



# NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

## Legislative Fiscal Note

**Short Title:** ABC Omnibus of 2026.  
**Bill Number:** House Bill 198 (Fourth Edition)  
**Sponsor(s):** Rep. Miller and Rep. Pyrtle

### SUMMARY TABLE

#### FISCAL IMPACT OF H.B. 198, V.4 (\$ in millions)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
<b>State Impact</b>					
General Fund Revenue	(34.1)	(35.0)	(35.8)	(36.7)	(37.6)
<u>Less Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>General Fund Impact</b>	<b>(34.1)</b>	<b>(35.0)</b>	<b>(35.8)</b>	<b>(36.7)</b>	<b>(37.6)</b>
ABC Commission Revenue	34.1	35.0	35.9	36.8	37.7
<u>Less Expenditures</u>	<u>34.1</u>	<u>35.0</u>	<u>35.9</u>	<u>36.8</u>	<u>37.7</u>
<b>Special Fund Impact</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET STATE IMPACT</b>	<b>(34.1)</b>	<b>(35.0)</b>	<b>(35.8)</b>	<b>(36.7)</b>	<b>(37.6)</b>
<b>Local Impact</b>					
Local Revenue	-	-	-	-	-
<u>Less Local Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET LOCAL IMPACT</b>	<b>Unknown Fiscal Impact – See Analysis Section</b>				

### FISCAL IMPACT SUMMARY

H.B. 198 authorizes the ABC Commission to obtain a loan for a new automated warehouse and makes several technical and clarifying changes to existing alcoholic beverage laws.

Section 1 of the proposed legislation allows the Commission to obtain a loan of up to \$310 million for the development of a new automated warehouse and to repay the loan using the revenue

generated from permit fees. The fiscal impact of this section is about a \$34.1 million reduction in General Fund revenue, and an equal and offsetting increase in ABC Commission receipts.

Section 6 allows the ABC Commission to authorize the renewal of an ABC issued permit in the event the permit holder is out of tax compliance. This section gives the ABC Commission discretion in deciding on whether to renew a permit in the event it creates an undue hardship for the permit holder. This section may impact State revenue by an unknown amount.

Several bill sections make changes to alcohol permitting that, taken together, have the potential to increase annual permit revenue by up to \$72,500. These changes include authorizing certain shops to hold multiple permit types, establishing 3 new permit fees, and creating some exemptions for when certain non-profits must obtain a permit. Any additional permit revenue generated by these sections may be used by the Commission to repay the loan authorized under Section 1.

Section 35 of the proposed legislation revises outdated statutory citations describing the distribution of ABC Board revenue for the City of Sanford. This section may impact local government distributions by an unknown amount.

**In summary, Fiscal Research projects a total reduction in net General Fund revenue of \$179.2 million over the next 5 fiscal years with a corresponding \$179.5 million increase to ABC Commission revenues.**

## **FISCAL ANALYSIS**

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Section 1 of the proposed legislation allows the ABC Commission to obtain a one-time loan of up to \$310 million for a new automated warehouse and associated offices for the Commission. Repayment of the loan, including interest, will be paid for using revenue generated from permit fees collected by the Commission. Because permit fee revenue is currently deposited in the General Fund, using these proceeds for loan repayment reduces General Fund revenue. At the same time, the permit revenue used for repayment will be received by the ABC Commission as agency receipts in an equal and offsetting amount. FRD estimates that this will reduce General Fund revenue by approximately \$34.1 million in the first full year of repayment. Estimates for future years were adjusted to reflect annual growth in permit fee revenue.

Section 6 allows the ABC Commission to authorize the renewal of an ABC issued permit in the event a permit holder is out of tax compliance. Under current law, if a taxpayer is an ABC permit holder and has any tax balance due, they are unable to receive or renew their ABC permit. This section gives the ABC Commission discretion in deciding on whether to renew a permit in the event it creates an undue hardship for the permit holder. This section may impact State revenue by an unknown amount.

Section 9 of the bill authorizes wine shop permit holders to also hold malt beverage shop permits. Similarly, the section authorizes malt beverage shop permit holders to also obtain wine shop permits. The initial application fee for each of these permit types is \$100 with an annual renewal fee of \$500.

