



North Carolina Spirits Association

Legislative Report
June 28, 2019

The House and Senate reached a compromise on the budget this week and both chambers moved to pass the conference report on Wednesday and Thursday. Several Democrats joined the Republicans in both the House and Senate on the vote to approve the budget. In the \$24 billion budget, teachers would get an on average 2% raise in both years of the budget, and state employees would receive a 2.5% raise in both years as well. Retirees would receive a onetime .5% cost of living adjustment.

Medicaid expansion was not included in the budget, which has been the top priority for Governor Cooper (D-Nash) this year. Governor Cooper has also been critical of proposed cuts to the corporate tax rate, which were included in the budget. The budget sets up a funding mechanism for school construction that will allocate \$4.4 billion over the next ten years for that purpose. This is at odds with the Governor's request for a public school construction bond. The budget also contains a provision that was in the Senate budget which would move the Department of Health and Human Services (DHHS) to Granville County.

Governor Cooper (D-Nash) held a "veto ceremony" Friday afternoon where he expressed his concerns with the budget, and later in the day announced that he would veto the budget. The legislature will now attempt to override the veto, but that depends on Republicans convincing enough Democrats to break ranks and vote with them. The Senate Republicans will need one Democrat to vote with them, and the House Republicans will need seven Democrats to vote with them, in order to override the veto. House Minority Leader Representative Darren Jackson (D-Wake) has stated that the Democratic Caucus will remain united and not vote to override the veto. During his veto message, Governor Cooper noted that he will be sending a compromise budget to the legislature.

Since it appears the state budget bill will not be adopted by June 30, the end of the fiscal year, state government will continue to function at the same levels that were funded in last year's budget. If a new budget is not enacted into law, the pay raises for teachers and state employees would not go into effect and the other "new" funding provided in this year's proposed budget would not occur.

Both chambers continued the sprint towards the end of session, with many bills being dusted off and moved through committee. Lawmakers will take a brief recess over the Fourth of July holiday, and then return to work on wrapping up session for the year. Budget negotiations with the Governor could force session to drag on for months if a deal cannot be reached.

This week, in a 5-4 decision, the Supreme Court of the United States refused to hold that North Carolina's congressional maps are illegal, in essence striking down a challenge claiming that excessively partisan maps are unconstitutional. North Carolina drew maps several years ago that led to a 10-3 Republican majority for their congressional delegation. In the majority's ruling,

Chief Justice Roberts acknowledged the undemocratic principles of partisan gerrymandering, but concluded that the issue should be decided by Congress or state legislatures, not the Court. The plaintiffs are now hoping that a similar case in state court will have a different outcome.

The House passed legislation that would allow citizens to file lawsuits against cities or counties that have what proponents of the bill call “sanctuary cities”. Bill sponsors claim that they intend for this legislation to prevent localities from having relaxed policies on illegal immigrants. Protestors were out in force to advocate for immigrants and claim that the bill is not needed. Under the bill, plaintiffs will be allowed injunctive relief as well as attorney's fees.

The House rules state that the House will take a break all of next week. The Senate is meeting next Monday and Tuesday before adjourning for the remainder of the holiday week. The Senate adjourned on Friday and will return on Monday afternoon. The House adjourned on Friday and will return on Monday, July 8.

BILL STATUS

Senate Bill 344, Allow Common Area Entertainment ABC Permit, was considered this week by the Senate Commerce Committee. This bill would amend GS 18B-1001 by creating a common area entertainment permit to be issued to the owner of a shopping mall that has at least one tenant that holds an on-premises malt beverage permit, on-premises unfortified wine permit, on-premises fortified wine permit, or mixed beverages permit. The permit would allow the customer of a shopping mall tenant holding one of those specified permit types to exit the licensed premises with an open container of alcohol sold by the tenant and consume the beverage within the confines of any common area on the premises of the shopping mall that is designated for such consumption. This bill would define a shopping mall as a building or structure, or multiple buildings and structures on the same property and under common ownership or control that contain or contains multiple businesses that sell food, goods, services or a combination of food, goods, and services, and that are connected by common areas. This bill would set out eight additional conditions that apply to a common area entertainment permit, including that alcoholic beverages sold for consumption in a designated common area must be dispensed only in a paper or plastic cup bearing the name, logo, or name and logo of the licensed premises from which the beverage was purchased and limits the amount to 16 fluid ounces, prohibits a customer from possessing or consuming more than one alcoholic beverage at a time while within the designated common area, and requires a customer in the designated common area to dispose of any alcoholic beverage prior to exiting the designated common area. It was reported in committee that the provision was requested by the owners of Southpoint Mall in Durham. The bill was approved by the Committee and was referred to the Senate Rules Committee.

House Bill 389, ABC/Univ Athletic Facility, was signed into law by the Governor on June 26, 2019. **Effective: June 26, 2019. Session Law 2019-52.**

House Bill 536, ABC Omnibus Regulatory Reform, was considered in the House Finance Committee on Thursday. Representative McGrady (R-Henderson) presented the bill. He reported that the more controversial provisions were removed from the bill in the spirit of compromise, such as local option Sunday sales, alcohol sales on ferries, internet sales of spirits by local NC distillers out of state, and a few other provisions. Regarding the local option Sunday sales

provision we understand the votes are not there in the Senate to pass the provision, so this helped the House proponents decide to take it out.

The bill does contain the local option tastings at ABC stores provision - with the additional regulations proposed by the local ABC Boards. There were several questions about the tastings provisions in committee, but the sponsor and legislative staff were able to answer them. The bill passed the committee on a vote of 12 to 9, and was referred to the House Rules Committee.

Senate Bill 290, Distiller Regulatory Reform Bill, passed Senate, sent to the House and referred to the House ABC Committee. The bill was heard on Thursday in the House ABC Committee.

The bill contains new regulations for craft distilleries, including provisions designed to make the experience of visiting distilleries similar to a visit to a craft brewery or winery. Instead of limiting visitors to a quarter-ounce sample of straight liquor, distilleries could offer cocktails featuring their liquors as well as beer and wine. The current limitation that visitors can only buy up to five bottles per year would be lifted. The bill would also allow for tastings at ABC stores. The bill does not contain a self-distribution provision – this provisions was removed in the Senate.

In the House ABC Committee, there were some questions about the tastings provision, but most of the questions surrounded the local distiller getting to keep the local ABC Board portion of the mark-up (since the bottle is not sold at the ABC store). Ultimately the bill passed the House ABC Committee with only a few no votes. The bill was referred to the House Rules Committee for further consideration.

Senate Bill 553, Regulatory Reform Act of 2019, was considered in the House Regulatory Reform Committee this week. The bill was amended in committee to provide that any stadiums owned by a community college, with a permanently constructed seating capacity of 2,000 or more, leased to a for-profit corporation registered in the State, and that only sell malt beverages unfortified wine, or fortified wine at events that are not sponsored or funded by the community college or the National Junior College Athletic Association. The Committee approved the bill, the bill was approved by the House Rules Committee, and will now be considered by the full House.

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.

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