

# NORTH CAROLINA GENERAL ASSEMBLY



---

## JOINT STUDY COMMITTEE ON ALCOHOLIC BEVERAGE CONTROL

---

### REPORT TO THE 2010 SESSION of the 2009 GENERAL ASSEMBLY

MAY 2010

---

## TRANSMITTAL LETTER

---

The Joint Study Committee on Alcoholic Beverage Control submits to you for your consideration the following report pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2009 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2009 General Assembly.

Respectfully submitted,

---

Representative Ray Warren  
Co-Chair

---

Senator Don Vaughan  
Co-Chair

---

## COMMITTEE PROCEEDINGS

---

Below is a brief summary of the Joint Study Committee on Alcoholic Beverage Control's proceedings. A more detailed record of the Committee's work can be found in the Committee's notebook, located in the Legislative Library.

### **March 9, 2010**

The Committee met on Tuesday, March 9, 2010 in Room 643 of the Legislative Office Building at 2:00 p.m. Carol Shaw, Principal Program Evaluator, Program Evaluation Division, presented her report entitled, "North Carolina's Alcoholic Beverage Control System Is Outdated and Needs Modernization" and answered questions from the Committee.

### **March 24, 2010**

The Committee met on Wednesday, March 24, 2010 in Room 643 of the Legislative Office Building at 2:00 p.m. The Committee first heard from Jon Williams, Chairman, North Carolina Alcoholic Beverage Control Commission, who presented information on the history and purpose of the ABC system and addressed issues of accountability and efficiency within the system. Next, Jon Carr, Legislative Counsel for the North Carolina Association of ABC Boards, presented the Association's perspective on the ABC system. The meeting was then opened up for public comment.

### **April 8, 2010**

The Committee met on Thursday, April 8, 2010 in Room 643 of the Legislative Office Building at 2:00 p.m. The Committee first heard from those who wished to make public comments. Next, Mikael Gross, Committee Co-Counsel, provided an overview of draft legislation for consideration by the Committee. The meeting was then opened up for committee discussion.

### **April 22, 2010**

The Committee met on Thursday, April 22, 2010 in Room 643 of the Legislative Office Building at 2:00 p.m. The Chair recognized Mary Shuping, Education Officer, State Ethics Commission, to present information on the State Government Ethics Act. Next, Eileen R. Youens, Assistant Professor of Public Law and Government, School of Government, University of North Carolina at Chapel Hill, gave a presentation on ethics laws that apply to local ABC boards. The Committee then heard from Mikael Gross, Committee Co-Counsel, who explained the draft legislation, and the meeting was then opened up for committee discussion.

**May 5, 2010**

The Committee met on Wednesday, May 5, 2010 in Room 643 of the Legislative Office Building at 2:00 p.m. The Committee discussed changes to the draft legislation. The Committee also discussed proposed recommendations and approved a final report.

---

## RECOMMENDATIONS

---

The Joint Study Committee on Alcoholic Beverage Control heard significant testimony and had extensive discussion all aspects of the current State and local structure of Alcoholic Beverage Control (ABC) in North Carolina, and makes the following recommendations.

**Recommendation 1:** To provide for statewide consistency and uniformity in ABC structures, rules, and ethics standards, the committee recommends that the General Assembly enact:

AN ACT TO MODERNIZE THE NORTH CAROLINA ALCOHOLIC BEVERAGE CONTROL SYSTEM, AS RECOMMENDED BY THE JOINT STUDY COMMITTEE ON ALCOHOLIC BEVERAGE CONTROL.

**RECOMMENDATION 2:** The Committee recommends that the Speaker of the House of Representatives and the President Pro Tempore of the Senate reestablish the Joint Study Committee on Alcoholic Beverages for the 2010-2011 interim, and that the Committee continue to review aspects of the State's Alcoholic Beverage Control System.

---

## COMMITTEE AUTHORIZATION

---

**Section 1.** The **Joint Study Committee on Alcoholic Beverage Control** (hereinafter "Committee") is established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2009 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2009 General Assembly.

**Section 2.** The Committee consists of 28 members, 14 of whom are appointed by the President Pro Tempore of the Senate and 14 of whom are appointed by the Speaker of the House of Representatives. The President Pro Tempore of the Senate shall appoint eight members of the Senate, and six public members. The Speaker of the House of Representatives shall appoint eight members of the House of Representatives, and six public members.

President Pro Tempore Appointments	Speaker of the House Appointments
Senator Don Vaughan, Chair	Representative Ray Warren, Co-Chair
Senator Charlie Albertson	Representative Larry M. Bell
Senator Stan Bingham	Representative James W. Crawford, Jr.
Senator Dan Blue	Representative Pryor Gibson
Senator Dan Clodfelter	Representative Dewey L. Hill
Senator Fletcher Hartsell	Representative Marvin W. Lucas
Senator Linda Garrou	Representative Edgar V. Starnes
Senator Steve Goss	Representative Fred F. Steen, II
Chief Tim Adams, Gaston County	Ronald Bogle, Orange County
Edward Cook, Mecklenburg County	Karen Gottovi, Wake County
Howard Hunter, III, Hertford County	Walter Harris, Chatham County
Eddie Maynor, Cumberland County	Edward Holmes, Orange County
Paul Powell, Guilford County	Bill Hurley, Cumberland County
Fields Scarborough, Dare County	Peggy Richmond, Orange County

The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each appoint a co-chair, who shall be a member of the General Assembly, from among their respective appointees. A co-chair or other member of the Committee continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment. Members serve at the pleasure of the appointing officer.

