



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Legislative Fiscal Note

**Short Title:** Distiller Regulatory Reform Bill.  
**Bill Number:** Senate Bill 290 (Second Edition)  
**Sponsor(s):** Sens. Gunn, Blue, and Harrington

### SUMMARY TABLE

#### FISCAL IMPACT OF S.B.290, V.2

	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
<b>State Impact</b>					
General Fund Revenue	-	-	-	-	-
Less Expenditures	-	-	-	-	-
<b>General Fund Impact</b>	<b>No Estimate Available - Refer to Fiscal Analysis section</b>				

<b>NET STATE IMPACT</b>	<b>No Estimate Available - Refer to Fiscal Analysis section</b>
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### FISCAL IMPACT SUMMARY

This bill would expand the types and amounts of products that distilleries could sell at the distillery, allow certain orders of distillery products, allow distilleries to issue purchase-transportation permits, and allow ABC stores to conduct in-store spirituous liquor tastings.

Fiscal Research cannot estimate the costs or revenues to the State from these changes at this time.

### FISCAL ANALYSIS

**Section 1** of the bill would allow the holder of a distillery permit to obtain permits for on-premises malt beverage, on-premises unfortified wine, on-premises fortified wine, and mixed beverages and sell those types of alcoholic beverages for consumption at the distillery.

Because it is unknown how many new permits would be issued, Fiscal Research cannot estimate the impact of this section. Each new permit would increase the staff responsibilities of the ABC Commission. Each new permit would also increase revenues to the General Fund by \$400 for the On-Premises Malt Beverage Permit, the On-Premises Unfortified Wine Permit, or the On-Premises Fortified Wine Permit or by \$1,000 for the Mixed Beverages Permit.

**Section 2** of the bill would allow the holder of a distillery permit to sell mixed beverages for consumption at the distillery. If a distillery elects to sell mixed beverages containing spirituous

liquor other than that produced at the distillery, the distillery must obtain a mixed beverages permit.

There are 84 distilleries across the State with active or temporary distillery permits that would be eligible to sell mixed drinks from their locations under the changes in this section. While this would not have a direct impact on the State, Fiscal Research finds that there may be an increased need for oversight from local law enforcement oversight or State Alcohol Law Enforcement.

**Section 3** of the bill would authorize ABC stores to allow the purchase of individual bottles of spirituous liquor purchased through the special order process, and to sell in store any bottles received in excess of what was purchased by the requesting customer. This section would also direct local ABC boards to fulfill an order by a mixed beverages permittee for individual bottles or cases of spirituous liquor produced by an eligible distillery that are listed as a regular code item for sale in the State. If the local board could not fulfill the order because it was not in the local board's stock inventory or the order could not otherwise be fulfilled within the time period requested by the permittee, the local board would be required to notify the Commission within 48 hours of the request for the order and request authorization for direct shipment. The Commission would then determine if the eligible distillery desires to directly ship the ordered product directly to the local board, and if so the Commission would be required to allow the eligible distillery to ship the spirituous liquor ordered to the local board for the fulfillment of the mixed beverages permittee's order. The local board would be required to acknowledge receipt of the merchandise on the shipping documents and forward them to the State ABC warehouse for processing through the accounting system as though the merchandise were shipped from the State ABC warehouse. Section 3 would also direct the Commission to develop and implement an Internet-based system to facilitate the sale and purchase of regular approved list items and special order list items of spirituous liquor by and among local ABC boards.

Fiscal Research cannot estimate the costs to the State from this section. The ABC Commission may see costs from maintaining an inventory of bottles left over from special order cases. The ABC Commission would also be required to coordinate the direct shipments between the distilleries and the boards. Because there are 170 local ABC boards and many distilleries and products to coordinate between boards and the ABC Warehouse, Fiscal Research finds that this section may require an increase in staff resources for the Commission.

**Section 4** of the bill would remove current restrictions on what distilleries can sell at the distillery for off-premises consumption to a visitor who takes a tour. This section would also provide that a distillery is not subject to the prohibitions against holding financial interests in, and lending or giving things of value to, a retailer with respect to the distillery's transactions with the retail business allowed on its premises.

Fiscal Research does not find any impact to the State from this section.

**Section 5** of the bill would allow distilleries to issue purchase-transportation permits for spirituous liquor sold by the distillery. A purchase-transportation permit allows a person to purchase and transport an amount of spirituous liquor greater than eight liters.



Fiscal Research does not find any impact to the State from this section.

**Section 6** of the bill would allow spirituous liquor tastings to be conducted in ABC stores where the local ABC board has approved the tasting. A local board holding tastings must give a reasonable opportunity to a certain number of North Carolina distillery permit holders, the number to be determined by the Commission.

This section would require the ABC Commission to develop rules and administer the ongoing process, as well as coordinating the overseeing the tasting areas. There may be an impact on staff resources, but Fiscal Research cannot estimate the cost of this impact.

## **TECHNICAL CONSIDERATIONS**

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N/A.

## **DATA SOURCES**

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ABC COMMISSION

## **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

## **CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

## **ESTIMATE PREPARED BY**

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## **ESTIMATE APPROVED BY**

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June 18, 2019



**Signed copy located in the NCGA Principal Clerk's Offices**