

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009

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HOUSE BILL 1717*
Committee Substitute Favorable 6/9/10
Committee Substitute #2 Favorable 6/16/10
Fourth Edition Engrossed 6/22/10
Senate Judiciary II Committee Substitute Adopted 6/29/10
Senate Finance Committee Substitute Adopted 7/7/10

Short Title: Modernization of the State ABC System.

(Public)

Sponsors:

Referred to:

May 17, 2010

1 A BILL TO BE ENTITLED
2 AN ACT TO MODERNIZE THE NORTH CAROLINA ALCOHOLIC BEVERAGE
3 CONTROL SYSTEM, TO ENSURE THE INTEGRITY OF THE THREE-TIER SYSTEM,
4 TO REQUIRE MINIMUM AGE STANDARDS FOR LAW ENFORCEMENT, AND TO
5 REQUIRE THAT THE CITY OF KANNAPOLIS, THE CITY OF SALISBURY, AND
6 ROWAN COUNTY HAVE EQUAL REPRESENTATION ON THE
7 ROWAN/KANNAPOLIS ABC BOARD.

8 The General Assembly of North Carolina enacts:

9 SECTION 1. G.S. 18B-101 reads as rewritten:

10 "§ 18B-101. Definitions.

11 As used in this Chapter, unless the context requires otherwise:

12 ...

13 (6a) "Finance officer" means the local board employee, other than a general
14 manager, who is responsible for keeping the accounts of the local board,
15 receiving and depositing receipts, disbursing funds, and any other duties
16 assigned by the local board or Commission.

17 (7) "Fortified wine" means any wine, of more than sixteen percent (16%) and no
18 more than twenty-four percent (24%) alcohol by volume, made by
19 fermentation from grapes, fruits, berries, rice, or honey; or by the addition of
20 pure cane, beet, or dextrose sugar; or by the addition of pure brandy from the
21 same type of grape, fruit, berry, rice, or honey that is contained in the base
22 wine and produced in accordance with the regulations of the United States.

23 (7a) "General manager" means the local board employee who is responsible for
24 the oversight of daily operations of the ABC system and any other duties
25 assigned by the local board or Commission. The board may designate only
26 one employee to be the general manager.

27 ~~(7a)~~(7b) "Historic ABC establishment" means a restaurant or hotel that meets all
28 of the following requirements:

29 a. Is on the national register of historic places or located within a State
30 historic district.

31 b. Is a property designed to attract local, State, national, and
32 international tourists located on a State Route (SR) and with a
33 property line located within 1.5 miles of the intersection of a



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1 designated North Carolina scenic byway as defined in
2 G.S. 136-18(31).

3 c. Is located within 15 miles of a national scenic highway.

4 d. Is located in a county in which the on-premises sale of malt
5 beverages or unfortified wine is authorized in two or more cities in
6 the county.

7 ~~(7b)~~(7c) "Keg" means a portable container designed to hold and dispense 7.75
8 gallons or more of malt beverage.

9"

10 **SECTION 2.** G.S. 18B-201 reads as rewritten:

11 **"§ 18B-201. Conflict of ~~interest~~; interest; gifts.**

12 (a) Financial Interests Restricted. – No person shall be appointed to or employed by the
13 Commission, a local board, or the ALE Division if that person or a member of that person's
14 family related to that person by blood or marriage to the first degree has or controls, directly or
15 indirectly, a financial interest in any commercial alcoholic beverage enterprise, including any
16 business required to have an ABC permit. The Commission may exempt from this provision
17 any person, other than a Commission member, when the financial interest in question is so
18 insignificant or remote that it is unlikely to affect the person's official actions in any way.
19 Exemptions may be granted only to individuals, not to groups or classes of people, and each
20 exemption shall be in writing, be available for public inspection, and contain a statement of the
21 financial interest in question.

22 (b) Self-dealing. – The provisions of G.S. 14-234 shall apply to the Commission and
23 local boards.

24 (c) Dealing for Family Members. – Neither the Commission nor any local board shall
25 contract or otherwise deal in any business matter so that a member, member's spouse or any
26 person related to ~~him~~ the member by blood to a degree of first cousin or closer in any way
27 financially benefits, directly or indirectly, from the transaction unless:

28 (1) The member who financially benefits from the transaction or whose spouse
29 or relative financially benefits from the transaction abstains from
30 participating in any way, including voting, in the decision;

31 (2) The minutes of the meeting at which the final decision is reached
32 specifically note the member who is financially benefited or whose spouse
33 or relative is financially benefited and the amount involved in each
34 transaction;

35 (3) The next annual audit of the Commission or local board specifically notes
36 the member and the amount involved in each transaction occurring during
37 the year covered by the audit; and

38 (4) If the transaction is by a local board, the Commission is notified at least two
39 weeks before final board approval of the transaction.

40 (d) Gifts Generally. – The provisions of G.S. 133-32 shall apply to the Commission and
41 local boards.

42 (e) Conflicts of Interest for the Commission. – The provisions of Article 4 of Chapter
43 138A of the General Statutes shall apply to the Commission.

44 (f) Conflicts of Interest for Local Boards. – Except as permitted under subsection (h) of
45 this section, a local ABC board member shall not knowingly use the local ABC board member's
46 position on the board in any way that will result in financial benefit to the local ABC board
47 member, the local ABC board member's spouse, any person related to the local ABC board
48 member by blood to a degree of first cousin or closer, or any business with which the local
49 ABC board member is associated.

1 (g) For purposes of subsection (f) of this section, 'business with which associated' shall
2 have the same meaning as in G.S. 138A-3(3). For purposes of this section, 'financial benefit'
3 shall mean a direct pecuniary gain or loss, or a direct pecuniary loss to a business competitor.

4 (h) Notwithstanding subsection (f) of this section, a local ABC board member may
5 participate in an action of the local ABC board under any of the following circumstances
6 except as specifically limited:

7 (1) The financial benefit that accrues to the local ABC board member, the local
8 ABC board member's spouse or any person related to the local ABC board
9 member by blood to a degree of first cousin or closer, or a business with
10 which the local ABC board member is associated is one that is accrued as a
11 member of a profession, occupation, or general class and is no greater than
12 that which could reasonably be foreseen to accrue to all members of that
13 profession, occupation, or general class.

