

State Liquor Division

Analyst: Bybee

Historical Summary

| OPERATING BUDGET | FY 2020 Total App | FY 2020 Actual | FY 2021 Approp | FY 2022 Request | FY 2022 Gov Rec |
|---------------------------------|------------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| BY FUND CATEGORY | | | | | |
| Dedicated | 22,351,700 | 21,117,600 | 22,732,900 | 24,571,200 | 24,302,900 |
| Percent Change: | | (5.5%) | 7.6% | 8.1% | 6.9% |
| BY OBJECT OF EXPENDITURE | | | | | |
| Personnel Costs | 14,371,900 | 14,188,200 | 14,775,800 | 16,082,800 | 15,814,500 |
| Operating Expenditures | 7,071,000 | 6,317,200 | 7,086,700 | 3,744,000 | 3,744,000 |
| Capital Outlay | 908,800 | 612,200 | 870,400 | 4,744,400 | 4,744,400 |
| Total: | 22,351,700 | 21,117,600 | 22,732,900 | 24,571,200 | 24,302,900 |
| Full-Time Positions (FTP) | 240.00 | 240.00 | 240.00 | 253.00 | 253.00 |

Division Description

The mission of the Idaho State Liquor Division is to provide control over the importation, distribution, sale, and consumption of distilled spirits; curtail intemperate use of beverage alcohol; and responsibly optimize the net revenues to the citizens of Idaho. The division has the following general powers and duties:

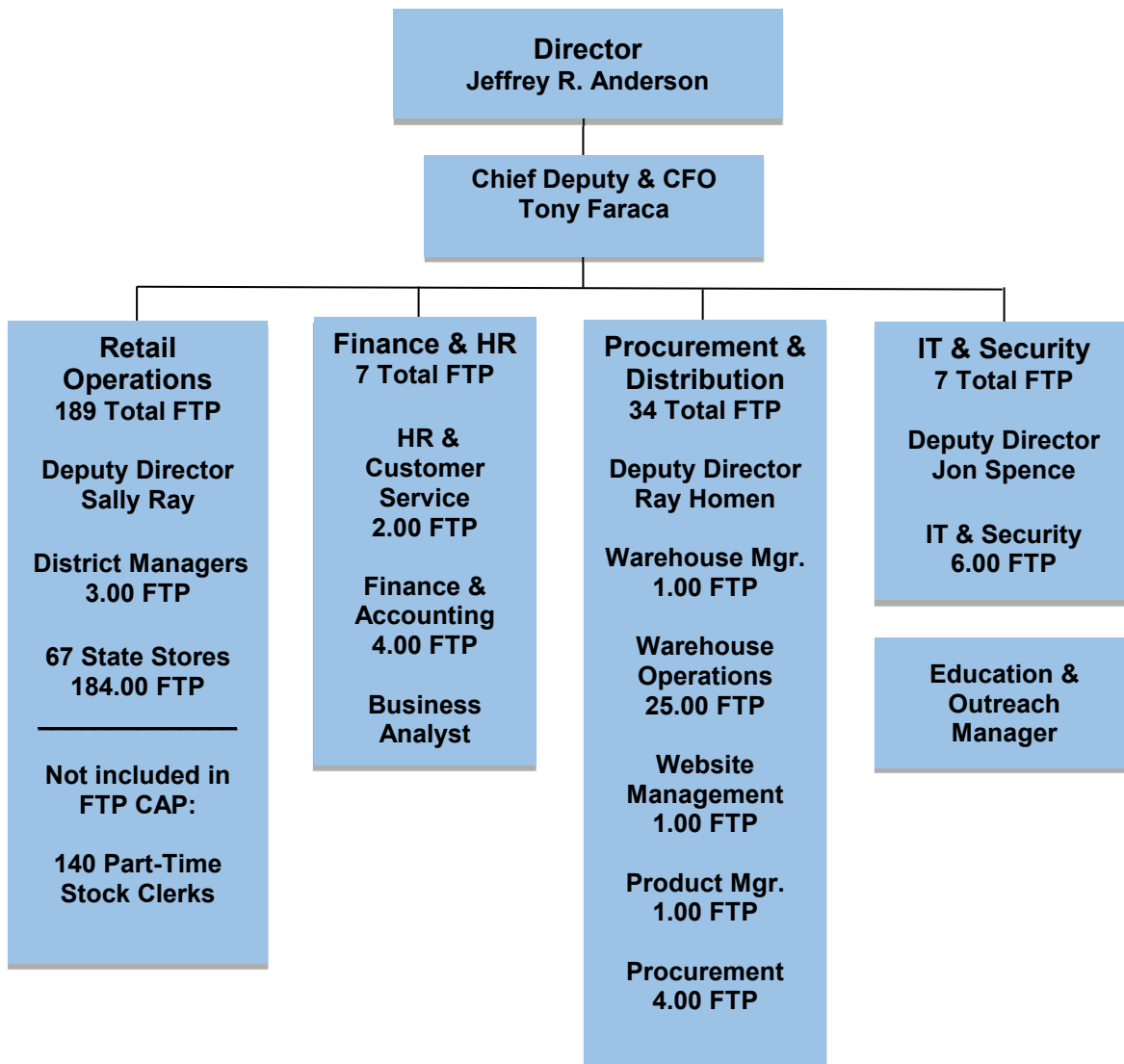
- (a) Regulation of Liquor Traffic: to permit, license, inspect, and regulate the manufacture, importation, transportation, storage, sale, and delivery of alcoholic liquor for purposes permitted by law;
- (b) Traffic in Liquor: to buy, import, transport, store, sell, and deliver alcoholic liquor;
- (c) Operation of Liquor Stores: to establish, maintain, and discontinue warehouses, state liquor stores and distribution stations;
- (d) Acquisition of Real Estate: to acquire, buy and lease real estate, and improve and equip the same for the conduct of its business;
- (e) Acquisition of Personal Property: to acquire, buy, and lease personal property necessary and convenient for the conduct of its business; and
- (f) 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 agency.

