



North Carolina Spirits Association

Legislative Report
February 15, 2019

Governor Cooper's 2nd State of the State address has been scheduled for Monday, February 25th at 7:00 p.m. The State of the State takes place at the start of every biennium before a joint session of the House and Senate. The General Assembly formally invites the Governor by a joint resolution.

Meetings of the various Appropriations Committee subcommittees began this week and will continue for several weeks. These meetings will be introductory in nature, and will provide both returning members and new members with an overview of the various budget provisions for which their committee has jurisdiction. If they follow the procedures from previous years, these meetings will go on for quite some time as the members get familiar with the budget items within their jurisdiction. The legislature's goal will be to get a two-year State budget enacted prior to June 30th so that the new fiscal year can begin on July 1st.

Legislative business will ramp up next week as committees begin to move into regular business and floor votes begin. House Speaker Tim Moore (R-Cleveland) said no votes are expected Monday or Tuesday, but there could be votes Wednesday and Thursday as the committees start moving bills. There will be no votes in the Senate on Monday. Appropriations subcommittees are meeting Tuesday for informational presentations, and a full joint appropriations committee is scheduled for Wednesday morning to hear a revenue forecast presentation from the legislature's economist.

The House and Senate adjourned on Thursday and will reconvene Monday afternoon.

Program Evaluation Division Report on the State's ABC System

The legislature's Program Evaluation Division (PED) met Tuesday to hear the results of the PED study on the state's ABC system, specifically addressing issues involving spirits. At the link below you will find the full report, the PowerPoint slides used by the PED staff person who presented the report, draft legislation, and two exhibits to the report.

<https://www.ncleg.gov/Committees/CommitteeInfo/NonStanding/6354#Minutes and Handouts\2019\02-11-19\Modernizing ABC>

The PED does not recommend privatization but does analyze several ways the state's alcohol sales could be structured under a private model. The PED recommends the legislature set

up a joint commission of House and Senate members to study the privatization models if the state is inclined to favor privatization.

The PED report recommends several “modernization” changes to the existing ABC system regarding spirits, many of which were changes recommended by the NC Spirits Association, such as eliminating the purchase transport permit, allowing local option Sunday sales of spirits, and local option tastings at ABC stores. Pages 34-44 of the report (pp 39-49 of the PDF) discusses in detail the modernization recommended changes.

During the committee meeting, there were a number of speakers against this bill, including the Christian Action League and the Association of Local ABC Boards. I spoke for the Sunday sales and tastings provisions on behalf of the NC Spirits Association, and reported that the NC Spirits Association has not taken a position on the privatization issue. DISCUS’ lobbyist spoke in favor of these two provisions as well, and reported that they have not taken a position on privatization.

Most of the comments and questions were either on the privatization provisions of the report or one of the “modernization” suggested changes - to merge and consolidate the local ABC boards in each county, so there would be no more than one local ABC board per county.

Ultimately the PED committee voted to move the bill along so it can be introduced during this legislative session. Several legislators said they wanted to vote for it so that it could be considered by the full legislature. So I would expect a bill to be introduced this session that addresses the modernization issues discussed in the PED report.

BILLS OF INTEREST

House Bill 60, Revenue Laws Technical Changes, would make various changes to the revenue laws, including:

-Would amend GS 105-113.80, titled “Excise taxes on beer, wine, and liquor”, to refer to the spirituous liquor seller rather than distiller's price in calculating the excise tax on liquor, and to allow for another calculation if specifically address in a separate statute.

-Would amend GS 105-259 to allow an officer, an employee, or an agent of the State who has access to tax information in the course of service to or employment by the State to exchange information concerning a tax imposed by GS Chapter 105 Articles 2A (Tobacco Products Tax), 2C (Alcoholic Beverage License and Excise Tax), or 2D (Unauthorized Substances Tax) with the Alcohol and Tobacco Tax and Trade Bureau of the US Department of the Treasury when the information is needed to fulfill a duty.

Introduced by Representatives Howard, Setzer and Szoka and referred to the House Finance Committee.

Senate Bill 56, Revenue Laws Technical Changes, is identical to House Bill 69 discussed above. **Introduced by Senators Tillman, Hise and Newton and referred to the Senate Rules Committee.**

Senate Bill 66, Allow Game Nights, would authorize non-profit organizations to operate “game nights”, establish the regulations that would govern non-profit game nights, and allow consumption of alcohol beverages at game nights. **Introduced by Senators Gunn, McInnis and J. Alexander.**

BILL STATUS

Senate Bill 11, ABC Regulation and Reform. This bill was introduced by Senator Andy Wells (R-Catawba) and is substantially similar to a bill he introduced last session. The bill would increase the fines for violating certain ABC laws pertaining to retail permit holders and repeals the ABC Commission's ability to provide a permit to a manager of a business who is under 21. The bill would also allow the ABC Commission to impose conditions on the operating hours of businesses that have violated certain ABC laws. The bill creates a new "private bar" designation that mirrors the current definition of "private club," and the bill would maintain the designation "private club" for businesses registered as 501(c)(3) business.

The bill was heard and approved by both the Senate Judiciary and Rules Committees this week. During the committee presentations, Senator Wells said the bill is in response to five murders outside of three bars in his district and conversations with the ABC Commission. "We're not trying to get people out of the bar business," Wells said. "We're trying to get the bad people out of bar business. We're not doing a good job of getting the bad people out of the bar business." The bill now goes to the full Senate for consideration.

For more information about legislation described in the legislative reports, feel free to contact me at dferrell@nexsenpruet.com or (919) 573-7421. Information is also available on the General Assembly's website: www.ncleg.gov.

Prepared By: David P. Ferrell, Esq. - NCSA Lobbyist

***NEXSEN PRUET PLLC
150 Fayetteville Street, Suite 1140
Raleigh, North Carolina 27601
Telephone: (919) 573-7421
dferrell@nexsenpruet.com
www.nexsenpruet.com***