Texas Package Stores Association
63rd Annual Convention
Galveston, Texas

Alan Steen, TABC Administrator

August 23, 2010

TABC

TEXAS ALCOHOLIC BEVERAGE COMMISSION

service ★ courtesy ★ integrity ★ accountability

- Local Option Elections
- Industry Growth
- Cash/Credit Law
- Ports of Entry
- Local Distributor (LP) Issues
- Licensing
- Agency Demographics
- Legislative Appropriations Request
- Agency Direction

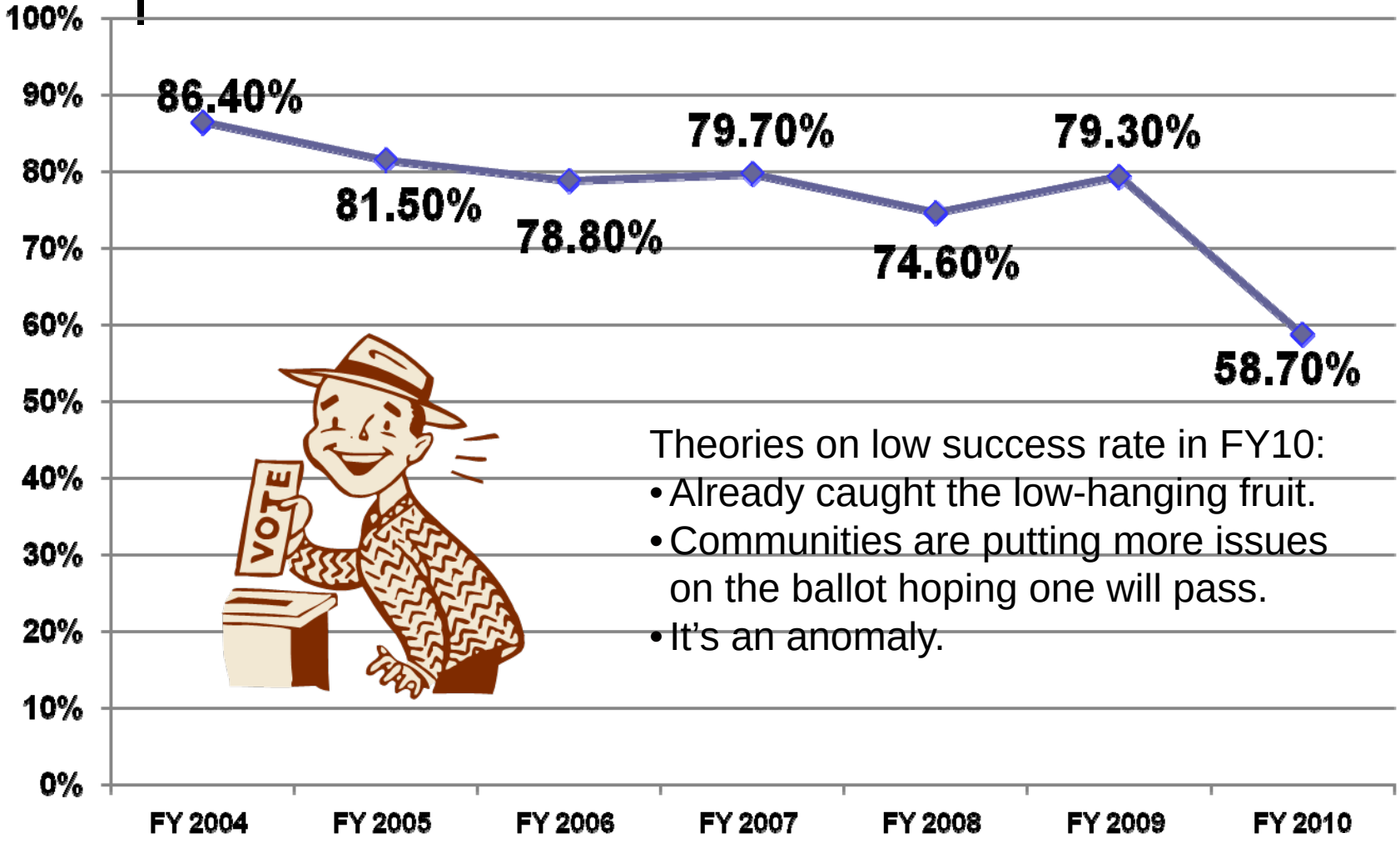
Local Option Elections

FY 2004 – FY 2010

Going Wetter	Approved	Failed	Total	% Passed
FY 2004	51	8	59	86.4%
FY 2005	53	12	65	81.5%
FY 2006	41	11	52	78.8%
FY 2007	51	13	64	79.7%
FY 2008	44	15	59	74.6%
FY 2009	65	17	82	79.3%
FY 2010	44	31	75	58.7%
TOTAL	349	107	456	76.5%

Success of Local Option Elections

FY 2004 - FY 2010 (Going Wet Only)