14 (2) The financial benefit derived by a local ABC board member, the local ABC
15 board member's spouse or any person related to the local ABC board
16 member by blood to a degree of first cousin or closer, or a business with
17 which the local ABC board member is associated is one that would be
18 enjoyed to an extent no greater than that which other citizens of the State
19 would or could enjoy.

20 (3) The financial benefit derived by a local ABC board member, the local ABC
21 board member's spouse or any person related to the local ABC board
22 member by blood to a degree of first cousin or closer, or a business with
23 which the local ABC board member is so remote, tenuous, insignificant, or
24 speculative that a reasonable person would conclude under the
25 circumstances that the local ABC board member's ability to protect the
26 public interest and perform the local ABC board member's duties would not
27 be compromised.

28 (4) When an action affects or would affect the local ABC board member's
29 compensation as a local ABC board member.

30 (5) Before the local ABC board member participated in the action, the board
31 member requested and received from the ABC Commission a written
32 advisory opinion that authorized the participation. In authorizing the
33 participation under this subdivision, the ABC Commission shall consider the
34 need for the local ABC board member's particular contribution, such as
35 special knowledge of the subject matter and the effective functioning of the
36 local ABC board.

37 (6) When action is ministerial only and does not require the exercise of
38 discretion.

39 (7) When the local ABC board records in its minutes that it cannot obtain a
40 quorum in order to take the action because the local ABC board member is
41 disqualified from acting, the local ABC board member may be counted for
42 purposes of a quorum but shall otherwise abstain from taking any further
43 action.

44 (i) Nothing in this section shall allow participation in an action prohibited by
45 G.S. 14-234 or G.S. 133-32.

46 (j) A local board member shall not improperly use or improperly disclose any
47 confidential information.

48 (k) A local board member shall have an affirmative duty to promptly disclose in writing
49 to the local board any conflict of interest or potential conflict of interest."

50 **SECTION 3.** G.S. 18B-202 reads as rewritten:

51 **"§ 18B-202. Discharge upon conviction.**

1 In addition to imposing any other penalty authorized by law, a judge may remove from
2 office or discharge from employment any Commission or local board member or employee, or
3 any ALE agent, who is convicted of a violation of any provision of this Chapter or of any
4 felony and may declare that person ineligible for membership or employment with the
5 Commission, any local board, or the ALE Division, for a period of not longer than three years.
6 Conviction of a crime under this Chapter or of any felony shall also be grounds for the
7 Commission to remove from office or discharge from employment any local board member or
8 employee. In addition to imposing any other penalty authorized by law, a judge may prohibit an
9 individual convicted of a violation of this Chapter, or of any felony, from participating in any
10 contract to enforce the ABC laws for a local board if that individual is a designated officer of
11 an agency which holds a contract to enforce the ABC laws for a local board. A judge may also
12 prohibit an individual convicted of a violation of this Chapter, or of any felony, from being
13 designated as an officer that enforces the ABC law under a contract with any local board for a
14 period of not longer than three years."

15 **SECTION 4.** G.S. 18B-203(a) is amended by adding new subdivisions to read:

16 **"§ 18B-203. Powers and duties of the Commission.**

17 (a) Powers. – The Commission shall have authority to:

18 ...

19 (20) Promulgate rules to establish performance standards for local boards.
20 Performance standards established pursuant to this subdivision shall include,
21 but not be limited to, standards that address enforcement of ABC laws, store
22 appearance, operating efficiency, solvency, and customer service.

23 (21) Promulgate rules to establish mandatory training requirements for local
24 board members, finance officers, and general managers. If personal
25 attendance is required, the Commission shall not require more than four
26 hours of training and shall provide up to two hours of training at convenient
27 locations around the State in conjunction with ethics training.

28 (22) Provide for the purchase of spirituous liquor from another ABC board by
29 mixed beverage permittees when an ABC system becomes insolvent, closes,
30 or is closed by the Commission and the county or municipality in which the
31 system is located has approved the sale of mixed beverages."

32 **SECTION 5.** G.S. 18B-501(f) reads as rewritten:

33 "(f) Contracts with Other Agencies. – Instead of hiring local ABC officers, a local board
34 may contract to pay its enforcement funds to a sheriff's department, city police department, or
35 other local law-enforcement agency for enforcement of the ABC laws within the
36 law-enforcement agency's territorial jurisdiction. Enforcement agreements may be made with
37 more than one agency at the same time. When such a contract for enforcement exists, the
38 designated officers of the contracting law-enforcement agency shall have the same authority to
39 inspect under G.S. 18B-502 that an ABC officer employed by that local board would have. An
40 agency contracted to provide ABC law enforcement shall designate no more than five officers
41 to conduct inspections pursuant to this section and G.S. 18B-502. If a city located in two or
42 more counties approves the sale of some type of alcoholic beverage pursuant to the provisions
43 of G.S. 18B-600(e4), and there are no local ABC boards established in the city and one of the
44 counties in which the city is located, the local ABC board of any county in which the city is
45 located may enter into an enforcement agreement with the city's police department for
46 enforcement of the ABC laws within the entire city, including that portion of the city located in
47 the county of the ABC board entering into the enforcement agreement."

48 **SECTION 6.** G.S. 18B-501 is amended by adding a new subsection to read:

49 "(f1) Accountability; Enforcement Reports. – To ensure accountability to the appointing
50 authority and the Commission, every local board's ABC officers and those law enforcement
51 agencies subject to an enforcement agreement entered into pursuant to subsection (f) of this

1 section shall report to the local board, by the fifth business day of each month, on a form
2 developed by the Commission, the following:

- 3 (1) The number of arrests made for ABC law, Controlled Substance Act, or
4 other violations, by category, at ABC permitted outlets.
- 5 (2) The number of arrests made for ABC law, Controlled Substance Act, or
6 other violations, by category, at other locations.
- 7 (3) The number of agencies assisted with ABC law or controlled substance
8 related matters.
- 9 (4) The number of alcohol education and responsible server programs presented.

10 The local board shall submit a copy of the enforcement report to the appointing authority
11 and the Commission not later than five business days after receipt of the enforcement report by
12 the local board. The Commission shall publish this information, by local board and
13 enforcement agency, on a public Internet Web site maintained by the Commission."

14 **SECTION 7.(a)** G.S. 18B-501(g) reads as rewritten:

15 "(g) Discharge. – Local ABC officers and the designated officers of agencies which
16 contract with local boards for enforcement of the ABC laws are subject to the discharge and
17 ineligibility provisions of G.S. 18B-202."