The Liquor Division is charged with exercising its powers as to curtail the intemperate use of alcoholic beverages. It shall not attempt to stimulate the normal demands of temperate consumers of alcohol, irrespective of the effect on the revenue derived by the state from the resale of intoxicating liquor.

Statutory authority: Chapter 2, Title 23, Idaho Code.

State Liquor Division Organizational Chart

Analyst: Bybee



As of January 29, 2021, the Idaho State Liquor Division has **eight** vacant positions.

State Liquor Division

Agency Profile

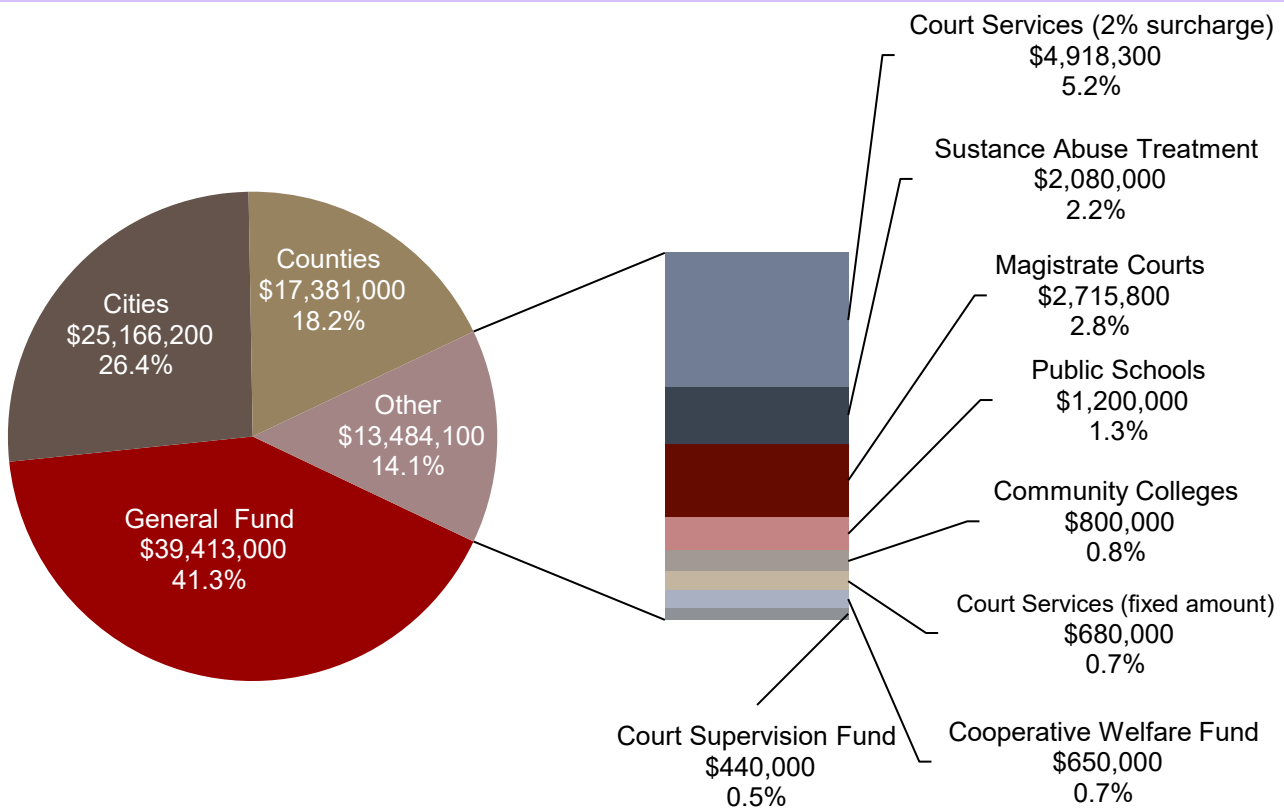
Analyst: Bybee

LIQUOR PROFIT DISTRIBUTION FORMULA

Pursuant to Section 23-404, Idaho Code:

1. Two percent surcharge on liquor sales collected and credited monthly to the Drug Court, Mental Health Court, and Family Court Services Fund (referenced below as Court Services).
2. Of the remaining amount, 50% of profits are distributed as follows:
 - a. Annual fixed distributions totaling \$5,850,000 to the Substance Abuse Treatment Fund, Community Colleges, Public School Income Fund, Cooperative Welfare Fund, Court Services Fund, and the Court Supervision Fund.
 - b. Remaining balance to the General Fund.
3. The remaining 50% of profits are distributed as follows:
 - 55.6% to Cities (90% to cities with liquor stores, in proportion to sales; 10% to cities without liquor stores, in proportion to population); 38.4% to Counties, in proportion to sales; 6% to Magistrate Courts.

FY 2020 DISTRIBUTIONS: \$95,444,300



Changes for FY 2019: Pursuant to H365 of 2018, the distribution to Community Colleges increased by \$200,000 for the College of Eastern Idaho. Pursuant to H643 of 2018, the combined distribution to cities and counties will be reduced by 3% each year for five years (to 15% by FY 2023) and that amount will be allocated to the District Court Fund for magistrate court operations.

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.