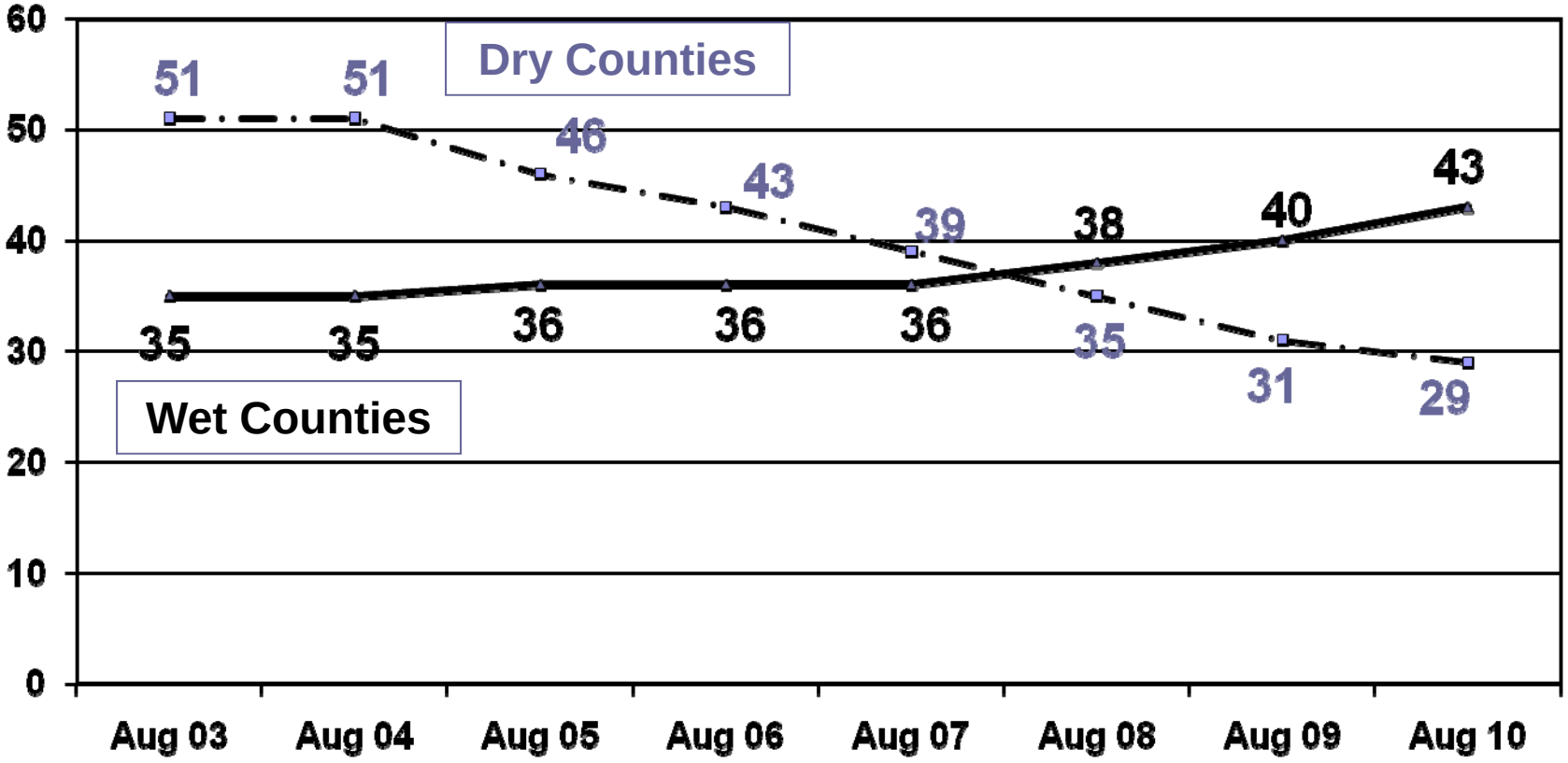


Theories on low success rate in FY10:

- Already caught the low-hanging fruit.
- Communities are putting more issues on the ballot hoping one will pass.
- It's an anomaly.

Wet/Dry Counties

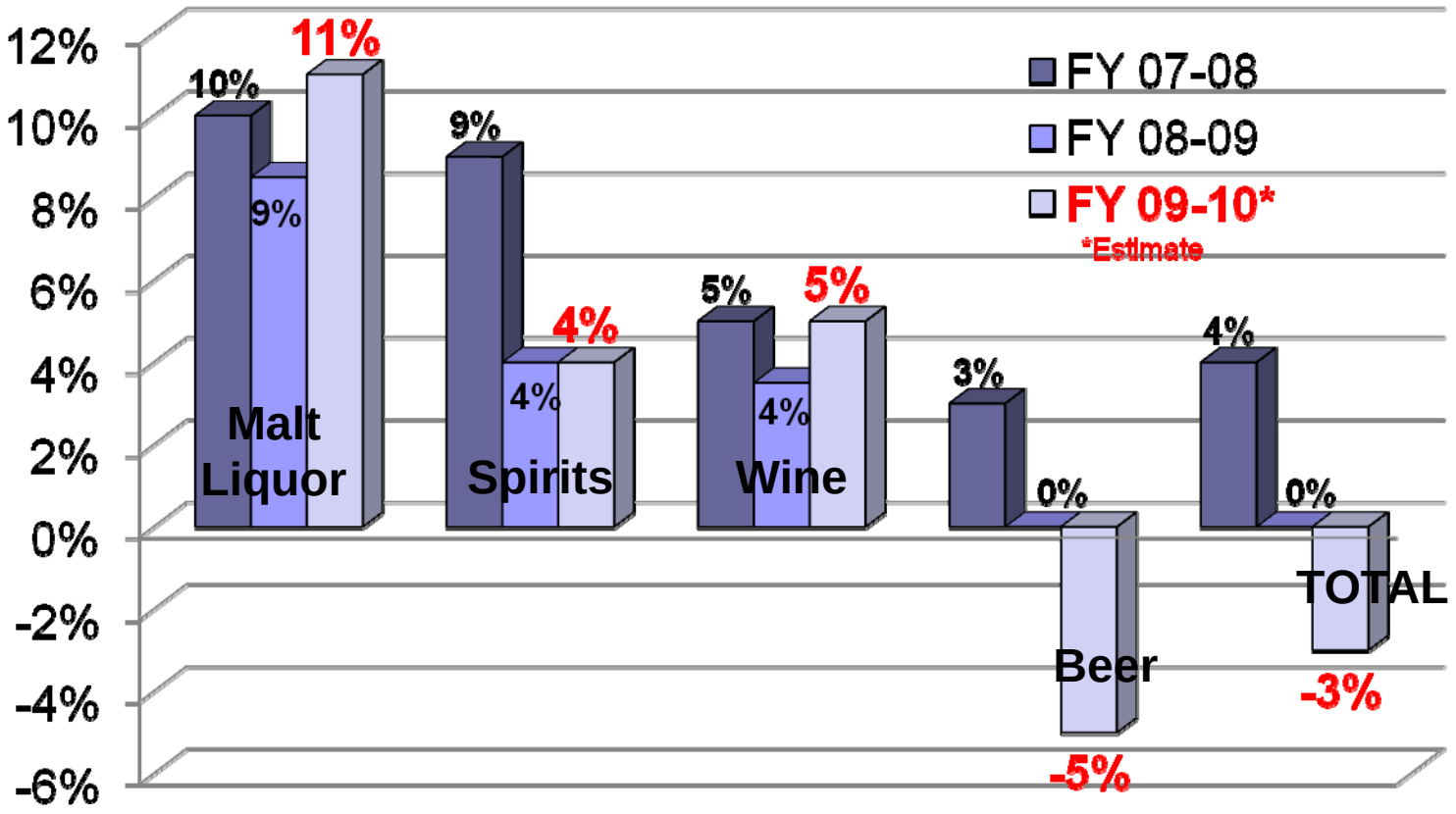
Following Sept 2003 Law Change



In the remaining counties, the sale of some type of alcoholic beverage is legal somewhere in the county.

