

Wingate ABC Board
Regular Meeting – April 29, 2019
Wingate Government Center – 101 W. Wilson St.

Present: Chairman Robert Stedje-Larsen, Board Member Adam Rorie, General Manager CJ Leopold, CFO Margaret Selby, and Recording Secretary Adrienne Rorie

Absent: Board Member Nathel Hailey

Call to Order

At 5:58 PM, Mr. Stedje-Larsen called the regular meeting to order. A quorum was present.

Conflict of Interest

There were none.

Approval of Agenda

MOTION to approve the agenda was made by Mr. Stedje-Larsen.

MOTION seconded by Mr. Rorie and was unanimously approved. (Vote: 2-Yes, 0-No)

Public Comment

There were none.

Approval of Minutes

MOTION made by Mr. Rorie to approve the minutes from the March 18, 2019 meeting.

MOTION was seconded by Mr. Stedje-Larsen and was unanimously approved. (Vote: 2-Yes, 0-No)

New Business

a. Budget Amendments

1. **MOTION** made by Mr. Rorie to approve the budget amendment as presented. Mr. Stedje-Larsen seconded the motion and it was unanimously approved. (Vote: 2-Yes, 0-No)

Budget Amendment attached as Exhibit A and incorporated herein by this reference.

2. **MOTION** made by Mr. Rorie to approve the budget amendment as presented. Mr. Stedje-Larsen seconded the motion and it was unanimously approved. (Vote: 2-Yes, 0-No)

Budget Amendment attached as Exhibit B and incorporated herein by this reference.

b. NC Department of Revenue Fines

Taxes from when the store initially opened were paid late but the penalties were never paid; therefore, interest has been accruing on the penalties. After further investigation and discussion with NCABC, \$500 was paid and the issues was resolved.

c. Auditor for FY2019

MOTION made by Mr. Stedje-Larsen to accept the offer to contract with Potter & Potter for \$6,400 for FY2019 audit. Motion was seconded by Mr. Rorie. (Vote: 2-Yes, 0-No)

d. Retirement Planning Options

Mrs. Leopold will see what employees are interested in and this will continue to be discussed further.

Reports

Robert Stedje-Larsen, Board Chair

- Union County Representatives leaning toward privatization of ABC stores.
- Merging of county stores did not pass.
- Has requested the Town of Wingate adopt a resolution opposing the privatization of NC ABC stores.

CJ Leopold, General Manager

- March sales (\$115,000) down 24% from last year; inventory (\$119,000)
- Discussed preliminary budget details. Sales estimated at \$1.388 million. Due to a lack in mixed beverage accounts, proposal will be to decrease law enforcement distribution from \$4,000 to \$2,000. The town is estimated to receive \$42,500 in distributions. Retained working capital will be about \$21,950.

Margaret Selby, CFO

- Reviewed financial statements and quarterly distributions. Distributions are decreased based on sales.

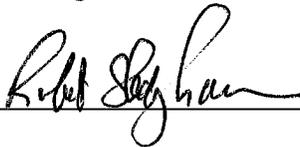
Upcoming Meeting

Monday, May 20, 2019 – budget presentation

Move Monday, June 17 to Monday, June 10, 2019 – public hearing for budget approval

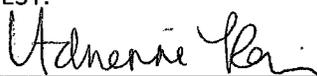
Adjourn

At 7:09 PM, Mr. Stedje-Larsen made a **MOTION** to adjourn the meeting. Mr. Rorie seconded the motion. All members were in favor. (Vote: 2-Yes, 0-No)



Robert Stedje-Larsen, Chairman

ATTEST:



Adrienne Rorie, Recording Secretary

BUDGET AMENDMENT

Wingate ABC BOARD

The following amendment to the annual budget document for the fiscal year ending from July 1, 2018 to June 30, 2019 has been approved and adopted

Acct. No.		Decrease	Increase
652	Payroll Fees		700
650	Payroll Salaries	700	
801	Contribution to Town of Wingate		1,200
410	Investment Income		1,200

Section 2. Copies of this budget amendment shall be furnished to the Clerk to the Town of Wingate (appointing authority), ABC Commission, and to the Budget Officer and the Finance Officer for their direction.

