

“Free The Spirits” Campaign

ABC Modernization Act Frequently Asked Questions

Background on House Bill 971

- **What is the #FreeTheSpirits campaign?**

The #FreeTheSpirits campaign is a grassroots effort by the North Carolina Restaurant & Lodging Association (NCRLA) and the North Carolina Retail Merchants Association (NCRMA) to drive support amongst North Carolina consumers, restaurants, and retailers for the passage of House Bill 971 to modernize the state’s monopoly liquor control system .

- **What is House Bill 971?**

House Bill 971, also known as the Modern Licensure Model for Alcohol Control, is an effort to modernize North Carolina’s Alcoholic Beverage Control (ABC) monopoly liquor control system which has been in place since Prohibition. The bill was filed on April 25, 2019 by Rep. Chuck McGrady (R-Henderson). The bill has three other primary sponsors in addition to Rep. McGrady: Reps. Jason Saine (R-Lincoln), Jon Hardister (R-Guilford) and Pricey Harrison (D-Guilford)

- **What is the purpose of the bill?**

HB 971 aims to improve the archaic government management of the sale, storage, and distribution of distilled spirits in order to implement a more efficient and effective system. The legislation is an important step in the transition to a better sales and distribution model that will allow the ABC Commission to focus in on regulatory control while also benefiting North Carolina businesses and consumers.

- **What is the timeline for the bill?**

HB 971 will be reviewed first by the Alcoholic Beverage Control committee in the NC House of Representatives. The bill sponsors hope to hold a vote on it by the end of the current legislative session.

A Modernized ABC System

- **Why does North Carolina need a modernized ABC system?**

Put simply, the current ABC system does not work for North Carolina’s consumers or businesses. North Carolina is one of only eight states that still controls both the wholesale and retail sale of liquor. Furthermore, North Carolina is the only state where local government has control over retail liquor

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sales. This outdated system limits access to a select range of brands and

consumer choice by only enabling

limiting the number of stores able to sell spirits. Additionally, under the current system, local businesses face an outdated process when it comes to ordering, receiving and selling spirits.

- **How will HB 971 address the problems of the current system?**

HB 971 proposes a licensure model for liquor sales similar to North Carolina's current system of selling beer and wine. Retailers will be able to apply for a license to sell spirits, expanding the number of types of retailers able to offer liquor and addressing inefficiencies with the current system. It would bring North Carolina in line with neighboring states in terms of the number of retail outlets per capita.

- **What role will the state government play in this modernized system?**

The government will continue to play an important role in the oversight of a modernized ABC system in North Carolina. Under the proposed legislation the state ABC Commission will maintain regulatory oversight of liquor distribution, while the bill allows for private investment in retail and wholesale liquor.

- **How would the transition to the new system take place?**

The transition from a state-run system to a private system must be done in a responsible manner. HB 971 is designed to protect state and local revenues while maintaining strong oversight by the NC ABC Commission to regulate permittees and by Alcohol Law Enforcement to monitor compliance.

- **How would the proposed legislation impact local ABC boards?**

One of the major inefficiencies in North Carolina's system has been the excessive number of ABC boards scattered across the state. Whereas most states only have one ABC board, North Carolina has 170 independent authorities across the state that determine how liquor revenues are allocated locally.

Under the new model, local ABC boards would be dissolved and the responsibilities for the allocation of revenues would be given to elected county commissioners and city council members that are already directly accountable to their constituents.

Impact and Analysis

State/Local Impact

- **How would modernization impact the state fiscally?**

HB 971 lays a formula for a fiscally responsible path, one that will uphold public safety and tax collection while driving additional local revenue opportunities across North Carolina. HB 971 sponsors are currently

working with the General Assembly Fiscal Research Division to outline a financial model that best balances revenue and economic potential across state and local governments.