18 **SECTION 7.(b)** G.S. 18B-600(d) reads as rewritten:

19 "(d) City ABC Store Elections. – A city may hold an ABC store election only if:

- 20 (1) The city has at least ~~500~~1,000 registered voters; and
- 21 (2) The county in which the city is located does not operate ABC stores."

22 **SECTION 8.** G.S. 18B-600(e) reads as rewritten:

23 "(e) City Mixed Beverage Elections. – A city may hold a mixed beverage election ~~only~~
24 if: if the city has at least 500 registered voters. Provided, that if a city that qualifies for an
25 election under this subsection approves the sale of mixed beverages, mixed beverages
26 permittees in the city may purchase liquor from the ABC store designated by the local ABC
27 board that has been approved by the Commission for this purpose.

28 (1) ~~The city has at least 500 registered voters; and~~

29 (2) ~~Either:~~

30 a. ~~The city already operates a city ABC store; or~~

31 b. ~~A city ABC store election is to be held at the same time as the mixed~~
32 ~~beverage election; or~~

33 e. ~~The city does not operate a city ABC store but:~~

34 1. ~~The county operates an ABC store;~~

35 2. ~~The county has already held a mixed beverage election; and~~

36 3. ~~The vote in the last county election was against the sale of~~
37 ~~mixed beverages."~~

38 **SECTION 9.** G.S. 18B-700(a) reads as rewritten:

39 "(a) Membership. – A local ABC board shall consist of three or five members appointed
40 for three-year terms, unless a different membership or term is provided by a local act enacted
41 before the effective date of this Chapter, or terms unless the board is a board for a merged ABC
42 system under G.S. 18B-703 and a different size membership has been provided for as part of
43 the negotiated merger. ~~One~~ If the board is a three-member board, one member of the initial
44 board of a newly created ABC system shall be appointed for a three-year term, one member for
45 a two-year term, and one member for a one-year term. If the board is a five-member board, one
46 member of the initial board of a newly created ABC system shall be appointed for a three-year
47 term, two members for two-year terms, and two members for one-year terms. As the terms of
48 initial board members expire, their successors shall each be appointed for three-year terms. If a
49 board is initially a three-member board and the appointing authority determines a five-member
50 board is preferable, the terms of the two new members shall be for three years. If a local board
51 has five members and the appointing authority determines a three-member board is preferable,

1 the appointing authority shall not reduce the size of the board except upon the expiration of a
2 member's term and only with the approval of the Commission. The appointing authority shall
3 designate one member of the local board as chairman."

4 **SECTION 10.** G.S. 18B-700 is amended by adding a new subsection to read:

5 "(a1) Mission. – The mission of local ABC boards and their employees shall be to serve
6 their localities responsibly by controlling the sale of spirituous liquor and promoting
7 customer-friendly, modern, and efficient stores."

8 **SECTION 11.** G.S. 18B-700(g) reads as rewritten:

9 "(g) Salary Compensation of Board Members. – A local board member may be
10 compensated as determined by the appointing authority shall receive compensation in an
11 amount not to exceed one hundred fifty dollars (\$150.00) per board meeting unless a different
12 level of monetary compensation is approved by the appointing authority. If a different level is
13 approved by the appointing authority, the appointing authority shall notify the Commission of
14 the approved level of compensation in writing. Any change in compensation approved by the
15 appointing authority shall be reported to the Commission in writing within 30 days of the
16 effective date of the change. No local board member shall receive any nonmonetary
17 compensation or benefits unless specifically authorized by this section."

18 **SECTION 12.** G.S. 18B-700 is amended by adding a new subsection to read:

19 "(g1) Compensation of General Managers of Local Boards. – The salary authorized for
20 the general manager, as defined in G.S. 18B-101, of a local board shall not exceed the salary
21 authorized by the General Assembly for the clerk of superior court of the county in which the
22 appointing authority was originally incorporated unless such compensation is otherwise
23 approved by the appointing authority. The local board shall provide the appointing authority's
24 written confirmation of such approval to the Commission. Any change in compensation
25 approved by the appointing authority shall be reported to the Commission in writing within 30
26 days of the effective date of the change. The general manager of a local board may receive any
27 other benefits to which all employees of the local board are entitled. The salary authorized for
28 other employees of a local board may not exceed that of the general manager."

29 **SECTION 13.** G.S. 18B-700 is amended by adding a new subsection to read:

30 "(g2) Travel Allowance and Per Diem Rates. – Approved travel on official business by
31 the members and employees of local boards shall be reimbursed pursuant to G.S. 138-6 unless
32 the local board adopts a travel policy that conforms to the travel policy of the appointing
33 authority and such policy is approved by the appointing authority. The local board shall
34 annually provide the appointing authority's written confirmation of such approval to the
35 Commission and a copy of the travel policy authorized by the appointing authority. Any excess
36 expenses not covered by the local board's travel policy shall only be paid with the written
37 authorization of the appointing authority's finance officer. A copy of the written authorization
38 for excess expenses shall be submitted to the Commission by the local board within 30 days of
39 approval."

40 **SECTION 14.** G.S. 18B-700(i) reads as rewritten:

41 "(i) Bond. – Each local board member and the employees designated as the general
42 manager and finance officer of the local board shall be bonded in an amount not less than five
43 thousand dollars (\$5,000), fifty thousand dollars (\$50,000) secured by a corporate surety, for the
44 faithful performance of his duties. A public employees' blanket position bond in the required
45 amount satisfies the requirements of this subsection. The bond shall be payable to the local
46 board and shall be approved by the appointing authority for the local board. The appointing
47 authority may exempt from this bond requirement any board member who does not handle
48 board funds, and it may also increase the amount of the bond required for any member or
49 employee who does handle handles board funds."

50 **SECTION 15.** G.S. 18B-700 is amended by adding a new subsection to read:

1 "(k) Nepotism. – Members of an immediate family shall not be employed within the
2 local board if such employment will result in one member of the immediate family supervising
3 another member of the immediate family, or if one member of the immediate family will
4 occupy a position which has influence over another member's employment, promotion, salary
5 administration, or other related management or personnel considerations. This subsection
6 applies to local board members and employees.

