

Part I – Agency Profile

Agency Overview

The Idaho State Liquor Division (ISLD) was established by Article III, Section 26 of the Idaho Constitution in 1935 following the repeal of the 18th Amendment to the Constitution of the United States (known as "Prohibition") as a means of directing the importation, distribution, sale, and consumption of beverage alcohol. Idaho is one of 17 states along with jurisdictions in Alaska, Maryland, Minnesota, and South Dakota that actively manage the sale of distilled spirits. These jurisdictions account for over 25% of the U.S. population and regulate their own retail and/or wholesale distribution of beverage alcohol in their various forms.

Organizationally, the ISLD has been an agency in the Office of the Governor since 1974. Jeffrey R. Anderson, Director, is appointed by the Governor and has served since 2010.

The ISLD Central Office and Warehouse are in Boise. All aspects of the business, including purchasing, finance, information technology, human resources, contract administration, and retail management are administered by a staff of 25, along with three district managers. Twenty-six warehouse personnel, co-located within the central office, receive, store, and distribute over 1.3 million nine-liter cases annually over a geographic area of 83,000 square miles. The warehouse typically inventories about 240,000 cases valued at approximately \$16 million, the majority of which is owned by suppliers under a bailment system. An approximately equal amount of product is also inventoried in retail stores operated by the state and private sector distributing station retail stores.

As of September 1, 2020, the ISLD operated 169 retail outlets throughout the State. Of those, 67 are state-run liquor stores, leased from the private sector, and staffed and operated by Division employees; 102 are private sector retailers operating under contract. Each store is stocked and maintained to meet the needs of customers, including licensed liquor-by-the-drink establishments. Retail outlets feature a selection of products designed to appeal to the tastes and lifestyles of the local communities they serve. All products are uniformly and competitively priced throughout the state.

Idaho's conservative system of liquor distribution provides benefits to all the State's citizens. Moderation and temperance related to Idaho's model of spirits distribution generally reduces social costs associated with beverage alcohol consumption. Additionally, Idaho law provides for the distribution of liquor profits to substance abuse prevention and treatment programs, the General Fund, all 44 counties, and 200 cities. Over the previous decade, more than \$700 million has been distributed to state programs, counties, and cities, including a record \$95.4 million in FY 2020. The ISLD projects distributions to reach nearly \$1.2 billion over the coming decade.

General economic conditions and industry trends naturally impact the Division's results. The ISLD is cautious about growth prospects, as the economy and trends, especially in light of the current COVID-19 situation, can be difficult to reliably predict. Consequently, the ISLD is projecting a 0.4% sales growth rate for FY 2021. As a result, distributions for FY 2021 are forecast to increase to approximately \$98 million.

Core Functions/Idaho Code

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

Revenue	FY 2017	FY 2018	FY 2019	FY 2020
Liquor Control Fund	\$203,357,300	\$210,681,200	\$230,562,200	\$260,092,500
Total	\$203,357,300	\$210,681,200	\$230,562,200	\$260,092,500
Expenditures	FY 2017	FY 2018	FY 2019	FY 2020
Personnel Costs	\$12,632,000	\$12,829,200	\$12,878,500	\$14,188,200
Operating Expenditures	\$5,965,600	\$6,067,500	\$6,065,100	\$6,317,200
Capital Outlay	\$915,300	\$553,900	\$724,800	\$612,200
Continuous Appropriation (COGS)	\$110,510,400	\$113,399,000	\$124,170,900	\$132,210,600
Distributions to Stakeholders	\$73,296,800	\$78,512,000	\$85,346,900	\$95,444,300
Total	\$203,320,100	\$211,361,600	\$229,186,200	\$248,772,500

Profile of Key Services Provided

Cases Managed and/or Key Services Provided	FY 2017	FY 2018	FY 2019	FY 2020
Nine-Liter Cases Sold	1,140,700	1,182,300	1,234,200	1,347,000
Total Dollar Sales	\$203,381,700	\$215,157,600	\$230,094,300	\$258,567,000
Net Income	\$75,571,900	\$79,839,800	\$86,583,500	\$98,241,700
Profit Distributions	\$73,296,800	\$78,512,000	\$85,346,900	\$95,444,300

Red Tape Reduction Act

As instructed in Governor Brad Little's Red Tape Reduction Action (Executive Order 2019-02), the Idaho State Liquor Division (ISLD) has outlined and implemented a plan that produced significant results in our efforts to revise and reduce the agency's administrative rules.

Results: Through this process, the Division aims to reduce its IDAPA word count by at least 20%. As of June 30, 2020, the Division has reduced its word count from 5,387 to 3,999 or 25.8%.