**Section 3.** The Committee shall study all aspects of the current State and local structure of alcoholic beverage control (ABC) in North Carolina, including:

- (1) Analyzing the December 2008 report of the North Carolina General Assembly Program Evaluation Division on the effectiveness of the ABC system, and its recommended improvement options for the system.
- (2) Evaluating the need for Statewide consistency and uniformity in ABC structures, rules, and ethics standards.

- (3) Examining the current compensation structure for both State and local ABC board members and employees and making recommendations for any salary limitations or oversight that might be needed.
- (4) Examining the governance structure of local ABC boards, the geographical proximity of local ABC boards, and making recommendations for any changes or reforms.
- (5) Examining the amount and distribution of revenues from the current ABC system.
- (6) Examining what ethics rules are currently applicable to ABC Board members and employees, and making recommendations for any ethics rules that should be applied.
- (7) Examining the oversight and accountability of ABC boards, and making recommendations for any increase in oversight or procedures in order to increase accountability.
- (8) Examining whether additional gubernatorial authority over ABC Boards and employees, including the power to remove employees, should be granted.
- (9) Examining the issue of privatization of the ABC system, and making recommendations as to the advisability of privatization and any potential savings to the State.
- (10) Any other issues related to alcoholic beverage control structure, governance, and revenue in the State.

**Section 4.** The Committee shall meet upon the call of its House and Senate co-chairs. A quorum of the Committee is a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

**Section 5.** The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes. The Committee may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02.

**Section 6.** Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1, 138-5 and 138-6, as appropriate.

**Section 7.** The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly. Individual expenses of five thousand dollars (\$5,000) or less, including per diem, travel, and subsistence expenses of members of the Committee, and clerical expenses shall be paid upon the authorization of a co-chair of the Committee. Individual expenses in excess of five thousand dollars (\$5,000) shall be paid upon the written approval of the President Pro Tempore of the Senate and the Speaker of the House of Representatives. All expenses of the Committee shall be paid from the Legislative Services Commission's Reserve for Studies.

**Section 8.** The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of

Representatives and the Director of Legislative Assistants of the Senate shall assign clerical support staff to the Committee.

**Section 9.** The Committee shall not meet during a regular or extra session of the General Assembly. The Committee may meet at various locations around the State in order to promote greater public participation in its deliberations.

**Section 10.** The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives, on or before May 12, 2010, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall terminate on May 12, 2010, or upon the filing of its final report, whichever occurs first.

Effective this 16th day of February, 2010.



---

Marc Basnight  
President Pro Tempore of the Senate



---

Joe Hackney  
Speaker of the House of Representatives



---

# MEMBERS

---

Senator Donald Ray Vaughan, Co-Chair  
300 N. Salisbury Street, Room 622  
Raleigh, NC 27603-5925  
[Don.Vaughan@ncleg.net](mailto:Don.Vaughan@ncleg.net)  
(919) 733-5856

Senator Charles Woodrow Albertson  
300 N. Salisbury Street, Room 523  
Raleigh, NC 27603-5925  
[Charlie.Albertson@ncleg.net](mailto:Charlie.Albertson@ncleg.net)  
(919) 733-5705

Senator Stan W. Bingham  
16 W. Jones Street, Room 2117  
Raleigh, NC 27601-2808  
[Stan.Bingham@ncleg.net](mailto:Stan.Bingham@ncleg.net)  
(919) 733-5665

Senator Daniel T. Blue, Jr.  
300 N. Salisbury Street, Room 314  
Raleigh, NC 27603-5925  
[Dan.Blue@ncleg.net](mailto:Dan.Blue@ncleg.net)  
(919) 733-5752

Senator Daniel Gray Clodfelter  
300 N. Salisbury Street, Room 408  
Raleigh, NC 27603-5925  
[Daniel.Clodfelter@ncleg.net](mailto:Daniel.Clodfelter@ncleg.net)  
(919) 715-8331

Senator Linda Dew Garrou  
300 N. Salisbury Street, Room 627  
Raleigh, NC 27603-5925  
[Linda.Garrou@ncleg.net](mailto:Linda.Garrou@ncleg.net)  
(919) 733-5620

Senator Steve Goss  
16 W. Jones Street, Room 1028  
Raleigh, NC 27601-2808  
[Steve.Goss@ncleg.net](mailto:Steve.Goss@ncleg.net)  
(919) 733-5742