Liquor Division, State

Analyst: Bybee

FY 2020 Actual Expenditures by Division

| | | FTP | PC | OE | CO | T/B | LS | Total |
|--|---------------------------------------|--------|------------------|------------------|------------------|------------|------------|--------------------|
| 0.30 | FY 2020 Original Appropriation | | | | | | | |
| 0418-00 | Ded | 240.00 | 14,397,600 | 7,071,000 | 908,800 | 0 | 0 | 22,377,400 |
| Totals: | | 240.00 | 14,397,600 | 7,071,000 | 908,800 | 0 | 0 | 22,377,400 |
| 0.44 | Rescissions | | | | | | | |
| 0418-00 | Ded | 0.00 | (25,700) | 0 | 0 | 0 | 0 | (25,700) |
| Totals: | | 0.00 | (25,700) | 0 | 0 | 0 | 0 | (25,700) |
| 1.00 | FY 2020 Total Appropriation | | | | | | | |
| 0418-00 | Ded | 240.00 | 14,371,900 | 7,071,000 | 908,800 | 0 | 0 | 22,351,700 |
| Totals: | | 240.00 | 14,371,900 | 7,071,000 | 908,800 | 0 | 0 | 22,351,700 |
| 1.61 | Reverted Appropriation | | | | | | | |
| 0418-00 | Ded | 0.00 | (183,700) | (753,800) | (296,600) | 0 | 0 | (1,234,100) |
| Totals: | | 0.00 | (183,700) | (753,800) | (296,600) | 0 | 0 | (1,234,100) |
| 2.00 | FY 2020 Actual Expenditures | | | | | | | |
| 0418-00 | Ded | 240.00 | 14,188,200 | 6,317,200 | 612,200 | 0 | 0 | 21,117,600 |
| | Liquor Control | | 14,188,200 | 6,317,200 | 612,200 | 0 | 0 | 21,117,600 |
| Totals: | | 240.00 | 14,188,200 | 6,317,200 | 612,200 | 0 | 0 | 21,117,600 |
| Difference: Actual Expenditures minus Total Appropriation | | | | | | | | |
| 0418-00 | Ded | | (183,700) | (753,800) | (296,600) | 0 | 0 | (1,234,100) |
| | Liquor Control | | (1.3%) | (10.7%) | (32.6%) | N/A | N/A | (5.5%) |
| Difference From Total Approp | | | (183,700) | (753,800) | (296,600) | 0 | 0 | (1,234,100) |
| Percent Diff From Total Approp | | | (1.3%) | (10.7%) | (32.6%) | N/A | N/A | (5.5%) |

State Liquor Division

Comparative Summary

Analyst: Bybee

| Decision Unit | Agency Request | | | Governor's Rec | | |
|--|----------------|----------|-------------------|----------------|----------|-------------------|
| | FTP | General | Total | FTP | General | Total |
| FY 2021 Original Appropriation | 240.00 | 0 | 22,732,900 | 240.00 | 0 | 22,732,900 |
| Removal of Onetime Expenditures | 0.00 | 0 | (870,400) | 0.00 | 0 | (870,400) |
| Base Adjustments | 0.00 | 0 | 0 | 0.00 | 0 | 0 |
| FY 2022 Base | 240.00 | 0 | 21,862,500 | 240.00 | 0 | 21,862,500 |
| Benefit Costs | 0.00 | 0 | 383,500 | 0.00 | 0 | 37,300 |
| Replacement Items | 0.00 | 0 | 454,400 | 0.00 | 0 | 454,400 |
| Statewide Cost Allocation | 0.00 | 0 | 29,300 | 0.00 | 0 | 29,300 |
| Change in Employee Compensation | 0.00 | 0 | 119,000 | 0.00 | 0 | 207,100 |
| FY 2022 Program Maintenance | 240.00 | 0 | 22,848,700 | 240.00 | 0 | 22,590,600 |
| 1. Clerks/Warehouse Wage Increase | 0.00 | 0 | 582,500 | 0.00 | 0 | 578,400 |
| 2. Materials Handler - Warehouse | 1.00 | 0 | 51,700 | 1.00 | 0 | 50,800 |
| 3. Convert Group to Classified Positions | 11.00 | 0 | 84,400 | 11.00 | 0 | 79,700 |
| 4. Relocate or Remodel Stores | 0.00 | 0 | 198,000 | 0.00 | 0 | 198,000 |
| 5. Accounting Software Update | 0.00 | 0 | 720,000 | 0.00 | 0 | 720,000 |
| 6. HR Associate | 1.00 | 0 | 85,900 | 1.00 | 0 | 85,400 |
| FY 2022 Total | 253.00 | 0 | 24,571,200 | 253.00 | 0 | 24,302,900 |
| Change from Original Appropriation | 13.00 | 0 | 1,838,300 | 13.00 | 0 | 1,570,000 |
| % Change from Original Appropriation | | | 8.1% | | | 6.9% |