Industry Growth: Wholesale AB Sales in TX

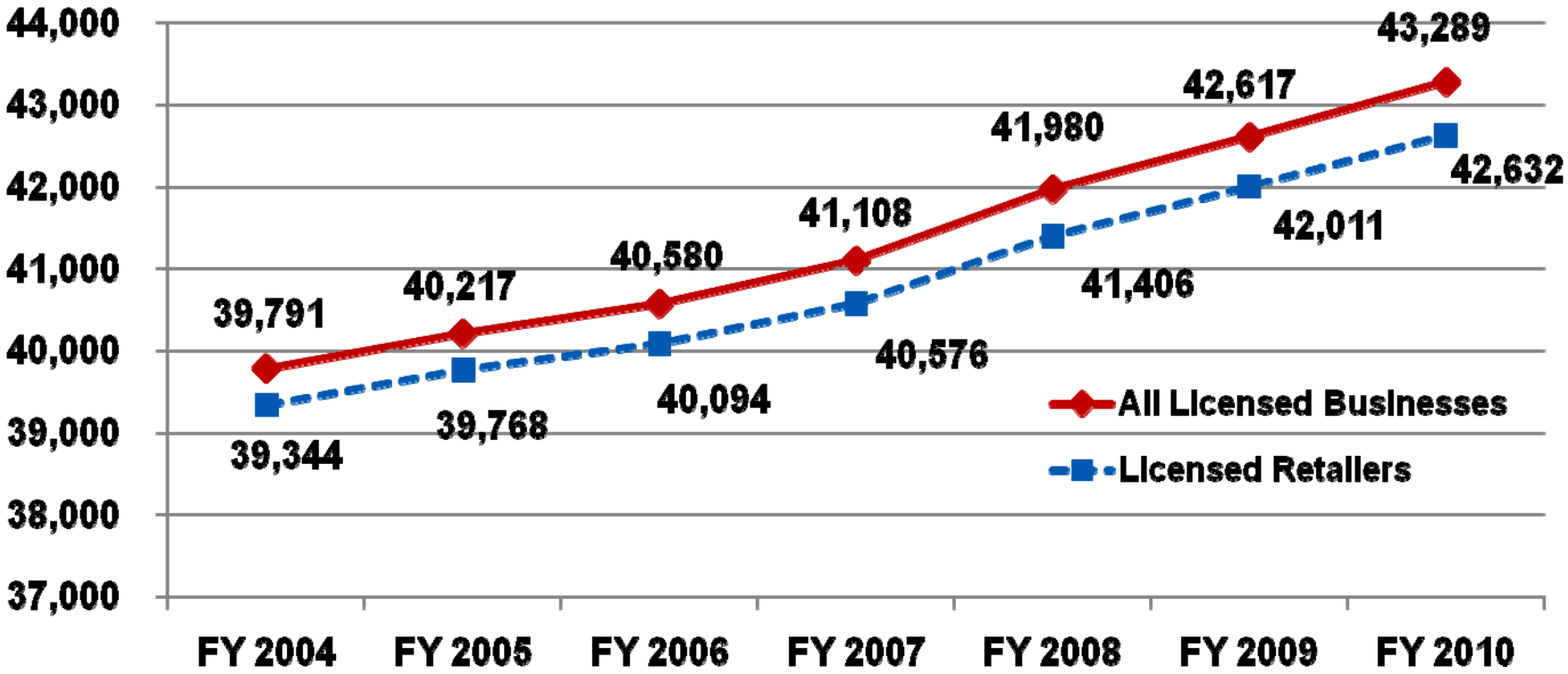
Growth FY07-FY08, FY08-09, FY09-10



660+ million gallons of alcohol sold in Texas annually.