Senator Fletcher Lee Hartsell, Jr.  
300 N. Salisbury Street, Room 518  
Raleigh, NC 27603-5925  
[Fletcher.Hartsell@ncleg.net](mailto:Fletcher.Hartsell@ncleg.net)  
(919) 733-7223

Representative Thomas Ray Warren,  
Co-Chair  
300 N. Salisbury Street, Room 306C  
Raleigh, NC 27603-5925  
[Ray.Warren@ncleg.net](mailto:Ray.Warren@ncleg.net)  
(919) 733-5639

Representative Larry M. Bell  
300 N. Salisbury Street, Room 538  
Raleigh, NC 27603-5925  
[Larry.Bell@ncleg.net](mailto:Larry.Bell@ncleg.net)  
(919) 733-5863

Representative James Walker Crawford, Jr.  
16 W. Jones Street, Room 1326  
Raleigh, NC 27601-1096  
[Jim.Crawford@ncleg.net](mailto:Jim.Crawford@ncleg.net)  
(919) 733-5824

Representative Pryor Allan Gibson, III  
300 N. Salisbury Street, Room 419A  
Raleigh, NC 27603-5925  
[Pryor.Gibson@ncleg.net](mailto:Pryor.Gibson@ncleg.net)  
(919) 715-3007

Representative Dewey Lewis Hill  
16 W. Jones Street, Room 1309  
Raleigh, NC 27601-1096  
[Dewey.Hill@ncleg.net](mailto:Dewey.Hill@ncleg.net)  
(919) 733-5830

Representative Marvin W. Lucas  
300 N. Salisbury Street, Room 417A  
Raleigh, NC 27603-5925  
[Marvin.Lucas@ncleg.net](mailto:Marvin.Lucas@ncleg.net)  
(919) 733-5775

Representative Edgar V. Starnes  
300 N. Salisbury Street, Room 503  
Raleigh, NC 27603-5925  
[Edgar.Starnes@ncleg.net](mailto:Edgar.Starnes@ncleg.net)  
(919) 733-5931

Representative Fred F. Steen, II  
300 N. Salisbury Street, Room 514  
Raleigh, NC 27603-5925  
[Fred.Steen@ncleg.net](mailto:Fred.Steen@ncleg.net)  
(919) 733-5881

Chief Tim Adams  
2001 E. Long Avenue  
Gastonia, NC 28052

Mr. Edward T. Cook  
701 Crestdale Drive  
Matthews, NC 28105

Mr. Howard Hunter, III  
101 Potecasi Creek Drive  
Ahoskie, NC 27910

Mr. Eddie Maynor  
5770 Rockfish Road  
Hope Mills, NC 28348

Mr. William Paul Powell, Jr.  
202 Manchester Place  
Greensboro, NC 27410

Mr. Fields Scarborough  
2104 South Croatan Highway  
Nags Head, NC 27959

Hon. Ronald E. Bogle  
154 Lake Ellen Drive  
Chapel Hill, NC 27514

Hon. Karen Eckberg Gottovi  
4731 Shannonhouse Drive #102  
Raleigh, NC 27612

Mr. Walter Harris  
P.O. Box 207  
Pittsboro, NC 27312

Hon. Edward S. Holmes  
223 Cedar Club Circle  
Chapel Hill, NC 27517

Hon. John William Hurley  
313 Kirkwood Drive  
Fayetteville, NC 28303

Dr. Peggy A. Richmond, PhD  
203 Simerville Road  
Chapel Hill, NC 27517

STAFF:

Research Division (919) 733-2578 (919) 715-5460 (F) (919) 715-8365 (F)

Brenda Carter – [Brenda.Carter@ncleg.net](mailto:Brenda.Carter@ncleg.net)

Susan Sitze – [Susan.Sitze@ncleg.net](mailto:Susan.Sitze@ncleg.net)

Erika Churchill – [Erika.Churchill@ncleg.net](mailto:Erika.Churchill@ncleg.net)

Cindy Avrette – [Cindy.Avrette@ncleg.net](mailto:Cindy.Avrette@ncleg.net)

Kelly Quick – [Kelly.Quick@ncleg.net](mailto:Kelly.Quick@ncleg.net)

Bill Drafting Division (919) 733-6660 (919) 715-5459 (F)

Mikael Gross – [Mikael.Gross@ncleg.net](mailto:Mikael.Gross@ncleg.net)

Fiscal Research Division (919) 733-4910 (919) 715-3589 (F)

Kristine Leggett – [Kristine.Leggett@ncleg.net](mailto:Kristine.Leggett@ncleg.net)

Lanier McRee – [Lanier.McRee@ncleg.net](mailto:Lanier.McRee@ncleg.net)

Sandra Johnson – [Sandra.Johnson@ncleg.net](mailto:Sandra.Johnson@ncleg.net)

Committee Assistants

Dora King-Morgan – [Vaughanla@ncleg.net](mailto:Vaughanla@ncleg.net) (919) 733-5856

Theresa Lopez – [Warrenrla@ncleg.net](mailto:Warrenrla@ncleg.net) (919) 715-8361

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

H

D

HOUSE DRH50806-MAz-412A\* (03/30)

Short Title: Modernization of the State ABC System. (Public)

Sponsors: Representative R. Warren.