State Liquor Division

Analyst: Bybee

| Budget by Decision Unit | FTP | General | Dedicated | Federal | Total |
|--|---------------|----------|-------------------|----------|-------------------|
| FY 2021 Original Appropriation | | | | | |
| The Legislature funded three line items for FY 2021: These included \$124,400 for store relocations or remodels; \$56,000 for a warehouse software maintenance contract; and \$239,900 to increase store staffing levels. | | | | | |
| | 240.00 | 0 | 22,732,900 | 0 | 22,732,900 |
| Removal of Onetime Expenditures | | | | | |
| Removes onetime funding for the following items: \$40,300 noncognizable adjustment from CARES Act, \$564,000 for warehouse equipment, \$176,400 for store equipment and repairs, \$124,000 to relocate or remodel two stores, and \$6,000 for surge protectors in the warehouse. | | | | | |
| Agency Request | 0.00 | 0 | (870,400) | 0 | (870,400) |
| <i>Governor's Recommendation</i> | <i>0.00</i> | <i>0</i> | <i>(870,400)</i> | <i>0</i> | <i>(870,400)</i> |
| Base Adjustments | | | | | |
| Ongoing base adjustments include the net-zero object transfer of \$3,500,000 from operating expenditures to capital outlay to comply with GASB 87 regarding capitalized leases. | | | | | |
| Agency Request | 0.00 | 0 | 0 | 0 | 0 |
| <i>Recommended by the Governor.</i> | | | | | |
| <i>Governor's Recommendation</i> | <i>0.00</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| FY 2022 Base | | | | | |
| Agency Request | 240.00 | 0 | 21,862,500 | 0 | 21,862,500 |
| <i>Governor's Recommendation</i> | <i>240.00</i> | <i>0</i> | <i>21,862,500</i> | <i>0</i> | <i>21,862,500</i> |
| Benefit Costs | | | | | |
| Employer-paid benefit changes include an 11% increase (or \$1,280 per eligible FTP) for health insurance, bringing the total appropriation to \$12,930 per FTP. Also included is a restoration of the unemployment insurance rate, a partial restoration of the unused sick leave rate, and adjustments to workers' compensation that vary by agency. | | | | | |
| Agency Request | 0.00 | 0 | 383,500 | 0 | 383,500 |
| <i>The Governor recommends no increase for health insurance due to fewer claims than expected and a one-year holiday for employers who contribute to the PERSI-managed sick leave plan.</i> | | | | | |
| <i>Governor's Recommendation</i> | <i>0.00</i> | <i>0</i> | <i>37,300</i> | <i>0</i> | <i>37,300</i> |
| Replacement Items | | | | | |
| Request for replacement items includes ten security systems for \$61,500; one server host and storage for \$55,200; one order picker for the warehouse for \$55,000; a pallet jack for \$17,000; a reach truck for \$50,000; three battery and battery chargers for \$37,000; shelving, counters, and pony walls at eight stores for \$60,800; flooring for \$12,500; a vehicle for \$30,000; retail employee uniforms for \$25,000; seven coolers for \$22,400; ten store lighting upgrades for \$21,000; and an electronic data management tool, which stores electronic files, upgrade for \$7,000. | | | | | |
| Agency Request | 0.00 | 0 | 454,400 | 0 | 454,400 |
| <i>Governor's Recommendation</i> | <i>0.00</i> | <i>0</i> | <i>454,400</i> | <i>0</i> | <i>454,400</i> |
| Statewide Cost Allocation | | | | | |
| This request includes adjustments to recover the cost of services provided by other agencies in accordance with federal and state guidelines on cost allocation. Attorney General fees will decrease by \$1,200, risk management costs will increase by \$10,200, State Controller fees will increase by \$19,000, State Treasurer fees will increase by \$200, and Office of Information Technology Services billings will increase by \$1,100, for a net increase of \$29,300. | | | | | |
| Agency Request | 0.00 | 0 | 29,300 | 0 | 29,300 |
| <i>Governor's Recommendation</i> | <i>0.00</i> | <i>0</i> | <i>29,300</i> | <i>0</i> | <i>29,300</i> |