	As of July 1, 2019	As of July 1, 2020
Number of Chapters	1	1
Number of Words	5,203	3,999
Number of Restrictions	67	57

FY 2020 Performance Highlights

- Sales increased \$28.4 million, from \$230.1 million to \$258.5 million – up +12.4%
- Net Profit increased \$12 million, from \$86.2 million to \$98.2 million – up +13.9%
- Distributions to State programs, General Fund, Cities and Counties increased \$10.1 million, from \$85.3 million to \$95.4 million – up +11.8%

FY2020 continued a recent trend of very successful years for the ISLD, as the Division once again experienced record sales, profits, and distributions. Net Income and distributions grew considerably more than consumption on a per capita basis. Sales results were heavily impacted by COVID-19, but continued population growth and cross-border traffic from Washington were also major factors. In addition to these economic factors, effective cost management combined with store merchandising enhancements continue to drive topline sales and profit increases that far outpace changes in consumption. Industry innovation and evolving consumer tastes are also driving market share increases for distilled spirits vs. beer and wine. All these factors will continue to play prominent roles in the ISLD's sales growth now and into the future.

The ISLD recognizes a strong need for resources throughout the state to aid in the implementation of education programs in our communities. Cultivating relationships with organizations that are working toward maintaining healthy communities is an important endeavor of the ISLD. In partnership with the National Alcohol Beverage Control Association (NABCA), the ISLD awards grants through a competitive program each year to help fund a myriad of agencies and coalitions striving to combat the abuse of alcohol and drugs. In FY2020, \$60,000 in grants were awarded throughout the state of Idaho amongst 15 different agencies and coalitions including anti-alcohol & drug coalitions in Orofino, Idaho Falls, Nez Perce, Lapwai, Meridian, and Moscow, Valley High School, Frank Church High School, Timberline High School, Lewis-Clark State College, the University of Idaho, St. Luke's Medical Center, and the Office of Drug Policy. Additionally, the ISLD and NABCA provide financial support to the Northwest Alcohol Conference and various programs with Idaho's Alcohol Beverage Control Bureau. The ISLD also believes strongly in the development of our associates via ongoing education and training. Training to ensure safe selling, cybersecurity training, HR compliance training, and 'Caring for the Customer' classes are required for all retail associates.

Part II – Performance Measures

Agency Goal

Idaho Statute 23-203 specifies the powers and duties of the Idaho State Liquor Division. Furthermore, the statute directs the Division to "exercise its powers as to curtail the intemperate use of alcoholic beverages. It shall not attempt to stimulate the normal demands of temperate consumers thereof, irrespective of the effect on the revenue..." To this end, the Division has established a benchmark philosophy that is the basis for its strategic and operational planning. The benchmarks aim to ensure the Division responsibly optimizes net revenues without implementing strategies that encourage consumption. Specifically, the Division strives for the following: *Distributions to stakeholders should grow faster than dollar sales; dollar sales should grow faster than 9-liter case sales; 9-liter case sales should grow faster than consumption per capita.*

Performance Measure		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
1. Low Per Capita Consumption (9-Liter Cases per Adult) Change vs. Prior Year	actual	0.92 +2.2%	0.94 +2.2%	0.97 +3.2%	1.05 +8.2%	-----
	target	Below +4.3%	Below +3.6%	Below +4.3%	Below +9.2%	Below +0.2%
2. 9-Liter Cases Sold Change vs. Prior Year	actual	1,141,000 +4.3%	1,182,000 +3.6%	1,234,000 +4.3%	1,347,000 +9.2%	-----
	target	Above +2.2%	Above +2.2%	Above +3.2%	Above +8.2%	Above -1.9%
3. Sales (000s) Change vs. Prior Year	actual	\$203,400 +6.5%	\$215,200 +5.8%	\$230,100 +6.9%	\$258,500 +12.4%	-----
	target	Above +4.3%	Above +3.6%	Above 4.3%	Above 9.2%	Above +0.2%
4. Distributions (000s) Change vs. Prior Year	actual	\$73,300 +6.7%	\$78,500 +7.1%	\$85,300 +8.6%	\$95,400 +11.8%	-----
	target	Above 6.5%	Above 5.8%	Above 6.9%	Above 12.4%	Above 0.3%

Performance Measure Explanatory Notes

The ISLD has an exemplary track record in meeting or exceeding its established targets; however, FY 2020 was an exception as the Division opted to increase its normal inventory reserves due to the uncertainty of the COVID-19 impact on the supply chain. Higher inventory levels in FY20 somewhat limited the level of distributions we would normally remit. We anticipate a return to normal levels in FY21 and a sharp increase in distributions as a result.

For More Information Contact

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