Adopted this 29 day of April 2019


_____ Chair

BUDGET AMENDMENT

Wingate ABC BOARD

The following amendment to the annual budget document for the fiscal year ending from July 1, 2018 to June 30, 2019 has been approved and adopted

Acct. No.	Decrease	Increase
501 Purchase		4,000
650 Payroll Salaries	4,000	

Section 2. Copies of this budget amendment shall be furnished to the Clerk to the Town of Wingate (appointing authority), ABC Commission, and to the Budget Officer and the Finance Officer for their direction.

Adopted this 29 day of April 2019


 _____ Chair

Wingate ABC #181

FY 2020

Estimated Revenues:

Sales	\$1,388,000
Investment Income	\$2,000
Total	<u>\$0</u>
	<u>\$1,390,000</u>

Section 2. Appropriations. The following expenses are hereby appropriated for fiscal year 20118 - 2019 and are funded by the revenues made available through Section 1, herein.

Appropriations:

Taxes Based on Revenue	\$334,000
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Cost of Goods Sold

\$721,760

Operating Expenses

Store(s)

Total

Salaries & Wages		\$163,390
Employee Salarie & Wages	\$142,000	
Health Insurance	\$2,940	
Payroll Taxes	\$14,450	
Payroll Fees	\$3,500	
Hiring Expense	\$500	
Advertising		\$0
Bank Service Charges		\$1,700
Board Member Per Diem		\$3,600
Conference/Training		\$500
Unemployment Insurance		\$2,900
Interest		\$0
Rent		\$30,000
Repairs & Maintenance		\$6,000
Insurance - General & Bonds		\$3,600
Store/Office Supplies		\$6,000
Travel		\$500
Dues & Subscriptions		\$300
Professional Fees		\$16,000
Utilities		\$11,000
Credit Card Fees		\$18,500
Uniforms		\$1,000
Vehicle		\$0
POS System		\$0
Contingencies		<u>\$0</u>

Total		\$264,990
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Distributions:

Law Enforcement		\$2,000
Cont to Town of Wingate		\$42,500
Alochol Eductcation dist.		<u>\$2,800</u>
Total Distributions		<u>\$47,300</u>

Working Capital Retained		\$21,950
(Appropriated Fund Balance)		<u>\$0</u>

Total Expense, Distribution & Reserve		<u>\$1,390,000</u>
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Section 3. Copies of this Budget Document shall be furnished to the Town of Wingate, the state ABC Commission, and to the Budget Officer and Finance Officer to be kept on file by them for their direction in the disbursement of funds.

Adopted by the Wingate ABC Board on 06/XX/XX.

**Wingate ABC
Budget Comparisons**

***** Estimate only

The figure are budgeted numbers and not actual expenditures

Acct #	Description	*****								
		FY 2020 Budget	% of change to prev yr	FY 2019 Estimate of Budget	% of change to prev yr	FY 2018 Audit Actual	% of change to prev yr	FY 2017 Audit Actual	% of change to prev yr	FY 2016 Audit Actual
REVENUES										
401	Liquor Sales	1,388,000	-7.47%	1,500,000	-7.63%	1,623,984	5.00%	1,546,689	6.02%	1,458,860
404	Mixed Beverage	0	-100.00%	2,289	-49.03%	4,491	5.32%	4,264	-17.79%	5,187
410	Investment Income	2,000	66.67%	1,200						
TOTAL		1,390,000	-7.55%	1,503,489	-7.68%	1,628,475	5.00%	1,550,953	5.94%	1,464,047
EXPENSES										
501	Purchases	721,760	-7.47%	780,000	-9.57%	862,533	2.75%	839,476	7.09%	783,896
	<u>Taxes:</u>									
502	Bailment Tax	334,000	-9.73%	370,000	0.91%	366,653	4.93%	349,420	5.87%	330,061
503	Rehabilitation Tax									
504	Alcohol Educ Dist Tax									
506	Mixed Beverage Tax									
507	Mixed Beverage Tax HR									
530	State Excise Tax									
		334,000	-9.73%	370,000	0.91%	366,653	4.93%	349,420	5.87%	330,061
	<u>Debt Service:</u>									
221	FC-Commercial Loan	0		0		0		0	-100.00%	39,900
222	FC-Line of Credit	0		0						
601	Advertising/Promotion	0	0.00%	0	-100.00%	25	4.17%	24	0.00%	0
603	Bank Svc Charge	1,700	21.43%	1,400	-11.73%	1,586	5.24%	1,507	16.37%	1,295
604	Bd Member per Diem	3,600	9.09%	3,300	-5.71%	3,500	-2.78%	3,600	16.13%	3,100
605	Conference & Training	500	150.00%	200	33.33%	150	-73.26%	561	-9.95%	623
607	Credit Card Fees	18,500	5.71%	17,500	4.95%	16,675	15.36%	14,455	-19.31%	17,914
609	General & Bonds Ins	3,600	2.86%	3,500	-0.54%	3,519	4.36%	3,372	0.63%	3,351
610	Health Insurance	2,940	14.00%	2,579	7.46%	2,400	0.00%	2,400	60.00%	1,500
612	Travel/Reimbursement	500	-36.63%	789	557.50%	120	-83.96%	748	263.11%	206
613	Dues & Subscriptions	300	35.75%	221	0.00%	0	-100.00%	403	-25.92%	544