7 For the purpose of this subsection, the term 'immediate family' includes wife, husband,
8 mother, father, brother, sister, son, daughter, grandmother, grandfather, grandson, and
9 granddaughter. Also included are the step-, half-, and in-law relationships. It also includes other
10 people living in the same household, who share a relationship comparable to immediate family
11 members, if either occupies a position which requires influence over the other's employment,
12 promotion, salary administration, or other related management or personnel considerations."

13 **SECTION 16.** G.S. 18B-700 is amended by adding a new subsection to read:

14 "(l) Local Acts. – Notwithstanding the provisions of any local act, this section applies to
15 all local boards."

16 **SECTION 17.** G.S. 18B-701 reads as rewritten:

17 **"§ 18B-701. Powers and duties of local ABC boards.**

18 (a) Powers. – A local board shall have authority to:

- 19 (1) Buy, sell, transport, and possess alcoholic beverages as necessary for the
20 operation of its ABC stores;
- 21 (2) Adopt rules for its ABC system, subject to the approval of the Commission;
- 22 (3) Hire and fire employees for the ABC system;
- 23 (4) Designate one employee as manager of the ABC system and determine his
24 responsibilities;
- 25 (5) Require bonds of employees as provided in the rules of the Commission;
- 26 (6) Operate ABC stores as provided in Article 8;
- 27 (7) Issue purchase-transportation permits as provided in Article 4;
- 28 (8) Employ local ABC officers or make other provision for enforcement of ABC
29 laws as provided in Article 5;
- 30 (9) Borrow money as provided in G.S. 18B-702;
- 31 (10) Buy and lease real and personal property, and receive property bequeathed
32 or given, as necessary for the operation of the ABC system;
- 33 (11) Invest surplus funds as provided in G.S. 18B-702;
- 34 (12) Dispose of property in the same manner as a city council may under Article
35 12 of Chapter 160A of the General Statutes; and
- 36 (13) Perform any other activity authorized or required by the ABC law.

37 (b) Duties. – A local board shall have the duty to comply with all rules adopted by the
38 Commission pursuant to this Chapter and meet all standards for performance and training
39 established by the Commission pursuant to G.S. 18B-203(a)(20) and (21). Failure to comply
40 with Commission rules shall be cause for removal."

41 **SECTION 18.** G.S. 18B-702 reads as rewritten:

42 **"§ 18B-702. Financial operations of local boards.**

43 (a) Generally. – A local board may transact business as a corporate body, except as
44 limited by this section. A local board shall not be considered a public authority under
45 G.S. 159-7(b)(10).

46 (b) Budget Officer. – The general manager of the local board shall be the budget officer
47 for the local board. In the absence of a general manager, a local board may impose the duties of
48 budget officer on the chairman or any member of the local board or any other employee of the
49 board.

50 (c) Annual Balanced Budget. – Each local board shall operate under an annual balanced
51 budget administered in accordance with this section. A budget is balanced when the sum of

1 estimated gross revenues and both restricted and unrestricted funds are equal to appropriations.
2 Expenditures shall not exceed the amount of funds received or in reserve for the purpose to
3 which the funds are appropriated. It is the intent of this section that all monies received and
4 expended by a local board should be included in the budget. Therefore, notwithstanding any
5 other provision of law, no local board may expend any monies, regardless of their source,
6 except in accordance with a budget adopted under this section. The budget of a local board
7 shall cover a fiscal year beginning July 1 and ending June 30.

8 (d) Preparation and Submission of Budget and Budget Message. – Upon receipt of the
9 budget requests and revenue estimates and the financial information supplied by the finance
10 officer, the budget officer shall prepare a budget for consideration by the local board in such
11 form and detail as may have been prescribed by the budget officer or the local board. The
12 budget, together with a budget message, shall be submitted to the local board, the appointing
13 authority, and the Commission not later than June 1. The budget and budget message should,
14 but need not, be submitted at a formal meeting of the board. The budget message should
15 contain a concise explanation of the goals fixed by the budget for the budget year, explain
16 important features of the activities anticipated in the budget, set forth the reasons for stated
17 changes from the previous year in appropriation levels, and explain any major changes in fiscal
18 policy.

19 (e) Filing and Publication of the Budget. – On the same day the budget officer submits
20 the budget to the local board, the budget officer shall make a copy for public inspection, and it
21 shall remain available for public inspection until the budget is adopted. The budget officer shall
22 make a copy of the budget available to all news media in the county. The budget officer shall
23 also publish a statement that the budget has been submitted to the local board and is available
24 for public inspection in the office of the general manager of the local board. The statement shall
25 also give notice of the time and place of the budget hearing required by subsection (f) of this
26 section.

27 (f) Budget Hearings. – Before adopting the budget, the board shall hold a public
28 hearing at which time any persons who wish to be heard on the budget may appear.

29 (g) Adoption of Budget. – Not earlier than 10 days after the day the budget is presented
30 to the board and not later than July 1, the local board shall adopt a budget making
31 appropriations for the budget year in such sums as the board may consider sufficient and
32 proper, whether greater or less than the sums recommended in the budget. The budget shall
33 authorize all financial transactions of the local board. The budget may be in any form that the
34 board considers most efficient in enabling it to make the fiscal policy decisions embodied
35 therein, but it shall make appropriations by department, function, or project and show revenues
36 by major source. The following directions and limitations shall bind the local board in adopting
37 the budget:

- 38 (1) The full amount estimated by the finance officer to be required for debt
39 service during the budget year shall be appropriated.
- 40 (2) The full amount of any deficit in each fund shall be appropriated.
- 41 (3) Working capital funds set aside pursuant to G.S. 18B-805 shall be
42 established by rule of the Commission. "Working capital" means the total of
43 cash, investments, and inventory less all unsecured liabilities. Gross sales
44 means gross receipts from the sale of alcoholic beverages less distributions
45 as defined in G.S. 18B-805(b)(2), (3), (4), and (5). Any expenditure to be
46 charged against working capital funds shall be authorized by resolution of
47 the local board, which resolution shall be deemed an amendment to the
48 budget setting up an appropriation for the object of expenditure authorized.
49 The local board may authorize the budget officer to authorize expenditures
50 from working capital funds subject to such limitations and procedures as it

1 may prescribe. Any such expenditure shall be deemed an amendment and
2 reported to the board at its next regular meeting and recorded in the minutes.

3 (4) Estimated revenues shall include only those revenues reasonably expected to
4 be realized in the budget year.