State Liquor Division

Analyst: Bybee

| Budget by Decision Unit | FTP | General | Dedicated | Federal | Total |
|-------------------------|-----|---------|-----------|---------|-------|
|-------------------------|-----|---------|-----------|---------|-------|

Change in Employee Compensation

For calculation purposes, agencies were directed to include the cost of a 1% salary increase for permanent and temporary employees.

| | | | | | |
|----------------|------|---|---------|---|---------|
| Agency Request | 0.00 | 0 | 119,000 | 0 | 119,000 |
|----------------|------|---|---------|---|---------|

The Governor recommends a 2% increase in employee compensation, distributed on merit. He does not recommend a compensation increase for group and temporary positions.

| | | | | | |
|---------------------------|------|---|---------|---|---------|
| Governor's Recommendation | 0.00 | 0 | 207,100 | 0 | 207,100 |
|---------------------------|------|---|---------|---|---------|

| FY 2022 Program Maintenance | | | | | |
|------------------------------------|--------|---|------------|---|------------|
| Agency Request | 240.00 | 0 | 22,848,700 | 0 | 22,848,700 |
| Governor's Recommendation | 240.00 | 0 | 22,590,600 | 0 | 22,590,600 |

1. Clerks/Warehouse Wage Increase

The State Liquor Division requests \$582,500 in personnel costs to increase pay for retail clerks and warehouse employees to be competitive with current market conditions. This request provides funding to increase pay for temporary store clerks by \$1.15 to an average wage of \$11.65/hr. Classified store clerks will receive an average increase of \$1.00/hr. and warehouse employees will receive an average increase of \$1.40/hr. although not all permanent employees in stores and the warehouse will receive an increase if they are at the top of the current pay grade.

| | | | | | |
|----------------|------|---|---------|---|---------|
| Agency Request | 0.00 | 0 | 582,500 | 0 | 582,500 |
|----------------|------|---|---------|---|---------|

Recommended by the Governor with benefit changes.

| | | | | | |
|---------------------------|------|---|---------|---|---------|
| Governor's Recommendation | 0.00 | 0 | 578,400 | 0 | 578,400 |
|---------------------------|------|---|---------|---|---------|

2. Materials Handler - Warehouse

The State Liquor Division requests 1.00 FTP and \$51,700 in personnel costs for a new material handler position. Of this amount, there is \$31,300 for salary and \$20,400 in benefits. This position will help address the ongoing increase in sales.

| | | | | | |
|----------------|------|---|--------|---|--------|
| Agency Request | 1.00 | 0 | 51,700 | 0 | 51,700 |
|----------------|------|---|--------|---|--------|

Recommended by the Governor with benefit changes.

| | | | | | |
|---------------------------|------|---|--------|---|--------|
| Governor's Recommendation | 1.00 | 0 | 50,800 | 0 | 50,800 |
|---------------------------|------|---|--------|---|--------|

3. Convert Group to Classified Positions

The State Liquor Division requests 11.00 FTP and \$84,400 in personnel costs to convert temporary and part-time associates to classified positions. There is currently \$236,500 in the budget, and the requested increase will cover health insurance the employer's portion of payments to PERSI. The division states benefitted employees have proven to be more consistent and reliable than temporary and non-benefitted part-time clerks.

| | | | | | |
|----------------|-------|---|--------|---|--------|
| Agency Request | 11.00 | 0 | 84,400 | 0 | 84,400 |
|----------------|-------|---|--------|---|--------|

Recommended by the Governor with benefit changes.

| | | | | | |
|---------------------------|-------|---|--------|---|--------|
| Governor's Recommendation | 11.00 | 0 | 79,700 | 0 | 79,700 |
|---------------------------|-------|---|--------|---|--------|

