



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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North Carolina's Alcohol Beverage Control System Is Outdated and Needs Modernization

Summary

The Joint Legislative Program Evaluation Oversight Committee directed the Program Evaluation Division to evaluate the effectiveness of the Alcohol Beverage Control (ABC) system and identify improvement options. This study examined how North Carolina's ABC system functions, focusing on the operation of the 158 local boards. Together, these local boards operate 405 ABC stores across the state.

North Carolina's ABC system has not kept pace with demographic and economic changes in the state. Population shifts affect the ability of some local boards to be profitable as the state becomes more urbanized and shopping patterns change. Population growth in cities and towns makes the current threshold of 500 registered voters for holding municipal ABC store elections too low, resulting in unnecessary competition among boards and inefficient store operations.

State statutes limit the ability of the North Carolina ABC Commission to effectively and efficiently manage the ABC system. Financial data for local boards show performance varies considerably (e.g., some boards operate inefficiently when compared to private liquor retail operations). The ABC Commission does not have the authority to enforce minimum standards for operations and profitability, nor can it effectively assist boards in making changes to improve operations, such as local board consolidation or mergers.

Unlike other control states, North Carolina has not clearly defined the mission of local boards in state statutes or administrative rules. Some boards use the lack of a clear mission to justify ineffective and inefficient store operations by deemphasizing profitability.

North Carolina also has a different system for regulating the sale of liquor. All 50 states regulate the sale and distribution of alcoholic beverages by either directly controlling the distribution and sale of liquor or licensing suppliers, wholesalers, and retail businesses that distribute and sell liquor. North Carolina is considered a control state but is the only control state where local governments appoint a board to operate retail stores.

Evaluation findings suggest the North Carolina General Assembly should modernize the current ABC system by defining the mission of local boards, providing the ABC Commission with management tools for better oversight of local boards, modifying outdated statutes for ABC store elections and purchase-transportation permits, and considering whether other ABC systems identified in this evaluation are appropriate for North Carolina.