

GENERAL ASSEMBLY OF NORTH CAROLINA
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10611-SVxf-22

Short Title: Fight Exploitation Funding Act (FEFA). (Public)

Sponsors: Representative Hanig.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT REQUIRING A NOMINAL ADMISSION FEE ON ADULT LIVE
3 ENTERTAINMENT BUSINESSES TO BE REMITTED QUARTERLY TO THE
4 DEPARTMENT OF REVENUE AND DEPOSITED INTO THE NORTH CAROLINA
5 HUMAN TRAFFICKING AND CHILD EXPLOITATION PREVENTION GRANT FUND
6 AND CREATING THE NORTH CAROLINA HUMAN TRAFFICKING AND CHILD
7 EXPLOITATION PREVENTION GRANT FUND FOR THE BENEFIT OF
8 GOVERNMENT ENTITIES AND NONPROFITS THAT ARE WORKING TO PROVIDE
9 ASSISTANCE TO VICTIMS OF HUMAN TRAFFICKING AND SEXUAL
10 EXPLOITATION.

11 Whereas, the United States Supreme Court held in *City of Erie v. Pap's A.M.*, 529
12 U.S. 277 (2000), that expressive conduct in nude dancing falls only within the outer ambit of the
13 First Amendment's protection and that regulations designed to curb the deleterious effects caused
14 by the presence of a live adult entertainment establishment in a neighborhood do not offend the
15 First Amendment; and

16 Whereas, informed by the United States Supreme Court's decisions in *City of Erie v.*
17 *Pap's A.M.*, 529 U.S. 277 (2000), and *City of Los Angeles v. Alameda Books, Inc.*, 535 U.S. 425
18 (2002), the Texas Supreme Court in *Combs v. Texas Entertainment Association, Inc.*, 347 S.W.3d
19 277 (Tex. 2011), held that a state statute that imposes a five-dollar admission fee on live adult
20 entertainment establishments is constitutional under the First Amendment because the fee is:

- 21 (1) Nominal and de minimis;
- 22 (2) Content-neutral and satisfies the four-part of the *O'Brien* test set forth by the
23 United States Supreme Court in *United States v. O'Brien*, 391 U.S. 367
24 (1968);
- 25 (3) Not aimed at any expressive content of nude dancing but at the secondary
26 effects of the expression in the presence of the aggravating factor of alcohol;
27 and

28 Whereas, because the erotic dancing at adult live entertainment businesses in North
29 Carolina is of the same licentious character as the adult live entertainment businesses at issue in
30 cases before the United States Supreme Court, such as *Renton v. Playtime Theatres, Inc.*, 475
31 U.S. 41 (1986), *Young v. American Mini Theatres, Inc.*, 427 U.S. 50 (1976), and *California v.*
32 *LaRue*, 409 U.S. 109 (1972), the General Assembly concludes that such erotic dancing is likely
33 producing the same secondary effects in the State of North Carolina and intends to combat those
34 secondary effects by enacting the Fight Exploitation Funding Act (FEFA); and

35 Whereas, the United States Supreme Court in *Renton v. Playtime Theatres, Inc.*, 475
36 U.S. 41 (1986), held that a "time, place, and manner" zoning restriction on an adult business does



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1 not violate the First Amendment if it is aimed not at the content of adult entertainment, but at the
2 secondary effects of sexually oriented businesses on the surrounding community, and if the
3 restriction is "designed to prevent crime, protect the city's retail trade, maintain property values,
4 and generally protect and preserve the quality of the city's neighborhoods, commercial districts,
5 and the quality of urban life, not to suppress the expression of unpopular views." Accordingly,
6 the Fight Exploitation Funding Act (FEFA) is:

- 7 (1) Aimed at offsetting the costs of sexual assault, prostitution, disorderly
8 conduct, human trafficking, and a variety of other crimes and social ills
9 encouraged and promoted by adult live entertainment businesses that serve
10 alcohol;
- 11 (2) Enacted pursuant to the State's inherent police powers afforded to the State of
12 North Carolina in view of the Tenth Amendment of the United States
13 Constitution to protect the health, safety, morals, and general welfare of its
14 inhabitants;
- 15 (3) Not purposed to suppress the expression of unpopular views; and

16 Whereas, the legislature recognizes that there are a number of nonprofit organizations
17 that incur great expense to provide assistance to victims of human trafficking and child
18 exploitation and to promote awareness and that permitting these types of nonprofit organizations
19 access to grant funding through the North Carolina Human Trafficking and Child Exploitation
20 Prevention Grant Fund would substantially further, strengthen, and advance compelling State
21 interests, while easing the burden on law enforcement; Now, therefore,
22 The General Assembly of North Carolina enacts:

23 **SECTION 1.** This act may be cited and referred to as the "Fight Exploitation Funding
24 Act (FEFA)."

