



2018 ANNUAL REPORT

NORTH CAROLINA
ALCOHOLIC BEVERAGE
CONTROL COMMISSION



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From Left Department of Public Safety Secretary Erik Hooks, ABC Commission Chairman Zander Guy, DPS General Counsel Jane Gilchrest, NC Highway Patrol Commander Col. Glenn McNeill, and Director of Intergovernmental Affairs Jordan Whichard

LETTER FROM THE CHAIRMAN

A. D. “Zander” Guy, II

Commissioner Norman Mitchell and I are very proud of the **positive results** that our team has achieved this year, and we invite you to review the operations of the NC ABC Commission as outlined in this report. During the 2018 fiscal year, Commission staff worked with the Office of the State Auditor to provide information related to a performance audit of the agency. The audit was released in August 2018 and I

accepted the findings and renewed this agency’s commitment to efficient, effective operations. We are committed to **achieving excellence** in providing the uniform control over the sale, purchase, transportation, manufacture, consumption, and possession of alcoholic beverages in our state and welcome the opportunity to share some of the highlights of our work with you here:

STIMULATING THE STATE ECONOMY

The fiscal year 2018 marks the NC ABC Commission’s 3rd consecutive record-setting year for **ten-digit sales**, where retail sales surged and sales to restaurants and other businesses with mixed beverage permits increased over the prior year. This **billion dollar ABC revenue** resulted in an all-time high **transfer of monies into the General Fund** for use by the North Carolina General Assembly. Funding allocations for the following state services all come from the General Fund:

Administration Department	Governor’s Office	NCSU - Agricultural Research	State Treasurer
Agriculture Department	Governor-Special Projects	NC A&T University	UNC - Chapel Hill Academic Affairs
Appalachian State University	Health and Human Services Department	NC Central University	UNC - Chapel Hill Health Affairs
Board of Elections	Housing Finance Agency	NC School of Science & Mathematics	UNC - General Administration
Commerce Department	Information Technology	Office of Administrative Hearings	UNC at Asheville
Community Colleges	Insurance Department	Office of State Budget	UNC at Charlotte
East Carolina University	Judicial System	Office of the State Controller	UNC at Greensboro
Economic Development	Justice Department	Public Instruction Department	UNC at Pembroke
Elizabeth City State University	Labor Department	Public Safety Department	UNC at Wilmington
Environment and Natural	Lieutenant Governor	Retirement and Employee Benefits	UNC School of the Arts
Resources Department	Military and Veterans Affairs	Revenue Department	Western Carolina University
Environmental Quality	Natural and Cultural Resources	Roanoke Island Commission	Wildlife Resources
Fayetteville State University	NCSU - Academic Affairs	Secretary of State	Winston-Salem State University
General Assembly	NCSU - Agricultural Extension Service	State Auditor	

The ABC system is entirely self-funded. Operations of the ABC warehouse complex, the ABC stores, and the ABC Commission itself all are funded from the sale of bottles of liquor, not from the General Fund.

SUPPORTING LOCAL COMMUNITIES

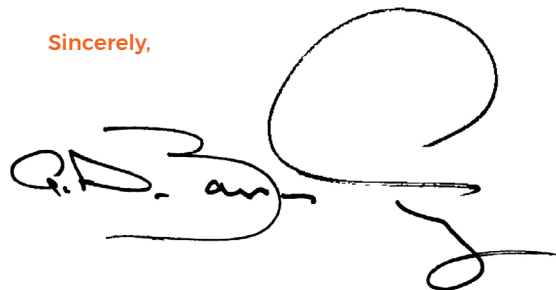
This record-setting amount of ABC revenue also makes a **meaningful difference** to communities large and small all across our state. As a matter of public policy, local governments are charged with protecting the general welfare of their residents. Revenue from ABC store sales helps them with this charge. In FY18 millions of dollars went to local alcohol law enforcement and local alcohol prevention/treatment/recovery programs. Additionally, local ABC boards, which are appointed by their own municipal council or county commission, regularly sponsor impactful public service projects in their communities. In FY18 the ABC system also distributed millions of dollars directly to city and county governments. Those local governing bodies use that money to pay for basic municipal and county services. Furthermore, it **gives local governments the flexibility** to embark on projects that better their community in ways that best reflect their own local needs and cultural values.