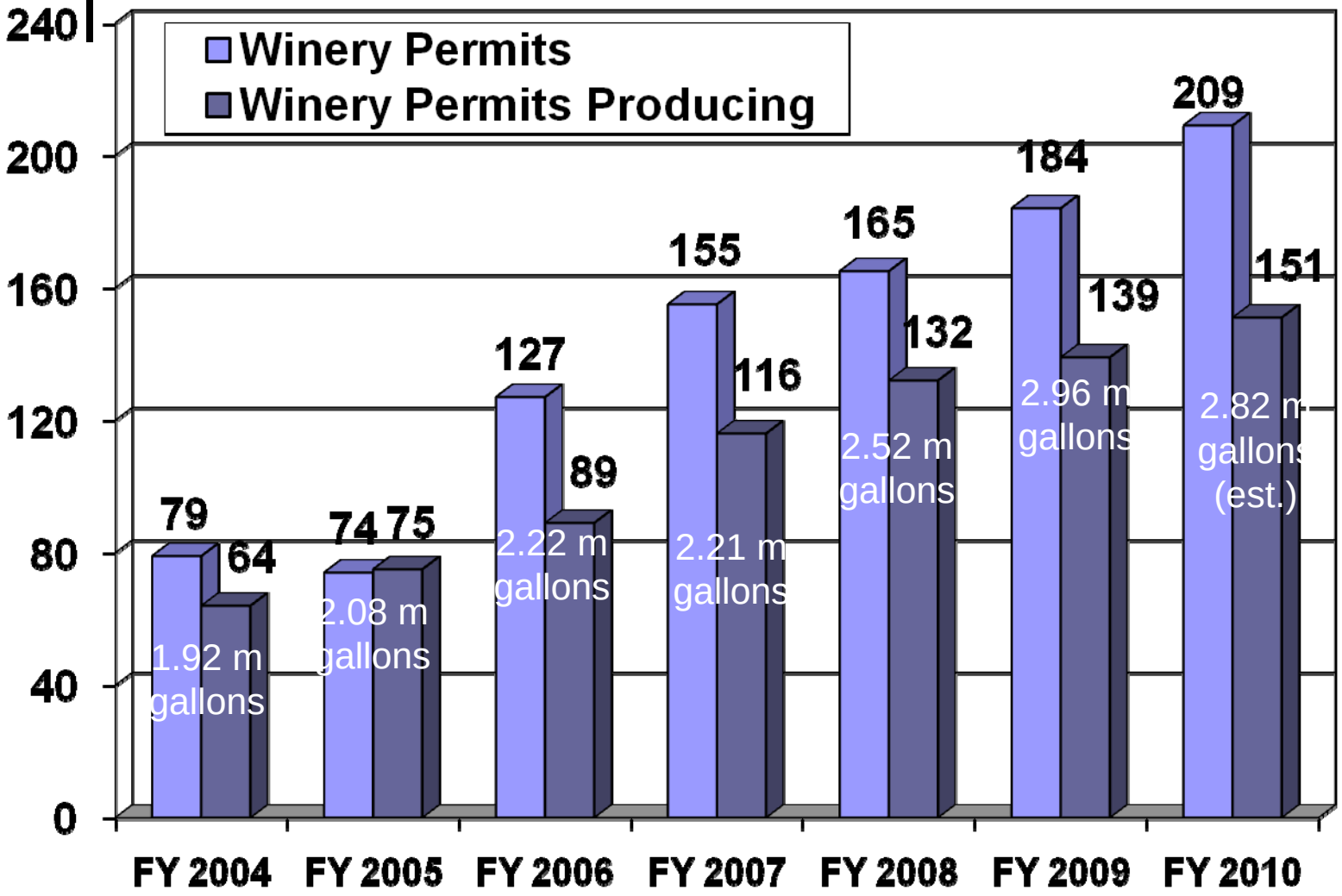
Growth of Licensed Businesses

The number of licensed businesses has steadily increased. Growth is expected to continue at 1.38% annually.



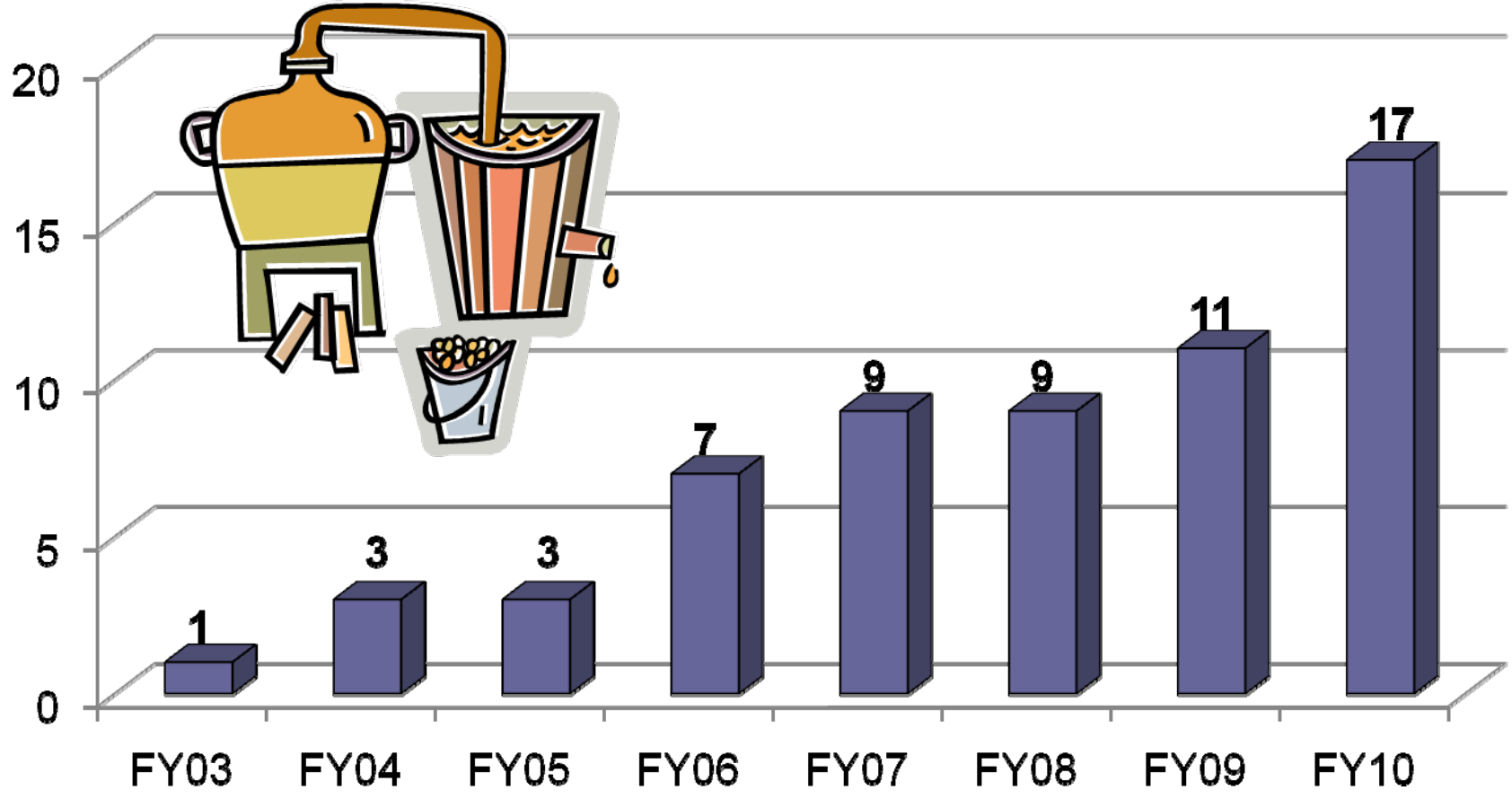
Count shown for each fiscal year is as of June 30th.