5 (5) Sufficient funds to meet the amounts to be paid during the fiscal year under
6 continuing contracts previously entered into shall be appropriated unless
7 such contract reserves to the local board the right to limit or not to make
8 such appropriation.

9 (6) The sum of estimated net revenues and appropriated fund balance in each
10 fund shall be equal to appropriations in that fund. Appropriated fund balance
11 in a fund shall not exceed the sum of cash and investments minus the sum of
12 liabilities, encumbrances, and deferred revenues arising from cash receipts,
13 as those figures stand at the close of the fiscal year next preceding the budget
14 year.

15 The budget shall be entered in the minutes of the local board and within five days after
16 adoption, and copies thereof shall be filed with the finance officer, the budget officer, the
17 appointing authority, and the Commission.

18 (h) Amendments to the Budget. – Except as otherwise restricted by law, the local board
19 may amend the budget at any time after adoption, in any manner, so long as the budget, as
20 amended, continues to satisfy the requirements of this section. The local board by appropriate
21 resolution may authorize the budget officer to transfer monies from one appropriation to
22 another within the same fund subject to such limitations and procedures as it may prescribe.
23 Any such transfers shall be reported to the local board at its next regular meeting and shall be
24 entered in the minutes. Amendments to the adopted budget shall also be provided to the
25 appointing authority and the Commission.

26 (i) Interim Budget. – In case the adoption of the budget is delayed until after July 1, the
27 local board shall make interim appropriations for the purpose of paying salaries, debt service
28 payments, and the usual ordinary expenses of the local board for the interval between the
29 beginning of the budget year and the adoption of the budget. Interim appropriations so made
30 shall be charged to the proper appropriations in the adopted budget.

31 (j) Finance Officer. – Except as otherwise provided, the local board shall designate (i) a
32 part-time or full-time employee of the board other than the general manager or (ii) the finance
33 officer of the appointing authority with consent of the appointing authority to be the finance
34 officer for the local board. The Commission, for good cause shown, may allow the general
35 manager of a board also to be the finance officer. Good cause includes, but is not limited to, the
36 fact that the board operates no more than two stores, and any approval for the general manager
37 also to be the finance officer shall apply until the board operates more than two stores; in any
38 event, the approval shall be effective for 36 months.

39 (k) Duties and Powers of the Finance Officer. – The finance officer for a local board
40 shall:

41 (1) Keep the accounts of the local board in accordance with generally accepted
42 principles of governmental accounting and the rules and regulations of the
43 Commission.

44 (2) Disburse all funds of the local board in strict compliance with this Chapter,
45 the budget, preaudit obligations, and disbursements as required by this
46 section.

47 (3) As often as may be requested by the local board or the general manager,
48 prepare and file with the board a statement of the financial condition of the
49 local board.

50 (4) Receive and deposit all monies accruing to the local board, or supervise the
51 receipt and deposit of money by other duly authorized employees.

1 (5) Maintain all records concerning the debt and other obligations of the local
2 board, determine the amount of money that will be required for debt service
3 or the payment of other obligations during each fiscal year, and maintain all
4 funds.

5 (6) Supervise the investment of idle funds of the local board pursuant to
6 subsection (t) of this section.

7 The finance officer shall perform such other duties as may be assigned by law, by the
8 general manager, budget officer, or local board, or by rules and regulations of the Commission.

9 (1) Accounting System. – Each local board shall establish and maintain an accounting
10 system designed to show in detail its assets, liabilities, equities, revenues, and expenditures.
11 The system shall also be designed to show appropriations and estimated revenues as established
12 in the budget originally adopted and subsequently amended.

13 (m) Incurring Obligations. – No obligation may be incurred in a program, function, or
14 activity accounted for in a fund included in the budget unless the budget includes an
15 appropriation authorizing the obligation and an unencumbered balance remains in the
16 appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction
17 for the current fiscal year. No obligation may be incurred for a capital project unless the budget
18 authorizes the obligation and an unencumbered balance remains in the appropriation sufficient
19 to pay the sums obligated by the transaction. If an obligation is evidenced by a contract or
20 agreement requiring the payment of money or by a purchase order for supplies and materials,
21 the contract, agreement, or purchase order shall include on its face a certificate stating that the
22 instrument has been preaudited to assure compliance with this subsection. The certificate,
23 which shall be signed by the finance officer or any deputy finance officer approved for this
24 purpose by the local board, shall take substantially the following form:

25 "This instrument has been preaudited in the manner required by G.S. 18B-702.
26

27 (Signature of finance officer)."

28 An obligation incurred in violation of this subsection is invalid and may not be enforced.
29 The finance officer shall establish procedures to assure compliance with this subsection.

30 (n) Disbursements. – When a bill, invoice, or other claim against a local board is
31 presented, the finance officer shall either approve or disapprove the necessary disbursement. If
32 the claim involves a program, function, or activity accounted for in a fund included in the
33 budget or a capital project or a grant project authorized by the budget, the finance officer may
34 approve the claim only if:

35 (1) The finance officer determines the amount to be payable; and

36 (2) The budget includes an appropriation authorizing the expenditure and either
37 (i) an encumbrance has been previously created for the transaction or (ii) an
38 unencumbered balance remains in the appropriation sufficient to pay the
39 amount to be disbursed.

40 A bill, invoice, or other claim may not be paid unless it has been approved by the finance
41 officer or, under subsection (o) of this section, by the local board. The finance officer shall
42 establish procedures to assure compliance with this subsection.

43 (o) Local Board Approval of Bills, Invoices, or Claims. – The local board may, as
44 permitted by this subsection, approve a bill, invoice, or other claim against the local board that
45 has been disapproved by the finance officer. It may not approve a claim for which no
46 appropriation appears in the budget, or for which the appropriation contains no encumbrance
47 and the unencumbered balance is less than the amount to be paid. The local board shall approve
48 payment by formal resolution stating the board's reasons for allowing the bill, invoice, or other
49 claim. The resolution shall be entered in the minutes together with the names of those voting in
50 the affirmative. The chairman of the board or some other member designated for this purpose
51 shall sign the certificate on the check or draft given in payment of the bill, invoice, or other

1 claim. If payment results in a violation of law, each member of the board voting to allow
2 payment is jointly and severally liable for the full amount of the check or draft given in
3 payment.