Acct #	Description	FY 2020 Budget	% of change to prev yr	FY 2019 Estimate of Budget	% of change to prev yr	FY 2018 Audit Actual	% of change to prev yr	FY 2017 Audit Actual	% of change to prev yr	FY 2016 Audit Actual
614	Rent Expense	30,000	3.41%	29,010	3.23%	28,103	6.60%	26,362	2.06%	25,829
615	Repairs & Maintenance	6,000	-25.00%	8,000	47.44%	5,426	-12.84%	6,225	6.50%	5,845
616	Unemployment Ins	2,900	-17.38%	3,510	-0.26%	3,519	4.36%	3,372	0.66%	3,350
617	Uniforms	1,000	0.00%	1,000	128.83%	437	0.00%	0	-100.00%	591
	<u>Office Supplies:</u>	6,000	-25.00%	8,000	-0.49%	8,039	-22.88%	10,424	7.91%	9,660
641	Janitorial Expense									
642	Postage									
643	Warehouse Supplies									
640	Office Supplies-Other									
651	Hiring Expense	500	127.27%	220	-29.03%	310	-7.46%	335	-9.46%	370
652	Payroll Fees	3,500	0.00%	3,500	34.62%	2,600	-0.57%	2,615	-12.83%	3,000
653	Payroll Taxes	14,450	20.67%	11,975	-24.45%	15,851	54.21%	10,279	13.86%	9,028
650	Payroll	142,000	7.37%	132,250	-1.01%	133,596	8.67%	122,938	8.32%	113,491
	<u>Professional Fees:</u>	16,000	45.45%	11,000	36.32%	8,069	-5.53%	8,541	-19.52%	10,613
661	Security Fees									
662	Computers & Software									
660	Professional Fees-Other									
	<u>Utilities:</u>	11,000	-8.33%	12,000	-23.87%	15,763	74.76%	9,020	-1.42%	9,150
671	Computer & Internet									
670	Utilities									
		264,990	6.02%	249,954	0.11%	249,688	9.91%	227,181	3.52%	219,460
801	Cont to Town of Wingate	42,500	-5.80%	45,118	29.88%	34,737	-13.09%	39,969	299.69%	10,000
505	Law Enforcement Distribution	2,000	-50.00%	4,000	0.00%	4,000	0.00%	4,000	0.00%	4,000
504	Alcohol Distribution	2,800	-34.09%	4,248	-28.39%	5,932	49.68%	3,963	-3.81%	4,120
	Cont to Fund Balance	21,950	-58.91%	53,417	-31.26%	77,711	0.00%	77,711	93.79%	40,100
	TOTAL	1,390,000	-7.75%	1,506,737	-5.90%	1,601,254	3.86%	1,541,720	10.78%	1,391,637