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODERNIZE THE NORTH CAROLINA ALCOHOLIC BEVERAGE  
3 CONTROL SYSTEM, AS RECOMMENDED BY THE JOINT STUDY COMMITTEE  
4 ON ALCOHOLIC BEVERAGE CONTROL.

5 The General Assembly of North Carolina enacts:

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

7 "**§ 18B-101. Definitions.**

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

9 ...

10 (6f) "Finance officer" means the local board employee, other than a general  
11 manager, that is responsible for keeping the accounts of the local board,  
12 receiving and depositing receipts, disbursing funds, and any other duties  
13 assigned by the local board or Commission.

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

20 (7d) "General manager" means the local board employee that is responsible for  
21 the oversight of daily operations of the ABC system and any other duties  
22 assigned by the local board or Commission. The board may designate only  
23 one employee to be the general manager.

24 ~~(7a)~~(7g) "Historic ABC establishment" means a restaurant or hotel that meets all  
25 of the following requirements:

26 a. Is on the national register of historic places or located within a State  
27 historic district.

28 b. Is a property designed to attract local, State, national, and  
29 international tourists located on a State Route (SR) and with a  
30 property line located within 1.5 miles of the intersection of a  
31 designated North Carolina scenic byway as defined in  
32 G.S. 136-18(31).

- c. Is located within 15 miles of a national scenic highway.
- d. Is located in a county in which the on-premises sale of malt beverages or unfortified wine is authorized in two or more cities in the county.

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

...."

**SECTION 2.** G.S. 18B-203(a) is amended by adding a new subdivision to read:

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

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

...

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

(21) Promulgate rules to establish mandatory training requirements for local board members, managers, and employees."

**SECTION 3.** G.S. 18B-501 reads as rewritten:

**"§ 18B-501. Local ABC officers.**

(a) Appointment. – Except as provided in subsection (f), each local board shall hire one or more ABC enforcement officers. Local ABC enforcement officers shall be designated as "ABC Officers". The local board may designate one officer as the chief ABC officer for that board.

(b) Subject Matter Jurisdiction. – After taking the oath prescribed for a peace officer, a local ABC officer may arrest and take other investigatory and enforcement actions for any criminal offense; however, the primary responsibility of a local ABC officer is enforcement of the ABC laws and Article 5 of Chapter 90 (The Controlled Substances Act).

(c) Territorial Jurisdiction. – A local ABC officer has jurisdiction anywhere in the county in which he is employed except that a city ABC officer's territorial jurisdiction is subject to any limitation included in any local act governing that city ABC system. A local ABC officer may pursue outside his normal territorial jurisdiction anyone who commits an offense within that jurisdiction, as provided in G.S. 15A-402(d).

(d) Assisting Other Local Agencies. – The local ABC officers employed by a local board shall constitute a "law-enforcement agency" for purposes of G.S. 160A-288, and a local board shall have the same authority as a city or county governing body to approve cooperation between law-enforcement agencies under that section.

(e) Assisting State and Federal Enforcement. – A local ABC officer may assist State and federal law-enforcement agencies in the investigation of criminal offenses in North Carolina, under the following conditions:

- (1) The local board employing the officer has adopted a resolution approving such assistance and stating the conditions under which it may be provided;
- (2) The State or federal agency has made a written request for assistance from that local board, either for a particular investigation or for any investigation that might require assistance within a certain period of time;
- (3) The local ABC officer is supervised by someone in the requesting agency; and

1 (4) As soon as practical after the assistance begins, an acknowledgement of the  
2 action is placed in the records of the local board.

3 A local ABC officer shall have territorial jurisdiction throughout North Carolina while  
4 assisting a State or federal agency under this section. While providing that assistance the officer  
5 shall continue to be considered an employee of the local board for purposes of salary, worker's  
6 compensation, and other benefits, unless a different arrangement is negotiated between the  
7 local board and the requesting agency.

8 (f) Contracts with Other Agencies. – Instead ~~of of, or in addition to,~~ hiring local ABC  
9 officers, a local board may contract ~~to pay its enforcement funds to~~with a sheriff's department,  
10 city police department, or other local law-enforcement agency for enforcement of the ABC  
11 laws within the law-enforcement agency's territorial jurisdiction. Enforcement agreements may  
12 be made with more than one agency at the same time. When such a contract for enforcement  
13 exists, ~~the those~~ officers of the contracting law-enforcement agency ~~who have been designated~~  
14 ~~by the agency head~~ shall have the same authority to inspect under G.S. 18B-502 that an ABC  
15 officer employed by that local board would ~~have~~ ~~have once the designated officers of the~~  
16 ~~contracting law enforcement agency have been certified by the chief ABC officer as having~~  
17 ~~been trained. In order to be certified, the designated officers shall receive the same training in~~  
18 ~~the enforcement of ABC laws as is provided to local ABC officers.~~ If a city located in two or  
19 more counties approves the sale of some type of alcoholic beverage pursuant to the provisions  
20 of G.S. 18B-600(e4), and there are no local ABC boards established in the city and one of the  
21 counties in which the city is located, the local ABC board of any county in which the city is  
22 located may enter into an enforcement agreement with the city's police department for  
23 enforcement of the ABC laws within the entire city, including that portion of the city located in  
24 the county of the ABC board entering into the enforcement agreement.