Increase in Texas Wineries



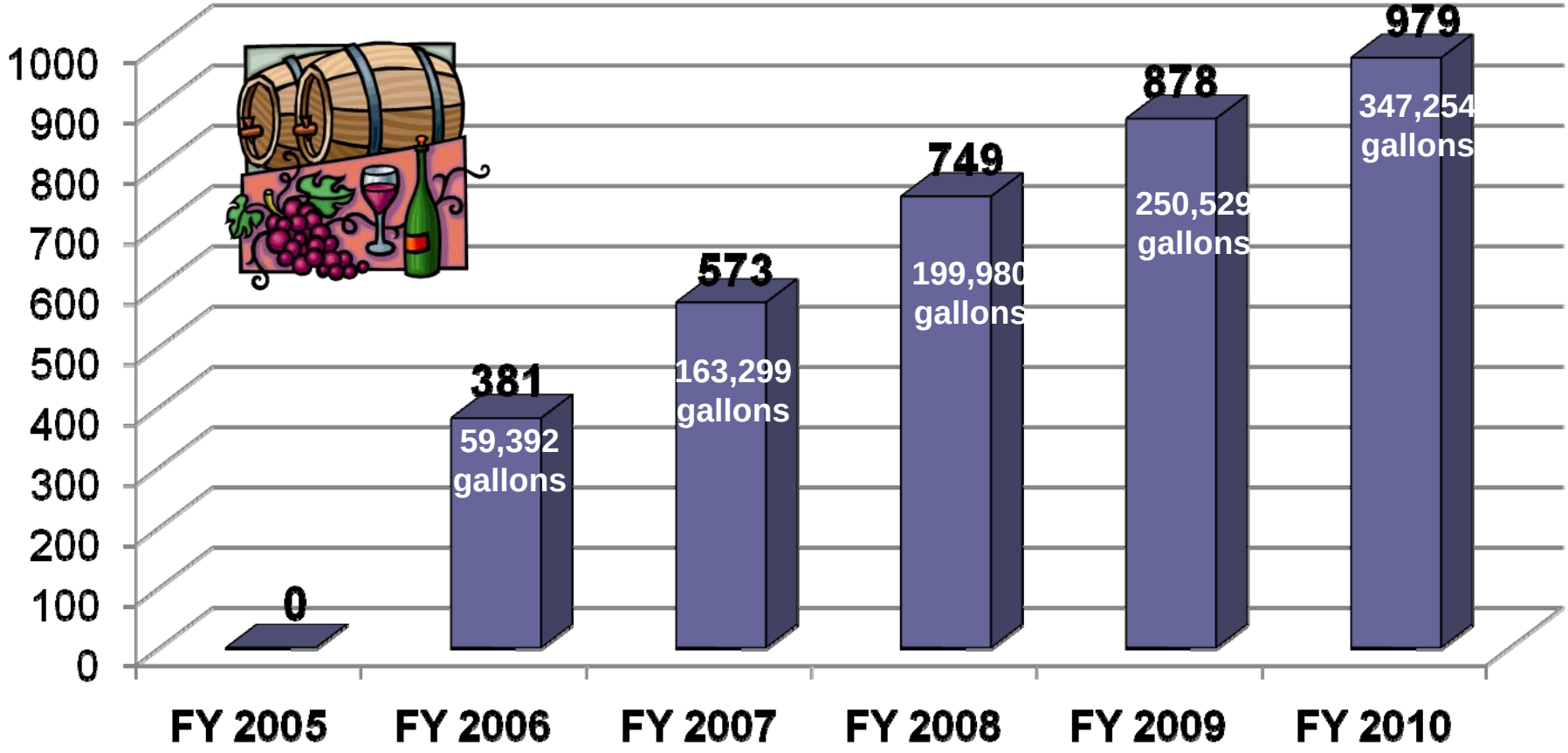
Number of active winery permits at the end of the fiscal year.

Increase in Texas Distilleries



Number of active permits throughout the whole year.

Increase in Out of State Winery Direct Shippers

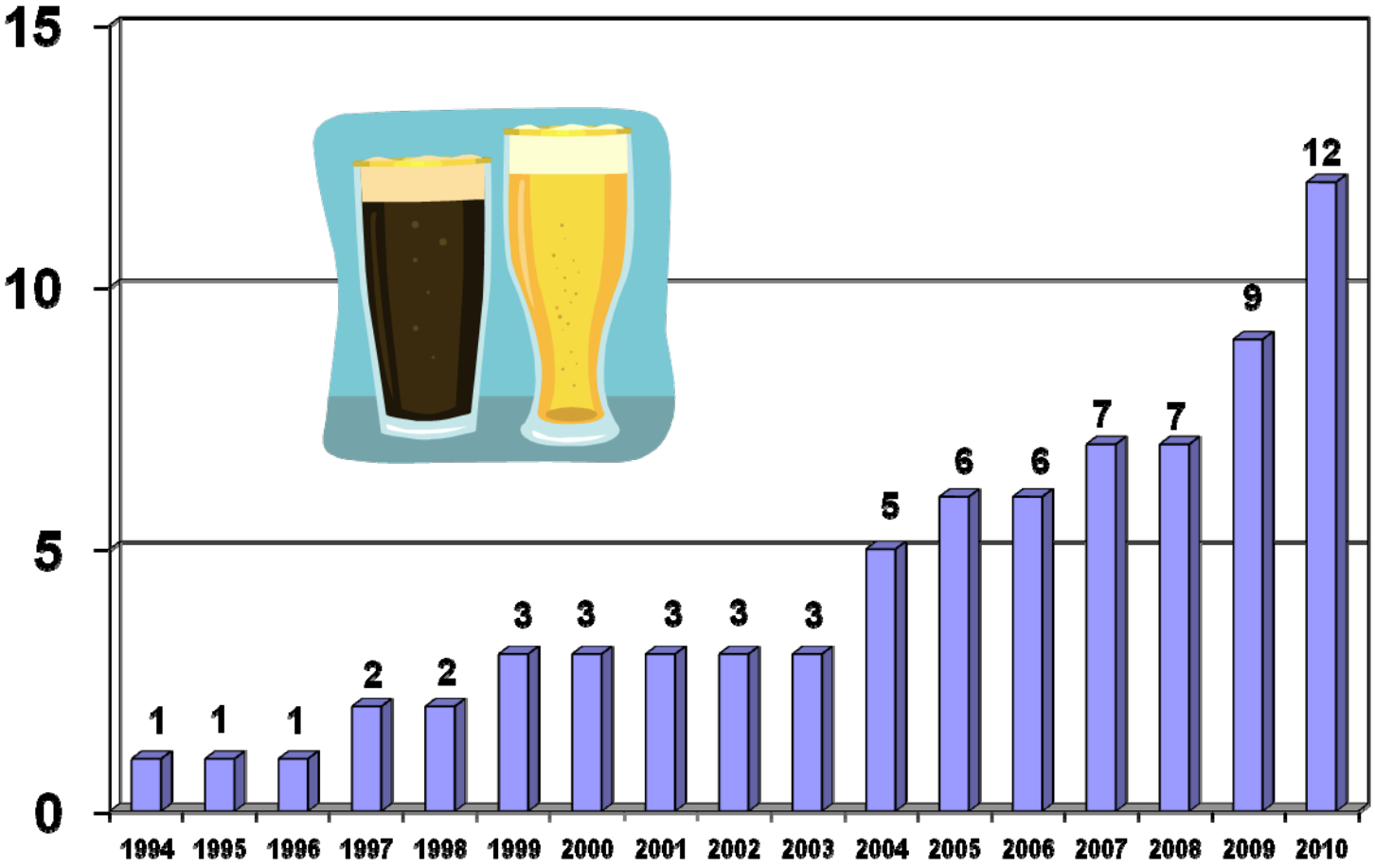


Number of active permits throughout the whole year.

