, secure, and private way to verify identity and age – completely digitally!**

**Benefits of accepting mobile ID at your business, organization, or agency:**



**Trust:** The state certificate verifies that the ID was issued by the issuing authority, the Iowa DOT.



**Convenience:** The verification process checks the information for you and lets you know if it's been authenticated or not.



**Contactless:** Scanning a QR code means never having to touch or access a user's device.



**Customized:** You only need to ask for the data required for your business transaction. (For example: age and photo for an alcohol purchase.)



**Security:** All security features are encrypted data with no need to decipher physical security features.

### Three ways to verify age or identity with mobile ID:

**1. Verify App:** A verify app allows you to use a device such as a smartphone or tablet to scan the mobile ID user's QR code to verify their age/identity and be assured that they are presenting a state-issued mobile ID.

**2. Software Development Kit (SDK):**

A mobile ID software development kit can be integrated into an existing point-of-sale system or other verification system.

**3. Online Verification:** Your online systems can be configured to accept Iowa's Mobile ID to log into secure websites. Your system will generate a QR code requesting information from a mobile ID user. Once scanned and accepted, the user's information will transfer to your website.

*Businesses are not required to accept Iowa Mobile ID and users are advised to carry their physical ID as a backup.*

**LEARN MORE  
ABOUT HOW TO  
VERIFY IOWA  
MOBILE ID** →



MM1391 09/20/2023

# EVERYTHING IS ON YOUR PHONE. NOW YOUR ID IS TOO.

Iowa Mobile ID is a **FREE** digital version of your official driver's license or ID, carried in an app on your smartphone.



## convenient

- Contactless method of verifying your identity, on your terms
- QR code initiates the sharing and verification of information

## secure

- Your scanned ID and live selfie is checked against your DOT profile to verify it's you enrolling
- Unlocks only using your self-selected PIN or facial recognition

## private

- You are in control – you approve requests before any information is shared

### Where will I use my mobile ID?



Look for this logo on a business' window or door, or simply ask if they accept it. Go to

[iowadot.gov/mvd/mIDacceptedhere](http://iowadot.gov/mvd/mIDacceptedhere) for a current list.

*Iowa Mobile ID can currently be used on Android 7 or newer and iOS 13 or newer.*

### Can I ditch my physical ID card?

Mobile ID is a companion to your physical ID. You should still carry your plastic card with you.

### SCAN HERE TO LEARN:

- Who can use Iowa Mobile ID
- How to get Iowa Mobile ID
- How to use it
- Sign up for alerts
- FAQs



# Regulators and Lawmakers Across the Country Sound the Alarm on DTC Spirits Shipping

State's sting operations reveal startling data on the extent of illegal alcohol shipments.

Source: WSWA  
March 12, 2024

Across the country, lawmakers and regulators are sounding the alarm about the dangers of direct-to-consumer (DTC) alcohol shipping. Since the advent of DTC wine shipping over a decade ago, states have lost millions in tax revenue, underage consumers have gained greater access to alcoholic products, and the risk of adulterated products entering the marketplace has skyrocketed – and lawmakers are taking both notice and action.

Recently, South Carolina State Representative Weston Newton spoke on the house floor while displaying a bourbon shipment he had received from an online retailer. Representative Newton stated that all he “had to do was type in his credit card number” and that the delivery driver never asked for the recipient’s proof of age before leaving the bottles, highlighting the lack of legal parameters in state law for home delivery of beer, wine, and liquor.

Last year, after passing common carrier reporting enhancements, Oklahoma State Senator Bill Coleman advocated that these changes were “vital to combat the dangers associated with direct-to-consumer shipments”, while State Representative T.J. Marti offered that the newly enacted language ensures that “Oklahoma can identify and pursue enforcement actions against unlicensed, unscrupulous actors who ship illegally to consumers, harming public safety.”

Oklahoma is one of eighteen states whereby common carriers (i.e., FedEx, UPS) are required to report each online alcohol order shipped directly to a consumer to state regulators. These common carrier reports grant regulators the ability to differentiate between legal and illegal shipments by identifying the originating shipper. In doing so, shipments can be identified that undercut the state’s law-abiding industry members and compromise public safety, while regulators can ensure that shippers are remitting applicable state taxes. Tracking illegal shipments is nearly impossible without common carrier reports.

To see the importance of common carrier reporting, recent data found by state alcoholic beverage commissions, is shining a lot on major infractions. The Texas Alcohol Beverage Commission (ABC), after examining carrier reporting data from the 4th quarter of 2022, found a total of 304,481 unreported or illegal wine shipments into Texas for the quarter – which would equate to 1,217,924 annually (57% of all wine shipments into Texas).

In 2020, the Tennessee ABC sent numerous cease and desist letters to unlicensed businesses shipping to consumers and had to request FedEx and UPS to stop illegal alcohol shipments to Tennessee residents from an online retailer after discovering it was responsible for 240 separate illegal shipments in one year.

State ABC's have also gone so far as conducting their own sting operations to examine the extent of illegal alcohol shipments in their state. In 2023, Massachusetts ABC chief investigator reported on the results of compliance checks his organization conducted on beverage alcohol shipments, with startling results:

- 96% of the e-commerce platforms accepted the DTC order and payment from a 15-year old consumer.
- 43% of the beverage alcohol shipments did not obtain adult signatures.
- 26% of the shipments were left at the consumer's doorstep.
- Zero shipments verified the age of the recipient by checking an ID upon delivery.

Mahoney stated, "The bottom line is that we have alcohol coming into our state from unlicensed entities and individuals throughout the country and the world... We have to get back to the basic understanding that this can be a dangerous product and the principle that alcohol should be sold and delivered by responsible entities and individuals that are properly licensed and trained. This should be the highest priority for state alcohol regulators."

Most recently, the Vermont Department of Liquor and Lottery (DLL) conducted a DTC Shipping Pilot Compliance Program, ultimately releasing a groundbreaking compliance report that shed light on significant hazards and regulatory shortcomings within DTC alcohol shipping channels.

The DLL concludes: "[L]awful direct-to-consumer shipping in Vermont is significantly underregulated and would take a significant investment to properly regulate and ensure public safety." These alarming findings stress the urgent necessity for strengthened regulation, rigorous oversight, and a bolstered enforcement budget to supervise DTC shipments and shield consumers from associated public health and safety concerns.

The Vermont data further echoes the results of a recent Morning Consult survey conducted in collaboration with WSWA, showing that an overwhelming 76% of American adults express concerns with the age verification process when using online vendors or delivery platforms for alcohol purchases. The survey also showed that one in four adults purchasing alcohol through DTC vendors do not undergo ID checks upon receiving their purchases.

On October 28, 2000, Congress passed the 21st Amendment Enforcement Act allowing state attorneys general to bring civil action in federal court against out-of-state entities

to enforce violations of their state laws relating to the importation or transportation of alcohol. WSWA supported the Act's passage twenty years ago and actively encourages its use as an enforcement tool today because the illegal shipment of alcohol across state lines creates a wide range of transparency, accountability, health and safety problems for regulators and consumers.

Ohio Attorney General Dave Yost was the first to use the Act in 2020, when he sought to enjoin multiple out-of-state retailers including Wine.com, Winc, and others from making illegal shipments into the state.

Michigan Attorney General Dana Nessel has also used the Act on several occasions to go after out-of-state shippers, including Wine.com, who illegally operated in Michigan. Cases in Ohio and Michigan were settled with defendants being ordered to cease all illegal shipments into the states and payment of fines totaling nearly \$140,000.

In 2023, Tennessee Attorney General Skrmetti filed a lawsuit against six out-of-state retailers using the 21st Amendment Enforcement Act after undercover Tennessee ABC agents purchased and received spirits from the defendants during six separate investigations. Defendants were ordered to cease illegal shipments into the state and to provide AG Skrmetti and Tennessee ABC access to records for five years.

As state's lawmakers look for solutions to the growing problems associated with DTC shipping of alcohol, there are legitimate concerns that these practices are not having a positive impact on advancing alcohol responsibility while circumventing regulators and the health and safety of the public.

#### About Wine & Spirits Wholesalers of America

WSWA is the national trade association representing the distribution tier of the wine and spirits industry, dedicated to advancing the interests and independence of distributors and brokers of wine and spirits. Founded in 1943, WSWA has more than 380 member companies in 50 states and the District of Columbia, and its members distribute more than 80 percent of all wine and spirits sold at wholesale in the United States.

To learn more, please visit [www.wswa.org](http://www.wswa.org) or connect with us on Facebook or Twitter.

# Who is winning from the moderation trend?

IWSR analyses recruitment into the no- and low-alcohol market, and the implications for the beverage alcohol industry

NEWS & COMMENT ANALYSIS



Despite growing evidence that more people are being recruited into no/low-alcohol from full-strength alcohol, the main segment losing out to no-alcohol remains other non-alcoholic beverages such as soft drinks and water.

This limits the degree of cannibalisation between no/low and full-strength, and instead offers incremental growth opportunities for brand owners. It also has the potential to drive increased revenue for on-trade outlets, as consumers trade up from water, soft drinks, or not consuming at all.

According to IWSR research conducted in late 2023 across the top 10 no/low markets – Australia, Brazil, Canada, France, Germany, Japan, South Africa, Spain, the UK and the US – 44% of no/low consumers said they had switched to a no-alcohol drink from another non-alcoholic drink, such as soft drinks, water, tea or coffee. This compares to 29% who replaced a full-strength alcohol product – although this was significantly up on the 2022 figure.

"No-alcohol drinkers generally come from other non-alcoholic beverages, but also now increasingly from full-strength categories," says Susie Goldspink, Head of No- and Low-Alcohol Insights, IWSR. "There is also an increase in the proportion of no-alcohol consumers planning to increase their no-alcohol consumption."

"Increasingly, alcohol companies see no-alcohol especially as an opportunity for growth. Moderation is an established trend, and no-alcohol products which keep customers within a category – for example, switching beer for no-alcohol beer – or within a brand portfolio – say, switching Heineken for Heineken 0.0 – offer an option to alcohol businesses to hold on to revenue and continue to build brand equity."

As a result, a number of brand owners across the beverage alcohol marketplace have invested heavily behind zero-alcohol versions of leading brands, or have either acquired or developed 'pure-play' no-alcohol brands, to target these opportunities. IWSR's Innovation Tracker shows that the number of no-alcohol innovations coming to market globally has more than tripled since 2019, with numbers peaking in 2020 for launches of brand extensions as well as new-to-world products.