WINGATE ABC

INVENTORY ANALYSIS

SALES ANALYSIS

		Compared to previous month	Compared to previous year	Retail (no sales tax)	Mixed Bev Sales	Total	Compared to previous month	Compared to previous year
March 2019	119,383.83	-8.22%	11.96%	115,026.75	0.00	115,026.75	8.00%	-24.26%
February 2019	130,077.94	2.48%	11.00%	106,506.30	0.00	106,506.30	1.96%	-15.96%
January 2019	126,926.76	-22.66%	13.87%	104,460.85	0.00	104,460.85	-31.24%	-18.45%
December 2018	164,119.74	13.77%	34.69%	151,931.60	0.00	151,931.60	1.39%	-16.58%
November 2018	144,257.47	37.21%	5.86%	149,844.65	0.00	149,844.65	4.24%	3.81%
October 2018	105,133.55	9.33%	-6.67%	142,990.50	752.40	143,742.90	3.49%	14.24%
September 2018	96,163.18	-1.77%	-1.04%	138,061.55	834.70	138,896.25	1.61%	2.33%
August 2018	97,896.01	-6.30%	41.25%	136,699.30	0.00	136,699.30	13.15%	13.31%
July 2018	104,479.20	17.39%	68.95%	120,111.00	702.30	120,813.30	-4.32%	5.64%
June 2018	88,999.43	-5.18%	94.06%	125,998.75	268.10	126,266.85	-5.80%	5.14%
May 2018	93,864.37	-5.30%	30.38%	133,588.50	455.70	134,044.20	-3.10%	1.02%
April 2018	99,114.68	-7.05%	63.97%	138,061.15	264.56	138,325.71	-8.91%	2.79%
March 2018	106,634.54	-9.00%	63.66%	151,614.55	247.00	151,861.55	19.83%	9.45%
February 2018	117,185.14	5.13%	48.24%	126,083.80	650.85	126,734.65	-1.06%	4.11%
January 2018	111,469.05	-8.52%	37.29%	128,097.10	0.00	128,097.10	-29.67%	4.13%
December 2018	121,853.22	-10.58%	37.18%	181,728.30	402.10	182,130.40	26.18%	4.86%
November 2017	136,266.30	20.96%	96.63%	143,829.45	513.10	144,342.55	14.71%	6.52%
October 2017	112,652.72	15.93%	72.54%	125,829.55	0.00	125,829.55	-7.30%	-1.82%
September 2017	97,176.81	40.21%	50.28%	135,064.95	670.13	135,735.08	12.51%	13.13%
August 2017	69,305.59	12.08%	3.30%	120,027.90	611.55	120,639.45	5.48%	10.59%
July 2017	61,838.53	34.84%	-5.16%	113,960.00	408.10	114,368.10	-4.76%	0.72%
June 2017	45,861.51	-36.30%	-43.88%	120,090.10	0.00	120,090.10	-9.50%	14.43%
May 2017	71,993.72	19.10%	-5.77%	132,215.90	477.10	132,693.00	-1.40%	10.76%
April 2017	60,446.15	-7.23%	-16.53%	133,526.65	1,044.35	134,571.00	-3.01%	2.12%
March 2017	65,156.66	-17.58%	-20.60%	138,323.20	430.70	138,753.90	13.98%	14.14%

Statement of Cash Available & Cashflow
April through May 2019

Revenues

Cash Available	April 1	
	FC Bank	\$218,663
	NCCMT	\$100,728
Cash on Hand-In Store		\$4,934

Collections Projections **estimates

April	\$114,000	**
May	\$114,000	**

Total Cash Flow Available	\$552,325
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Less Cash Outflows:

Purchases-Distributor Invoices

March	\$49,051	actual
April	\$50,000	**
May	\$50,000	**

Taxes Due for March	\$27,402	actual
Taxes Due for April	\$27,360	**
Taxes Due for May	\$27,360	**

MONTHLY EXPENSES

Bank charges	2 months	\$300	
Board Member Per Diem	2 months	\$600	
Conference & Training		\$0	
Credit Card Fees	2 months	\$2,500	
General Bond Insurance		\$0	
Health Insurance	5 Payrolls	\$1,125	
Travel		\$0	
Dues & Subscriptions		\$250	
Building Rent	2 months	\$4,800	
Repairs & Maintenance		\$1,000	
Unemployment Insurance		\$0	
Office/Cleaning Supplies/Maint	2 months	\$1,000	
Payrolls (5)		\$31,500	includes salaries and taxes
Professional Fees		\$300	
Utilities, Data line, etc	2 months	\$2,000	

Contribution to Town	\$9,690	actual	Contributions-3rd Quarter
Contribution to Town-Law Enforcement	\$1,000	actual	
Contribution to Alcohol Education	\$1,416	actual	