25 (f1) ABC Enforcement in Absence of Contract. – In those cities and counties in which  
26 no contract exists between the local board and a local law enforcement agency for enforcement  
27 of ABC laws, officers of a local law enforcement agency shall have the same authority to  
28 inspect under G.S. 18B-502 that an ABC officer employed by that board would have, provided:

- 29 (1) The local law enforcement agency head or sheriff has designated one or  
30 more officers of the agency to conduct inspections under G.S. 18B-502.  
31 (2) The designated officers of the law enforcement agency have been certified  
32 by the chief ABC officer as having been trained.  
33 (3) The designated officers have received the same training in the enforcement  
34 of ABC laws as that provided to local ABC officers.

35 (f2) Accountability; Enforcement Reports. – To ensure accountability to the appointing  
36 authority and the Commission, every local board's ABC officers and those law enforcement  
37 agencies subject to an enforcement agreement entered into pursuant to subsection (f) of this  
38 section shall report to the local board, by the fifth business day of each month, on a form  
39 developed by the Commission, the following:

- 40 (1) The number of arrests made for ABC law, Controlled Substance Act, or  
41 other violations, by category, at ABC permitted outlets.  
42 (2) The number of arrests made for ABC law, Controlled Substance Act, or  
43 other violations, by category, at other locations.  
44 (3) The number of agencies assisted with ABC law or controlled substance  
45 related matters.  
46 (4) The number of alcohol education and responsible server programs presented.

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

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

8 **SECTION 4.** G.S. 18B-600(e) reads as rewritten:

9 "(e) City Mixed Beverage Elections. – A city may hold a mixed beverage election ~~only~~  
10 if the city has at least 500 registered voters.

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

12 (2) ~~Either:~~

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

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

16 c. ~~The city does not operate a city ABC store but:~~

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

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

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

21 **SECTION 5.** G.S. 18B-700 is amended by adding a new subsection to read:

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

25 **SECTION 6.** G.S. 18B-700(g) reads as rewritten:

26 "(g) Salary Compensation of Board Members. – A local board member ~~may be~~  
27 ~~compensated as determined by the appointing authority shall receive compensation in an~~  
28 amount not to exceed \$150 per board meeting unless a different level of monetary  
29 compensation is approved by the appointing authority. If a different level is approved by the  
30 appointing authority, the appointing authority shall notify the Commission of the approved  
31 level of compensation in writing. No local board member shall receive any non-monetary  
32 compensation or benefits unless specifically authorized by this section."

33 **SECTION 7.** G.S. 18B-700 is amended by adding a new subsection to read:

34 "(g1) Compensation of General Managers of Local Boards. – The salary authorized for  
35 the general manager of a local board shall not exceed the salary authorized by the General  
36 Assembly for the clerk of superior court of the county in which the appointing authority was  
37 originally incorporated unless such compensation is otherwise approved by the appointing  
38 authority. The local board shall provide the appointing authority's written confirmation of such  
39 approval to the Commission. The general manager of a local board may receive any other  
40 benefits to which all employees of the local board are entitled. The salary authorized for other  
41 employees of a local board may not exceed that of the general manager."

42 **SECTION 8.** G.S. 18B-700 is amended by adding a new subsection to read:

43 "(g2) Travel allowance and per diem rates. – Approved travel on official business by the  
44 members and employees of local boards shall be reimbursed pursuant to G.S. 138-6 unless the  
45 local board adopts a travel policy that conforms to the travel policy of the appointing authority

1 and such policy is approved by the appointing authority. The local board shall provide the  
2 appointing authority's written confirmation of such approval to the Commission."

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

4 "(i) Bond. – Each local board member and the employees designated as the general  
5 manager or finance officer of the local board shall be bonded in an amount not less than five  
6 thousand dollars (\$5,000), one hundred thousand dollars (\$100,000) secured by a corporate  
7 surety, for the faithful performance of his duties. A public employees' blanket position bond in  
8 the required amount satisfies the requirements of this subsection. The bond shall be payable to  
9 the local board and shall be approved by the appointing authority for the local board. The  
10 appointing authority may ~~exempt from this bond requirement any board member who does not~~  
11 ~~handle board funds, and it may also~~ increase the amount of the bond required for any member  
12 or employee who does handle/handles board funds."