Consumer attitudes, however, are somewhat different within low-alcohol: here, 40% of those surveyed said they had replaced a full-strength alternative with a low-alcohol product, with 33% switching from another non-alcoholic drink.

"Full-strength alcohol categories continue to be replaced the most by low-alcohol beverages – particularly replacing beer/cider, for example in Spain and Brazil," explains Goldspink.

"Meanwhile, spirits are being replaced more in markets such as the US and South Africa, where spirits are the most purchased full-strength category."

IWSR consumer research also suggests that people who don't currently participate in the no-/low-alcohol category could also be potential targets for brand owners in the future. "More than half of non-consumers of no/low are either moderating their alcohol intake (26%) or don't drink alcohol at all (28%) – offering a further untapped opportunity for producers of no- and low-alcohol brands," explains Goldspink.

"There is also evidence from our recent consumer research that in many markets, no-alcohol products recruit consumers who aren't drinking in a certain occasion or switching between both. These might be 'Substituters' (those who switch between alcohol and no-alcohol in different occasions) or 'Blenders' (mixing alcohol and no-alcohol in the same occasion).

"In both cases, these occasions offer an incremental opportunity for a brand owner to sell a product to a consumer who otherwise would not have been buying one of their products."

Meanwhile, the emergent segment of functional beverages – 'alcohol adjacents' with active ingredients such as CBD, adaptogens or nootropics that claim to offer health benefits, stress reduction, mood alteration and pleasure – is beginning to attract younger consumers (Gen Z, Millennials) in particular.

According to IWSR data, the purchase of cognitive enhancers has increased over the past year, driven by growth in Australia and the US – where up to 29% of Millennials have made purchases in the category.

"CBD and other nootropic/adaptogenic products could provide a future challenge to alcohol consumption, particularly with younger legal drinking age consumers who are more likely to participate in this category," says Goldspink.

"This generation participates in a broader repertoire of beverages in this space, as well as generally still consuming alcohol. As such, for brand owners looking to shape their future category, it's really all about offering consumer choice to suit different occasions."

The growth of the overall no/low-alcohol category gives brands the opportunity to cater to a much wider group of consumers. In many ways, no/low can be thought of as a solution to a gap in the market, rather than as a threat to the incumbents.

FEBRUARY 29, 2024

# Most Americans now live in a legal marijuana state – and most have at least one dispensary in their county

BY ATHENA CHAPEKIS AND SONO SHAH



A cannabis dispensary lines the street of the small town of Bristow, Oklahoma. (RJ Sangosti/MediaNews Group/The Denver Post via Getty Images)

Marijuana is [illegal under federal law](#), but most Americans now live in a state that has legalized the drug. And most also have at least one cannabis dispensary in their county, according to a new Pew Research Center analysis.

## How we did this

The analysis finds:

- **54% of Americans live in a state where the recreational use of marijuana is legal** – just a dozen years after [Colorado and Washington became the first states to allow the drug for recreational purposes](#).

- **74% of Americans live in a state where marijuana is legal for either recreational or medical use.** [California was the first state to legalize medical marijuana](#) in 1996.
- **79% of Americans live in a county with at least one cannabis dispensary.**
- **There are nearly 15,000 cannabis dispensaries in the United States.** Dispensaries (businesses that sell cannabis products) are common on the West Coast and Northeast, but also in interior states like Michigan, Oklahoma and Colorado.
- **California has far more dispensaries than any state:** 3,659 at the time of this analysis, more than double the amount in the second-highest ranking state. A quarter of all marijuana dispensaries in the U.S. are in California, and nearly all Californians (99.5%) have a dispensary in their county. Los Angeles County alone has more dispensaries (1,481) than any state other than California itself.
- **Oklahoma has the most marijuana dispensaries *per capita* of any state:** 36 dispensaries for every 100,000 residents.

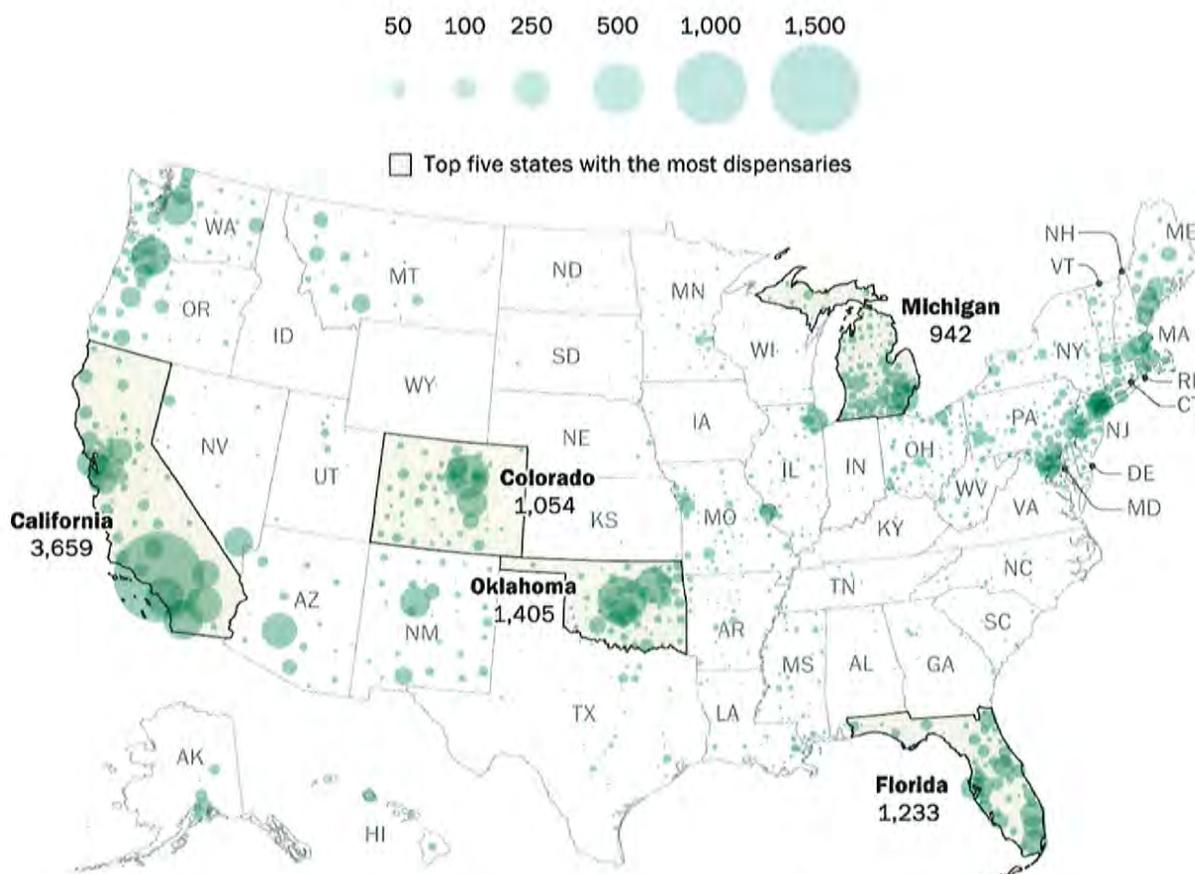
These findings are based on our analysis of state marijuana laws from the [National Organization for the Reform of Marijuana Laws](#); U.S. population statistics from the U.S. Census Bureau; and marijuana dispensary locations from [SafeGraph](#), which curates information about millions of places of interest around the globe. Our analysis of dispensaries includes those that sell cannabis (including low-THC cannabis products) for medical or recreational use.

Below, we'll explore these findings in more detail.

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## Cannabis dispensaries are common along the coasts and in a few specific states

Number of cannabis dispensaries in each county



Note: Includes dispensaries that sell cannabis for both recreational and medical purposes, as well as those selling cannabis products containing low amounts of THC or CBD-only products.

Source: Pew Research Center analysis of SafeGraph data for cannabis dispensaries in the U.S. (N=14,932) as of June 23, 2023.

PEW RESEARCH CENTER

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### Which states have legalized marijuana for recreational or medical use?

Since Colorado and Washington became the first states to pass legislation in 2012, there are now 24 states (plus the District of Columbia) that have legalized the recreational use of marijuana as of February 2024. Another 14 states allow the drug for medical use only.

The remaining 12 states have legalized limited access to cannabis products that contain little to no THC – the main psychoactive substance in marijuana – [such as CBD oil](#).

And 27 states across all levels of legalization have [decriminalized recreational marijuana use](#).

These changes in state law come as a broad majority of Americans say marijuana should be legal in some way. In an [October 2022 Pew Research Center survey](#), 88% of U.S. adults said the drug should be legal, either for recreational and medical use (59%) or for medical use only (30%).

Our analysis finds that around three-quarters of all dispensaries in the country (76%) are in states that have legalized the recreational use of marijuana. Another 23% are in medical marijuana-only states. In fact, two of the top five states with the largest number of dispensaries – Oklahoma and Florida – allow the drug for medical use only.

The remaining 1% of dispensaries are in states that have made legal allowances for low-percentage THC or CBD-only products. Half of all residents of these states live in a county with at least one dispensary.

### Where are cannabis dispensaries located within states?

The patchwork of state laws governing the sale and use of marijuana means that many states have more permissive laws than their immediate neighbors do. Our analysis finds concentrations of dispensaries near these borders between more and less permissive states.

Overall, one in every five dispensaries in the U.S. is located within 20 miles of a state border. And 29% of these border dispensaries adjoin a neighboring state with less permissive cannabis laws.

For example, Indiana, Kansas and Texas all have restrictive marijuana laws but are bordered by multiple states that have legalized the drug for recreational or medical purposes. In fact, a person residing in one of these three states can find more than 100 dispensaries within 20 miles of the state's borders.