GIVING THANKS

I often say that **life is all about relationships**.

In any relationship, expressing gratitude is a welcomed sign of respect. Therefore, I want to thank our approximately **50** ABC Commission employees who **deliver great customer service**, with a great attitude, consistently achieving great results. Additionally, I want to thank Commissioner Norman Mitchell for his support, and I would like to acknowledge the contributions of Commissioner Mike Herring who stepped down from his position in August after two and a half years of service. I also want to thank our **168** ABC Boards that work effectively at the local level to efficiently operate **433** outstanding retail ABC stores. And I want to thank LB&B Associates for their comprehensive warehouse operations. Operationally, the ABC Commission falls under the umbrella of the Department of Public Safety, and I want to thank Secretary Erik Hooks and his team for their support. And certainly I want to recognize the hundreds of ABC contracted Law Enforcement agents and the **109** Alcohol Law Enforcement officers who work in the Department of Public Safety for their diligence in enforcing the ABC laws and regulations. I also want to thank Governor Roy Cooper for his leadership. And finally, I want to **thank you** for taking the time to learn about how our ABC system works by reading this 2018 annual report.

Sincerely,



GUBERNATORIAL APPOINTMENT



Chairman Zander Guy and Commissioner Mike Herring (left) welcome the newly appointed Norman A. Mitchell, Sr., to the Commission.

In 2018 Governor Roy Cooper announced the appointment to the ABC Commission of Norman A. Mitchell, Sr., a native of Charlotte who previously served for ten years on the Mecklenburg Board of County Commissioners. He also served on the state's Local Government Retirement System Board as an appointee of Gov. Mike

Easley. Commissioner Mitchell is a combat-wounded veteran of the Vietnam War and a recipient of the Purple Heart.

GUBERNATORIAL PROCLAMATION

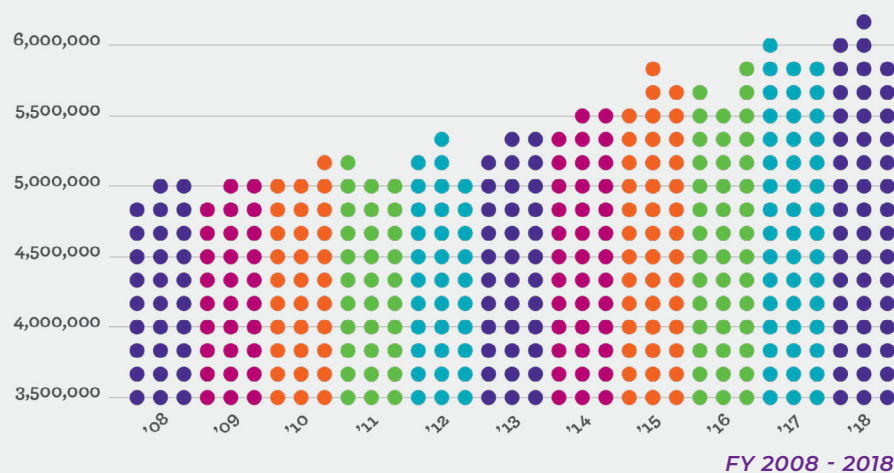
Gov. Roy Cooper proclaimed April as Alcohol Awareness Month joining with North Carolina's ABC Commission, university researchers, law enforcement agencies, local prevention coalitions, and other community leaders in addressing this challenging issue head-on.

"Underage drinking can keep young people from achieving success in school and work, harm their health, and put lives at risk," Gov. Cooper said. "Encouraging conversations about underage drinking is important to kids' futures and the future of our state."

"The Commission takes the issue of underage drinking prevention very seriously," said NC ABC Commission Chairman Zander Guy. "And we are glad to join Gov. Cooper in this important work."



CASE SHIPMENTS



ABC BOARD NEWS

COUNTY/TOWN BOARD	ABC STORE	MIXED BEVERAGE
Belmont (Gaston)	Opened a New Store	—
Burke County	Voted Yes	Voted Yes
Cumberland County	Opened a New Store	—
Garland (Sampson)	—	Voted Yes
Hoke County	Opened a New Store	—
Maiden (Catawba)	—	Voted Yes
Mecklenburg County	Opened a New Store	—

There were no stores closed during the year.

