

**IOWA ALCOHOLIC BEVERAGES COMMISSION**

MINUTES

June 27, 2024 - 1:00 PM

Alcohol Operations & Compliance, Ankeny Regional Office

1918 SE Hulsizer Road, Ankeny

Dial In Number: 224.501.3412

Access Code: 868.993.757

**Commission Members Present**

John Pauli, Vice Chairperson

Sarah Winkleman, Secretary

Kevin Kimle, Member

**Commission Members Present (via telephone)**

Andrea Chase, Member

**Department Staff Present**

Mary Mosiman, Director

Stephen Larson, Division Administrator

Leisa Bertram, Chief Operations Officer

DeMario Luttrell, Bureau Chief Regulatory Compliance

Sam Hoerr, Division Administrator

Steve French, Chief Financial Officer

Spencer Morehouse, Bureau Chief Licensing

Tyler Ackerson, Executive Officer

Anthony Robben, DOM DOIT

Amy Serck, Secretary

Chuck Crabtree, Taxpayer Service Specialist

Lisa Gibson, Public Service Manager

Tiffiney Brown, Taxpayer Service Specialist

Jasper Vivah, Taxpayer Services Specialist

**Guests Present**

John Lundquist, Assistant Attorney General

Paul Jensen, Ruan

Ryan Brown, Ruan

Tanner Tusha, Ruan

Jared Longfellow, Ruan

Scott Peterson, Ruan

Dwayne Kratt, Johnson Brothers

Brian Grant, Johnson Brothers

Matt Galligan, Johnson Brothers

Lynn Walding, Diageo

Andy Deloney, DISCUS

Kyle Doyle, Iowa Distilling Company

**Department Staff Present (via telephone)**

Alana Stamas, Public Service Executive

Jackie Bowlin, Storekeeper

Nicole Scebold, Management Analyst

Scherael Thurston-Shell, Compliance Officer

Jessica Ekman, Executive Officer

Madelyn Cutler, Executive Officer

Pam Koehn-Miller, Secretary

Sheila Warrick, Investigator

Amina Lovan, Investigator

Brandon Trapp, Executive Officer

Chet Eginoire, Public Service Manager

Erin Verduyn, Program Planner

Jon Mader, Public Service Manager

Brenda Emelo, Executive Secretary

John Fuller, Public Information Officer

Karlee Payne, Information Specialist

Kellen Nielson, Intern

Kerry Carskadon, Attorney

Matt Wharff, Maintenance Repairs Supervisor

Tara Huntrods, DOM DOIT

**Guests Present (via telephone)**

Heather Hackbarth, Department of Management  
Herb Sutton, Department of Management  
Isabel Waller, Cornerstone Government Affairs  
Jeremy Thompson, Sazerac  
Tom Perrick, American Distilled Spirits Alliance  
Brittany Lumley, LS2 Group  
Bryan Reiter, Ruan  
Greg King, Southern Glazers  
Emilee Zimmerman, Iowa Restaurant Association  
Jennifer Husmann, Area Substance Abuse Council  
Kris Rankin, VBC Safe Coalition  
Nick Eldredge, Diageo  
Nick Grieder, Southern Glazers  
Stacie Schroeder, North Fayetteville Community Coalition  
2 unidentified callers

**CALL TO ORDER**

Vice Chairperson Pauli called the meeting to order at 1:00 PM. Roll was taken and a quorum was met.

**APPROVAL OF AGENDA**

MOTION: A motion was made to approve the agenda for today's (June 27, 2024) meeting by Commissioner Winkleman and seconded by Commissioner Chase. The motion was approved unanimously.

**APPROVAL OF MINUTES**

MOTION: A motion was made to approve the minutes from the April 11, 2024, meeting by Commissioner Winkleman and seconded by Commissioner Chase. The motion was approved unanimously.

**PUBLIC COMMENT**

None

## **INTRODUCTION OF COMMISSIONERS**

Each of the Commissioners present gave a brief introduction about themselves.