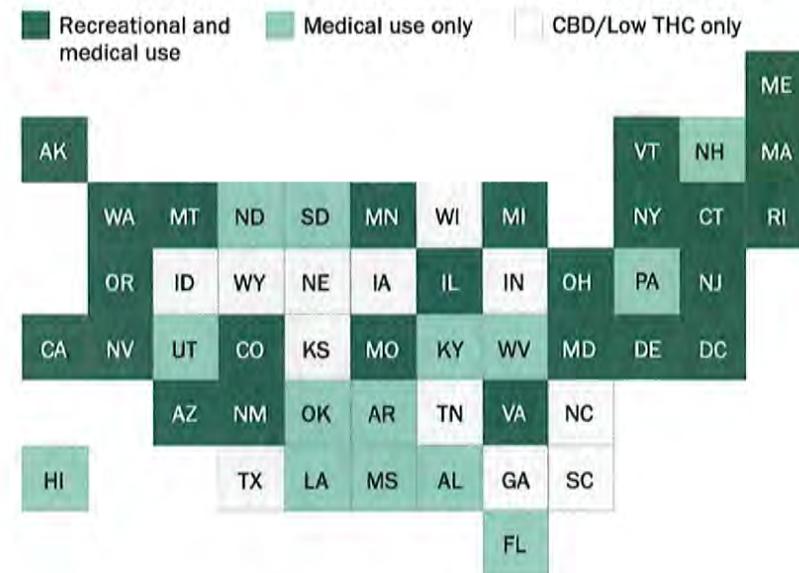
The early years of marijuana legalization were marked by [concerns that dispensaries would be clustered in low-income neighborhoods](#). Our analysis finds that, nationwide, median incomes tend to be a bit lower in areas with a greater concentration of dispensaries.

But this can vary quite a bit in individual states.

In four states that have legalized marijuana for both recreational and medical purposes – Colorado, Connecticut, Maryland and Virginia – median annual household incomes are at least \$20,000 lower in

## Nearly half of states have legalized the recreational use of marijuana

Legal allowance of marijuana at the state level, as of February 2024



Note: Nebraska's state laws only allow low-THC CBD products derived from hemp. All products derived from marijuana are prohibited.

Source: National Organization for the Reform of Marijuana Laws, current to February 2024.

PEW RESEARCH CENTER

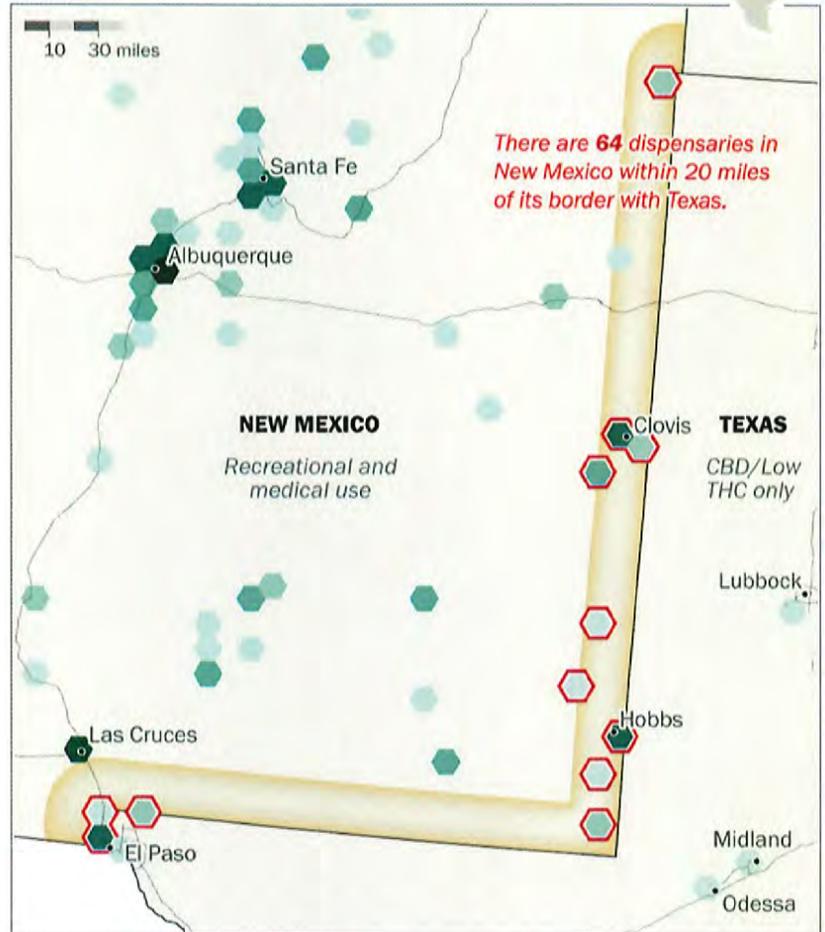
areas with high concentrations of dispensaries than areas in the state with low concentrations of dispensaries. In New Hampshire and New York, by contrast, median household incomes are around \$20,000 or more *higher* in areas with many dispensaries than in areas with few dispensaries.

## Dispensaries often cluster near the borders of states with less permissive marijuana laws

Number of dispensaries in a 10-mile area



Dispensaries are within 20 miles of the Texas-New Mexico border



Source: Pew Research Center analysis of Safe Graph data for cannabis dispensaries in the U.S. (N=14,932) as of June 30, 2023.

PEW RESEARCH CENTER

# The rise of cannabis drink culture

Source: <https://www.thedrinksbusiness.com/>

By Kathleen Willcox

March 12, 2024

Does the rise of cannabis-infused drinks mean the downfall of wine, beer and spirits? Kathleen Willcox investigates.

Remember bong hits and blunts? Not too long ago, cannabis culture was deeply embedded in the counter-culture. The perception was that cannabis was for hippies and hip hoppers, and all about getting blitzed. Wine, meanwhile, was for deep thinkers, poets and hard-charging business types.

How times have changed. Now, billionaire business titans and eggheads like Elon Musk, Sir Richard Branson, Carl Sagan and Bill Gates have joined the followers of Jerry Garcia and Snoop Dogg in touting the merits of marijuana. It's become socially acceptable for GOP soccer moms to indulge in a little gummy action—and openly admit it.

Drinking wine, meanwhile, has become increasingly associated with negative health outcomes and more sinister aspects of motherhood.

At this point, about 17 percent of Americans cop to ingesting marijuana according to a Gallup poll, an uptick from 11-13 percent between 2015 and 2021. This increasing comfort around cannabis stems, at least in part, from a much more liberal legal landscape.

## Changing Laws

As laws across the U.S. increasingly accommodate cannabis-spiked drinks in both on and off-premise outlets that also sell alcohol, sales of cannabis drinks are surging, as sales of wine, spirits and beer plummet.

This all came to a head during Dry January when sales of alcohol were down 52 percent during the first week of the year, and many people simply swapped their winddown glass of vino, bourbon or beer for cannabis. (Up to 90 percent of Gen Zers replaced alcohol with cannabis, according to a poll from opinion researchers at CivicScience.)

But it's more than a month-long blip, and instead augurs a broad demographic and cultural shift, analysts argue.

“The market for cannabis infused beverages has been growing for the last several years,” says William Bogot, a partner and co-chair of the Cannabis Practice Group at Fox Rothschild

LLP in Minneapolis. “Post-pandemic, many people reduced their consumption of alcohol and increased their consumption of cannabis-infused beverages.”

New emulsion methods have allowed producers to infuse nonalcoholic beer and wine-like products and seltzers with THC, CBD and more, he explains.

While cannabis is still technically illegal on the Federal level, 38 states have some form of legalized marijuana, and dozens allow sales of cannabis drinks through licensed dispensaries.

Increasingly, states are allowing producers to sell cannabis beverages online or through liquor stores—sometimes by accident.

“Sometimes these new laws have been poorly drafted,” Bogot says. “Connecticut appears to have unintentionally allowed sales of traditional dispensary-only cannabis beverages outside of state-licensed dispensaries by the mere change in serving size, so the dose per serving of THC is below the legally restrictive limit.”

### Pioneers Lay the Groundwork

While there have been several significant production and legal changes that have opened the door to cannabis drinks productions in recent years, a few pioneers have been quietly laying the groundwork for the current Renaissance.

Wynk Setzler + THC launched in 2020, and the challenges became crystal clear, fast.

“At that point, you could only sell cannabis drinks in dispensaries,” says Wynk’s general manager Phil McFarland. “And you couldn’t move products across state lines. But we realized that creating a production plant in every state we wanted to sell in wouldn’t be feasible. Can you imagine building a brewery in every state you wanted to sell beer in?”

Instead, Wynk created a mobile canning and production line that they could drive state-to-state. They linked up with marijuana processors in different states, and were able to sell their low-dose cannabis drinks in dispensaries. But there was a consumer-product mismatch, McFarland says.

“People shopping at dispensaries don’t typically want a 2.5 or 5 milligram product,” he explains. “A joint contains about 30 milligrams of THC, whereas our cans had 2.5 or 5 milligrams a serving.”

In 2022, Minnesota transformed the cannabis market when it passed a law that allows products with up to 10 milligrams to sold in liquor stores. As of now, McFarland says that they

are looking to sell in eight states that allow cannabis products in large 21+ retail stores. In 2023, Wynn doubled their revenue-year-over-year, and this year, they are forecasting more than doubling their revenue year-over-year.

Indeed Brewing Company also took advantage of the changes, rolling out a line of THC drinks in its Minneapolis taproom one month after legislators made the changes.

“We knew it was going to be big,” says Indeed’s chief business officer, Ryan Bandy. “And we had the infrastructure because we were a working brewery.”

This year, Bandy estimates that their line of THC beverages—which includes the 5 mg THC/CBD High Fiver: Pistachio Dream and the 10 mg THC/CBD Double High Fiver: Pink Burst—will account for 20 percent of their overall revenue. Bandy estimates that they will produce around 50,000 cases of THC seltzer this year.

As of now, their THC seltzers can be ordered online and shipped to 30 states.

## A Transformed Drinks Culture

The culture around drinking, meanwhile, has been evolving for some time. It seems that changes in legislation are finally beginning to meet consumers where they want to be.

“When I joined Jeff Cohen and Andrew Horlick to launch Second Act Cannabis, we wanted to destigmatize cannabis through social experiences, and secure its place at the dinner table and social gatherings,” says Eric Rogers, co-founder of Second Act Cannabis. Like wine, Rogers believes that cannabis is at its best when consumed with friends, food and conversation. Their first few products are focused on food (a hot sauce and olive oil), but they plan on launching cannabis-infused maple water drinks in time for summer.

Rogers says that perception of cannabis and alcohol consumption has changed, and he sees now as the ideal time to leverage the changes in the legal landscape.

“Our target market is really new parents to baby boomers,” Rogers explains. “For parents, especially with babies, having a hangover isn’t tolerable. Cannabis represents a social alternative that meets a wide variety of needs.”

Giuseppe Infusino, chief investment officer and managing partner at InvestBev, an investment firm dedicated to the adult beverage market, agrees that everyone—but especially younger people—are consuming alcohol more moderately.

