

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 located 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 26, along with three district managers. Twenty-nine warehouse personnel - co-located within the central office - receive, store, and distribute over 1.4 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 \$18 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, 2023, the ISLD operated 174 retail outlets throughout the State. Of those, 67 are state-run liquor stores, leased from the private sector, and staffed by Division employees; 107 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 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, \$880 million has been distributed to state programs, counties, and cities, including a record \$121.0 million in FY 2023. The ISLD projects distributions to reach nearly \$1.5 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 consumer trends can be difficult to reliably predict. Consequently, the ISLD is projecting a 3.5% sales growth rate for FY 2024. As a result, distributions for FY 2024 are forecast to increase to approximately \$125 million.

Core Functions/Idaho Code

The Idaho State Liquor Division's 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 2020	FY 2021	FY 2022	FY 2023
Liquor Control Fund	\$260,092,500	\$297,169,600	\$306,665,100	\$319,810,900
Total	\$260,092,500	\$297,169,600	\$306,665,100	\$319,810,900
Expenditures	FY 2020	FY 2021	FY 2022	FY 2023
Personnel Costs	\$14,188,200	\$14,162,700	\$15,242,600	\$17,905,700
Operating Expenditures	\$6,305,100	\$6,937,900	\$3,419,900	\$3,560,300
Capital Outlay	\$531,300	\$824,400	\$5,007,500	\$5,142,600
Continuous Appropriation (COGS)	\$132,210,600	\$171,593,800	\$170,602,600	\$173,541,000
Distributions to Stakeholders	\$95,444,300	\$114,513,100	\$115,566,200	\$121,036,200
Total	\$248,679,500	\$308,031,900	\$309,838,800	\$321,185,800

Profile of Key Services Provided

Cases Managed and/or Key Services Provided	FY 2020	FY 2021	FY 2022	FY 2023
Nine-Liter Cases Sold	1,347,500	1,462,900	1,440,500	1,429,300
Total Dollar Sales	\$258,567,000	\$297,072,800	\$305,619,200	\$319,850,000
Net Income	\$98,241,700	\$114,069,600	\$114,246,000	\$120,588,000
Profit Distributions	\$95,444,300	\$114,513,100	\$115,556,600	\$121,036,200

FY 2023 Performance Highlights

- Consumption/Nine-Liter case sales decreased by 11,200 cases from 1.441 million to 1.429 million – a decline of -0.8%
- Sales increased \$14.3 million, from \$305.6 million to \$319.9 – up +4.6%
- Net Profit increased \$6.3 million, from \$114.3 million to \$120.6 million – up +5.5%
- Distributions to State programs, General Fund, Cities and Counties increased \$5.4 million, from \$115.6 million to \$121.0 million – up +4.7%

FY 2023 continued a recent trend of very successful years for the ISLD. The Division once again experienced record sales, profits, and distributions. The Division returned the highest level of distributions in its history, even as sales quantities and per-capita consumption declined. Industry innovation and evolving consumer tastes continue to drive

market share increases for distilled spirits vs. beer and wine. Additionally, inflationary factors and supply chain disruptions are ongoing challenges that we continue to address. All of these factors will continue to play prominent roles in the ISLD’s sales growth and profitability now and into the future.

Cultivating relationships with organizations that are working toward maintaining healthy communities in Idaho is an important endeavor of the ISLD. In partnership with the National Alcohol Beverage Control Association (NABCA), the ISLD provides resources to aid in the implementation of education programs for these communities through a competitive grant program. This program helps fund a myriad of agencies and coalitions striving to combat the abuse of alcohol and drugs. In FY2023, \$50,000 was awarded amongst 13 different organizations: Boise School District, Boise State University, City of Coeur d’Alene, Cornerstone Teen Center, Drug & Alcohol Trends Education (Cottonwood), Idaho Chapter of the American Academy of Pediatrics, Idaho County Sheriff’s Office, Idaho Office of Drug Policy, Idaho West Central Mountain Youth Advocacy, Idaho Drug Free Youth, Meridian Anti-Drug Coalition, MADC-School Resource Officers and Salmon Substance Abuse Prevention Coalition. Additionally, the ISLD is committed to responsibly selling our products and in the development of our associates via ongoing education and training. Training on cyber security, respectful workplace, HR compliance, and TIPS Safe-selling are mandatory for all retail associates.

Part II – Performance Measures

Agency Goal						
Idaho Statue 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: <i>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.</i>						
Performance Measure		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
1. Low Per Capita Consumption (9-Liter Cases per Adult) <i>Change vs. Prior Year</i>	actual	1.05 +8.2%	1.12 +6.7%	1.09 -2.8%	1.09 -2.9%	-----
	target	Below +9.2%	Below +8.5%	Below -1.5%	Below -0.8%	Below +1.6%
2. 9-Liter Cases Sold <i>Change vs. Prior Year</i>	actual	1,348,000 +9.2%	1,463,000 +8.5%	1,441,000 -1.5%	1,429,000 -0.8%	-----
	target	Above +8.2%	Above +6.7%	Above -2.8%	Above -2.9%	Above +1.0%
3. Sales (000s) <i>Change vs. Prior Year</i>	actual	\$258,500 +12.4%	\$297,072,800 +14.9%	305,619,200 +2.9%	319,850,000 +4.6%	-----
	target	Above+ 9.2%	Above +8.5%	Above -1.5%	Above -0.8%	Above +1.6%
4. Distributions (000s) <i>Change vs. Prior Year</i>	actual	\$95,400 +11.8%	\$114,513,100 +20.0%	\$115,566,200 +1.0%	\$121,036,200 +4.7%	-----
	target	Above +12.4%	Above +14.9%	Above+ 2.9%	Above +4.6%	Above +3.5%

Performance Measure Explanatory Notes

The ISLD has an excellent track record of meeting or exceeding its established benchmarks, and FY 2023 was an exemplary year by virtually every measure. The ISLD increased distributions to our beneficiaries by +4.7%, even in light of a decrease in unit sales and per capita consumption. In doing so, the Division was successful in delivering on each of its strategic performance measures.

For More Information Contact

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Director Attestation for Performance Measurement Report

In accordance with *Idaho Code* 67-1904, I certify the data provided in the Performance Measurement Report has been internally assessed for accuracy, and, to the best of my knowledge, is deemed to be accurate.

Department: Idaho State Liquor Division



August 28, 2023

Director's Signature

Date

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