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

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

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

26 **SECTION 11.** G.S. 18B-700 is amended by adding a new subsection to read:

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

29 **SECTION 12.** G.S. 18B-701 reads as rewritten:

30 "**§ 18B-701. Powers and duties of local ABC boards.**

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

- 32 (1) Buy, sell, transport, and possess alcoholic beverages as necessary for the  
33 operation of its ABC stores;
- 34 (2) Adopt rules for its ABC system, subject to the approval of the Commission;
- 35 (3) Hire and fire employees for the ABC system;
- 36 (4) Designate one employee as manager of the ABC system and determine his  
37 responsibilities;
- 38 (5) Require bonds of employees as provided in the rules of the Commission;
- 39 (6) Operate ABC stores as provided in Article 8;
- 40 (7) Issue purchase-transportation permits as provided in Article 4;
- 41 (8) Employ local ABC officers or make other provision for enforcement of ABC  
42 laws as provided in Article 5;
- 43 (9) Borrow money as provided in G.S. 18B-702;
- 44 (10) Buy and lease real and personal property, and receive property bequeathed  
45 or given, as necessary for the operation of the ABC system;
- 46 (11) Invest surplus funds as provided in G.S. 18B-702;

- 1 (12) Dispose of property in the same manner as a city council may under Article  
2 12 of Chapter 160A of the General Statutes; and  
3 (13) Perform any other activity authorized or required by the ABC law.

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

8 **SECTION 13.** G.S. 18B-702 reads as rewritten:

9 **"§ 18B-702. Financial operations of local boards.**

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

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

17 (c) Annual Balanced Budget. – Each local board shall operate under an annual balanced  
18 budget administered in accordance with this section. A budget is balanced when the sum of  
19 estimated gross revenues and both restricted and unrestricted funds are equal to appropriations.  
20 Expenditures shall not exceed the amount of funds received or in reserve for the purpose to  
21 which the funds are appropriated. It is the intent of this section that all monies received and  
22 expended by a local board should be included in the budget. Therefore, notwithstanding any  
23 other provision of law, no local board may expend any monies, regardless of their source  
24 except in accordance with a budget adopted under this section. The budget of a local board  
25 shall cover a fiscal year beginning July 1 and ending June 30.

26 (d) Preparation and Submission of Budget and Budget Message. – Upon receipt of the  
27 budget requests and revenue estimates and the financial information supplied by the finance  
28 officer, the budget officer shall prepare a budget for consideration by the local board in such  
29 form and detail as may have been prescribed by the budget officer or the local board. The  
30 budget, together with a budget message, shall be submitted to the local board, the appointing  
31 authority, and the Commission not later than June 1. The budget and budget message should,  
32 but need not, be submitted at a formal meeting of the board. The budget message should  
33 contain a concise explanation of the goals fixed by the budget for the budget year, should  
34 explain important features of the activities anticipated in the budget, should set forth the  
35 reasons for stated changes from the previous year in appropriation levels and should explain  
36 any major changes in fiscal policy.

37 (e) Filing and publication of the budget. – On the same day the budget officer submits  
38 the budget to the local board, the budget officer shall make a copy for public inspection and it  
39 shall remain available for public inspection until the budget is adopted. The budget officer shall  
40 make a copy of the budget available to all news media in the county. The budget officer shall  
41 also publish a statement that the budget has been submitted to the local board, and is available  
42 for public inspection in the office of the general manager of the local board. The statement shall  
43 also give notice of the time and place of the budget hearing required by subsection (f) of this  
44 section.

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



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

- 10       (1) The full amount estimated by the finance officer to be required for debt  
11 service during the budget year shall be appropriated.
- 12       (2) The full amount of any deficit in each fund shall be appropriated.
- 13       (3) Working capital funds set aside pursuant to G.S. 18B-805 shall be no less  
14 than two weeks' average gross sales of the latest fiscal year or greater than  
15 two months' average gross sales of the latest fiscal year. "Working Capital"  
16 means the total of cash, investments, and inventory less all unsecured  
17 liabilities. Gross sales means gross receipts from the sale of alcoholic  
18 beverages less distributions as defined in G.S. 18B-805(b)(2), (3), (4) and  
19 (5). Any expenditure to be charged against working capital funds shall be  
20 authorized by resolution of the local board, which resolution shall be deemed  
21 an amendment to the budget setting up an appropriation for the object of  
22 expenditure authorized. The local board may authorize the budget officer to  
23 authorize expenditures from working capital funds subject to such  
24 limitations and procedures as it may prescribe. Any such expenditure shall  
25 be deemed an amendment and reported to the board at its next regular  
26 meeting and recorded in the minutes.
- 27       (4) Estimated revenues shall include only those revenues reasonably expected to  
28 be realized in the budget year.
- 29       (5) Sufficient funds to meet the amounts to be paid during the fiscal year under  
30 continuing contracts previously entered into shall be appropriated unless  
31 such contract reserves to the local board the right to limit or not to make  
32 such appropriation.
- 33       (6) The sum of estimated net revenues and appropriated fund balance in each  
34 fund shall be equal to appropriations in that fund. Appropriated fund balance  
35 in a fund shall not exceed the sum of cash and investments minus the sum of  
36 liabilities, encumbrances, and deferred revenues arising from cash receipts,  
37 as those figures stand at the close of the fiscal year next preceding the budget  
38 year.