“There is no denying that beer and wine especially face significant challenges,” Infusino says. “And in markets where recreational cannabis is legal, beer and wine sales are hurting even

more. Low-dose cannabis beverages will appeal to the broadest set of consumers, and pulling these products out of dispensaries and putting them into mainstream retail allows them to get into the hands of consumers who might not shop in dispensaries.”

The biggest obstacle to “massive growth,” Infusino says, is regulatory.

“The 2018 Farm Bill opened a lot of doors for the industry,” Infusino notes. “Where things shake out long term on the federal level will have broad sweeping impact on the industry. The focus is always on federal legalization, and the Farm Bill update scheduled for 2024, but there are steps that are more likely that could have significant impacts, as well, including deregulation and banking changes. If we get clarity there, you will see more investment into the space from investors, distributors and retailers.”

The market—especially among young consumers—is thirsty for this kind of change. Can the wine, beer and spirits industry join and benefit from—instead of fight—the seemingly inevitable shift away from classic drinks culture toward a looser and more laidback approach to social drinking?

The history of alcohol brands investing in cannabis has not always been positive. (See: Constellation Brands’ \$1.1 billion writedown in the value of its investment in Canopy Growth).

But others, including smaller brands like Indeed, and larger operations like Vintage Wine Estates in Sonoma, see it as a way to meet consumers where they want to be, while also meeting their own revenue and growth goals.

It’s a space we’ll be watching closely.

# Hemp-derived THC producers wary of how US Farm Bill could change market

Source: <https://mjbizdaily.com/>  
April 4, 2024

Hemp drinks are big business in the United States and poised to grow even bigger.

Mary Bernuth wants in, and she's not alone.

Thanks to the 2018 U.S. Farm Bill, hemp-based products are at least quasi-legal across the United States – and, unlike marijuana, they're shippable across state lines.

Companies big and small are betting on hemp-derived drinks becoming the next big thing for health-conscious, smoke-wary consumers.

Bernuth's Pharos Brands was one of 30 hemp-derived THC beverage companies at the Wine & Spirits Wholesalers of America's January expo at the Las Vegas Convention Center.

According to the Hemp Beverage Alliance, hemp drink companies took up as much as 10% of the floor.

"We're killing it here," Bernuth told MJBizMagazine from the bustling convention hall.

Things went so well that she's banking on contributing to a movement as well as running a successful business.

"We want to mainstream this," she said. "We feel hemp beverages are an essential piece of destigmatizing THC."

But when the first can of Pharos seltzer is sold in stores this spring with 2.5 milligrams of hemp-sourced THC, it won't be sold in Montana, where Bernuth lives and where Pharos is produced.

That's because Montana law requires any end product with more than 0.3% THC to be sold at a state-licensed marijuana dispensary.

Such rules don't exist on the other side of the Dakotas in Minnesota, where a 2022 state law specifically allows products with low doses of hemp-derived THC to be sold through mainstream retail outlets such as supermarkets and convenience stores.

In a familiar theme, states around the country offer similar patchworks of conflicting rules.

At least, that's the case for now.

The federal law that has allowed a hemp-derived product market worth billions to emerge almost overnight could soon change – and dramatically.

Intoxicating hemp market

From drinks to gummies or smokable flower, the country's appetite for psychoactive products sourced from hemp is enormous.

And what economist Beau Whitney estimates "conservatively" as a \$28.4 billion market barely existed before the 2018 Farm Bill accidentally legalized it.

That Farm Bill, which legalized the production of hemp across the United States, was intended to be a boon for long-suffering producers of low-THC cannabis intended to be spun into fabric, pressed into oil for fuel or processed into health foods.

Hemp is also a source of CBD, or cannabidiol, which can be converted into psychoactive delta-8 THC, hence the boom in delta-8-infused products.

The latest evolution is hemp-derived delta-9 THC.

Operators with enough hemp also could extract sufficient delta-9 THC to produce and ship gummies and other infused products that are functionally identical to state-regulated marijuana across the U.S.

It's conventional wisdom that federal lawmakers did not intend to create this new market when they legalized hemp production nationwide with the 2018 Farm Bill.

Since then, businesses including Pharos have existed in a state of uncertainty that some argue is – if you can believe it – even more confusing than the regulated marijuana industry.

The U.S. Food and Drug Administration has publicly declared that hemp-derived THC has "serious health risks," and the Drug Enforcement Administration has hinted it doesn't consider certain hemp extracts legal.

However, federal regulators have so far taken limited enforcement action.

Only companies selling products marketed with unproven medical claims or marketed with packaging similar to mainstream snack or beverage brands have drawn negative attention – and then usually nothing more serious than a cease-and-desist letter.

But it's also understood this uneasy status quo is temporary.

Depending on when Congress passes the next Farm Bill – and exactly what's in it – the ground could shift under Bernuth's business and the hemp-derived cannabinoid sector yet again.

The problem is, nobody knows when that might be – nor what will come next.

“Overall, the federal government is quite unpredictable,” said Michelle Bodian, the New York-based co-chair of the Vicente law firm's Hemp and Cannabinoids Department as well as the Hemp Beverage Alliance's general counsel.

“The longer things drag out, the more opportunity there is for issues to come to the forefront,” she added.

“It's obviously hard to predict where those issues are going to land – in hemp's favor or against.”

## Farm Bill provisions

One of the biggest and most complex measures that Congress produces, the Farm Bill is an \$867 billion behemoth that covers corn subsidies, food stamps, conservation projects and, now, CBD, delta-8 THC and delta-9 THC extracted from hemp.

In theory, Congress must renew the Farm Bill every five years, when the spending allowances run out.

The 2018 Farm Bill's provisions started running out at the end of September 2023, when Congress gave itself the first in a series of extensions.

Promises that a draft Farm Bill would soon emerge followed the first extension, but as of early February, there was still no draft bill and no timeline for when proposals would appear.

Put another way: It remains an open question whether the 118th Congress will pass a Farm Bill in 2024 at all.

If and when a new Farm Bill passes, it's also unclear whether lawmakers will choose to wrestle with the hemp-derived cannabinoid market they accidentally unleashed.

## Farm Bill timeline

Neither the U.S. Senate agriculture committee, chaired by Michigan Democrat Debbie Stabenow and Arkansas Republican John Boozman, nor their colleagues in the House

Committee on Agriculture, chaired by Pennsylvania Republican Rep. Glenn “GT” Thompson, responded to MJBizMagazine’s requests for comment.

In January, Thompson expressed hope that he’d be able to draft a bill and pass it through his committee in March, an optimistic timeline that hemp lobbyists considered unrealistic at press time.

Some influential lawmakers, such as Oklahoma Republican Rep. Frank Lucas, believed to be the only “active farmer” in Congress, say that Congress will absolutely pass a Farm Bill in 2024 – and that it won’t be a major departure from the 2018 version.

That is what the American Trade Association of Cannabis and Hemp is banking on, said Chris Lindsey, the group’s director of state advocacy and public policy.

“This is more about clarifying what Congress did than it is about going in and changing the laws and creating some new regulatory framework,” Lindsey told MJBizMagazine.

But with Congress still fumbling basic tasks such as a long-term federal budget, other observers are planning for 2024 to turn into 2025 with no new Farm Bill in sight.

“I wouldn’t say I’m confident (for a 2024 passage). I’m hopeful,” said Jonathan Miller, co-founder and general counsel for the U.S. Hemp Roundtable, which lobbies federal lawmakers and counts among its members prominent cannabis companies including Cronos Group and Curaleaf Holdings.

Miller believes the best window to pass a Farm Bill is the lame-duck session between the November 2024 general election and January 2025, when the next Congress – and, potentially, next president – is inaugurated.

That tiny window could, of course, slam shut depending on the election’s outcome.

Regardless of when, there’s “no consensus” for what federal lawmakers want to do, Miller said.

## Hemp in the Farm Bill

Most industry observers believe that Congress will seriously consider redefining what qualifies as “hemp.”

A legal definition rather than a botanical one, hemp currently refers to cannabis sativa plants with 0.3% THC or less by dry weight.

There appears to be support for raising the THC limit to 1% – a proposition that appeared in stand-alone legislation proposed in 2022 by U.S. Rep. Chellie Pingree of

Maine.

But what about regulating CBD, which the FDA has been on notice to do for years?

And what about clarifying the federal legality of hemp-derived THC and the alphabet soup of THC derivatives that have appeared?

It seems as if the status of hemp-derived cannabinoids is anyone's guess, though it is likely that federal lawmakers will be reluctant to interfere with state regulations.

That would be just fine for companies in places such as Kentucky and Texas, where the lack of regulated medical marijuana programs creates intense demand for a viable alternative.

The hemp market is booming under loose rules that nonetheless call for basic guardrails such as age restrictions and product-safety guarantees.

Lack of action won't be welcome news to companies such as those trying to operate in Arkansas, where a strict ban on hemp-derived competitors to a fledging medical marijuana industry is being challenged in federal court.

As for Bernuth, she knows at least two things to be true: Hemp-derived THC is too big for the federal government to kill off entirely, and the market needs regulations such as age verification and product-safety standards.

If that means Pharos needs a unique product label to comply with laws in every state where Bernuth wants to distribute the product, she is willing to do that.

And if the rules change even more, she's willing to adapt.

"Every business has to be flexible, so we're definitely being as flexible as possible," Bernuth said.

For now, the opportunity presented by hemp-derived cannabinoid drinks is too sweet to pass up.

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## THC and CBD in Alcoholic Beverages

### INTRODUCTION

The purpose of this bulletin is to provide clarification to license and permit holders selling and serving alcoholic beverages about the applicable state regulations and federal guidance regarding the use of Tetrahydrocannabinol (THC) and Cannabidiol (CBD) products in alcoholic beverages.

### BACKGROUND

The recent popularity of THC and CBD, substances extracted from the plants of the genus Cannabis, has led to inquiries regarding the legality of these substances in alcoholic beverages products. The use of THC and CBD is restricted in Iowa.

### DISCUSSION

**THC is considered a schedule I substance and is illegal in Iowa.**

- Iowa Code section 124.204 lists THC as a schedule I hallucinogenic substance. CBD is only legal under the Medical Cannabidiol Act.
- Iowa Code section 124.401 states that a person may recommend, possess, use, dispense, deliver, transport, or administer CBD if in accordance with the provisions of Iowa Code chapter 124E, Medical Cannabidiol Act.

**A person holding an alcohol license/permit and the licensed premises must adhere to all laws.**

- A license/permit holder must be a person of good moral character. A person of good moral character will comply with all laws, ordinances, and regulations in Iowa Code chapter 123.
- The licensed premises must conform to all applicable laws, ordinances, resolutions, and health and fire regulations.
- A person holding an alcohol license/permit shall not knowingly permit or engage in any criminal activity on the premises covered by a license/permit.
- Mixed drinks or cocktails shall not include hallucinogenic or controlled substances.

