MEMORANDUM

To: Mayor and Members of the City Council
From: Rich Olson, City Manager
Date: March 22, 2019
Re: Consideration – Approve Resolution for ABC Board

BACKGROUND:
Over the last 10 years, there have been several attempts to pass legislation to privatize retail liquor sales. Presently, the sale of spirituous liquor is state controlled and can only be purchased from a County controlled ABC store. The ABC store in Pasquotank County is located on Halstead Boulevard and Walkers Avenue. The City anticipates receiving revenue of $210,000 in next year’s budget from liquor sales. The City has seen steady growth from this revenue source.

ANALYSIS:
Over the summer, the General Assembly’s Program Evaluation Division (PED) studied a number of issues including privatization. The PED did not recommend privatization of the system; however, the local ABC Board believes that there will be another attempt to pass legislation, which would allow this to occur. The ABC Board is requesting Council’s support to pass the attached resolution against privatization.

STAFF RECOMMENDATION:
By motion, adopt the attached resolution in support of the current ABC control system for the sale of liquor.
RESOLUTION # 2019-3-03
IN SUPPORT OF THE CURRENT ABC CONTROL SYSTEM FOR THE SALE OF LIQUOR

WHEREAS, the citizens of the City of Elizabeth City voted to permit the sale of liquor through the establishment of an ABC Board, which is a part of the North Carolina’s control system for the sale of spirituous liquors; and

WHEREAS, North Carolina is a "control" state and private retail liquor stores are prohibited; and

WHEREAS, the General Assembly's nonpartisan Program Evaluation Division (PED) was directed to examine whether other systems for alcohol beverage control, including privatized systems, are appropriate for North Carolina, specially to include the State of Washington, which recently changed its beverage control system from state government control of wholesale and retail control of spirituous liquor to a licensure model; and

WHEREAS, the PED Report, "Changing How North Carolina Controls Liquor Sales Has Operational, Regulatory, and Financial Ramifications", released on February 11, 2019, (1) did not recommend privatization; (2) 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; and (3) the PED expects retail liquor consumption to increase by 20% with privatization; and

WHEREAS, for fiscal year ending July 31, 2018, local ABC boards distributed $430,635,861; County-City Distributions were $80 million; State General Fund was $323 million; Local Alcohol Education/Treatment was $13 million; Local Law Enforcement was $8.8 million; Rehabilitation Services were $5 million; Operation of ABC Commission/Warehouse was $17.7 million; and

WHEREAS, North Carolina is unique as it allows communities to vote to establish local ABC boards for the sale of liquor in their communities, with liquor profits distributed back to those communities, thereby reducing the need to increase local property taxes.

WHEREAS, the citizens of the City of Elizabeth City, in voting to permit the operation of ABC stores, did not vote to allow spirits to be sold in private retail liquor stores and did not vote to allow spirits to be sold retail outlets where beer and wine are sold; and

WHEREAS, no State funds are spent to distribute or sell liquor as the state and local operation of the ABC system is receipt supported; and
WHEREAS, of the 50 states, North Carolina ranks 44th lowest in consumption per capita and 7th highest in revenue per capita and NC’s ABC system accomplishes both revenue and public health, welfare and safety objectives; and

WHEREAS, when Washington State privatized its liquor system the number of retail outlets increased from 328 to over 1,400, hours of sale/week increased from 73 to 140 hours, and Washington State received only $30.75 million from auctioning off the rights to apply for retail spirit permits at 167 stores; and

WHEREAS, 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; and the 9,000 outlets in NC that sell beer/wine off-premises could be permitted to sell liquor in a privatized system; and

WHEREAS, local revenue from, ABC stores operations is important to the City of Elizabeth City; and

WHEREAS, local control over the sale of liquor is an important function.

NOW THEREFORE, BE IT RESOLVED that the City of Elizabeth City desires to retain North Carolina’s current control system for the sale of liquor and believes that privatization of liquor will lead to many adverse effects.

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Bettie J. Parker
Mayor

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April D. Onley
Interim City Clerk