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

42       (h) Amendments to the Budget. – Except as otherwise restricted by law, the local board  
43 may amend the budget at any time after adoption, in any manner, so long as the budget, as  
44 amended, continues to satisfy the requirements of this section. The local board by appropriate  
45 resolution may authorize the budget officer to transfer monies from one appropriation to  
46 another within the same fund subject to such limitations and procedures as it may prescribe.

1 Any such transfers shall be reported to the local board at its next regular meeting and shall be  
2 entered in the minutes. Amendments to the adopted budget shall also be provided to the  
3 appointing authority and the Commission.

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

9 (j) Finance Officer. – The local board shall designate an employee of the board, other  
10 than the general manager, to be the finance officer for the local board. The Commission, for  
11 good cause shown, may allow the general manager of a board to also be the finance officer.

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

14 (1) Keep the accounts of the local board in accordance with generally accepted  
15 principles of governmental accounting and the rules and regulations of the  
16 Commission.

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

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

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

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

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

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

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

38 (m) Incurring Obligations. – No obligation may be incurred in a program, function, or  
39 activity accounted for in a fund included in the budget unless the budget includes an  
40 appropriation authorizing the obligation and an unencumbered balance remains in the  
41 appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction  
42 for the current fiscal year. No obligation may be incurred for a capital project unless the budget  
43 authorizing the obligation and an unencumbered balance remains in the appropriation sufficient  
44 to pay the sums obligated by the transaction. If an obligation is evidenced by a contract or  
45 agreement requiring the payment of money or by a purchase order for supplies and materials,  
46 the contract, agreement, or purchase order shall include on its face a certificate stating that the

1 instrument has been preaudited to assure compliance with this subsection. The certificate,  
2 which shall be signed by the finance officer or any deputy finance officer approved for this  
3 purpose by the local board, shall take substantially the following form:

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

5  
6 (Signature of finance officer)."

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

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

14 (1) He determines the amount to be payable; and

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

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

22 (o) Local Board Approval of Bills, Invoices, or Claims. – The local board may, as  
23 permitted by this subsection, approve a bill, invoice, or other claim against the local board that  
24 has been disapproved by the finance officer. It may not approve a claim for which no  
25 appropriation appears in the budget, or for which the appropriation contains no encumbrance  
26 and the unencumbered balance is less than the amount to be paid. The local board shall approve  
27 payment by formal resolution stating the board's reasons for allowing the bill, invoice, or other  
28 claim. The resolution shall be entered in the minutes together with the names of those voting in  
29 the affirmative. The chairman of the board or some other member designated for this purpose  
30 shall sign the certificate on the check or draft given in payment of the bill, invoice, or other  
31 claim. If payment results in a violation of law, each member of the board voting to allow  
32 payment is jointly and severally liable for the full amount of the check or draft given in  
33 payment.

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

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



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

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

6        **SECTION 14.** Chapter 18B of the General Statutes is amended by adding a new  
7 section to read:

8        "**§ 18B-704. Removal of local board members and employees.**

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

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

14        (c) Cause for Removal. – Disqualification of a local board member or employee under  
15 the law, a violation of the ABC laws, failure to complete training required by this Chapter or  
16 the Commission, or engaging in any conduct constituting moral turpitude or which brings the  
17 local board or the ABC system into disrepute is cause for the Commission to remove any  
18 member or employee of a local board. The employment or retention of any employee who is  
19 known to be disqualified under the law to hold a position with a local board is cause for the  
20 Commission to remove the board members involved.

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

26        (e) Removal Hearing. – Any local board member or employee removed from office or  
27 discharged by the Commission or the appointing authority may request a hearing before the  
28 Commission. Such a request operates to stay the action of the Commission or the appointing  
29 authority with regard to the matter until after the hearing, unless the Commission finds that the  
30 public interest requires immediate action. At the hearing, the employee or his counsel may  
31 examine all evidence used against him and present evidence in his own behalf. A removal  
32 hearing is not subject to the provisions of Chapter 150B of the General Statutes. All hearings  
33 shall be conducted informally and in such manner as to preserve the substantial rights of the  
34 parties.

35        (f) Hearing Procedure. – The Commission shall hold the hearing required by subsection  
36 (d) of this section within 15 days of the member's or employee's request for a hearing. The  
37 standard of review by the Commission is de novo. The Commission or appointing authority  
38 shall be represented by a Commission Hearing Officer. The Commission shall discharge the  
39 member or employee if two-thirds of the Commission's members vote for removal. The  
40 Commission shall make findings of fact. The Commission may adopt the findings of fact of the  
41 Commission or the appointing authority, may add new findings of fact to the original findings  
42 of fact, or may substitute new findings of fact for the original findings of fact. The Commission  
43 shall make conclusions of law and shall issue a written decision to the member or employee of  
44 the local board, and to the appointing authority, within 15 days of the hearing.

45        (g) Commission Authority. – The Commission shall have the sole power, in its  
46 discretion, to determine if cause exists for removal of a local board member or employee who

1 has requested a hearing before the Commission. The Commission's decision in a removal  
2 hearing is final.