## **ADMINISTRATOR'S REPORT**

Regulatory Compliance Bureau Chief DeMario Luttrell began his remarks by noting that the upward trend in all of the core compliance programs has continued as the fiscal year comes to a close. The 135 complaints received in January through May 2024 have yielded 95 completed investigations. Selling/serving alcohol to underage consumers continues to be the number one complaint received which has remained consistent for several years. There were 745 inspections completed through May, compared to 192 in the same period in 2023. 74 of 99 counties have had routine inspections within them and there has been an overall sense of appreciation from licensees for an educational approach. There has been an opportunity to visit small towns and jurisdictions where there has not been much of a presence previously and licensees have appreciated having an opportunity for in-person education and often correct issues in real time. In an attempt to become more proactive concerning underage alcohol sales there are discussions occurring with the Governor's Traffic Safety Bureau and the Office of Drug Control Policy to create a partnership to fund law enforcement underage sales compliance checks similar to what occurs with Tobacco. Current time frame puts a program start date around October 1 or January 1.

Next Spencer Morehouse, Bureau Chief of Licensing, let the Commission know that there are 12,182 current liquor licenses and certificates and the majority of those are retail. Within the retail license types the majority are for on premises locations. The number of Native Manufactures in Iowa from 2023 to 2024 have remained fairly consistent with the addition of seven licenses. At this time there has been an increase in special event licenses from 2023 to

2024. The passing and signing of HF 2648 will allow native manufacturers to apply for six 5-day retail licenses a year starting July 1. There have already been nine applications turned in. The goal of touching new 8 and 12 month applications within 24 hours of being received is currently being met.

Chief Operations Officer Leisa Bertram opened her remarks by talking about the impact of the flooding in Northwest Iowa. She noted that her team had been reaching out to Native Distillers and Manufacturers as well as class LE Retail Locations to determine the impact. 240 accounts were contacted and deliveries to Correctionville and Spencer had to be canceled. This affected 12 stores in total of which three canceled their order, two moved it to next week and one switched to will call. The goal was to talk to stores prior to their order being picked and put on the truck only to be returned. Currently, the situation around Emmetsburg is being monitored and there are potentially eight stores that could be affected. Overall impact is unknown at this time since volumes this week are still high but less than last year. Commissioner Pauli asked what the reaction had been to stores being called and Ms. Bertram responded that it had been positive and stores appreciated the personal touch. Commissioner Winkleman followed up by asking about beer sales in the affected areas since one of the distributors is located in Spencer and not delivering. A staff member from Johnson Brothers was in the audience and able to help answer the question by letting Commissioner Winkleman know that they are fully operating in the affected area and do not foresee any issues at this time. Ms. Bertram also noted that bars and restaurants did have the option if needed to purchase up to five cases of beer and wine in 24 hours to cover any shortages they may incur. She also noted that as some places open others are closing due to the same issue in a different area.

The next area Ms. Bertram covered was inbound receiving. There has been a shift in full truck load receiving from 11 loads a night with a 30 minute appointment to eight loads a night with an hour appointment and those appointments are presently running 4-5 weeks out. The goal is to be around 2-3 weeks out to reduce impact on suppliers. Light truck loads, which are eight pallets or less, come in during the day and those appointments are currently 1-2 weeks out. The currently needed extended time to unload is to ensure that the load is in compliance. This includes checking that the Purchase Order and the load match, labeling is correct and working through mixed and/or partial pallets. Once greater compliance is gained in these areas, it is hoped that lead time for appointments can be reduced .

This compliance discussion led Ms. Bertram into her next topic of the Native Distillers and Manufacturers meeting that was held two weeks prior. This meeting was used as an opportunity to discuss what the State does and why as well as review the listing manual with those that were present. It was a chance to communicate what is needed and to make sure there was an understanding of what was being covered. The meeting also offered an opportunity for feedback from the Native group to the State regarding various issues that applied to them. After the meeting a comprehensive spreadsheet of issues that apply to multiple suppliers was compiled. Spreadsheet topics include what is being done today, ideas for the future, is it a statutory issue or policy and does it fit into the capacity study. Commissioner Pauli asked if it would be possible to put a group together with members from all sides to look into issues that have been brought forth. Ms. Bertram let him know that the capacity study will have a working group with various members to cover several of the issues that have been brought forth.

The last thing covered by Ms. Bertram was the recent barrel trip to Kentucky to pick out barrels for the State. The group visited five distilleries and picked eight barrels for the State's

program. This program allows smaller retailers to be able to purchase single barrel picks and other unique items like larger retailers without the large cost involved of a full barrel buy.