First Direct Shipper permits were issued on 10/24/05.

Increase in Texas Micro Breweries

(Does not include large breweries.)



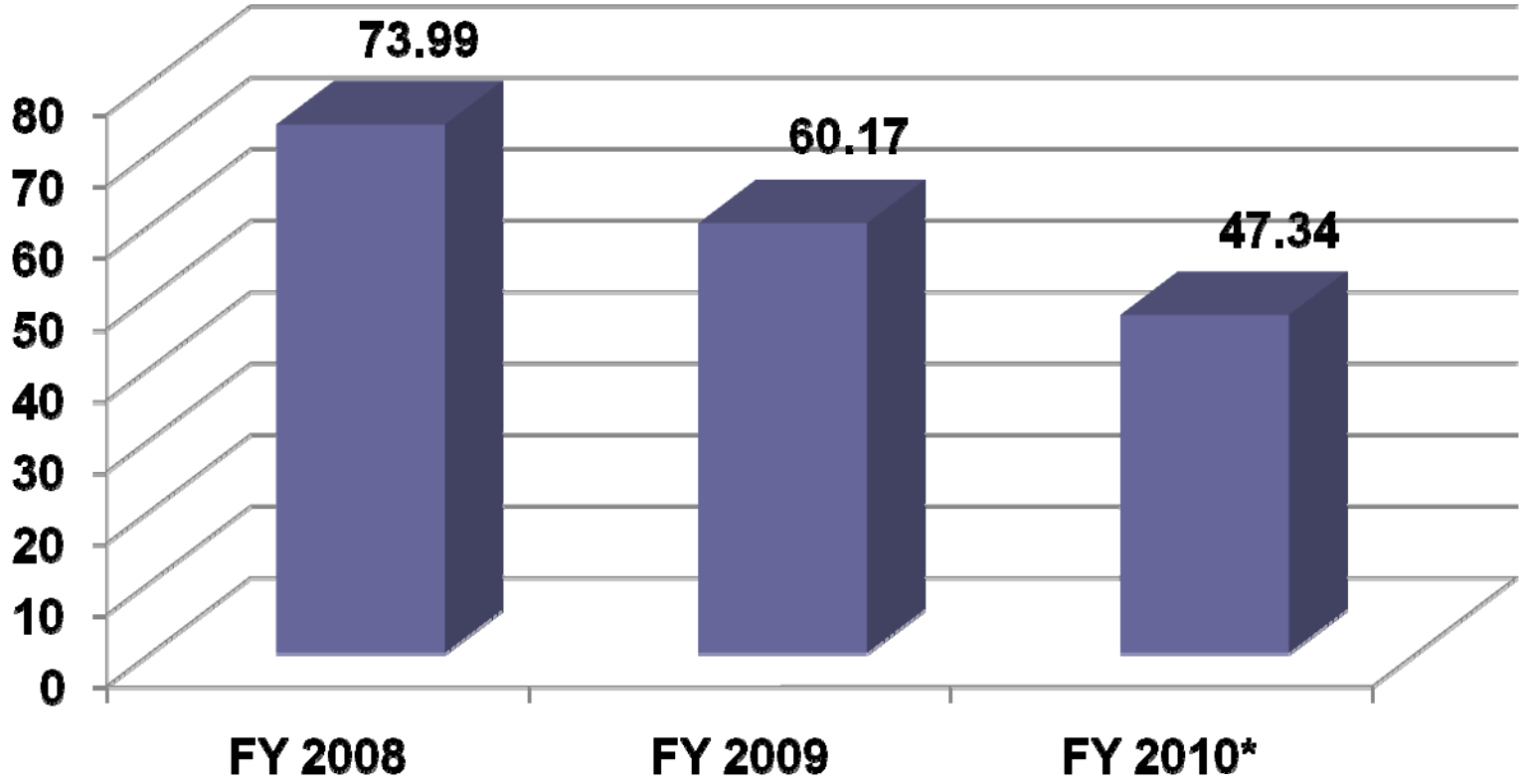
Number of active permits throughout the whole year.

Licensing Re-engineering: Regional Teams

- Established six teams with supervisors:
  - Five regional teams
  - One HQ support team
- Implemented regional team process to replace assembly line process.
- Decentralized application processing means more decisions are made locally by the people who live in the community.

Average Days Required to Approve Original Applications for TX Retail & Wholesale Businesses

- Length of licensing process down 36% from FY08 to FY10.
- Half of the 36% (12.83 days) is directly tied to the re-engineering of internal process.
- Half resulted from being certified by city/county before applying.



*FY 2010 total is a projection based on performance through May.