3 (h) Appeal. – A local board member or employee may appeal the Commission's final  
4 decision to the Court of Appeals. The standard of review shall be abuse of discretion. The sole  
5 remedy for a local board member or employee shall be the reinstatement of the board member  
6 or employee to the local board with back-pay. All awards for back-pay shall be paid by the  
7 local board form which the board member or employee was removed.

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

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

14 **SECTION 15.** Chapter 18B of the General Statutes is amended by adding a new  
15 section to read:

16 **"§ 18B-705. Compliance with performance standards; remedies.**

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

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

37 (c) Remedies. – If the Commission determines that the local board has not implemented  
38 the recommendations for improved performance in a timely manner and the local board is not  
39 meeting the performance standards or is failing to make all distributions required by  
40 G.S. 18B-805(b), the Commission shall notify the local board and the appointing authority and  
41 may make additional recommendations to the local board and appointing authority including  
42 closing a store or stores, relocating store locations, merging the local board with another local  
43 board, or entering into an agreement for joint store operations, or abolishing the local board.

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

1           **SECTION 16.** Chapter 18B of the General Statutes is amended by adding a new  
2 section to read:

3 **"§ 18B-706. Ethics requirements for local boards.**

4           **(a) Each local board shall adopt a policy containing a code of ethics to guide actions by**  
5 **the board members and employees of the ABC board in the performance of their official duties.**  
6 **The policy shall address at least all of the following:**

7           **(1) The need to obey all applicable laws regarding official actions taken as a**  
8 **board member or employee.**

9           **(2) The need to uphold the integrity and independence of the board member or**  
10 **employee's position.**

11           **(3) The need to avoid impropriety in the exercise of official duties.**

12           **(4) The need to faithfully perform the duties of the position.**

13           **(5) The need to conduct the affairs of the board in an open and public manner,**  
14 **including complying with all applicable laws governing open meetings and**  
15 **public records.**

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

24           **SECTION 17.** G.S. 18B-801(b) is amended by adding a new subdivision to read:

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

28           **(1) Whether the health, safety, or general welfare of the community will be**  
29 **adversely ~~affected;~~ ~~and~~ affected.**

30           **(2) Whether the citizens of the community or city in which the proposed store is**  
31 **to be located voted for or against ABC stores in the last election on the**  
32 **question.**

33           **(3) The proximity of the new location to existing ABC stores operated by the**  
34 **local board or any other boards.**"

35           **SECTION 18.** G.S. 18B-801(d) reads as rewritten:

36           **"(d) Insolvent ABC System. – If an ABC system is insolvent, the local board may apply**  
37 **to the Commission for an order to close the system. Upon receipt of an application, or upon its**  
38 **own motion, the Commission shall investigate the system, and if it finds that ~~further operation~~**  
39 **~~of the ABC stores will not be profitable, the system is insolvent,~~ it may order the system closed.**  
40 **If the Commission orders a local system to close, the Commission may:**

41           **(1) After consultation with the local board, its creditors, and other interested**  
42 **parties, schedule a phase out of the system's business activities;**

43           **(2) Represent the local board in negotiations with creditors and other interested**  
44 **parties;**

45           **(3) Require an accounting or auditing of the local system;**

- 1 (4) Take possession or arrange for the disposition of any liquor for which the  
2 local board has not paid;
- 3 (5) Apply to the Superior Court to be appointed as receiver for the local board  
4 with all powers and duties of a receiver for a corporation under Article 38 of  
5 Chapter 1 of the General Statutes, except that the Commission shall not be  
6 required to post the bond required by G.S. 1-504; or
- 7 (6) Take any other reasonable steps to promote an orderly closing of the system.

8 In lieu of closing an insolvent system, the commission may, in acting as appointed  
9 receiver for the local board, enter into a voluntary agreement to merge the local board with  
10 another local board pursuant to G.S. 18B-703, or may enter into a voluntary agreement with  
11 one or more local boards to jointly operate one or more stores pursuant to G.S. 18B-703(h)."

12 **SECTION 19.** G.S. 18B-803 reads as rewritten:

13 **"§ 18B-803. Store management.**

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

17 (b) **Bonding of Manager.** – Each store manager shall be bonded in an amount not less  
18 than ~~five thousand dollars (\$5,000)~~, one hundred thousand dollars (\$100,000) secured by a  
19 corporate surety, for the honest performance of his duties. A public employees' blanket position  
20 bond, honesty form, in the required amount satisfies the requirements of this subsection. The  
21 bond shall be payable to the local board and shall be approved by the appointing authority for  
22 the local board. The appointing authority may increase the amount of bond required for store  
23 managers under this subsection.

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

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

29 **SECTION 20.** Section 6 of this act becomes effective on January 1, 2011.  
30 Sections 8 and 10 of this act become effective October, 1, 2010 and applies to general  
31 managers and employees hired on or after that date. Section 13 of this act becomes effective  
32 May 1, 2011. The remainder of this act becomes effective October 1, 2010.