4 (p) Checks or Drafts Signed by Finance Officer. – Except as otherwise provided by law,
5 all checks or drafts on an official depository shall be signed by the finance officer or a properly
6 designated deputy finance officer. The chairman of the local board or general manager of the
7 local board shall countersign these checks and drafts. The Commission may waive the
8 requirements of this subsection if the board determines that the internal control procedures of
9 the unit or authority will be satisfactory in the absence of dual signatures.

10 (q) Payment of a Bill, Invoice, Salary, or Claim. – A local board may not pay a bill,
11 invoice, salary, or other claim except by a check or draft on an official depository or by a bank
12 wire transfer from an official depository. Except as provided in this subsection, each check or
13 draft on an official depository shall bear on its face a certificate signed by the finance officer or
14 a deputy finance officer approved for this purpose by the local board (or signed by the
15 chairman or some other member of the board pursuant to subsection (o) of this section). The
16 certificate shall take substantially the following form:

17 "This disbursement has been approved in the manner required by G.S. 18B-702.

18
19 (Signature of finance officer)."

20 No certificate is required on payroll checks or drafts on an imprest account in an official
21 depository if the check or draft depositing the funds in the imprest account carried a signed
22 certificate. No certificate is required for expenditures of fifty dollars (\$50.00) or less from a
23 petty cash fund, provided the expenditure is accounted for by a receipt for the expended item.

24 ~~(b)~~(r) Borrowing Money. – A local board may borrow money only for the purchase of
25 land, buildings, equipment and stock needed for the operation of its ABC system. A local board
26 may pledge a security interest in any real or personal property it owns other than alcoholic
27 beverages. A city or county whose governing body appoints a local board shall not in any way
28 be held responsible for the debts of that board.

29 ~~(e)~~(s) Audits. – A local board shall submit to the appointing authority and Commission an
30 annual independent audit of its operations, performed in accordance with generally accepted
31 accounting standards and in compliance with a chart of accounts prescribed by the
32 Commission. The audit report shall contain a summary of the requirements of this Chapter, or
33 of any local act applicable to that local board, concerning the distribution of profits of that
34 board and a description of how those distributions have been made, including the names of
35 recipients of the profits and the activities for which the funds were distributed. A local board
36 shall also submit to any other audits and submit any reports demanded by the appointing
37 authority or the Commission.

38 ~~(d)~~(t) Deposits and Investments. – A local board may deposit moneysmonies at interest in
39 any bank or trust company in this State in the form of savings accounts or certificates of
40 deposit. Investment deposits shall be secured as provided in G.S. 159-31(b) and the reports
41 required by G.S. 159-33 shall be submitted. A local board may invest all or part of the cash
42 balance of any fund as provided in G.S. 159-30(c) and (d), and may deposit any portion of
43 those funds for investment with the State Treasurer in the same manner as State boards and
44 commissions under G.S. 147-69.3.

45 ~~(e)~~(u) Compliance with Commission Rules. – The Commission shall adopt, and each local
46 board shall comply with, fiscal control rules concerning the borrowing of money, maintenance
47 of working capital, investments, appointment of a budget officer, appointment of a financial
48 officer, daily deposit of funds, bonding of employees, auditing of operations, and the schedule,
49 manner and other procedures for distribution of profits. The Commission may also adopt any
50 other rules concerning the financial operations of local boards which are needed to assure the
51 proper accountability of public funds. The Commission may vary these rules and regulations

1 according to any other criteria reasonably related to the purpose or complexity of the financial
2 operations involved. The Commission has the authority to inquire into and investigate the
3 internal control procedures of a local board and may require any modifications in internal
4 control procedures which, in the opinion of the Commission, are necessary or desirable to
5 prevent embezzlements or mishandling of public monies.

6 (v) Penalties. – If a board member or employee of a local board incurs an obligation or
7 pays out or causes to be paid out any funds in violation of this section, the member or employee
8 and the sureties on the official bond are liable for any sums so committed or disbursed. If the
9 finance officer or any properly designated deputy finance officer gives a false certificate to any
10 contract, agreement, purchase order, check, draft, or other document, the finance officer and the
11 sureties on the official bond are liable for any sums illegally committed or disbursed thereby.

12 (f)(w) Applicability of Criminal Statutes. – The provisions of G.S. 14-90 and G.S. 14-254
13 shall apply to any person appointed to or employed by a local board, and any person convicted
14 of a violation of G.S. 14-90 or G.S. 14-254 shall be punished as a Class H felon.

15 (x) Local Acts. – Notwithstanding the provisions of any local act, this section applies to
16 all local boards."

17 **SECTION 19.** Chapter 18B of the General Statutes is amended by adding a new
18 section to read:

19 **"§ 18B-704. Removal of local board members and employees.**

20 (a) Improper Influence. – Neither the Commission nor its individual members shall
21 attempt to coerce any appointing authority to appoint a particular person as a member of a local
22 board or attempt to coerce a local board to employ any particular applicant.

23 (b) Purpose. – This section is intended to provide a uniform system of removal for
24 appointing authorities and the Commission.

25 (c) Cause for Removal. – (i) Disqualification of a local board member or employee
26 under the law, (ii) a violation of the ABC laws, (iii) failure to complete training required by this
27 Chapter or the Commission, or (iv) engaging in any conduct constituting moral turpitude or
28 which brings the local board or the ABC system into disrepute is cause for the Commission to
29 remove any member or employee of a local board. The employment or retention of any
30 employee who is known to be disqualified under the law to hold a position with a local board is
31 cause for the Commission to remove the board members involved.

32 (d) Removal Process. – The Commission or appointing authority shall provide, in
33 writing, to the local board member or employee the findings of fact upon which the decision for
34 removal is based. The Commission or appointing authority shall also provide the local board
35 member or employee with notice of the availability of a hearing before the Commission to
36 review the removal.

37 (e) Removal Hearing. – Any local board member or employee removed from office or
38 discharged by the Commission or the appointing authority may request a hearing before the
39 Commission. Such a request operates to stay the action of the Commission or the appointing
40 authority with regard to the matter until after the hearing, unless the Commission finds that the
41 public interest requires immediate action. At the hearing, the employee or the employee's
42 counsel may examine all evidence used against the employee and present evidence in the
43 employee's own behalf. A removal hearing is not subject to the provisions of Chapter 150B of
44 the General Statutes. All hearings shall be conducted informally and in such manner as to
45 preserve the substantial rights of the parties.