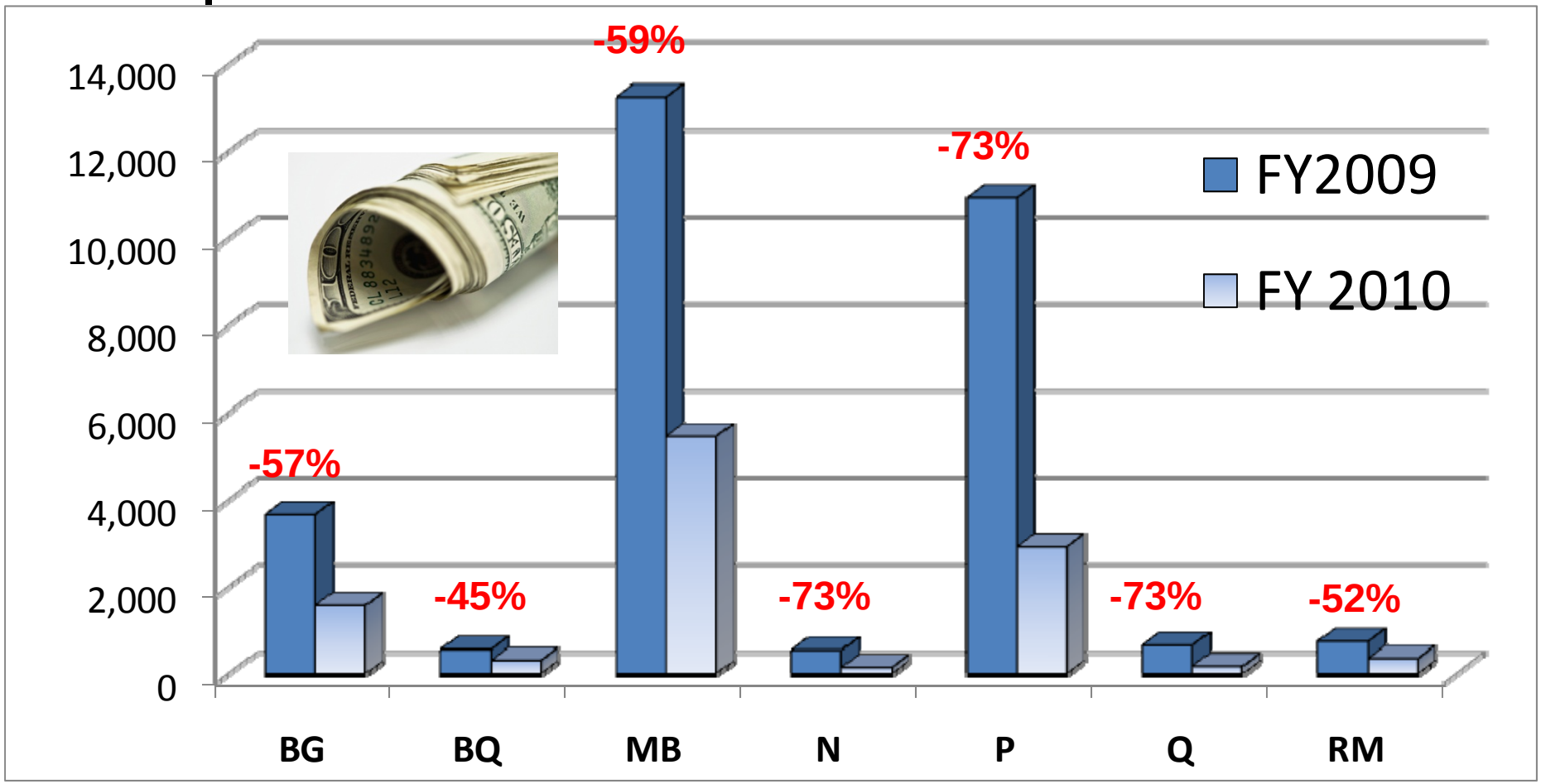
Local Control

- More than ever, TABC is relying on local certification of applications.
- TABC will not process an application until it has been certified by the city and county (wet/dry and distance requirements).
- TABC <u>will not</u> process an application that the city won't approve.
- The applicant can take the city to court over certification disagreements.

Local Control

- TABC will not move to cancel a permit if the city/county incorrectly certified an application and TABC issued a permit.
- The city/county/community have two options:
  - Take the permit holder to district court to enjoin them from selling alcohol in a dry area or too close to a church/school.
  - Wait until renewal and file a protest.

Cash/Credit Law System Change



Total delinquent list first publications down 64%.

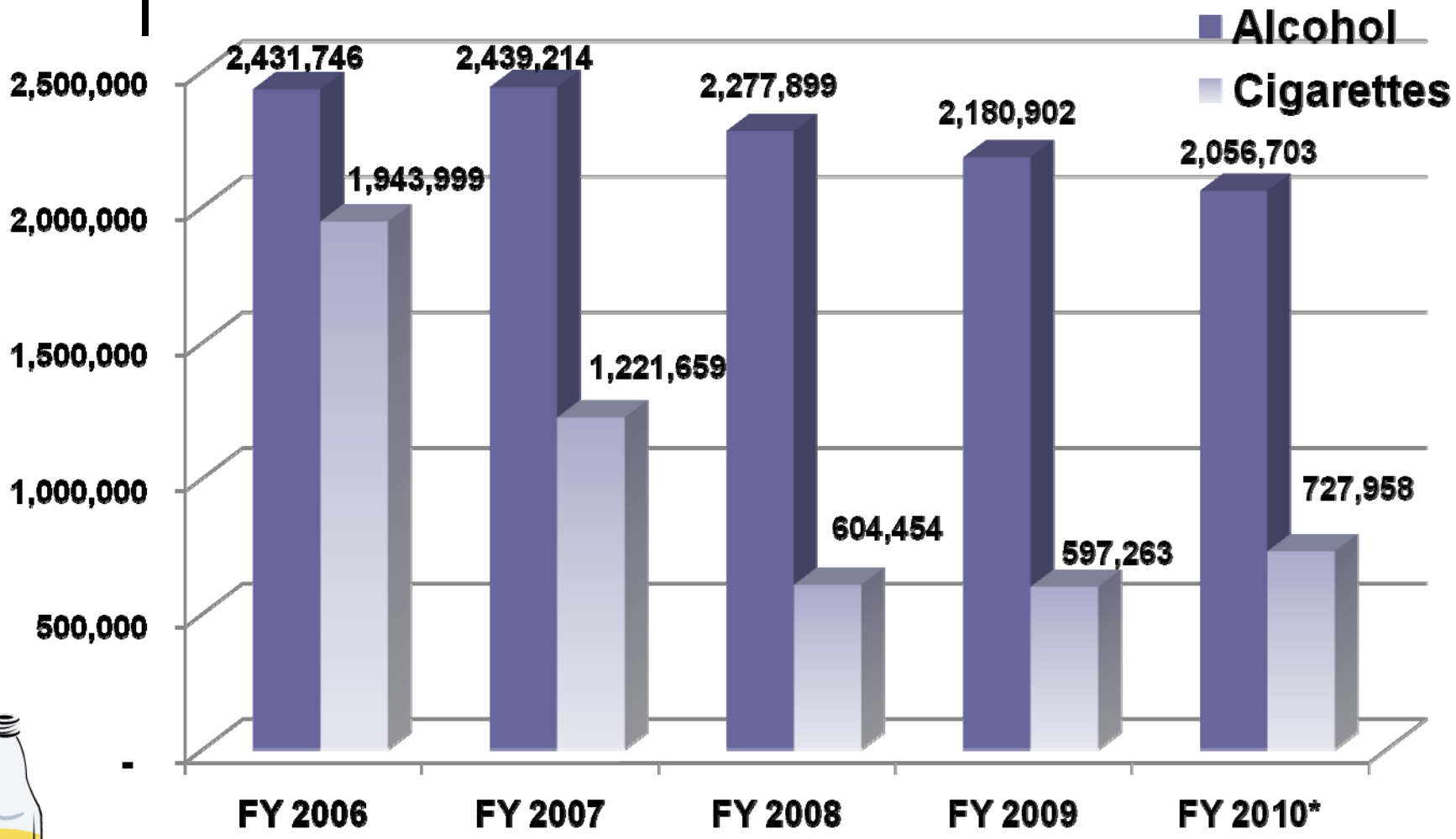
Delinquent List First Publications By License Class