Steve French, Chief Financial Officer, began his remarks by mentioning that liquor sales are up .5% compared to this time in FY23 and total revenue is up 1.12% for the same period. Currently bottles and picks are down while cases, deliveries and orders are up. Of the estimated \$151.5 million FY24 transfer to the State, \$139 million has been transferred at this time. The total transferred for FY24 may be lower due to weather and sales at the middle and end of June. There are currently 2,092 class LE licensees, with 60 new since July 2023. Since May 2023, there has been a 2.6% decrease in the gallons sold. Ms. Bertram noted that the decrease in gallons and increase in revenue is due to premiumization and also the inflationary pressures to size down in products. She also noted that there have been more price decreases this year than in past years.

Division Administrator Stephen Larson summarized the Administrator's Report by noting that the project charter for the warehouse capacity study would soon be presented to the Division Administrators for approval and then be released to the public. The charter has been worked on with Ruan and is very broad at this time, however, it does give a good idea of what the goal of the study is and how it will be accomplished. A recent national panel that Administrator Larson was on looked at what is driving a decrease in consumer consumption in alcohol that is being seen in Iowa and across the country. It was noted that it is still early in the trend that no one reason can be pinpointed.

John Lundquist, Assistant Attorney General, concluded the report by giving updates on the 4M Class Action Lawsuit which was brought against the Alcoholic Beverage Division claiming that items sold to class LE license holders were mispriced and therefore these licensees were overcharged over the long term. The most recent action in this case was the two plaintiffs

moving to certify a “class” as all class LE licensees in business at the time and the judge denying this on the grounds that breach of contract was not the appropriate vehicle to seek redress. The suit should have been filed under the Iowa Administrative Procedure Act -Chapter 17A-which does not lend itself well to class action lawsuits. Instead, each licensee would need to bring their own suit to reclaim any money sought. The plaintiffs are seeking reconsideration from the District Court Judge and that decision will determine how the State moves forward.

### **LEGISLATIVE UPDATE**

Legislative Liaison Tyler Ackerson gave an update on the six pieces of legislation that were signed into law and will make changes to Chapter 123. The first two bills discussed were HF 2448, a bill allowing other training programs besides I-PACT to be used for the affirmative defense for first time sale to minor offenses once every four years and HF2605, a bill explicitly prohibiting licensees from selling an alcoholic drink with THC in it and which allows for administrative actions to be taken against those found in violation. The next bill discussed was HF2648 which allows a native manufacturer to obtain up to six, 5 day retail licenses per calendar year at locations not connected to their manufacturing facilities and native distillers to participate in alternating proprietorship arrangements. HF2669 was then commented on which creates a new wine auction permit to allow the holder to sell wine purchased from a private collection at auction to wholesalers and wine retailers or allow the wholesaler to purchase from private collections and resell to retailers. The fifth bill mentioned was HF2673 which would increase the amount transferred to the Department of Health and Human Services to \$3 million from \$2 million while eliminating the \$1 million transferred for county substance use disorder and prevention programs. SF2385, the bill changing the role of the Commission from a policy making body to an advisory



body to the Director and Department, was the last bill noted. This bill also creates a committee that will review the public need and continued existence of each board once every four years.

### **ALIGNMENT UPDATE**

Director Mosiman noted that on July 1 the agencies will have been aligned for one year. The goal of alignment was to find internal efficiencies within departments. This has also meant looking at how to better serve those needing information and how to get information out so all involved can have easy access to it. There will be a combined and new Department of Revenue website going live July 9. The Director then acknowledged Commissioner Pauli's questions that had been sent in by letting him know that the Legal Department was working on answers to them in coordination with other boards and the Governor's office. She then noted that at the fall meeting there would be an update on Executive Order 10-the Red Tape Review of Rules.

### **NEW BUSINESS**

The first item discussed was the election of officers for the upcoming fiscal year. A motion was made by Commissioner Kimle to move Commissioner Pauli to Chairperson, Commissioner Winkleman to Vice Chairperson and Commissioner Chase to Secretary. Commissioner Winkleman seconded the motion and it was put to a roll call vote. Commissioners in favor included Pauli, Winkleman, Chase and Kimle. Commissioner Eubank voted absent.

The second item brought forth was a possible date for a working session to discuss how the Commission and the Department of Revenue could work together moving forward. It was decided to table this meeting until further notice.

### **NEXT MEETING DATE**

The next Commission meeting date will be determined after coordinating schedules. Information will be posted on the Department's website.

**ADJOURNMENT**

MOTION: A motion was made by Commissioner Winkleman to adjourn the meeting and seconded by Commissioner Kimle. The motion was approved unanimously.

The meeting adjourned at 2:46 PM.



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Commissioner Sara Winkleman, Secretary