### CONCLUSION:

- **THC and CBD are prohibited in alcoholic beverages sold by license/permit holders in the state of Iowa.**

### VIOLATIONS:

- An alcohol license/permit holder who is found to be in violation of Iowa laws or rules may be subject to criminal penalties and administrative sanctions including, but not limited to civil penalty, license/permit suspension, or license/permit revocation.

## **REFERENCES BY OTHER AGENCIES:**

### **Iowa Department of Health and Human Services (HHS)**

HHS is responsible for administering and enforcing Iowa Code section 124E, the Medical Cannabidiol Act. Additionally, as of July 1, 2023, HHS is responsible for the regulation of consumable hemp products. For more information on consumable hemp, please refer to the [HHS Consumable Hemp FAQ](#).

### **Iowa Department of Inspections, Appeals, and Licensing (DIAL)**

The Food and Consumer Safety Bureau with the DIAL is responsible for administering and enforcing the Iowa Food Code, Iowa Code Section 137F, by conducting food safety inspections at food establishments and food processing plants. For more information, please refer to [DIAL's website](#).

### **Food and Drug Administration (FDA)**

The FDA offers an [FAQ](#) that states that it is unlawful under the Federal Food, Drug, and Cosmetic Act (FD&C Act) to introduce food containing added THC or CBD into interstate commerce, or to market THC or CBD products as, or in, dietary supplements, regardless of whether the substances are hemp-derived.

### **Tax and Trade Bureau (TTB)**

The TTB issued an [industry circular](#) on April 25, 2019, stating it remains TTB's policy that it will not approve any formulas for alcohol beverages that contain ingredients that are controlled substances under the Controlled Substances Act (CSA). Even if an ingredient derived from cannabis is not a controlled substance because it meets the 2018 farm bill definition of "hemp," TTB continues to consult with the FDA to determine if the use of hemp ingredients would violate the FD&C Act. The FDA has issued public statements explaining why some "hemp" ingredients are not permitted in food/drinks under the FD&C Act, which FDA administers.

### **Drug Enforcement Administration (DEA)**

The DEA issued a [statement](#) clarifying the new drug code 7350 for marijuana extract. This clarifying statement indicates, cannabinoids, such as THC, cannabiniols (CBN) and CBD, are found in the parts of the cannabis plant that fall within the Controlled Substance Act definition of marijuana, such as the flowering tops, resin, and leaves.

## **References and useful information:**

**State Law:** 123.1, 123.2, 123.3, 123.30, 123.49, 124.204, 124.401

**State Rules:** 185 Iowa Administrative Code section 4.2(123)

**Website Links:** <https://abd.iowa.gov/alcohol/abd-regulatory-bulletins>

*This bulletin does not replace statutes, rules or court decisions.  
This bulletin should not be considered legal advice or a substitute for legal counsel.*

# Consumer Preferences

## Consumer Preferences

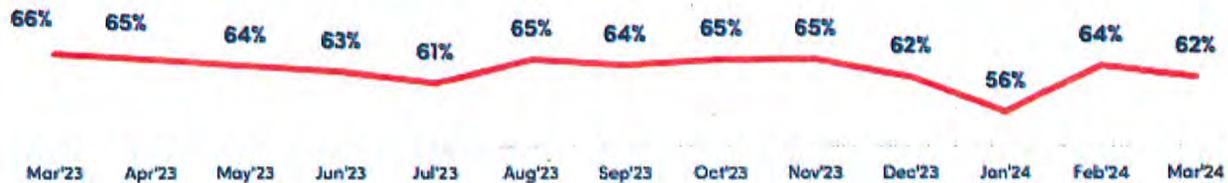
### Key Drivers of BevAl Purchase Decisions for Gen-Z & Millennial

- **Flavor-forward options.** Flavor was consistently cited among their most desired attributes. 80% of millennials confirmed that flavor was either extremely or very important in deciding which beverages to buy, with 75% of Gen-Z agreeing to the same proposition.
- Flavor even beat out factors like health and eco-friendliness when it comes to desired drink attributes.
- **Occasion-based purchases.** Millennials were found to be far more likely to pair certain drink categories to specific occasions.
- Gen-Z remains far more flexible with this principle, showing a willingness to abandon such conventions and adopt a free-for-all attitude when it comes to pairing drink categories with certain occasions.
- Gen-Z tend to be comfortable taking soft drinks to dinner while ordering canned cocktails at restaurants.
- Millennials take a more traditional approach: ordering craft beers at bars, mainstream beers at sporting events, and pairing wine with dinner.
- RTDs and canned cocktails have, by far, the most flexible perception of any beverage-alcohol category when it comes to occasions. Nearly 41% of Gen-Z agreed RTDs/canned cocktails are good for different occasions while almost 33% of Millennials thought the same.
- More than any other category Millennials identify spirits as an indulgent treat, with 36% agreeing. This aligns with a well-established willingness for consumers to spend on high-quality cocktails when visiting the on-premise.
- 47% of Millennials see bars as their favorite occasion for spirits use, while 48% like to drink spirits as a relaxing at home.
- Wine was perceived as the group's next most indulgent category at 31%.
- Spirits have a perceived flexibility for Gen-Z when it comes to occasions. For all of the survey's ten listed occasions, at least 26% of the demographic claimed they would drink spirits there.
- **Great Deals and Value.** Around six in ten survey respondents said that price was either "extremely" or "very important" to them. With Millennials accumulating wealth at a slower rate than older generations and Gen-Z not yet reaching their peak earning years, the importance of this factor can come as no surprise.
- For spirits, 27% of Millennials think the category is good value compared to 22% for Gen-Z.
- **Convenience and Availability.** the most preferred drinks are the ones that are easiest to find. Ease of purchase came in as the second most important determinant of what drinks people would buy, with 70% of Millennials saying this factor was extremely or very important and 64% of Gen-Z respondents saying the same.
- RTDs and canned cocktails are the most purchased by modern consumers because of their high availability. 41% of Millennials and 39% of Gen-Z see the category as easy to find and buy.
- **Recommendations from friends and family.** Both Gen-Z and Millennials are most likely to be influenced based on friend and family recommendations as opposed to apps or social media, especially when it comes to wine.
- 50% of Millennials look to their friends and family for recommendations while Gen-Z reached 46% for the same metric.

## The Economy

### How are shoppers feeling about inflation?

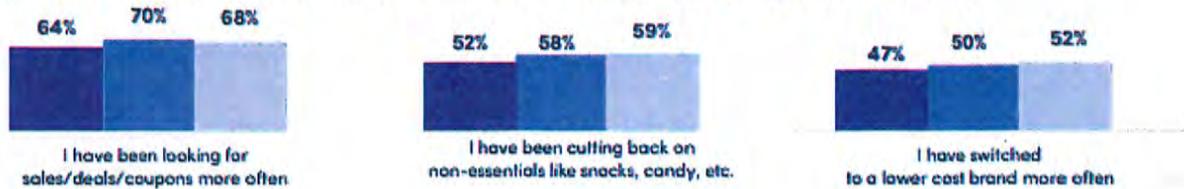
Shopper concern over inflation -  
% of Households Extremely Concerned (Monthly)



T25 on 7-point scale

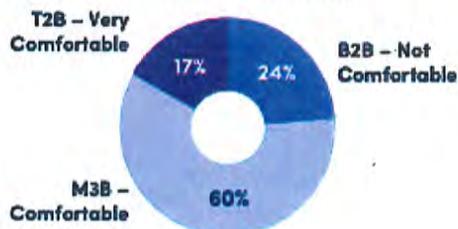
### How have shoppers been responding to inflation this year?

Response to inflation - Top-3 attributes trended (Monthly)



### How comfortable are shoppers feeling regarding their finances?

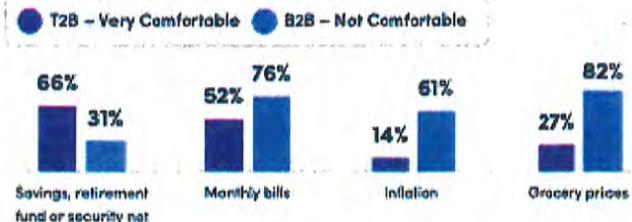
Shopper comfort about finances -  
% of Household Comfort (Monthly)



T2B - Top 2 boxes, M3B - Middle 3 boxes, B2B - Bottom 2 boxes on 7-point scale

#### Drivers of Comfort

While most shoppers claim to feel neutral on their comfort level over finances, what's driving that comfort level differs drastically amongst the 17% who claim to feel very comfortable vs. the 24% who feel not comfortable at all.



# Modern Alcohol Consumption Examined: Tracking Gen-Z & Millennial Habits

Mar 20, 2024 | data | Blog Post, Park Street University, Popular Articles |

Beverage-alcohol consumption habits for younger consumers are undergoing a rate of change much steeper than what industry members have seen in decades past. As values and priorities for Millennial and Gen-Z consumers shift, drinking habits are taking a new form. The result is a need for industry members, brands, and entrepreneurs to understand these demographics, which are claiming increased purchasing power, and meet them where they are.

Park Street University has compiled the latest data and trends in order to compare the beverage habits, practices, and preferences of the Millennial and Gen-Z consumer sets. One of the most striking macro shifts we're seeing is a broad reduction in alcohol consumption among younger consumers, with only 62% under the age of 35 identifying as alcohol imbibers compared to 72% a decade ago, according to a recent Gallup Poll. Millennials tend to drink more alcohol than Gen-Z in general, reporting higher consumption than Gen-Z in all categories except for non-alcoholic cocktails.

## Key Drivers of Purchase Decisions

### Flavor-Forward Options

Park Street University has long reported on the importance of flavor innovation for brands. A brief look at the beverage-alcohol M&A sector in Park Street's 2021, 2022, and 2023 reports will reveal that investments in spirits brands are consistently made in brands that prioritize flavor.

Strategic acquirers are investing in flavor with an eye to the future, with the importance of this principle to Millennial and Gen-Z drinkers reiterated by a recent study conducted by Business of Drinks. Of the 1,300 respondents surveyed across the U.S. flavor was consistently cited among their most desired attributes. 80% of millennials confirmed that flavor was either extremely or very important in deciding which beverages to buy, with 75% of Gen-Z agreeing to the same proposition. Flavor even beat out factors like health and eco-friendliness when it comes to desired drink attributes.