46 (f) Hearing Procedure. – The Commission shall hold the hearing required by subsection
47 (e) of this section within 15 days of the member's or employee's request for a hearing. The
48 standard of review by the Commission is de novo. The Commission or appointing authority
49 shall be represented by a Commission hearing officer. The Commission shall discharge the
50 member or employee if two-thirds of the Commission's members vote for removal. The
51 Commission shall make findings of fact. The Commission may adopt the findings of fact of the

1 Commission or the appointing authority, may add new findings of fact to the original findings
2 of fact, or may substitute new findings of fact for the original findings of fact. The Commission
3 shall make conclusions of law and shall issue a written decision to the member or employee of
4 the local board, and to the appointing authority, within 15 days of the hearing.

5 (g) Commission Authority. – The Commission shall have the sole power, in its
6 discretion, to determine if cause exists for removal of a local board member or employee who
7 has requested a hearing before the Commission. The Commission's decision in a removal
8 hearing is final.

9 (h) Appeal. – A local board member or employee may appeal the Commission's final
10 decision to the Court of Appeals. The standard of review for an appeal shall be abuse of
11 discretion. The sole remedy for a local board member or employee shall be the reinstatement of
12 the board member or employee to the local board with back pay. All awards for back pay shall
13 be paid by the local board from which the board member or employee was removed.

14 (i) Removal Hearing Not a Substitute for Termination of Employee. – Nothing in this
15 section replaces or is intended to replace a local board's policy regarding the termination of an
16 employee for personnel reasons. The removal process under this section is reserved solely for
17 the appointing authority or the Commission to remove a board member or employee for cause.

18 (j) Local Acts. – Notwithstanding the provisions of any local act, this section applies to
19 all local boards."

20 **SECTION 20.** Chapter 18B of the General Statutes is amended by adding a new
21 section to read:

22 **"§ 18B-705. Compliance with performance standards; remedies.**

23 (a) Local Board Compliance. – The Commission shall establish performance standards
24 pursuant to G.S. 18B-203(a)(20). The Commission shall ensure that all local boards comply
25 with established performance standards by conducting regular or special audits, conducting
26 performance evaluations, or taking other measures, which may include inspections by
27 Commission auditors or alcohol law enforcement agents.

28 (b) Performance Improvement Plans. – The Commission, upon determining that a local
29 board is failing to meet performance standards established pursuant to G.S. 18B-203(a)(20),
30 shall meet with the chair of the local board and the appointing authority and issue a statement
31 of findings. The appointing authority, in consultation with the Commission and the local board,
32 shall develop and deliver a performance improvement plan to the local board within 60 days of
33 the meeting with the Commission. The performance improvement plan shall include, but not be
34 limited to, recommendations for improved performance based on the performance standards
35 established by the Commission. The plan shall also state a period of time in which the
36 performance improvements are to occur and what action will be taken by the Commission if
37 performance standards are not met within the given time limits. The appointing authority shall
38 allow up to, but no more than, 12 months' time to the local board to implement and show
39 improvement under the performance improvement plan. The local appointing authority, in
40 consultation with the Commission and upon good cause shown, may allow up to an additional
41 six-month period of time for the local board to meet all requirements in the performance
42 improvement plan and to establish that the performance standards established by the
43 Commission are met.

44 (c) Remedies. – If the Commission determines that the established performance
45 standards identified in the statement of findings cannot be met after a performance
46 improvement plan has been implemented and adequate time has been given, but in no case less
47 than 12 months, the Commission shall take appropriate action to avoid insolvency. This action
48 may include closing the board pursuant to G.S. 18B-801(d), closing a store or multiple stores,
49 or merging the local board with another local board in order to maintain solvency. The
50 Commission may also seize the assets of the local board and liquidate any assets necessary to
51 satisfy any debt in order to maintain the solvency of the local board. Prior to taking action

1 pursuant to this subsection, the Commission shall issue a notice of intent to take such action to
2 the appointing authority and the local board.

3 (d) Local Acts. – Notwithstanding the provisions of any local act, this section applies to
4 all local boards."

5 **SECTION 21.** Chapter 18B of the General Statutes is amended by adding a new
6 section to read:

7 "**§ 18B-706. Ethics requirements for local boards.**

8 (a) Each local board shall adopt a policy containing a code of ethics, consistent with the
9 provisions of G.S. 18B-201, to guide actions by the local board members and employees of the
10 local board in the performance of their official duties. The policy shall address at least all of the
11 following:

- 12 (1) The need to obey all applicable laws regarding official actions taken as a
13 local board member or employee.
- 14 (2) The need to uphold the integrity and independence of the local board
15 member or employee's position.
- 16 (3) The need to avoid impropriety in the exercise of official duties.
- 17 (4) The need to faithfully perform the duties of the position.
- 18 (5) The need to conduct the affairs of the board in an open and public manner,
19 including complying with all applicable laws governing open meetings and
20 public records.

21 (b) Each member of a local board shall receive a minimum of two hours of ethics
22 education within 12 months after initial appointment to the office and again within 12 months
23 after each subsequent appointment to the office. The ethics education shall cover laws and
24 principles that govern conflicts of interest and ethical standards of conduct for local ABC
25 boards. The education may be provided by the Commission or another qualified source
26 approved by the Commission. The local board shall maintain a record verifying receipt of the
27 ethics education by each member of the local board. The local board may require appropriate
28 ethics training and education for employees of the local ABC board.

29 (c) The Commission shall develop a model ethics policy that local ABC boards may
30 adopt to be in compliance with this section."

31 **SECTION 22.** G.S. 18B-801(b) reads as rewritten:

32 "(b) Location of Stores. – A local board may choose the location of the ABC stores
33 within its jurisdiction, subject to the approval of the Commission. In making its decision on a
34 location, the Commission may consider:

- 35 (1) Whether the health, safety, or general welfare of the community will be
36 adversely ~~affected;~~ ~~and~~ affected.
- 37 (2) Whether the citizens of the community or city in which the proposed store is
38 to be located voted for or against ABC stores in the last election on the
39 question.
- 40 (3) The proximity of the new location to existing ABC stores operated by the
41 local board or any other board."

