

Part 1 – Agency Profile

The Idaho State Liquor Division (ISLD) was established in 1935, following the repeal of Prohibition, as a means of providing greater control over the distribution, sale, and consumption of beverage alcohol. Idaho is one of 20 jurisdictions that control the sale of distilled spirits. (Eighteen control states plus two Maryland counties). These jurisdictions account for almost one-third of the U.S. population, and regulate their own retail and/or wholesale distribution of alcoholic beverages in their various forms.

Organizationally, the Idaho State Liquor Division has been a division of the Office of the Governor since 1974. Jeffrey R. Anderson, Director, is appointed by the Governor.

The Division's Central Office and Warehouse are located in Boise. All aspects of the business, including purchasing, accounting, information technology, human resources, contracts, and store supervision are administered by a Central Office staff of 21, and four District Managers. Nineteen warehouse personnel, co-located within the administrative office, receive, store and distribute more than 844,000 cases annually over a geographic area of 83,000 square miles. The warehouse typically inventories about 175,000 cases valued at \$9 million to \$10 million, owned by suppliers under a bailment system. An approximately equal amount of product is also inventoried in State and contract stores.

At fiscal year-end, the Division operated 166 retail outlets throughout the State. Of those, 66 are state liquor stores staffed and operated by Division employees; 100 were contract retailers. Stores are typically open from 11:00 a.m. to 7:00 p.m., although some stores have extended hours to enhance customer service. Selected stores in 30 of Idaho's 44 counties have added limited Sunday hours as a customer service feature. Each state and contract store is stocked and maintained to meet the needs of customers, who also include liquor-by-the-drink establishments. Retail outlets feature a selection of products specific to the tastes and lifestyles of the local communities they serve. All products are priced uniformly throughout the state.

Idaho's system of liquor control provides benefits to all of the State's citizens. Moderation and temperance in control states generally reduce social costs associated with beverage alcohol consumption. Additionally, Idaho law provides for the distribution of liquor profits to State programs, the General Fund, 44 counties, and 200 cities. Over the previous decade, more than \$330 million has been distributed to state programs, and to counties and cities, including a record \$47.2 million in FY 2010, approximately \$2 million more than FY 2009.

General economic conditions have impacted the Division. Consumers have not increased consumption but have traded down from premium brands to popular and value brands. Consequently, the ISLD is projecting a 2% growth rate on a larger base for FY 2011. Even with an expected increase in working capital and increasing rent costs, distributions for FY 2011 should grow slightly, with a projection of \$48.1 million.

Core Functions/Idaho Code

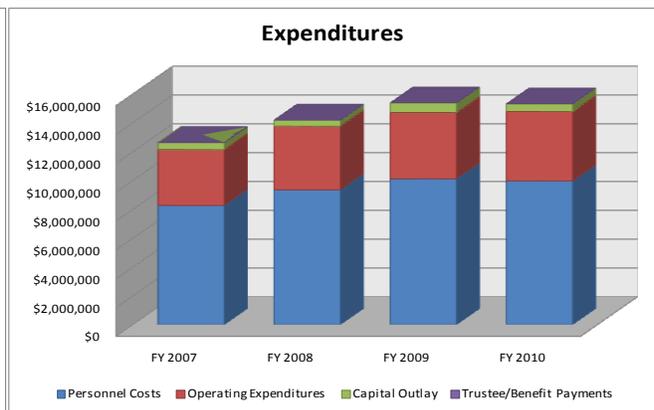
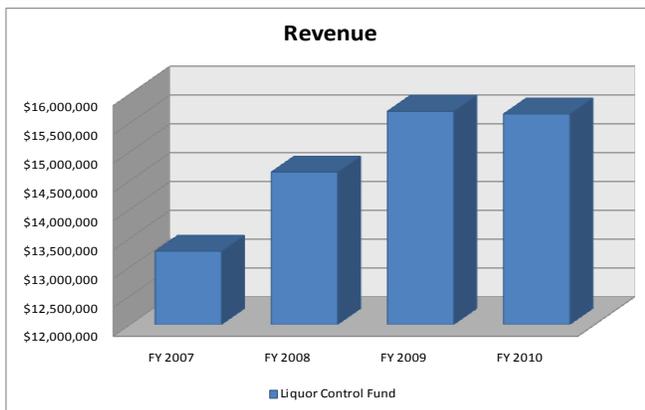
The Idaho State Liquor Division statutory authority is stated in Title 23 of the *Idaho Code*.

The primary functions of the agency as stated in *Idaho Code 23-203* include but are not limited to:

- **Regulation of liquor traffic:** to permit, license, inspect and regulate the manufacture, importation, transportation, storage, sale and delivery of alcoholic liquor;
- **Traffic in Liquor:** to buy, import, transport, store, sell and deliver alcoholic liquor;
- **Operation of Liquor Stores:** to establish, maintain and discontinue warehouses, state liquor stores, and distribution stations [contract liquor stores];
- **Acquisition of Real Estate:** to acquire, buy and lease real estate, and to improve and equip the same for the conduct of its business;
- **Acquisition of Personal Property:** to acquire, buy and lease personal property necessary and convenient for the conduct of business;
- **Making Reports:** to report annually to the Governor and at such other times as he may require, concerning the condition, management, and financial transactions of the Division.