Total Outflow:	\$288,654
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Cash Available May 31, 2019:	\$263,671 **
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Acct #	Description	FY 2019 Budget	JULY 2018	AUG 2018	SEPT 2018	OCT 2018	NOV 2018	DEC 2018	JAN 2019	FEB 2019	MAR 2019	APRIL 2019	MAY 2019	JUNE 2019	YTD EXPENSE	AVAILABLE BUDGET	% Collected or Spent
REVENUES																	
401	Liquor Sales	1,500,000.00	120,111.00	136,699.30	138,061.55	142,990.50	149,844.65	151,931.60	104,460.85	106,506.30	115,026.75	-	-	-	1,165,632.50		
404	Mixed Beverage Sales		702.30	-	834.70	752.40	-	-	-	-	-	-	-	-	2,289.40	1,167,921.90	
410	Investment Income							166.32	192.66	174.02	195.22				728.22	728.22	
	TOTAL	1,500,000.00	120,813.30	136,699.30	138,896.25	143,742.90	149,844.65	152,097.92	104,653.51	106,680.32	115,221.97	-	-	-	1,168,650.12	1,168,650.12	77.91%
	% spent per month		8.05%	9.11%	9.26%	9.58%	9.99%	10.14%	6.98%	7.11%	7.68%	0.00%	0.00%	0.00%	1,167,921.90	332,078.10	77.91%
EXPENSES																	
501	Purchases	780,000.00	79,672.11	64,217.07	69,803.21	83,102.55	115,064.74	97,572.43	16,092.20	57,657.33	49,051.14	-	-	-	632,232.78	147,767.22	81.06%
	<u>Taxes:</u>	370,000.00															
502	Bailment Tax		2,952.20	2,285.20	2,421.50	2,995.70	3,553.65	2,946.80	530.00	1,915.95	1,489.30	-	-	-			
503	Rehabilitation Tax		475.94	542.22	531.09	559.04	565.55	543.90	420.80	407.30	443.38	-	-	-			
506	Mixed Beverage Tax		81.00	-	93.00	86.00	-	-	-	-	-	-	-	-			
507	Mixed Beverage Tax HR		8.06	-	9.31	8.63	-	-	-	-	-	-	-	-			
530	State Excise Tax		26,656.00	30,200.00	30,657.00	31,730.00	33,179.00	33,664.00	23,115.00	23,582.00	25,469.00	-	-	-	284,117.52	85,882.48	76.79%
601	Advertising/Promotion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!
603	Bank Svc Charge	1,800.00	115.30	106.06	102.70	274.30	116.90	112.38	90.70	78.22	80.94	-	-	-	1,077.50	722.50	59.86%
604	Bd Member per Diem	3,600.00	300.00	300.00	300.00	200.00	200.00	200.00	300.00	300.00	300.00	-	-	-	2,400.00	1,200.00	66.67%
605	Conference & Training	500.00	-	-	-	-	-	-	-	200.00	-	-	-	-	200.00	300.00	40.00%
607	Credit Card Fees	18,500.00	1,279.89	1,413.31	1,596.54	1,576.83	1,596.96	1,525.44	1,314.17	1,204.67	1,333.88	-	-	-	12,841.69	5,658.31	69.41%
609	General & Bonds Ins	3,500.00	559.20	559.20	-	-	-	-	-	-	-	-	-	-	1,118.40	2,381.60	31.95%
610	Health Insurance	4,700.00	169.57	226.10	226.10	211.76	296.13	196.81	197.42	197.42	197.42	-	-	-	1,918.73	2,781.27	40.82%
611	Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	#DIV/0!