Currently, there are 140 wine shop permittees and no malt beverage permittees active in the State. If all 140 wine shop permittees also obtained malt beverage permits under the changes proposed in this section, this would generate **at most an additional \$14,000** (140 wine shops x \$100 application fee) **in permit revenue in the first year, and then an additional \$70,000** (140 wine shops x \$500 annual renewal fee) **in permit revenue each year thereafter.**

Section 11 of the bill creates a new \$50 *Service Business Permit* fee, but there is no data available to determine how many businesses may be eligible for this new permit type. As such, additional General Fund revenue which may result from this proposed change cannot be estimated.

Section 16 of the bill creates exceptions for when nonprofit organizations are required to acquire *Special One-Time* permits at a cost of \$50. It is possible that the changes proposed in this section result in fewer *Special One-Time* permits sold and therefore less General Fund revenue collected. However, there is no data to project how many fewer permits may be issued and so impacts to revenue collections cannot be estimated.

Section 17 of the bill creates a new \$200 *Special Multiple Event Permit*. However, there is no data available to determine how many businesses may be eligible for this new permit type. As such, additional General Fund revenue which may result from this proposed change is unknown.

Section 30 of the bill creates a new \$1,000 *Auction House Permit* to replace the existing \$750 *Special Auction Permit*. In FY 2024-25, 10 *Special Auction Permits* were issued, and there have been 8 issued this fiscal year to date. If 10 of the new *Auction House Permits* were issued each year going forward, **this would generate an estimated additional \$2,500 in annual General Fund revenue** resulting from 10 permits \* the \$250 difference in cost between the old permit type and the new permit type (*\$1,000 Special Auction Permit - \$750 Auction House Permit*).

In total, changes to permitting revenue are expected to generate up to \$16,500 in the first year and \$72,500 each year thereafter.

**Table 1. General Fund Revenue from Proposed Permitting Changes**

Permit Proposal	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2029-30
Wine & Malt Beverage Shop Dual Permit	\$14,000	\$70,000	\$70,000	\$70,000	\$70,000
New Service Business Permit	Estimate Unavailable				
Special One-Time Permit Exemptions					
New Special Multiple Event Permit					
Increased Auction House Permit	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
<b>Total GF Revenue</b>	<b>\$16,500</b>	<b>\$72,500</b>	<b>\$72,500</b>	<b>\$72,500</b>	<b>\$72,500</b>

Section 35 revises outdated statutory citations included in the City of Sanford ABC Board's revenue distribution formula. FRD is unable to estimate the net effect of Section 35 on local revenue because local ABC Board sales, profits, and expenses vary from year to year.

Revisions made to the distribution formula ensure distributions are made to local governments for law enforcement and alcohol education as required under G.S. 18B-805(b) and (c) from the Board's gross proceeds rather than the Board's gross profit. This change may increase existing local law enforcement and education distributions by an unknown amount.

Under current law, 50% of the Board's net profit is paid to the City of Sanford and the remaining 50% is paid to the general fund of Lee County. This distribution occurs after the ABC Board sets aside any working capital used to operate the Board. HB 198 modifies the distribution formula with 30% of the Board's net profit deposited in the general fund of the City of Sanford, 30% deposited in the general fund of Lee County, and 40% would be retained by the board for operations, capital expenses, and other lawful purposes. The impact of this change is unknown.

To conclude, **Fiscal Research projects a total reduction in net General Fund revenue of \$179.2 million over the next 5 fiscal years with a corresponding \$179.5 million increase to ABC Commission revenues** resulting from the proposed changes.

## **TECHNICAL CONSIDERATIONS**

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Section 1 of the proposed legislation diverts permit fee revenue from the General Fund to the ABC Commission for repayment of a loan. The long-term fiscal impact is unknown as it depends on the term length and interest rate of the loan obtained by the ABC Commission.

## **DATA SOURCES**

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ABC Commission, North Carolina Financial System, City of Sanford ABC Board Financial Statement

## **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

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This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. 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.

## **CONTACT INFORMATION**

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Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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June 17, 2026



**Signed copy located in the NCGA Principal Clerk's Offices**