When the Gen-Z demographic was asked about their disillusion with the wine segment, a lack of delivery in the flavor department was cited among the prime examples.

## Occasion-Based Purchases

One of the most significant differences between Millennials and Gen-Z is how these segments relate to consumption occasions. Millennials were found to be far more likely to pair certain drink categories to specific occasions. Meanwhile, Gen-Z remains far more flexible with this principle, showing a willingness to abandon such conventions and adopt a free-for-all attitude when it comes to pairing drink categories with certain occasions. Gen-Z tend to be comfortable taking soft drinks to dinner while ordering canned cocktails at restaurants. Millennials take a more traditional approach: ordering craft beers at bars, mainstream beers at sporting events, and pairing wine with dinner. RTDs and canned cocktails have, by far, the most flexible perception of any beverage-alcohol category when it comes to occasions. Nearly 41% of Gen-Z agreed RTDs/canned cocktails are good for different occasions while almost 33% of Millennials thought the same. Soft drinks were also rated similarly high by both generations as occasion flexible, with 36% of each segment agreeing.

More than any other category Millennials identify spirits as an indulgent treat, with 36% agreeing. Wine was perceived as the group's next most indulgent category at 31%. This aligns with a well-established willingness for consumers to spend on high-quality cocktails when visiting the on-premise. 47% of Millennials see bars as their favorite occasion for spirits use, while 48% like to drink spirits as a relaxing at home. Even this far removed from the start of the pandemic, spirits brands would still do well to emphasize the category's at-home applications.

Meanwhile, spirits have a perceived flexibility for Gen-Z when it comes to occasions. For all of the survey's ten listed occasions, at least 26% of the demographic claimed they would drink spirits there.

## Great Deals and Value

Around six in ten survey respondents said that price was either "extremely" or "very important" to them. With Millennials accumulating wealth at a slower rate than older generations and Gen-Z not yet reaching their peak earning years, the importance of this factor can come as no surprise.

On a category basis, beer brands and hard seltzers are perceived as the most value-friendly options for both Millennials and Gen-Z. Around 30% of these two demographics cited beer and hard seltzers as the best value for money. For spirits, 27% of Millennials think the category is good value compared to 22% for Gen-Z. The largest disparity between perceived value for the two segments was in craft beer with only 16% of Gen-Z seeing it as good value compared to almost 25% of Millennials.

## Convenience and Availability

The survey also found that the most preferred drinks are the ones that are easiest to find. Ease of purchase came in as the second most important determinant of what drinks people would buy, with 70% of Millennials saying this factor was extremely or very important and 64% of Gen-Z respondents saying the same.

Availability looms large for younger consumers, partially because of their ever-increasing inclinations towards convenience. As a result, big beverage companies with ample shelf space will have the largest influence on shaping drink preferences in the coming years. By category, RTDs and canned cocktails are the most purchased by modern consumers because of their high availability. 41% of Millennials and 39% of Gen-Z see the category as easy to find and buy.

## Recommendations From Friends and Family

There is also a clear social dimension informing how Gen-Z selects products and categories. Both Gen-Z and Millennials are most likely to be influenced based on friend and family recommendations as opposed to apps or social media, especially when it comes to wine. Here, 50% of Millennials look to their friends and family for recommendations while Gen-Z reached 46% for the same metric.

Takeaways from the report can be boiled into a key idea about younger drinkers: they are looking for flavor at value prices and are much more likely to try something if their friends are trying it too.

# How Michigan Lost \$1 Million of Liquor

Sadly, not by drinking it—the government just lost a fifth of the state's inventory.

C. JARRETT DIETERLE | 4.6.2024 7:00 AM

(Lex Villena/Midjourney)

It's been a rough couple of years for government-controlled liquor systems. In 2022, news broke of an inside job at the Virginia Alcoholic Beverage Control Authority (ABC), in which a former state employee tipped off private collectors about which state-run liquor stores were expecting deliveries of rare and sought-after bourbons. Last year, Oregon Liquor and Cannabis Commission officials were busted for siphoning off hard-to-obtain bourbons for their personal use.

Now, Michigan is writing the latest chapter in the government's century-long saga of alcohol control embarrassments. According to a just-released audit of the Michigan Liquor Control Commission (MLCC), the state's complete inability to properly track its spirits inventory resulted in nearly a million dollars of liquor disappearing without a trace.

Michigan is one of 17 states that still operates as a control state. MLCC is the sole wholesaler of distilled spirits, meaning all liquor sold and distributed in the state must be originally purchased by the agency. Michigan law requires MLCC to exercise "complete control over alcoholic beverage traffic," but it turns out that the agency lacks control over pretty much everything.

Since the 1990s, MLCC has outsourced the actual storage and warehousing of liquor to three "authorized distribution agents" (ADAs), who in turn use 11 warehouses to house the booze. The ADAs, which essentially act as a government-sanctioned oligopoly, are supposed to be operating as agents of the state. But the state code is silent about what the actual responsibilities of

the ADAs entail, which results in a situation where everyone and no one is in charge at the same time.

Perhaps the most significant finding of the audit is that \$961,000 of MLCC's liquor inventory—totaling 62,294 bottles, housed in ADA warehouses—mysteriously vanished between January and February 2022. To put this in context, the missing liquor constituted 20 percent of the state's *entire* inventory. While the state is supposed to conduct physical inventory counts at the ADA warehouses, zero inventory checks took place from October 2019 to July 2022 (which, naturally, MLCC blamed on COVID-19, despite the pandemic not starting in earnest until the spring of 2020 and Michigan lifting its lockdown orders by June 2021).

"MLCC was unable to provide documentation regarding the whereabouts of the missing inventory," the audit dryly remarks. Although one should never ascribe to malice what can be explained by incompetence, it's worth noting that the state's inventory includes spirits ranging as high as \$45,000 per bottle, which creates enormous opportunities for malfeasance given MLCC's slipshod tracking protocols.

Were this Agatha Christie-meets-Ayn Rand mystery not enough, the audit goes on to spell out how MLCC is also wholly incapable of ordering rational amounts of each booze type it stocks. The report recounts the agency purchasing 12,204 bottles of a particular spirit in a week in which a mere 1,104 bottles of that spirit were sold. The agency then kept over 11,000 bottles of the spirit on hand for the next 48 weeks—the last 19 of which saw zero sales for it. MLCC also purchased 780 bottles of another spirit over the course of 77 weeks, with zero corresponding sales in any of the weeks those purchases were made.

The MLCC's problems extended beyond inventory ineptitude as well, with the agency also somehow issuing numerous liquor licenses to establishments located in dry jurisdictions, which it now will be forced to revoke. These

establishments were selling alcohol in dry locales since 2018 without anyone noticing, until the auditor stepped in.

In perhaps the understatement of the century—and in language only a government lawyer or accountant could appreciate—the audit rates MLCC's overall performance as "not sufficient." The agency's preliminary response is that it "agrees" with all of the audit's findings, as the report's mountain of evidence is apparently too much even for a bureaucracy to ignore.

Lost amid the report's 65 pages of boozy bean-counting—and the scandal of a million dollars of liquor aspirating into thin air—lies a deeper question: Why, in 2024, is the Michigan government still trying to operate as the wholesaler for distilled spirits? It doesn't do so for beer and wine, and it already goes so far as to outsource the actual warehousing and logistics to its distribution agents.

Sadly, the most predictable answer is also likely the most accurate: MLCC has generated some \$2 billion for the state's general fund over the past decade. Perhaps a million dollars in missing liquor is a small price to pay after all.

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## Economic Brief: Current State of the Iowa Economy

Robin Anderson, Ph.D. State Chief Economist Iowa Department of Revenue

### Summary

Iowa's real gross domestic product (GDP) grew 1.3 percent in 2023, finance and insurance detracted 0.9 percentage points from growth. Finance and insurance generally detracted from growth in Iowa's neighboring states in 2023 as well. The magnitude of the drag was much larger in Iowa and South Dakota compared to the rest of the region. Agriculture added the most to GDP for the year in Iowa, Nebraska, and South Dakota. Manufacturing only added slightly to growth for the year, similar to trends of neighboring states.

In contrast to the year, farming was a significant drag on growth in the fourth quarter. Real GDP grew 1.7 percent in the fourth quarter, but would have grown 3.8 percent, *excluding* agriculture. In addition, a decline in farm earnings explained weakness in overall personal income for the quarter. Nonfarm personal income grew 4.4 percent compared to 0.8 percent overall personal income growth. Manufacturing added the most to growth in the fourth quarter and picked up incrementally over the back half of 2023. Finance and insurance also improved.

More forward-looking indicators for the Iowa economy were mixed, but generally positive.

Details are as follows:

- The *Iowa Leading Indicators Index* has flattened out over the last few months with increases in the number of indicators contributing positively to the Index. Even as the *Iowa Leading Indicators Index* has been signaling a contraction for some time, jobs are still increasing on a twelve-month basis. The last time there was a divergence in the Index and job growth was in the middle of the last decade related to weakness in the agricultural sector.
- The *Iowa Business Council's* First Quarter Outlook Survey showed significant improvement after being flat in the prior two quarters. Sales and employment indexes improved whereas capital spending expectations declined.
- Creighton University's *Mid-American Economy Business Conditions Index*, developed by Professor Ernie Goss, was slightly above growth neutral for Iowa in the first quarter, suggesting a mild expansion over the next three to six months. Iowa's results were slightly better than the overall *Mid-American Index* for the region.

The Iowa economy may follow the national trend in the first quarter. The Atlanta Federal Reserve's GDPnow Index is pointing to 2.8 percent growth nationally. However, any weakness in farming and agriculture-related manufacturing pose risks to the State; anecdotes from the *Chief Economist Council Meeting* in late February suggest weakness in those sectors as do recent layoffs. The USDA's U.S. farm income forecasts and Moody's Analytics forecasts for Iowa farming are also negative signals. Optimism in the *Iowa Business Council's* First Quarter Outlook Survey, slight strength in the *Mid-American Economy Index for Iowa*, and incremental gains in output for manufacturing in the second half of 2023 are all positives for the Iowa economy.