FY 2018

NC DISTILLERIES

IN PRODUCTION AS OF JUNE 30, 2018

- Apothecary Beverage Co.
- Asheville Distilling Co.
- Barrister & Brewer
- Blue Ridge Distilling
- Bogue Sound Distillery
- Broad Branch Distillery
- Broadslab Distillery
- Brothers Vilgalys Spirits
- Call Family Distillers
- Carolina Distillery
- Copper Barrel Distillery
- Dalton Distillery
- Diablo Distilleries
- Doc Porter's Distillery
- Dragon Moonshine Co.
- Durham Distillery
- Eda Rhyne Distilling
- Elevated Mountain Distilling
- Fainting Goat Spirits
- Fair Game Beverage
- Foothills Distillery
- Gold Leaf Distilling Co.
- Graybeard Distillery
- Great Wagon Road Distilling
- H & H Distillery
- Holman Distillery
- Howling Moon
- Kitty Hawk Stills
- Lassiter Distilling
- Laws Distillery
- Lizard Lick Brewing and Distillery
- Mayberry Distillery
- Mother Earth Brewing
- Muddy River Distillery
- Murto Made
- Oak & Grist Distilling Co
- Oaklee Distilling Co.
- Outer Banks Craft Distilling
- Piedmont Distillers
- Pinetop Distillery
- Raleigh Rum Company
- Scotts Point Distillery
- Seven Jars Distillery
- Seventy Eight C Spirits
- Soulshine
- South Mountain Distilling
- Southern Artisan Spirits
- Southern Distilling Co
- Southern Grace Distilleries
- Sutler's Spirit Company
- Target Marketing
- Old Nick Williams Co.
- Three Stacks Distilling Co.
- Top of the Hill Dist.
- Walton's Distillery
- Warehouse Distillery
- WRC Distillery

CHAIRMAN VISITS LOCAL BOARDS

After being appointed by Governor Roy Cooper, Zander Guy set a goal to personally visit every local ABC board during his tenure as Chairman. His longstanding commitment to making personal connections part of his regular business practice made the decision to travel the state an obvious choice.

See some of the sites that the Chairman visited in FY2018 below:

During the board visits, Chairman Guy tours new and existing stores, reviews the selection of merchandise, learns about local operations, attends meetings in ABC office complexes, visits warehouses, and expresses his gratitude to all the people he meets along the way.



Chairman Guy recognizes that local ABC board members and employees are on the front lines providing a valuable service beyond the job tasks they perform in the stores and on the board - they play the critically important role of ambassadors for the entire ABC system.

OPERATIONAL EXCELLENCE

The ABC Commission leadership team understands that to continue to be successful we need to constantly improve our business processes to become more efficient and productive, and to respond to market changes faster, while at the same time providing better service to customers. Here is a snapshot of the services the Commission's work teams provide:



PERMIT / PRODUCT COMPLIANCE DIVISION

The Permit Division assists applicants ranging from mom-and-pop shops all the way to mega-corporations with 50 different types of permit applications. With great attention to detail, this division reviews and processes all permit applications for retail (restaurants, convenience stores, etc.), one-time (weddings or non-profit events), and commercial (breweries, wholesalers, etc.) activities. In FY18 the ABC Commission issued approximately 5,000 new permits

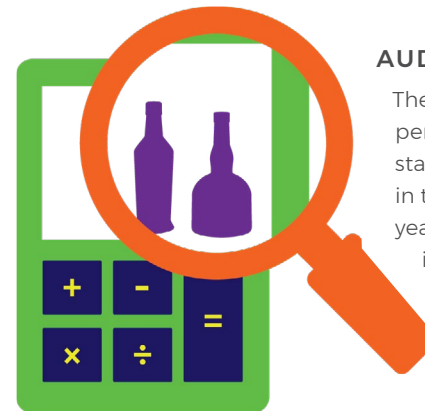
and renewed 18,000 permits, while maintaining over 64,000 permanent permits (both in and out of state) generating more than \$25 million for the state's General Fund.

North Carolina law requires that all alcohol products be approved by the ABC Commission prior to being sold. Spirituous liquor products are approved by the Commission administration, while malt-beverages, fortified wine, and un-fortified wine products are processed by the Product Compliance Division. With more than 88,000 wine products and 20,000 beer products for sale in North Carolina the dedicated staff in the division stay busy maintaining compliance agreements with breweries, wineries, wholesalers, and non-resident suppliers, and in FY18 19,000 new beer and wine products were approved for sale.



