

Part 1 – Agency Profile

Agency Overview

The Idaho State Liquor Division was established in 1935, following the repeal of prohibition, as a means of providing greater control over the distribution, sale, and consumption of alcoholic beverages. Idaho is one of 20 jurisdictions that control the sale of alcoholic beverages. (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. Dyke Nally, 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 24, and four District Managers. Nineteen warehouse personnel, co-located within the administrative office, receive, store and distribute more than 822,500 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 164 retail outlets throughout the State. Of those, 65 were state liquor stores staffed and operated by Division employees; 99 were contract agencies. 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 29 of Idaho's 44 counties have added limited Sunday hours as an additional 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 \$300 million has been distributed to state programs, and to counties and cities, including a record \$45.2 million in FY 2009, approximately \$5 million more than FY 2008. This increase of more than 12% is primarily due to the completion of the expansion of the ISLD Warehouse, which required removal of \$7.2 million from distribution over the past 3 fiscal years.

In the face of continuing erosion of the economy, the ISLD is cautiously projecting a 1%-2% growth rate, on a larger base, for FY 2010. Even with an expected increase in working capital and increasing rent costs, distributions for FY 2010 should remain relatively stable, with a projection of \$46.1 million.

Core Functions/Idaho Code

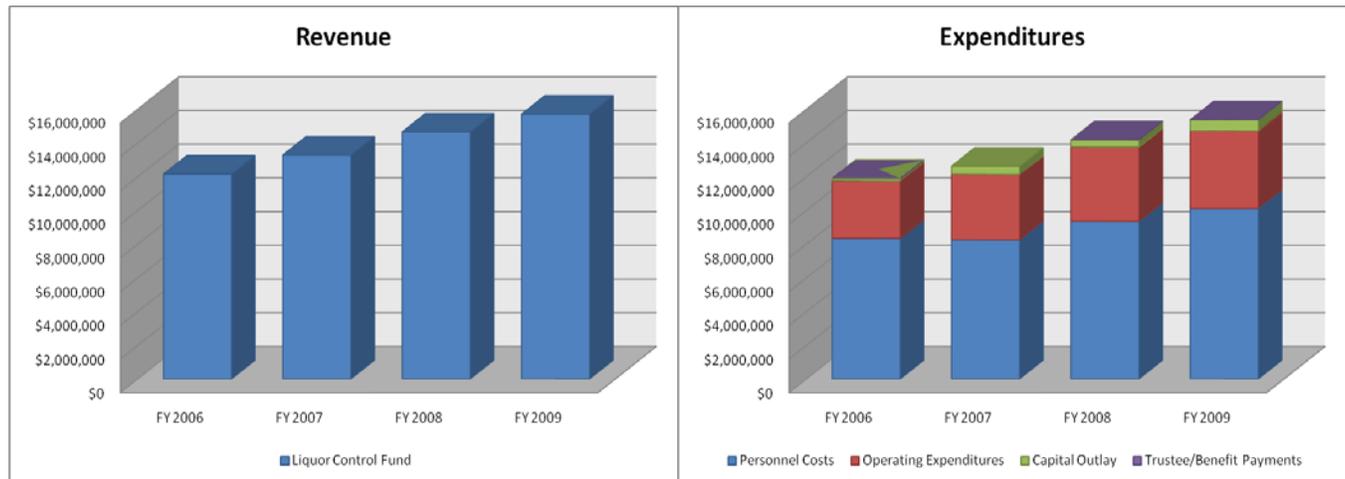
The Idaho State Liquor Division statutory authority is stated in Title 23 of the *Idaho Code*.

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 to the Governor annually, 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 2006	FY 2007	FY 2008	FY 2009
Liquor Control Fund	\$12,139,400	\$13,270,800	\$14,640,900	\$15,694,700
Total	\$12,139,400	\$13,270,800	\$14,690,900	\$15,694,700
Total Expenditures	FY 2006	FY 2007	FY 2008	FY 2009
Personnel Costs	\$8,327,000	\$8,251,100	\$9,343,500	\$10,096,647
Operating Expenditures	\$3,396,200	\$3,872,600	\$4,402,500	\$4,595,154
Capital Outlay	\$161,700	\$486,300	\$415,600	\$663,690
Trustee/Benefit Payments	\$0	\$0	\$0	\$0
Total	\$11,884,900	\$12,610,000	\$14,161,600	15,355,491



Profile of Key Services Provided

Key Services Provided	FY 2006	FY 2007	FY 2008	FY2009
Number of Bottles Sold	8,600,018	9,168,812	9,616,974	9,891,309
Total Dollar Sales	\$109,604,223	\$121,623,148	\$130,815,006	\$135,082,238
Net Income	\$37,153,806	\$42,357,974	\$45,090,209	\$46,150,007
Profit Distributions	\$33,459,463	\$39,152,572	\$40,164,193	\$45,193,360

Performance Highlights

Following is a summary of highlights for FY 2009:

- Sales increased \$4.3 million, from \$130.8 million to \$135.1 million - up 3.3%.
- Net Profit increased \$1.1 million, from \$45.1 million to \$46.2 million – up 2.4%
- Distribution to State programs, General Fund, and Cities and Counties increased \$5.0 million, from \$40.2 million to \$45.2 million - up 12.4%
- Sunday sales continued to show growth.
 - 29 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 400,000, from \$3 million to more than \$3.4 million during FY 2009, an increase of 1.1%

As economic conditions forced a tightening of the budget midway through FY 2009, maintaining service for consumers, and providing oversight to secure the product, became key issues that are likely to be the main ISLD challenges for FY 2010, in light of significant legislatively-mandated reductions in personnel. Ada County, and in particular, the state's largest metro area in Boise, have been hard hit by job losses and related economic issues. This area has traditionally been the strongest area for sales revenue, and the profits which result.

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.

The reduction in personnel spending is putting increased demands on employees throughout the Division.

Part II – Performance Measures

Performance Measure	2006	2007	2008	2009	Benchmark
Industry Best Practices					
Low Per Capita Consumption	1.10	1.26	1.29	1.32	1.35
Number of Product Listing Meetings	2	2	3	3	2
High Sales Per Employee	\$660,000	\$676,000	\$678,000	\$686,000	\$600,000
Low Employee Costs per Sale Dollar	7.3%	6.8%	7.2%	7.3%	7.5%
High Net Income Per Employee	\$224,000	\$235,000	\$234,000	\$234,000	\$225,000
Idaho State Liquor Division					
Open new stores				2	Variable based on legislative approval of need
Holiday Gift-Type products selected				40	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	Accomplished
Product Retention Program continues in development with supplier input				On-going	Accomplished
Special Order Program will be revamped, automated and streamlined				Completed	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	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.	Completion 4/15/2010
Warehouse Management System software and hardware will be installed and operational in FY 2009				WMS Operations began 8/3/2009	Installed

For More Information Contact

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