### Iowa Gross Domestic Product Growth Compared to Other States

Iowa real GDP grew 1.7 percent on a quarter over quarter annualized basis in the fourth quarter (ranked 45th), down from 4.1 percent growth in the third quarter. The U.S. grew 4.9 percent and 3.4 percent, respectively, in the third and fourth quarters. Iowa's real GDP grew 1.3 percent in 2023 as a whole (ranked 42nd) versus 2.5 percent nationally. In the fourth quarter, southern and Western (ex-Pacific) states grew the fastest whereas Midwest/Plains states grew the slowest (See Figure 1). Table 1 compares Iowa real GDP growth to its neighboring states. Only Nebraska had lower real GDP growth than Iowa in the fourth quarter. Iowa tied with Missouri for the third slowest pace of growth for 2023 (1.3%); Wisconsin had the slowest pace of growth (0.2%); Nebraska had the fastest pace of growth (5.2%).

In the fourth quarter, agriculture detracted significantly from growth for most neighboring/Plains states: -2.14 percentage points for Iowa; -3.20 percentage points for Kansas; -4.07 percent for Nebraska; -2.06 percentage points for North Dakota; and -2.04 percentage points for South Dakota. Agriculture was a more modest drag from growth for Minnesota (-0.76 percentage points) and Missouri (-0.63 percentage points). Agriculture added 0.43 percentage points to growth in Wisconsin.

Table 1: Iowa Real Gross Domestic Product versus Neighboring States

	Quarter over Quarter Annualized		
	Q4 2023	Q3 2024	Annual
Iowa	1.7%	4.1%	1.3%
Nebraska	0.2%	7.5%	5.2%
South Dakota	2.1%	5.2%	2.5%
Illinois	2.3%	4.2%	1.3%
Minnesota	2.4%	4.1%	1.2%
Missouri	3.3%	4.0%	2.2%
Wisconsin	4.3%	5.0%	0.2%
U.S.	3.4%	4.9%	2.5%

Source: Bureau of Economic Analysis

Detailed comparisons for Annual 2023 real GDP are as follows:

- In Nebraska, the fastest growing state in the region for 2023, agriculture explained around 3.0 percentage points of the 5.2 percent growth rate. Farming explained the lion's share of growth in Iowa, but the magnitude of the gain was much smaller, at 1.59 percentage points. Finance and insurance detracted slightly from growth in Nebraska, whereas finance and insurance detracted 0.90 percentage points off of the 1.3 percent growth rate for Iowa. Manufacturing added 0.21 percentage points to Nebraska real GDP growth compared to 0.06 percentage points in Iowa.
- In South Dakota, the second fastest growing state in 2023 (real GDP was up 2.5%), farming accounted for 1.54 percentage points of the 2.5 percent gain; construction contributed a half a percentage point to growth compared to a slight drag in Iowa; financial and services dragged down growth by 0.76 percentage points. Manufacturing added only slightly to growth in South Dakota as in Iowa.
- In Missouri, which grew 2.2 percent, farming detracted slightly from growth (0.08 percentage points); manufacturing added 0.23 percentage points to growth compared to about flat in Iowa; retail trade contributed 0.64 percentage points to growth, and information added 0.33 percentage points to growth.
- In Illinois, which grew 1.3 percent, farming only added slightly to growth (0.16 percentage points). Retail trade added 0.63 percentage points versus 0.48 percentage points added to growth in Iowa. Finance and insurance's contribution was about flat, adding 0.05 percentage points to growth. Manufacturing added only slightly to growth.
- In Minnesota, which grew 1.2 percent, farming detracted slightly from growth (0.03 percentage points). Retail trade added 0.57 percentage points to growth, transportation and warehousing and information both added about 0.25 percentage points to growth (compared to 0.03 percentage points and 0.24 percentage points,

respectively, in Iowa). Finance and insurance detracted 0.44 percentage points from growth. Manufacturing added only slightly to growth.

- In Wisconsin, which grew 0.2 percent, farming detracted 0.62 percentage points from growth. Manufacturing detracted 0.30 percentage points from growth versus about flat for Iowa. Professional and business services added 0.41 percentage points to growth. Finance and insurance also detracted from growth.

### Iowa Real GDP Growth by Industry

Figure 2 shows the quarter over quarter annualized percent change in real GDP from the third to fourth quarter of 2023 by industry. Figure 3 decomposes the percentage change in GDP growth by industry to show which industries contributed or detracted the most from growth in the fourth quarter compared to the third quarter.

#### Agriculture

For the year, agriculture output increased 21.7 percent and added 1.59 percentage points to total growth (1.3%). However, agriculture output dropped 24.2 percent quarter over quarter in the fourth quarter, after increasing the prior three quarters. Agriculture detracted 2.1 percentage points from growth in the fourth quarter after adding 1.3 percentage points to growth in the third quarter. *Ex-agriculture, real GDP growth would have been 3.8 percent in the fourth quarter.* There may be some seasonality in agriculture output - output declined meaningfully in the fourth quarter of 2021 and 2022 (down 38.7% and 24.5%, in 2021 and 2022, respectively), then sharply rebounded in the first quarter of the following year (up 115.3% and up 141.4%, in 2022 and 2023, respectively).

Indicators suggest weakness in farming this year. *Moody's Analytics* expected that the sector will significantly decline this year and next year (forecasts as of March). The agriculture future profits index (AFPI) included in the *Iowa Leading Indicators Index* showed weakness in corn, soybean, and cattle but improvements in hog profits. The USDA's net farm income forecast for the U.S. predicts real farm income will decline 27.1 percent, with lower receipts for corn and soybeans. According to the Ag Decision Maker from Iowa State University, soybean prices declined from \$14.50 per bushel in December 2022 to \$13.00 per bushel in December 2023. As of February, the price dropped to \$11.70. The price of corn declined from \$6.69 in December 2022 to \$4.89 in December 2023 and fell to \$4.39 per bushel in February.

#### Manufacturing

In 2023, manufacturing only added 0.06 percentage points to total growth (1.3%), growing 0.2 percent, with slight growth in durable goods but weakness in nondurable goods. In contrast, manufacturing contributed the most to real GDP growth in the fourth quarter out of any sector. Strength in the back half of 2023 diverges from weakness at the start of the year.

For the year, slight growth in manufacturing aligns with the *Mid-American Survey* for Iowa which hovered slightly below neutral at 49.6. For the Mid-American region as a whole, the Index was 50.2, slightly above Iowa. According to survey methodology, an Index measure above 50.0 signals expansion whereas a measure below 50.0 signals contraction over the next 3 to 6 months.

Details regarding the manufacturing sector are as follows:

- In the fourth quarter, nondurable goods manufacturing grew 17.3 percent quarter over quarter and added 1.2 percentage points to growth, after adding 1.0 percentage point in the third quarter. However, nondurable goods manufacturing detracted 1.16 percentage points from growth in the first quarter and was about flat in the second quarter.
- In the fourth quarter, durable goods manufacturing increased 6.9 percent quarter over quarter. The sector added 0.60 percentage points to growth, after adding 0.30 percent in the third quarter. Durable goods manufacturing detracted slightly from growth in the first quarter and added 0.41 percentage points to growth in the second quarter.
- The strength in manufacturing output in the back half of 2023 does not align with the *Mid-American Economy Survey* for Iowa, which shows an average of the overall index of 47.2 in the last six months of 2023. The leading new orders index was also weak at 46.0.

In general, more forward-looking indicators for the sector suggest a slight expansion, but industry anecdotes are more pessimistic. The *Mid-American Survey* for Iowa improved in the first quarter of this year, with an average overall index of about 51.0, slightly above growth neutral. The leading new orders index improved in the first quarter to 49.2, but remained in contractionary territory; this measure is also included in the *Iowa Leading Indicators Index*. As of February, manufacturing added 2,600 jobs over the last year, with 2,100 jobs added in the durable goods sector. Hours worked, which is included in the *Iowa Leading Indicators Index*, is improving. *Moody's Analytics* forecasted that manufacturing would expand over 3.5 percent in 2024 (as of March). However, anecdotes from some key ag manufacturers represented in the *Chief Economist Council* suggest weakness in the sector, including declining sales for a key equipment manufacturer. Layoffs at John Deere and the closure of the Tyson Plant in Perry reinforce these anecdotes.

### **Finance and Insurance**

Finance and insurance declined in the first half of the year and detracted 0.9 percentage points from growth for the year as a whole. However, third and fourth quarter data suggests that the weakness in finance over the last two years may be bottoming out. Finance and insurance contributed to real GDP growth for the second quarter in a row, adding 0.3 percentage points to growth in the fourth

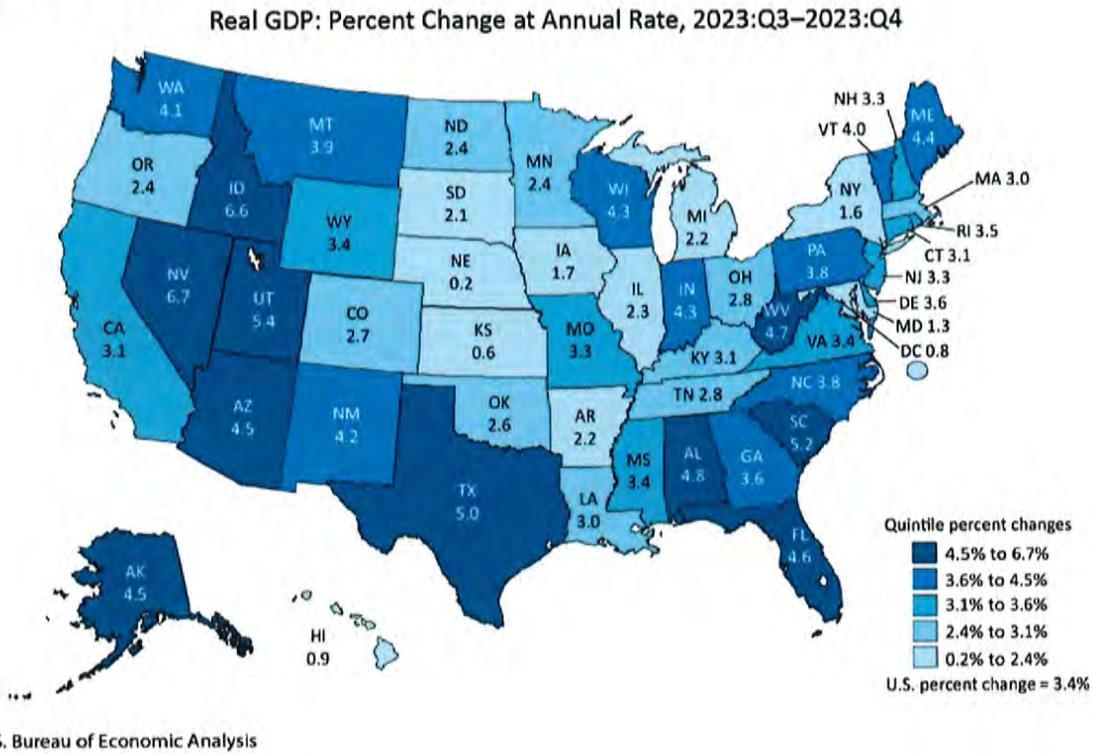
quarter. The Iowa Stock Market Index, included in the *Iowa Leading Indicators Index*, has improved incrementally since October. *Moody's Analytics* forecasts financial services activities to expand in 2024 and 2025 after declining in 2022 and 2023.