25 **SECTION 2.** Subchapter I of Chapter 105 of the General Statutes is amended by
26 adding a new Article to read:

27 "Article 2E.

28 "Adult Live Entertainment Business Fee.

29 **"§ 105-113.201. Definitions.**

30 The following definitions apply in this Article:

- 31 (1) Department. – The Department of Revenue.
- 32 (2) Adult live entertainment business. – Defined in G.S. 14-202.10.

33 **"§ 105-113.202. Adult live entertainment business fee.**

34 (a) Findings. – The General Assembly finds and determines that adult live entertainment
35 businesses that combine nudity with the aggravating factor of alcohol can and do cause secondary
36 harmful effects on the public's health, safety, and welfare. The General Assembly further finds
37 that a nominal fee imposed on these businesses pursuant to the State's police powers to be used
38 to combat or ameliorate adverse secondary impacts and that is not aimed at any expressive
39 content is consistent with the federal constitutional protection afforded to nonobscene but
40 sexually explicit speech.

41 (b) Fee Imposed. – A fee is imposed on an adult live entertainment business that has an
42 alcohol permit issued under Chapter 18B of the General Statutes in an amount equal to five
43 dollars (\$5.00) for each entry by each customer admitted to the business. An adult live
44 entertainment business is not required to impose the fee on a customer of the business. This fee
45 is in addition to all other applicable fees and taxes.

46 (c) Remission of Fee; Reporting. – An adult live entertainment business shall, on a
47 quarterly basis, remit the fee imposed under this Article to the Department in the manner
48 prescribed by the Secretary and shall file a report with the Department in the manner and
49 containing the information required by the Secretary.

50 (d) Recordkeeping. – An adult live entertainment business shall record daily in the
51 manner required by the Department the number of customers admitted to the business. An adult

1 live entertainment business shall maintain the records for the period required by the Department
2 and make the records available only for inspection and audit on request by the Department. The
3 records shall not contain the names or personal information of any of the customers.

4 (e) Distribution and Use. – The Secretary shall remit the proceeds of the fee to the State
5 Treasury to be deposited into the North Carolina Human Trafficking and Child Exploitation
6 Prevention Grant Fund established under G.S. 7A-354.1 to be used in accordance with that
7 section."

8 **SECTION 3.** Article 29 of Chapter 7A of the General Statutes is amended by adding
9 a new section as follows:

10 **"§ 7A-354.1. North Carolina Human Trafficking and Child Exploitation Prevention Grant**
11 **Fund.**

12 (a) Fund Established. – The Human Trafficking and Child Exploitation Prevention Grant
13 Fund is established within the State Treasury. The fund shall be administered by the
14 Administrative Office of the Courts, North Carolina Human Trafficking Commission, and shall
15 be used to make grants for the purpose of providing programs or services that combat human
16 trafficking or assist victims of human trafficking or sex offenses, including awareness and
17 prevention, counseling, victim advocacy, shelters or housing, legal advocacy, physical and
18 mental health services, and job placement and training. This fund shall be administered in
19 accordance with the provisions of the State Budget Act under Chapter 143C of the General
20 Statutes. The fund shall consist of the adult live entertainment business fee collected by the
21 Department of Revenue under Article 2E of Chapter 105 of the General Statutes and any other
22 appropriations, gifts, grants, donations, and bequests.

23 (b) Eligibility and Administration. – The Administrative Office of the Courts shall
24 determine eligibility requirements for grants awarded under this section and develop guidelines
25 to administer and implement the grant program. At a minimum, the eligibility requirements must
26 require grant recipients to meet all of the following conditions:

- 27 (1) Be a local government entity or a nonprofit organization.
- 28 (2) Have been in operation on the preceding July 1 and continue to be in
29 operation.
- 30 (3) Act in support of victims of human trafficking or offenses involving sexual
31 exploitation.
- 32 (4) Offer minimum services for a period of time before receiving a grant and to
33 continue to offer minimum services during the grant period.
- 34 (5) Submit financial and programmatic reports.

35 (c) Report. – The Administrative Office of the Courts, North Carolina Human Trafficking
36 Commission, shall evaluate activities conducted under this section each year and, on or before
37 February 15, submit an annual report containing all of the following information to the Justice
38 and Public Safety Oversight Committee and the Fiscal Research Division of the General
39 Assembly:

- 40 (1) The amount of fees received under G.S. 105-113.202.
- 41 (2) The manner in which the funds in the fund were distributed.
- 42 (3) The manner in which each entity receiving a grant used the grant money."

43 **SECTION 4.** This act becomes effective July 1, 2023.