Revenue and Expenditures (Appropriation vs. Actual Expenditures)

| Total Revenue (Appropriation) | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| Liquor Control Fund | \$13,270,800 | \$14,640,900 | \$15,694,700 | \$15,648,700 |
| Total | \$13,270,800 | \$14,690,900 | \$15,694,700 | \$15,648,700 |
| Total Expenditures | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
| Personnel Costs | \$8,251,100 | \$9,343,500 | \$10,096,647 | \$9,956,300 |
| Operating Expenditures | \$3,872,600 | \$4,402,500 | \$4,595,154 | \$4,807,700 |
| Capital Outlay | \$486,300 | \$415,600 | \$663,690 | \$521,400 |
| Trustee/Benefit Payments | \$0 | \$0 | \$0 | \$0 |
| Total | \$12,610,000 | \$14,161,600 | 15,355,491 | \$15,285,400 |



Profile of Key Services Provided

| Key Services Provided | FY 2007 | FY 2008 | FY2009 | FY 2010 |
|------------------------|---------------|---------------|---------------|---------------|
| Number of Bottles Sold | 9,168,812 | 9,616,974 | 9,891,309 | 10,096,076 |
| Total Dollar Sales | \$121,623,148 | \$130,815,006 | \$135,082,238 | \$137,608,916 |
| Net Income | \$42,357,974 | \$45,090,209 | \$46,150,007 | \$46,287,337 |
| Profit Distributions | \$39,152,572 | \$40,164,193 | \$45,193,360 | \$47,199,477 |

Performance Highlights

Following is a summary of highlights for FY 2010:

- Sales increased \$2.5 million, from \$135.1 million to \$137.6 million - up 1.9%.
- Net Profit increased \$0.1 million, from \$46.2 million to \$46.3 million – up 0.2%
- Distribution to State programs, General Fund, and Cities and Counties increased \$2.0 million, from \$45.2 million to \$47.2 million - up 4.4%
- Sunday sales continued to show growth.
 - 30 of the 44 Counties have now approved Sunday sales.
 - Some resort area stores report more sales on Sundays than on typically large Fridays and Saturdays.
 - Sunday gross sales revenue increased by nearly \$500,000, from \$3.4 million to 3.9 million during FY 2010, an increase of 14.7%

As economic conditions forced a further tightening of the operating budget for FY 2011, maintaining service for consumers and providing oversight to secure the product became key issues that are likely to be the main ISLD challenges for the future. The final legislatively-mandated reductions in personnel of over \$200,000 was completed and takes effect in FY 2011.

The difficult economic conditions have caused a slowing of consumer spending on premium brands throughout the state, which is magnified in Ada County, although sales revenues overall continue to grow at a modest rate. Consumption in Idaho remains below other control states, and well below the national average consumption rate.

| Performance Measure | 2007 | 2008 | 2009 | 2010 | Benchmark |
|--|-----------|-----------|--|--|--|
| Industry Best Practices | | | | | |
| Low Per Capita Consumption | 1.26 | 1.29 | 1.32 | 1.33 | 1.35 |
| Number of Product Listing Meetings | 2 | 3 | 3 | 2 | 2 |
| High Sales Per Employee | \$676,000 | \$678,000 | \$686,000 | \$692,000 | \$600,000 |
| Low Employee Costs per Sale Dollar | 6.8% | 7.2% | 7.3% | 7.2% | 7.5% |
| High Net Income Per Employee | \$235,000 | \$234,000 | \$234,000 | \$233,000 | \$225,000 |
| Idaho State Liquor Division | | | | | |
| Open new stores | | | 2 | 1 | Variable based on legislative approval of need |
| Holiday Gift-Type products selected | | | 40 | 35 | Variable based on product viability |
| Product line review will be conducted to identify products for possible discontinuation, status change or consolidation. | | | On-going, especially for newly listed products after 18 months of sales | New Policy developed and being finalized | Completion October 2010 |
| Product Retention Program continues in development with supplier input | | | On-going | On-going | Accomplished |
| Special Order Program will be revamped, automated and streamlined | | | Completed | Ongoing. Will be reviewed 2x per year | Completed |
| Split case equipment revamp completed | | | Construction completed 11/08. Products continue to be added until module is full. Addition of additional racking and completion of adding new products for April 15, 2010 | Expansion of single pack availability ongoing. 1 st Expansion July 1, 2010. | Completed |
| Procurement, installation and operation of automated storage/retrieval (ASRS) will be completed. | | | On going. Vendor selected through Design-build Competition administered through Division of Public Works, & vendor selected by Permanent Building Fund Advisory Council. Design & contract finalization going on 8/2009. Construction to begin 1/4/2010. | Completed and Commissioned July 1, 2010 | Completed |
| Warehouse Management System software and hardware will be installed and operational in FY 2010 | | | WMS Operations began 8/3/2009 | WMS-AS/RS Integration in final stages | Completion September 2010 |

Part II – Performance Measures

For More Information Contact

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