### **Personal Income**

Iowa had the smallest increase in nominal personal income (tied with North Dakota) in the nation, up 0.8 percent, related to weakness in *farm earnings*. Nonfarm personal income grew 4.4 percent compared to nonfarm income up 4.3 percent nationally.

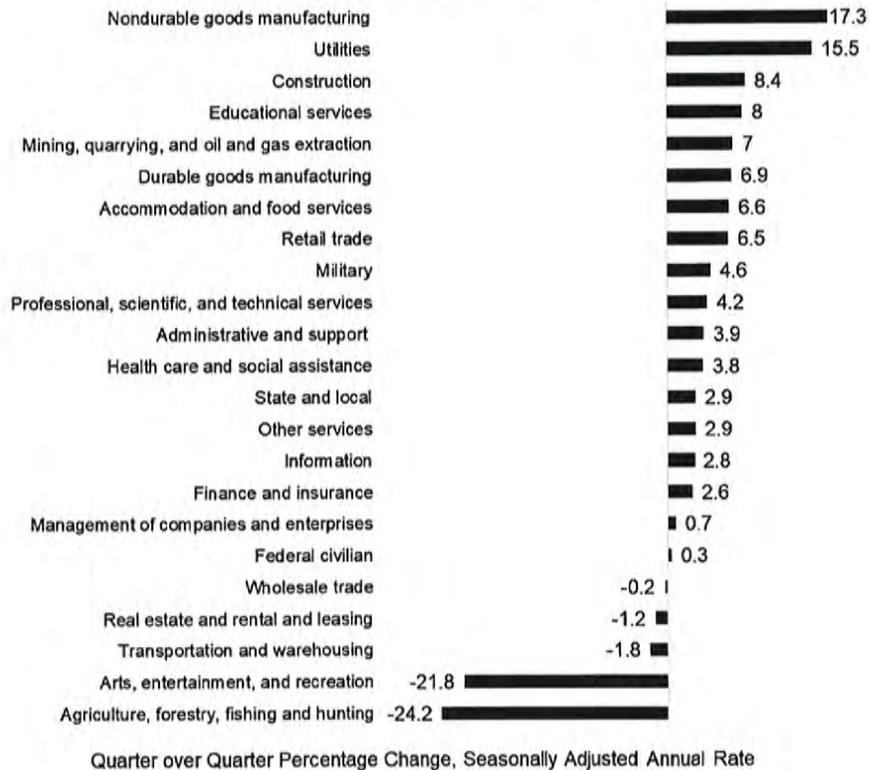
According to the Bureau of Economic Analysis, farm proprietors' income declined \$1.7 billion reflecting a \$1.4 billion decline in grains, related to lower fourth quarter prices and a \$0.5 billion decline in livestock related to meat animals and other products, also associated with lower prices. Farm proprietors' income declined to the lowest level since the fourth quarter of 2021. (See Figure 4). The Bureau of Economic Analysis highlighted that states specializing in grains and meat animals observed declines.

**Figure 1: Real Gross Domestic Product Growth by State**



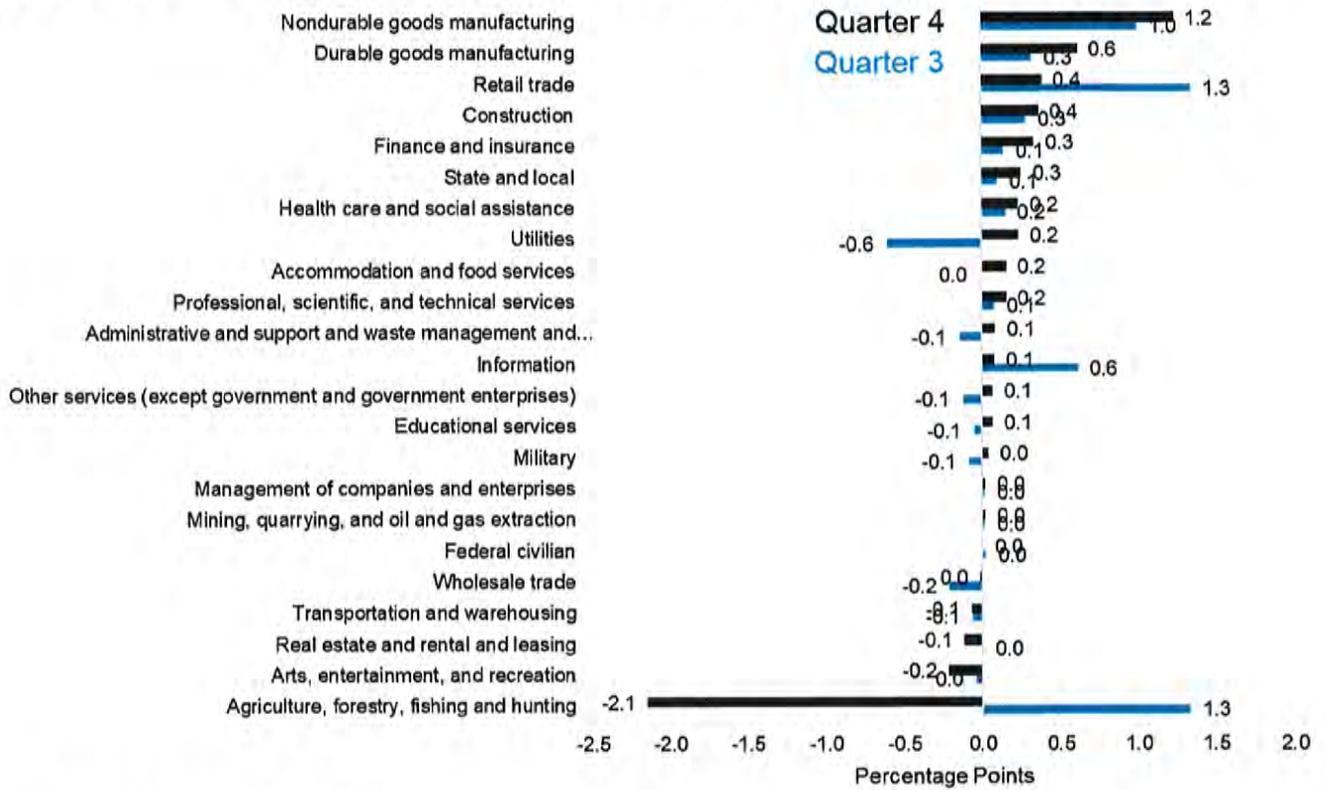
Source: Bureau of Economic Analysis

**Figure 2: Quarter Change in Real GDP, Fourth Quarter – Seasonally Adjusted Annual Rate**



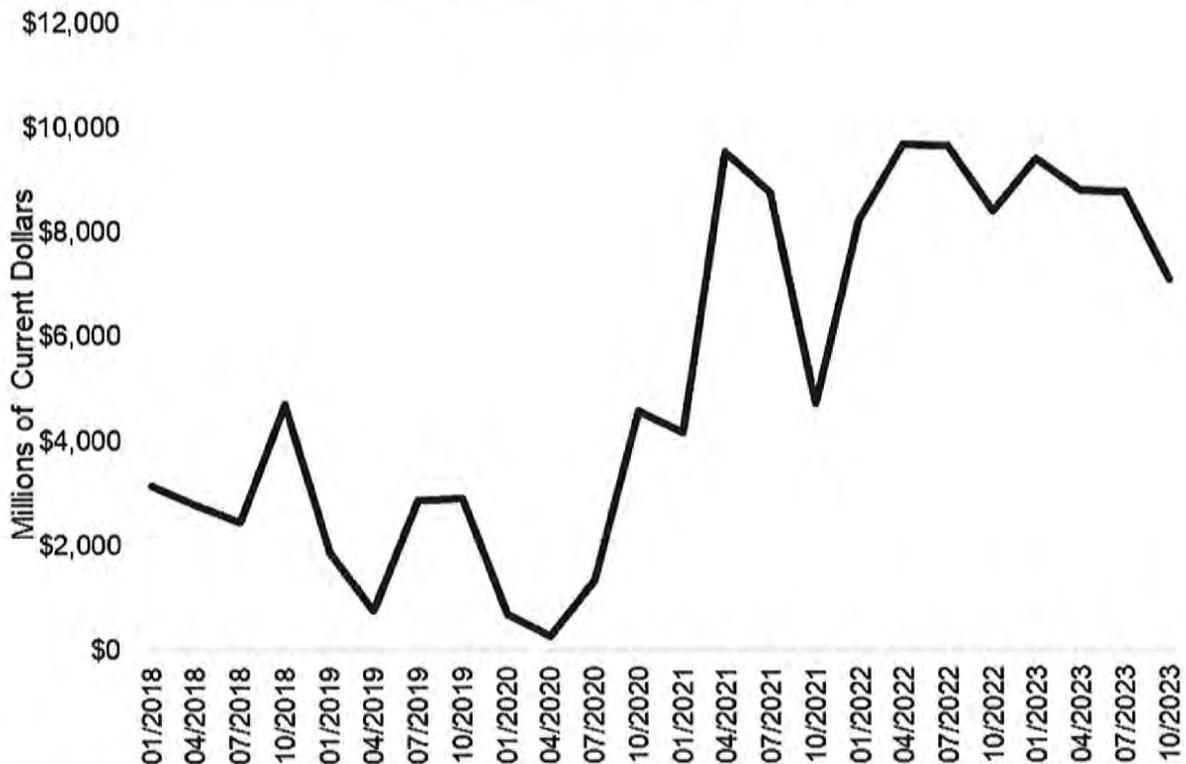
Source: Bureau of Economic Analysis

**Figure 3: Contributions to Real GDP Growth – Iowa Quarter 3 (2024) versus Quarter 4 (2024)**



Source: Bureau of Economic Analysis

**Figure 4: Iowa Farm Proprietors' Income Millions of Current Dollars**



Source: Bureau of Economic Analysis