



# PROGRAM EVALUATION DIVISION

## NORTH CAROLINA GENERAL ASSEMBLY

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# Changing How North Carolina Controls Liquor Sales Has Operational, Regulatory, and Financial Ramifications

## Summary

The Joint Legislative Program Evaluation Oversight Committee's 2018 Work Plan directed the Program Evaluation Division to examine whether North Carolina's alcohol beverage control (ABC) system needs further modernization and whether other systems are appropriate for the State.

**Changing how North Carolina regulates liquor sales would require major regulatory adjustments.** North Carolina could end government control of retail liquor sales or end government control of both wholesale and retail liquor sales. Both options require decisions related to dissolving local ABC boards and closing ABC stores, determining regulatory requirements for private retail businesses to sell liquor, and developing an implementation schedule. Ending government control of wholesale liquor sales would additionally require establishing regulatory requirements for a private liquor warehouse and distribution system.

**Changing North Carolina's regulatory system would also affect state and local revenue received from liquor sales.** The Program Evaluation Division identified three options that each assumed local ABC boards would be abolished and local governments would no longer be responsible for operating local ABC stores. These options have important financial ramifications for the State and would affect the ABC Commission, state and local government revenue, and liquor suppliers and consumers.

**In lieu of overhauling North Carolina's system for regulating liquor sales, the State could choose to further modernize the current system.** Streamlining local ABC board operations could increase efficiency and profitability. Local ABC boards and other stakeholders identified several ideas for modernizing the current system.

If the General Assembly wishes to change North Carolina's system for regulating liquor, it should appoint a joint legislative commission to determine how state and local government roles in regulating liquor sales would change. If it wishes to modernize the current system, the General Assembly should

- direct local ABC boards located in counties with multiple boards to form merged ABC boards;
- eliminate the purchase-transportation permit for liquor;
- monitor the selection of a new ABC warehouse contract; and
- provide local ABC boards with more flexibility to charge delivery fees, serve special order customers, open ABC stores on Sundays, and offer in-store tastings of liquor products.