42 **SECTION 23.** G.S. 18B-801(c) reads as rewritten:

43 "(c) Closing of Stores. – Subject to the provisions of ~~subsection (a),~~ subsection (a) of
44 this section, a local board may ~~elose,~~ close a store, or the Commission may order a local board
45 to ~~elose,~~ close any store when the local board or the Commission determines that:

- 46 (1) ~~The operation of the store is not sufficiently profitable to justify its~~
47 ~~continuation;~~
- 48 (2) The store is not operated in accordance with the ABC law; or
- 49 (3) The continued operation of that store will adversely affect the health, safety,
50 or general welfare of the community in which the store operates."

51 **SECTION 24.** G.S. 18B-803 reads as rewritten:

1 **"§ 18B-803. Store management.**

2 (a) Manager. – A local board shall provide for the management of each store operated
3 by it. The board shall employ at least one manager for each store, who shall operate the store
4 pursuant to the directions of that board.

5 (b) Bonding of Manager. – Each store manager shall be bonded in an amount not less
6 than ~~five thousand dollars (\$5,000)~~, fifty thousand dollars (\$50,000) secured by a corporate
7 surety, for the honest performance of his duties. A public employees' blanket position bond,
8 honesty form, in the required amount satisfies the requirements of this subsection. The bond
9 shall be payable to the local board and shall be approved by the appointing authority for the
10 local board. The appointing authority may increase the amount of bond required for store
11 managers under this subsection.

12 (c) Bonding of Other Employees. – A local board or the appointing authority may
13 require any of its other employees who handle funds to obtain bonds. The amount and form of
14 those bonds shall be determined by the local board.

15 (d) Local Acts. – Notwithstanding the provisions of any local act, this section applies to
16 all local boards."

17 **SECTION 25.** G.S. 18B-1213 reads as rewritten:

18 **"§ 18B-1213. Obligations of purchaser.**

19 The purchaser of a ~~winery~~ winery, and any successor to the import rights of a winery, is
20 obligated to all the terms and conditions of an agreement in effect on the date of the
21 ~~purchase,~~ purchase or other acquisition of the right to distribute a brand, except for good cause,
22 which includes,

- 23 (1) Revocation of the wholesaler's permit or license to do business in this State,
- 24 (2) Bankruptcy or insolvency of the wholesaler,
- 25 (3) Assignment for the benefit of creditors or similar disposition of the assets of
26 the wholesaler, or
- 27 (4) Failure by the wholesaler to comply substantially, without reasonable excuse
28 or justification, with any reasonable and material requirement imposed upon
29 ~~him~~ the wholesaler by the winery.

30 As used in this Article, "purchase" includes the sale of stock, sale of assets, merger, lease,
31 transfer, or consolidation."

32 **SECTION 26.** G.S. 18B-1201(4) reads as rewritten:

- 33 "(4) "Winery" means any holder of an unfortified winery permit, fortified winery
34 permit, limited winery permit, or nonresident wine vendor permit issued
35 under the authority of this Chapter who sells at least ~~1,000~~ 1,250 cases of
36 wine in North Carolina per year."

37 **SECTION 27.** G.S. 93B-9 reads as rewritten:

38 **"§ 93B-9. Age requirements.**

39 Any other provision notwithstanding, except certifications issued by the North Carolina
40 Criminal Justice Education and Training Standards Commission and the North Carolina
41 Sheriffs' Education and Training Standards Commission pursuant to Chapters 17C, 17E, 74E,
42 and 74G of the General Statutes, no occupational licensing board may require that an individual
43 be more than 18 years of age as a requirement for receiving a license."

44 **SECTION 28.** Section 4 of S.L. 2004-92 reads as rewritten:

45 ~~"SECTION 4. If an election is held pursuant to this act and the operation of ABC stores in~~
46 ~~the City of Kannapolis is approved, the~~ The Rowan County ABC Board shall be renamed the
47 Rowan/Kannapolis ABC Board. The terms of the current members of the Rowan County ABC
48 Board shall not be affected by this act, and the Rowan County Board of Commissioners shall
49 continue to appoint three members for staggered, three-year terms on the same schedule as is
50 now followed. There shall be three board members appointed for staggered three-year terms.
51 One member shall be appointed by each of the following governing bodies: Rowan County

1 Board of Commissioners, Kannapolis City Council, and the Salisbury City Council.
2 Appointments shall be made in the following order as current board member terms expire:
3 Salisbury City Council, Kannapolis City Council, and the Rowan County Board of
4 Commissioners. The chair of the Rowan/Kannapolis ABC Board shall be determined by a vote
5 of the members of the Rowan/Kannapolis ABC Board. A member of the Rowan/Kannapolis
6 ABC Board may be removed for cause at anytime by the appointing authority. Members and
7 employees of the Rowan/Kannapolis ABC Board are subject to the removal provisions of
8 G.S. 18B-202."

9 **SECTION 29.** Section 6 of this act becomes effective January 1, 2011. Sections 12
10 and 15 of this act become effective October 1, 2010, and apply to general managers and
11 employees hired on or after that date. Section 16 of this act becomes effective October 1, 2011.
12 Section 18 of this act becomes effective May 1, 2011, and is applicable for local board fiscal
13 years beginning July 1, 2011. The ABC Commission shall offer training and education to local
14 boards to assist local boards in complying with Section 18 of this act, and such training and
15 education shall be offered at least once annually after the effective date of this act; however, the
16 Commission shall have no obligation to provide such training and education after December
17 31, 2013. Section 25 of this act is effective September 15, 2010, and its provisions shall apply
18 to all existing wine distribution agreements. A supplier's shipment of wine to a wholesaler in
19 North Carolina following the effective date of Section 25 of this act shall constitute acceptance
20 by the supplier of the terms of this act and shall be incorporated into the distribution agreement
21 between the supplier and wholesaler. Section 25 of this act shall be effective prospectively only
22 and shall not apply to any administrative action pending before the ABC Commission or to
23 pending litigation or claims that accrued before the effective date of this act. Section 26 of this
24 act is effective September 15, 2010. Section 27 of this act is effective when it becomes law.
25 Section 28 of this act is effective when it becomes law and applies to appointments and
26 vacancies that occur on or after that date. The remainder of this act becomes effective October
27 1, 2010. Nothing in this act shall be deemed to repeal or amend S.L. 1997-224 applicable to
28 Mecklenburg County. Nothing in this act shall be deemed to repeal or amend Chapter 886 of
29 the 1985 Session Laws applicable to the Greensboro ABC Board.