



North Carolina Spirits Association

Legislative Report
July 26, 2019

The House and Senate continued moving legislation this week as they attempt to wind down the session. Both chambers were in town Monday through Wednesday. The House will be back next week, however the Senate is not planning to return to Raleigh until August 6th. The Senate is waiting on the House to attempt an override of Governor Cooper's veto of the budget. A vote on the override is not expected for several weeks since various members have planned to be away, and Republicans will need all 65 of their members plus seven Democrats to successfully override the veto.

The legislature sent House Bill 961 to Governor Cooper's desk this week. The bill ensures that the State can spend federal grant money in light of the budget stalemate. The bill contains provisions that are usually included in the budget, and legislators feared that the continuing resolution that is currently in place would not allow the State to spend federal dollars. The bill largely involves grants received by the Department of Health and Human Services (DHHS), but also contains authorization to spend money on disaster relief, low income energy assistance, suicide prevention, and agriculture assistance. The State is currently operating on a statutory continuing resolution that keeps last year's budget in place until a new budget is adopted. The statutory continuing resolution does not allow for non-recurring money to be spent, which jeopardized federal funding. The authorization in House Bill 961 will allow those dollars to be drawn down and spent.

The House will reconvene on Monday July 29 and the Senate will reconvene Tuesday August 6.

BILL STATUS

House Bill 971, Modern Licensure Model for Alcohol Control, was considered in the House ABC Committee on Tuesday. It was on for discussion only, and Representative McGrady, the primary bill sponsor, reported that he would not push the bill this session. He requested members of the committee and the public provide feedback on the proposal.

The bill would allow privately owned stores to take over liquor sales while continuing to be regulated by the state's ABC Commission, providing tax revenue to local and state government. The bill currently would phase in the change by allowing private alcohol "package stores" to get permits and open beginning July 1, 2020. The stores would need to be located at least 500 yards from each other, although existing stores with beer and wine sales would be grandfathered in and would not face the distance requirement. Communities that do not already allow ABC stores would remain dry unless voters held a referendum to make a change. The excise tax rate would change from 30 percent to a flat rate of \$28 per gallon of liquor, which may mean that a less expensive product would face the same tax as a top-shelf brand.

According to legislative staff projections in a fiscal memo provided to committee members, state and local revenue would increase under the bill, from \$465.8 million in fiscal year 2022-23 if current law remains in effect to \$686.8 million that year if privatization is in place. Those projections are based on the assumption that 1,500 stores -- the maximum number allowed under the bill -- will receive permits in the first year, effectively tripling the number of stores where liquor is sold.

Committee members voiced a range of questions and concerns about the proposal. Rep. Pat Hurley, a staunch opponent of looser alcohol laws, worried that consumption of alcohol would increase, while ABC board employees would lose their jobs. McGrady said he expects those workers would shift to privately owned stores, but he conceded they likely would lose government employee benefits. Rep. Brian Turner was curious what will happen to the old ABC store properties. McGrady said those will be sold with proceeds benefitting the local government that operated the store.

Rep. Shelly Willingham said he was concerned that the legislation appears to allow permits for other types of retailers that get the majority of their revenue from other products -- so a hardware store could potentially offer a few shelves of liquor. Rep. Willingham stated that the issue needs more study. But McGrady argued that the change is needed to modernize a system where, for example, bars can wait months to obtain a particular brand of liquor and retail customers are forced to drive across their county to participate in a lottery to buy certain brands.

No vote was taken on the bill, and the bill remains in the House ABC Committee.

Senate Bill 124, Small Town Mixed Beverage Election Reqs., was heard briefly in the House Rules Committee this week. The bill would modify the requirements for a town to hold a mixed beverage election to allow the town of Bunn, and possibly others, to hold such an election - by adding that a town may hold such an election if it has at least 200 registered voters, has a total area of less than one square mile, operate an ABC store, and is in a county that has at least three cities that have approved the sale of mixed beverages. After some discussion, it was decided that the bill should be heard in the House ABC Committee, so the bill was reported favorably with a referral to the House ABC Committee. On Tuesday, the House ABC Committee discussed the bill, but did not take a vote. The bill remains in the House ABC Committee.

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