612	Travel-Reimbursement	1,500.00	-	51.23	-	34.88	65.61	93.76	160.66	65.59	316.41	-	-	-	788.14	711.86	52.54%
613	Dues & Subscriptions	300.00	221.00	-	-	-	-	-	-	-	-	-	-	-	221.00	79.00	73.67%
614	Rent Expense	30,000.00	2,389.74	2,389.74	2,389.74	2,389.74	2,389.74	2,389.74	2,389.74	2,389.74	2,389.74	-	-	-	21,507.66	8,492.34	71.69%
615	Repairs & Maintenance	8,000.00	349.24	125.00	-	304.24	290.00	1,316.89	304.24	655.73	82.46	-	-	-	3,427.80	4,572.20	42.85%
616	Unemployment Ins	3,510.00	291.08	450.08	-	-	-	-	-	-	-	-	-	-	741.16	2,768.84	21.12%
617	Uniforms	1,000.00	-	-	999.73	-	-	-	-	-	-	-	-	-	999.73	0.27	99.97%
	<u>Office Supplies:</u>	8,000.00															
641	Janitorial Expense		47.98	-	-	132.42	-	30.42	-	417.08	58.82	-	-	-			
642	Postage		-	8.96	100.00	-	-	-	195.90	-	110.00	-	-	-			
643	Warehouse Supplies		-	-	47.67	-	-	-	140.59	68.59	-	-	-	-			
640	Office Supplies-Other		695.83	507.22	599.63	426.35	523.50	744.80	729.21	266.01	646.38	-	-	-	6,497.36	1,502.64	81.22%
651	Hiring Expense	500.00	55.00	-	10.00	155.00	-	-	-	-	-	-	-	-	220.00	280.00	44.00%
652	Payroll Fees	2,800.00	233.62	216.32	223.38	262.56	354.40	238.79	472.22	241.39	237.60	-	-	-	2,480.28	319.72	88.58%
653	Payroll Taxes	14,800.00	738.23	906.19	988.45	933.49	1,327.13	924.51	902.34	943.59	958.65	-	-	-	8,622.58	6,177.42	58.26%
650	Payroll	145,000.00	8,694.23	10,112.37	11,301.52	10,816.22	15,490.67	11,265.61	10,387.28	10,671.10	10,496.96	-	-	-	99,235.96	45,764.04	68.44%
	<u>Professional Fees:</u>	16,000.00															
662	Computers & Software		49.00	3,892.00	49.00	49.00	49.00	49.00	49.00	49.00	477.49	-	-	-			
660	Professional Fees-Other		66.00	-	5,800.00	-	53.50	-	-	-	-	-	-	-	10,631.99	5,368.01	66.45%
	<u>Utilities:</u>	12,000.00															
671	Computer & Internet		119.12	119.05	119.38	119.11	119.20	119.26	119.20	119.70	119.40	-	-	-			
670	Utilities		829.11	794.77	922.33	799.70	509.25	723.71	799.85	772.38	734.07	-	-	-	7,958.59	4,041.41	66.32%
	Cont to Town of Wingate	44,829.00	-	-	11,737.00	-	-	13,192.00	-	-	9,689.60	-	-	-	34,618.60	10,210.40	77.22%
	Cont to Law Enforcement	4,000.00	-	-	1,000.00	-	-	1,000.00	-	-	1,000.00	-	-	-	3,000.00	1,000.00	75.00%
	Cont to Alcohol Educ	5,664.00	-	-	-	1,416.00	-	1,416.00	-	-	1,416.00	-	-	-	4,248.00	1,416.00	75.00%
	Cont to Fund Balance	19,497.00	-	-	-	-	-	-	-	-	-	-	-	-	-	19,497.00	0.00%
	TOTAL	1,500,000.00	127,048.45	119,422.09	142,028.28	138,583.52	175,744.93	170,266.25	58,710.52	102,002.79	107,298.64	-	-	-	1,141,105.47	358,894.53	76.07%
	% spent per month		8.47%	7.96%	9.47%	9.24%	11.72%	11.35%	3.91%	6.80%	7.15%	0.00%	0.00%	0.00%	76.07%		76.07%