- **Would the new system still provide funding for treatment programs and other important services?**

This licensure model has been very successful in other states in maintaining public safety while preserving local funding, streamlining operations, and enabling private sector investment. The system is designed to generate continuing support for existing programs while driving additional local revenue opportunities that could help to initiate new initiatives and services for citizens.

Consumer Impact

- **What will the new system mean for the consumer?**

For consumers, the licensure model will improve the convenience of buying liquor at retail while expanding access to the brands they want. Under the new model, consumers will be able to save time and money simply through being able to purchase liquor along with other products simultaneously while minimizing or eliminating the need for travel time to an out-of-the-way store location.

- **How would modernization impact customer choice?**

Modernization will improve customer choice by increasing competition and making liquor more accessible at retail locations. Additionally, by making it easier for bars and restaurants to procure a more diverse range of brands, consumers will naturally benefit by being able to purchase cocktails made with these brands.

Retailer Impact

- **How does the new legislation impact NC retailers?**

Grocery stores and other current beverage retailers would benefit from moving to a licensure system modeled in the way the state already sells beer and wine. Under a licensure model, retailers will be able to diversify their product offerings and improve convenience for their customers.

- **Will this allow for a wider selection of products in stores and restaurants?**

Yes. One of the primary goals of this legislation is to remove the barriers placed by the current system on retailers seeking to sell a broader range of products than is available to them now.

- **Who can sell liquor as part of this proposed legislation?**

Under the new model, retailers can sell liquor when they've applied and received a license to sell spirits.

- **Will retail hours be expanded? Will I be able to make purchases on Sundays?**

HB 971 does not address Sunday sales or expanded sales hours. However, a separate bill, [HB 536](#), has also been introduced and aims to address these issues.

- **What opportunities will this create for new and existing retail businesses?**

The bill will create new economic development opportunities as entrepreneurs apply for licenses and look to open new outlets, akin to the growth of bottle shops that has taken place in the craft beer industry.

- **What's the impact on liquor distributors? Beer and wine distributors?**

North Carolina's ABC system has been inefficient and cumbersome due to the state serving as the only distributor with one main warehouse in Raleigh. With the exception of bottles sold on-site at distillery tours, every bottle sold in the ABC control system must physically pass through a single warehouse in Raleigh. Modernization would allow retailers to purchase wholesale liquor from the same distributors that already deliver their beer and wine, thus streamlining the process and reducing inefficiencies.

Restaurant/Bar Impact

- **How does the new legislation impact NC restaurants and bars?**

Under the current system, restaurants and bars are limited to what they can sell because many specialty spirits and craft brands are simply not available in North Carolina. The new model will allow restaurants to provide patrons with more choices for cocktails resulting from the ability to offer more brands and speciality items.

- **How do restaurants and bars currently procure spirits? How does this make it easier?**

Local businesses face an outdated process when it comes to ordering, receiving, and selling spirits. For example, for a restaurant or bar to place an order, they are able to browse and order online but are restricted to what is in stock in the county's inventory — even if a neighboring county is showing availability. Once the order is placed, they must physically send an employee to an ABC warehouse to pick up the order, compared to having wine or beer delivered.

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A modernized system would address the inefficiencies in the current system for ordering and receiving liquor, offering electronic ordering and payment systems, secure delivery to their establishments, and overall improvements to business processes and efficiency.

- **Does this mean it'll be easier for local distillers to get products into restaurants and bars?**

Yes, modernization would improve access to spirits being produced by the state's nearly 80 distilleries. Under the new model, restaurants would also be able to host tastings with local distilleries – helping them introduce their creations to potential new customers.

Getting Involved

- **How can I receive updates about the bill?**

To learn more, visit www.FreeTheSpiritsNC.com or text FIXABC to 52886 to receive updates about the bill.

- **How can I show my support?**

You can easily contact your legislators through www.FreeTheSpiritsNC.com to show your support for HB 971. You can also help us spread the word on social media that it's time to #FreeTheSpirits in North Carolina!