4. Relocate or Remodel Stores

The State Liquor Division requests \$198,000, of which \$140,000 is onetime, to relocate or remodel two stores. The store relocations aim to improve customer service and convenience by coordinating the location of state-run stores in more optimal retail locations. Based on historical trends, the agency anticipates that these enhancements will generate incremental sales and pay back project costs in one to two years. The agency operates 67 state-run stores and routinely moves or updates store locations each year as leases expire. The ongoing portion will cover anticipated increases in rent.

| | | | | | |
|----------------|------|---|---------|---|---------|
| Agency Request | 0.00 | 0 | 198,000 | 0 | 198,000 |
|----------------|------|---|---------|---|---------|

| | | | | | |
|---------------------------|------|---|---------|---|---------|
| Governor's Recommendation | 0.00 | 0 | 198,000 | 0 | 198,000 |
|---------------------------|------|---|---------|---|---------|

State Liquor Division

Analyst: Bybee

| Budget by Decision Unit | FTP | General | Dedicated | Federal | Total |
|-------------------------|-----|---------|-----------|---------|-------|
|-------------------------|-----|---------|-----------|---------|-------|

5. Accounting Software Update

In FY 2018, the liquor division was approved to hire a consultant to develop an RFP for a new enterprise resource planning package. The consultant helped the division develop an assessment, write a request for proposal, and select a solution to consolidate the current accounting system, warehouse management system, and point of sale system into a unified platform. When project LUMA began, shortly thereafter, it was determined the new statewide accounting software would fill this need for the division. In the fall of 2020, it was determined LUMA cannot meet the division's needs on the retail side of the equation. This request is to purchase a solution to meet all of the divisions accounting software needs. Of the amount requested, \$70,000 is for ongoing licensing fees and system support, while the remaining \$650,000 is for the purchase and installation of the product. According to the agency, there is only one vendor who can reasonably and cost effectively upgrade the current system, which was born out during the previous RFP process. The intent is to go-live with this system in July of 2022, if approved.

| | | | | | |
|----------------------------------|-------------|----------|----------------|----------|----------------|
| Agency Request | 0.00 | 0 | 720,000 | 0 | 720,000 |
| <i>Governor's Recommendation</i> | <i>0.00</i> | <i>0</i> | <i>720,000</i> | <i>0</i> | <i>720,000</i> |

6. HR Associate

The State Liquor Division requests 1.00 FTP and \$85,900 in personnel costs for a new HR associate. Of this amount, there is \$58,900 for salary and \$27,000 in benefits. The payroll process and frontline HR tasks for the entire agency of 375 - 400 total employees is currently handled by a single associate. Industry standards advocate one HR associate for every 100 employees. The division has incorporated other organizational modifications to manage the HR workload but an additional associate must be added to address the ever increasing workload and complexities. The Division of Human Resources supports this request.

| | | | | | |
|--|-------------|----------|---------------|----------|---------------|
| Agency Request | 1.00 | 0 | 85,900 | 0 | 85,900 |
| <i>Recommended by the Governor with benefit changes.</i> | | | | | |
| <i>Governor's Recommendation</i> | <i>1.00</i> | <i>0</i> | <i>85,400</i> | <i>0</i> | <i>85,400</i> |

| FY 2022 Total | | | | | |
|----------------------------------|---------------|----------|-------------------|----------|-------------------|
| Agency Request | 253.00 | 0 | 24,571,200 | 0 | 24,571,200 |
| <i>Governor's Recommendation</i> | <i>253.00</i> | <i>0</i> | <i>24,302,900</i> | <i>0</i> | <i>24,302,900</i> |

| | | | | | |
|-----------------------------------|--------------|----------|------------------|----------|------------------|
| Agency Request | | | | | |
| Change from Original App | 13.00 | 0 | 1,838,300 | 0 | 1,838,300 |
| % Change from Original App | 5.4% | | 8.1% | | 8.1% |
| <i>Governor's Recommendation</i> | | | | | |
| <i>Change from Original App</i> | <i>13.00</i> | <i>0</i> | <i>1,570,000</i> | <i>0</i> | <i>1,570,000</i> |
| <i>% Change from Original App</i> | <i>5.4%</i> | | <i>6.9%</i> | | <i>6.9%</i> |