Oppose Privatization of the ABC System for Liquor

The NC Association of ABC Boards opposes privatization of the ABC system for liquor. Many other organizations “support keeping the control system for the sale of liquor in place and believe that privatization of liquor will lead to many adverse effects” (see list on reverse side).

House Bill 971 (Modern Licensure Model for Alcohol Control) was filed on April 25, 2019 and this bill privatizes the retail sale and wholesale distribution of liquor, allows a minimum of 1,500 permits to be issued to any business that sells food (grocery stores, convenience stores, pharmacies, variety stores, etc.) or to any “retail business”, with additional numbers of permits available for issuance based on population growth, with retail liquor sales authorized between the hours of 7 a.m. and 2 a.m., and with those businesses allowed to ship liquor directly to individuals in or out of the State.

The 168 local ABC boards operate 433 stores statewide and employ over 2,870 people. NC is unique among other control states in that ABC boards are established by local elections and liquor profits are distributed to local government units, thereby reducing the need to increase local property taxes. The State does not own any liquor. Privatization would not result in any downsizing of State government. **No State funds are spent to distribute or sell liquor.** ABC boards are local independent subdivisions of this State. ABC boards either own or lease all ABC store locations.

PED Report: The Program Evaluation Division (PED) released its report on ABC on February 11, 2019. The PED did not recommend privatization. PED found that among the southeastern states, NC collects the most revenue per gallon, has the lowest outlet density and has the second lowest per capita consumption; this finding validates the current system if the objective is **public health, safety and welfare**. PED analyzed several types of ABC systems: agency store, private retail privatization, and licensure (retail and wholesale privatization). PED expects retail liquor **consumption to increase by 20%** with privatization. PED notes that retail prices would increase 15.7% under licensure. PED conducted two polls on public support for closing ABC stores: 52% (Elon Univ.); 47% (High Point Univ.).

PED 2008 Report: In 2008, PED examined privatization, but it did not recommend privatization, noting that control states receive more revenue than license or open states. **PED compared NC's system to 12 license or open states** that limit sales of spirits to privately owned package stores and found that NC had the fewest retail outlets (except for Delaware), received the most public revenue per gallon sold, and had the lowest per capita consumption.

For FYE 2018, **local ABC boards distributed \$430,635,861:** County-City Distributions \$80 million; State General Fund \$323 million; Local Alcohol Education/Treatment \$13 million; Local Law Enforcement \$8.8 million; Rehabilitation Services \$5 million; Operation of ABC Commission/Warehouse \$17.7 million.

Of the 50 states, North Carolina ranks 44th lowest in consumption per capita and 7th highest in revenue per capita. By comparison, South Carolina, a license state, ranks 27th in consumption and 38th in revenue. Our system accomplishes both revenue and public health objectives. Private sellers of liquor want decreased taxation on their products and more consumption, all of which is contrary to the public's health, safety and welfare.

----- SEE REVERSE SIDE -----

Privatization will result in a marked increase in the number of outlets, longer hours of sale, greater advertising and more promotion and significantly more consumption. A Centers for Disease Control task force concluded the control model protects public health and that privatization results in increased consumption, a well-established proxy for excessive consumption. **Privatization would benefit heavy drinkers the most.**

DHHS' website notes that **excessive alcohol use costs NC more than \$7 Billion** in 2010, that excessive alcohol use is the third leading preventable cause of death in NC, and that according to CDC's Community Guide on Excessive Alcohol Use strategies to reduce excessive drinking include maintaining state control of alcohol sales and continuing to limit the number of outlets selling and distributing alcohol.

It is a core function of government to protect the public's health, safety and welfare. Given the unique nature of liquor, as well as its potential to do harm, state and local governments are in the best position to balance access and convenience with control. Almost half of the states have at least some form of law that regulates liquor off-premises more strictly than other forms of alcohol.

The last three states that have implemented privatization (Washington in 2011, Iowa in 1987 and West Virginia in 1991) have all seen **higher consumer prices, less choice, and less revenue** for government. In Washington State, the number of retail outlets increased from 328 to over 1400 and hours of sale/week increased from 73 to 140 hours. Washington State received only \$30.75 million from auctioning off the rights to apply for retail spirits permits at 167 stores

In 2012, Professor Nicolas Didow (Kenan-Flagler Business School at UNC-CH) conducted a customer service survey of ABC store customers. The customers gave higher grades to the ABC stores where they shop than they gave to their local drug store, discount store, bank or grocery store.

While Chairman of the ABC Commission, **former NC Lieutenant Governor Jim Gardner** wrote a letter to the editor (Fayetteville Observer, July 7, 2015) in which he stated: *"Privatization does not make fiscal sense, nor does it make public health sense. In the end, it comes down to a philosophical question: Should the government be in the business of selling liquor? There is no stauncher Republican than I am. There is no one more pro-business than myself. And there is no one more convinced than myself that continuing the Alcohol Beverage Control system in North Carolina is the right thing for this state and particularly for the children of this state."*

Privatization does not make sense from a public health, public safety or economic standpoint. If the State privatizes either its wholesale or its retail function, in whole or in part, **there is no going back.**

The following organizations "support keeping the control system for the sale of liquor in place and believe that privatization of liquor will lead to many adverse effects" --- Christian Action League; NC Family Policy Council; NC Association of Chiefs of Police; NC Police Benevolent Association; North Carolina State Lodge, Fraternal Order of Police; Mothers Against Drunk Driving (MADD); NC Association of Local Health Directors; NC Public Health Association; National Association of Social Workers North Carolina Chapter; NC Society for Clinical Social Work; North Carolina Association of Campus Law Enforcement Administrators; NC Substance Abuse Prevention Providers Association; NC Substance Use Disorder Federation; Addiction Professionals of NC; NC Alcohol Policy Alliance; Alcohol/Drug Council of NC; Recovery Communities of North Carolina; NC Association of ABC Boards and NC ABC Law Enforcement Officers Association.