INFORMATION TECHNOLOGY DIVISION

On the ABC Commission's website the general public can easily access the information they need via multiple user platforms. Permit holders have a self-help portal where they can submit their audit reports, premixing requests, and register/renew permits. And there is a special access portal for law enforcement officers to review permit data and submit violation reports.



AUDIT/INVESTIGATION DIVISION

The ABC Commission works diligently to help permitted businesses comply with all the statutes and rules that govern an entity involved in the service or sale of alcohol. Throughout the year the Audit Division launches thousands of investigations and inspections, and conducts full audits of retail locations across the state.

In FY18 they gave 1,631 written warnings and submitted 104 violation reports to the Legal Division for consideration of sanctions against permit holders.



Employees of the NC ABC Commission

WHAT WE DO

Through continual modernization and streamlining of processes, the ABC Commission staff is meeting the demands of a growing state and a rapidly changing market, all while providing solid customer service in the following areas:

- Administration
- Community Outreach
- Education
- Human Resources
- Information Technology
- Inspections
- Investigations
- Legal
- Local ABC Board Support
- Performance Audits
- Permitting
- Price Management
- Product Compliance
- Public Affairs
- Reception
- Record Keeping
- Rules Coordination
- Training



LEGAL DIVISION

The role of **Chief Regulator for all alcohol in the state** puts the ABC Commission squarely at the intersection of public health, public safety, and fair commercial regulation.



The ABC Commission **collaborates with law enforcement agencies** to help safeguard the public.



While sworn law officers do the enforcement, **the ABC Commission utilizes suspensions and financial penalties** to ensure that permit holders that have violated ABC laws are held accountable.



North Carolina's ABC Laws are found in **Chapter 18B of the NC General Statutes**. The ABC Commission's Rules are found in Title 4, Chapter 2 of the NC Administrative Code.



There were **1,360 violations received and processed** by our legal division during FY18.



Each month, the ABC Commission **holds hearings for approximately 100 cases** where the Commissioners determine whether these businesses should pay a fine or have their permits suspended.



In FY18, **\$1,231,750 in fine payments were collected** and then sent to the school districts in which the ABC violation occurred.

EDUCATION OUTREACH DIVISION

During the fiscal year, ABC Commission leaders and staff members participated in the construction of a Strategic Operating Plan to guide their work in combining two Divisions: the Initiative to Reduce Underage Drinking and the Seller/Server Education Training programs under one new umbrella - Education Outreach. The united mission of the division is to educate the public and change the culture of underage drinking in North Carolina.



Jeff Strickland greets conference attendees at the Talk It Out exhibit booth.

SELLER/SERVER EDUCATION TRAINING

To help ensure that all businesses fully comply with the alcohol laws and regulations, the ABC Commission offers training classes year-round, at no cost, through the Responsible Alcohol Seller/Server Program (RASP). During this course (taught in person and available on-line) permittees learn about preventing sales to underage and intoxicated persons, hours of sale, acceptable forms of identification, fake IDs, employee age requirements, and dram shop laws. In FY18 the Education team members worked throughout the year to deliver training programs to 5,460 new and existing permit holders, and their employees, all across the state.



Charlie Fuller teaches Seller/Server Training class.

AWARD WINNING CAMPAIGN

INICIE LA CONVERSACIÓN



EVITE QUE LOS MENORES DE EDAD CONSUMAN ALCOHOL.



The Talk It Out campaign earned two top awards from the Public Relations Society of America, North Carolina Chapter: the 2017 Silver Award of Excellence for Integrated Communications and the 2017 Silver 'Best In Show' Award.



Talk It Out campaign television commercials.



Additional data will be provided immediately upon receipt from all 168 ABC Boards operating stores during the fiscal year.



ABC

COMMISSION
NORTH CAROLINA

abc.nc.gov | contact@abc.nc.gov

North Carolina is one of 17 states to regulate alcohol through a control system. Since 1937, the North Carolina Alcoholic Beverage Control Commission has provided regulation and control over the sale, purchase, transportation, manufacture, consumption and possession of alcoholic beverages in the state of North Carolina.



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