

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 Prohibition as a means of directing the distribution, sale, and consumption of beverage alcohol. Idaho is one of 17 states along with jurisdictions in Alaska, Maryland, Minnesota, and South Dakota that 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 alcoholic beverages in their various forms.

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

The ISLD Central Office and Warehouse are located in Boise. All aspects of the business, including purchasing, finance and accounting, information technology, human resources, contract administration, and retail management are administered by a central office staff of 25, along with three district managers. Twenty-four warehouse personnel, co-located within the administrative office, receive, store, and distribute more than 1.2 million nine-liter cases annually over a geographic area of 83,000 square miles. The warehouse typically inventories about 225,000 cases valued at approximately \$15 million, the majority of which is owned by suppliers under a bailment system. An approximately equal amount of product is also inventoried in state and contract retail stores.

As of September 1, 2018, the ISLD operated 168 retail outlets throughout the State. Of those, 65 are state-run liquor stores, leased from the private sector, and staffed and operated by Division employees; 103 are contract, private sector retailers. Each state and contract 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 of the State's citizens. Moderation and temperance in states like Idaho generally reduce social costs associated with beverage alcohol consumption. Additionally, Idaho law provides for the distribution of liquor profits to state substance abuse prevention and treatment programs, the General Fund, all 44 counties, and 200 cities. Over the previous decade, more than \$610 million has been distributed to state programs, counties, and cities, including a record \$78.5 million in FY 2018. The ISLD projects distributions to exceed \$950 million over the coming decade.

General economic conditions and industry trends naturally impact the Division's operations. The ISLD remains cautious about growth prospects, as economic conditions and industry trends remain difficult to predict. Consequently, the ISLD is projecting a 4.7% growth rate for FY 2019. As a result of higher sales, distributions for FY 2019 should increase to approximately \$82 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 2015	FY 2016	FY 2017	FY 2018
Liquor Control Fund	\$180,208,400	\$190,764,300	\$203,357,300	\$210,681,200
Total	\$180,208,400	\$190,764,300	\$203,357,300	\$210,681,200
Expenditures	FY 2015	FY 2016	FY 2017	FY 2018
Personnel Costs	\$10,862,100	\$11,577,700	\$12,632,000	\$12,829,200
Operating Expenditures	\$5,485,000	\$5,955,200	\$5,965,600	\$6,067,500
Capital Outlay	\$442,100	\$685,600	\$915,300	\$553,900
Continuous Appropriation (COGS)	\$96,317,100	\$102,668,800	\$110,510,400	\$113,399,000
Distributions to Stakeholders	\$64,414,100	\$68,702,200	\$73,296,800	\$78,512,000
Total	\$177,520,400	\$189,589,500	\$203,320,100	\$211,361,600

Profile of Key Services Provided

Cases Managed and/or Key services Provided	FY 2015	FY 2016	FY 2017	FY 2018
Nine-Liter Cases Sold	1,050,200	1,094,200	1,140,700	1,181,000
Total Dollar Sales	\$179,028,100	\$191,047,400	\$203,381,700	\$215,157,600
Net Income	\$65,657,600	\$70,274,500	\$75,571,900	\$79,839,800
Profit Distributions	\$64,414,100	\$68,702,200	\$73,296,800	\$78,512,000

FY 2018 Performance Highlights

- Sales increased \$11.8 million, from \$203.4 million to \$215.2 million – up +5.8%
- Net Profit increased \$4.2 million, from \$75.6 million to \$79.8 million – up +5.7%
- Distributions to State programs, General Fund, Cities and Counties increased \$5.2 million, from \$73.3 million to \$78.5 million – up +7.1%

FY2018 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 continue to be impacted by cross-border traffic, as Washington consumers take advantage of Idaho's lower spirits prices. In addition to the Washington influence, 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 continue to lead to higher market share increases for distilled spirits vs. beer and wine. This plays a prominent role 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 goal 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. In FY2018, \$45,000 in grants were awarded throughout the state of Idaho amongst nine different agencies and coalitions including Drug Free Idaho, Upriver Youth Leadership Council, Bonneville Youth Development Council, and the Canyon-Owyhee School Service Agency (COSSA). 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 in the development of their associates, so ongoing education and training is on the forefront. Training for Intervention Procedures Program (TIPS), 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 2015	FY 2016	FY 2017	FY 2018	FY 2019
1. Low Per Capita Consumption (9-Liter Cases per Adult) Change vs. Prior Year	actual	0.87 +1.1%	0.90 +3.4%	0.92 +2.2%	0.94 +2.2%	----- -----
	target	Below +3.0%	Below +4.2%	Below +4.3%	Below +3.6%	Below +3.0%
2. 9-Liter Cases Sold Change vs. Prior Year	actual	1,050,000 +3.0%	1,094,000 +4.2%	1,141,000 +4.3%	1,182,000 +3.6%	----- -----
	target	Above +1.1%	Above +3.4%	Above +2.2%	Above +2.2%	Above +2.2%
3. Sales (000s) Change vs. Prior Year	actual	179,000 +5.9%	191,000 +6.7%	203,400 +6.5%	215,200 +5.8%	----- -----
	target	Above +3.0%	Above +4.2%	Above +4.3%	Above +3.6%	Above 3.0%
4. Distributions (000s) Change vs. Prior Year	actual	\$64,400 +2.2% **	\$68,700 +6.7%	\$73,300 +6.7%	\$78,500 +7.1%	----- -----
	target	Above +5.9%	Above +6.7%	Above +6.5%	Above +5.8%	Above 4.4%

Performance Measure Explanatory Notes

The ISLD has an exemplary track record in meeting or exceeding its established targets, and FY 2018 was no exception, as we met our goals in each of the four metric areas. **It should be noted that our only recent “miss” was in FY 2015 when the Distribution projection was lowered below the aforementioned philosophy (i.e., distributions were projected to increase at a lower rate than sales) in order to accommodate several industry-driven operational modifications. Specifically, the Division elected to increase inventory levels at the retail level by approximately \$2,000,000 (\$12,000/outlet on average) to better serve customer expectations, reduce incidents of out-of-stock items, and carry a higher volume of premium and luxury products to meet evolving consumer preferences. With more working capital devoted to higher inventory levels, this resulted in a slight one-time reduction in the amount of cash that would normally be available for distributions to our stakeholders.

For More Information Contact

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