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Brief summary of HB 971 Modern Licensure Model for Alcohol Control

- Privatizes both wholesale distribution and retail liquor sales.
- Retains local option elections for off-premises liquor sales.
- provides for off-premises spirituous liquor permit (\$1,000) and a spirituous liquor wholesaler permit (\$1,000).
- Allow for 1,500 off-premises "base" spirituous liquor permits; from the base of 1,500 the ABC Commission shall make available for issuance one base permit to each county and municipality for each ABC store in existence as of January 1, 2019, and shall distribute the remainder based on population in jurisdictions in which liquor off-premises sales is allowed.
- Requires ABC Commission, beginning January 1, 2021, and annually thereafter, to make available for issuance in a county or municipality one off-premises liquor permit for each additional 7,500 person increase over the 2010 population, as well as to make a permit available where local option elections subsequently allow such sales.
- The ABC Commission shall conduct random drawing if permit applications exceed available permits.
- An off-premises liquor permittee, in addition to selling at retail, may ship liquor to individual purchasers inside and outside of the state; no person, firm or corporation shall have an interest in more than 30% interest of the number of permits authorized in an eligible county or municipality.
- The off-premises liquor permit may be issued to a food business or a retail business. Under current law, a food business includes grocery stores, convenience stores, variety stores or drugstores where food is regularly sold for primarily off-premises consumption and includes establishments engaged primarily in selling wine for off-premises consumption. Under current law, a retail business is any retail business regardless of whether food is sold on the premises.
- requires permittees to display warning signs regarding dangers of alcohol consumption during pregnancy.
- Allows retail sale of liquor between hours of 7 am and 2 am, like current law for beer and wine sales.
- Allows the holder of a distillery permit to (i) receive and sell at the distillery liquor produced in or out of the state under contract with a contract distillery, (ii) act as a wholesaler for liquor manufactured at the distillery if all sales are less than 100,000 proof gallons per year; (iii) sell at retail liquor it manufactures and beer at up to three locations in the state.
- Establishes a new Spirituous Liquor Franchise Law, similar to current laws for beer and wine, that regulates the relationships between wholesalers and distilleries.
- Provides that any county or municipality that has authorized the establishment and operation of an ABC store as January 1, 2020 shall be deemed to have authorized the off-premises sale liquor.
- Adds an off-premises spirituous retail license for cities to issue for \$15.00 and for counties to issue for \$25.00.
- changes State excise tax on liquor from 28% (based on price) to a flat \$28.00 per gallon.

- Distributes 25% of the amount of the State excise tax collected to cities and counties in which the retail sale of liquor is authorized, similar to distributions for beer and wine but of a different percentage than other products.

- From the State excise taxes distributed to cities and counties, requires the funds to be used as follows: 4% for treatment of alcoholism or substance abuse, 15% for research or education on alcohol or substance abuse; 11% for local law enforcement costs from enforcing alcohol laws; further requires State excise tax to be distributed as follows: \$2 million to DHHS for treatment or education and \$8.5 million to the ABC Commission for operating expenses.

- Allows cities and counties to enact ordinances permitted the sale of liquor beginning at 10 am on Sundays.

- Requires State warehouse to be sold by January 1, 2020.

- By January 1, 2020, requires local ABC boards to liquidate all assets by public sale to the highest bidder; requires the funds received to be paid to the general fund of the county or municipality for which the local ABC board is established to be used only for capital expenses for any public schools in that jurisdiction. The bill makes no provision for the payment of debts and liabilities of a local ABC board.

Effective dates – Parts I, II and III are effective January 1, 2020. The remainder of the act is effective when it becomes law. The remainder of the act is essentially the requirement for the sale of the warehouse and liquidation of local ABC board assets.

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