



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Rep. Bradford, Rep. Howard, Rep. Setzer, and Rep. Szoka
Analyst(s): Mark White
RE: Temporarily Waive ABC Permit Renewal Fees

SUMMARY TABLE

FISCAL IMPACT OF PCS H.73, V.4 (\$ in millions)

| | <u>FY 2020-21</u> | <u>FY 2021-22</u> | <u>FY 2022-23</u> | <u>FY 2023-24</u> | <u>FY 2024-25</u> |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| State Impact | | | | | |
| General Fund Revenue | (14.4) | - | - | - | - |
| <u>Less Expenditures</u> | <u>1.6</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| General Fund Impact | (16.0) | - | - | - | - |
| NET STATE IMPACT | (\$16.0) | - | - | - | - |

TECHNICAL CONSIDERATIONS: See Technical Considerations Section

FISCAL IMPACT SUMMARY

This draft PCS would waive ABC Commission on-premises permit registration and renewal fees for permit year 2021-22. These fees would normally be collected by April 30, 2021. New applicants for permit year 2021-22 will still be required to pay all applicable permit fees. The PCS also would allow businesses required to close under Executive Order 141 to seek a refund for permit fees for permit year 2020-21. Because of the uncertainty in permits and the precise number of fees that would be affected or refunds that will be sought, Fiscal Research cannot determine the total amount of the fees waived by this bill. Based on the previous year's registrations, renewals, and new applications, the maximum amount of lost revenue to the General Fund from this PCS would be approximately \$14.2 million from waived permit fees for permit year 2021-22 and \$185,000 from waived permit fees for permit year 2020-21. The maximum amount of expense for the General Fund from refunded permit fees for permit year 2020-21 would be approximately \$1.6 million. The actual amount would likely be less than either of these figures.

FISCAL ANALYSIS

The ABC Commission, as part of its mission to regulate the sale and consumption of alcoholic beverages in North Carolina, issues permits for certain businesses for the sale of different types of alcohol and for consumption both on- and off-premises. Based on the most recent data available



from the ABC Commission, there were 45,405 permits (all types) issued to approximately 20,000 businesses for permit year 2020-21, representing \$20.5 million in fees. Permit fees are \$400 for beer sales, \$400 for wine sales, and \$1,000 for mixed drinks. Permits are issued for the annual period of May 1 through April 30. Permit fees are not prorated and are due annually before April 30. These fees go directly to the General Fund and are not used to support ABC Commission operations.

Section 1 of the PCS would waive several ABC Commission fees for the permit year running from May 1, 2021 through April 30, 2022. Specifically, the bill would waive the fees tied to on-premises sales and related activities, such as tastings and catering events. Section 2 allows any business that has already paid this fee to see a refund. These sections will result in lost revenue to the General Fund. However, because fee amounts vary from year to year based on the number of permittees who seek either a new permit or renewal, Fiscal Research cannot determine the precise amount of projected lost revenue.

According to the ABC Commission, the permit fees that would be waived by Section 1 of the PCS totaled \$12,266,900 in FY 2019-20. In addition, there were \$1,986,488 in new permit fees collected in FY 2019-20. In FY 2020-21, these permits may need to be renewed. Some current permit holders may elect not to renew their permits regardless of the fee waiver proposed by this bill, and fee collections could be lower in FY 2020-21 than FY 2019-20 even without this legislation. If all eligible permittees were to register/renew and have their fees waived by this bill, the upward bound on that amount should equal the amount from renewals from FY 2019-20 plus the amount from new permits in FY 2019-20.

Therefore, Sections 1 and 2 of the PCS could result in an impact to the General Fund of lost revenues of no greater than approximately \$14,253,388 in FY 2020-21.

Section 3 of the PCS would also allow certain businesses to seek a refund for permit fees paid for permit year 2020-21. Specifically, Section 3 of the PCS applies to businesses that were subject to Section 8 of Executive Order 141, which includes bingo parlors, bowling alleys, gyms and other fitness centers, movie theaters, skating rinks, gaming establishments, reception venues, museums, amusement parks, bars, and night clubs/dance/music halls. Fiscal Research cannot project the precise number of eligible businesses that may seek a refund for these permit fees.

According to the ABC Commission, 103 businesses that were subject to closure in Executive Order 141 have not yet paid renewal fees for permit year 2020-21. These fees total \$185,000. As these businesses would no longer be required to pay this fee under this PCS, Section 3 would result in an impact of \$185,000 in lost revenues to the General Fund for FY 2020-21. In addition, the ABC Commission reports that the total value of renewal fees paid by businesses that would be eligible to receive a refund under this PCS is \$1,617,768. Therefore, if all eligible permittees were to see a refund, Section 3 of the PCS could result in an impact to the General Fund of lost revenues of no greater than approximately \$1,617,768 in FY 2020-21.



TECHNICAL CONSIDERATIONS

ABC Commission notes that the following permits listed in the bill are not registerable or renewable and therefore would not result in any fee waivers being granted: Culinary Permit – AV Permit Type, Spiritous liquor tasting permit, Antique spiritous liquor permit, Common area entertainment permit.

DATA SOURCES

ABC Commission

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.