September 1st - August 15th

License Class	FY 2009	FY 2010	% Change
BG	3,652	1,561	-57.26%
BQ	562	308	-45.20%
MB	13,243	5,448	-58.86%
N	543	149	-72.56%
NB	2	2	0.00%
NE	46	8	-82.61%
P	10,925	2,923	-73.24%
Q	654	179	-72.63%
RM	746	356	-52.28%
All Classes	30,373	10,934	-64.00%

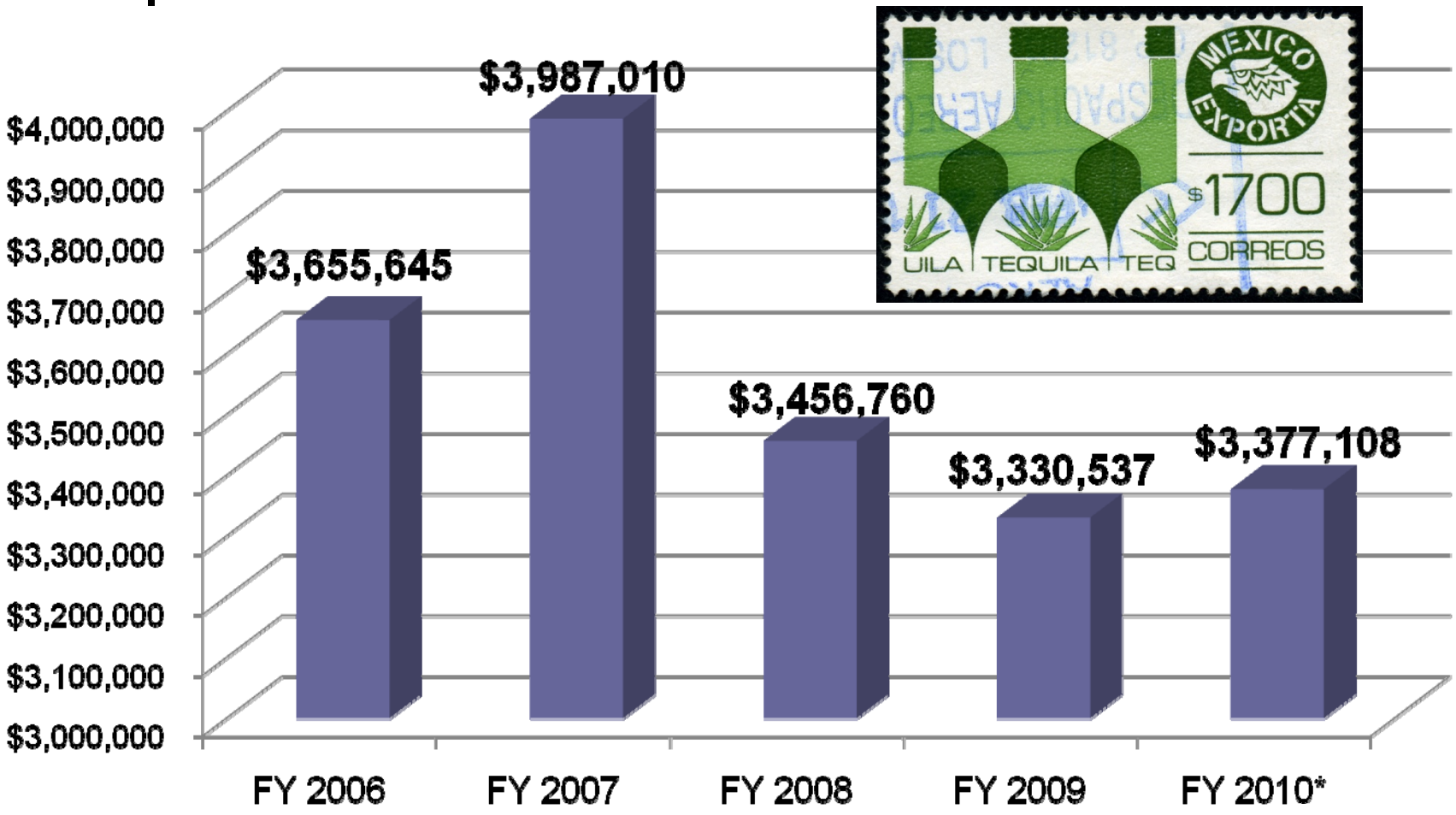
Ports of Entry

Containers Stamped



*FY 2010 totals are projections based on performance through May.

Ports of Entry Revenue



*FY 2010 totals are projections based on revenue collected through May.

Duty Free Stores

- Who regulates duty free stores?
  - US Customs / TTB
- They don’t abide by Texas hours of sale. They do sell liquor on Sundays.
- Can you buy alcohol and just walk straight back to Texas? No.
- 29 of 30 locations tested had procedures in place to ensure that duty free alcoholic beverages are purchased and exported from the US.

Monitoring Sales at Duty Free Stores

- August 2009, 17 agents, 135 work hours
- Checked 30 duty free stores in Starr, Hidalgo, Cameron, Webb, Val Verde, Maverick and El Paso Counties
- 30 sold and undercover agent paid bridge toll, exited US, entered US through Customs. Did not enter Mexico.

LP Issues Stem from Local Option Elections in Long-Time Dry Areas

Section 28.07 of AB Code

- Requires all mixed beverage businesses (MBs or RMs) to purchase their distilled spirits from package stores that hold a local distributor permit (LPs) within their county.
- Even if there is only one LP.
- If the county does not have any LPs, the RMs can purchase from LPs in adjacent counties.

The Problem

- A few scenarios can cause a county to have a limited number of LPs suddenly be responsible for supplying a large number of MBs/RMs.
- TABC is responsible for enforcing the law while **maintaining a stable marketplace**.
- Sometimes enforcing §28.07 would cause undue disruption in the marketplace.

Conducting Assessments

- Determine whether the LPs could sufficiently meet the demands of their county MBs/RMs <u>without disrupting the marketplace</u>.
- Facility space capacity
- Financial ability to acquire sufficient inventory
- Analysis of retail demand
  - History of retailer payment options
  - Estimate of purchasing capacity
  - Number of retailers in local market
- Distribution / delivery system (vehicles)
- Adequate staffing
- Payment options for retailers (credit)

Cities of Anna and Winona

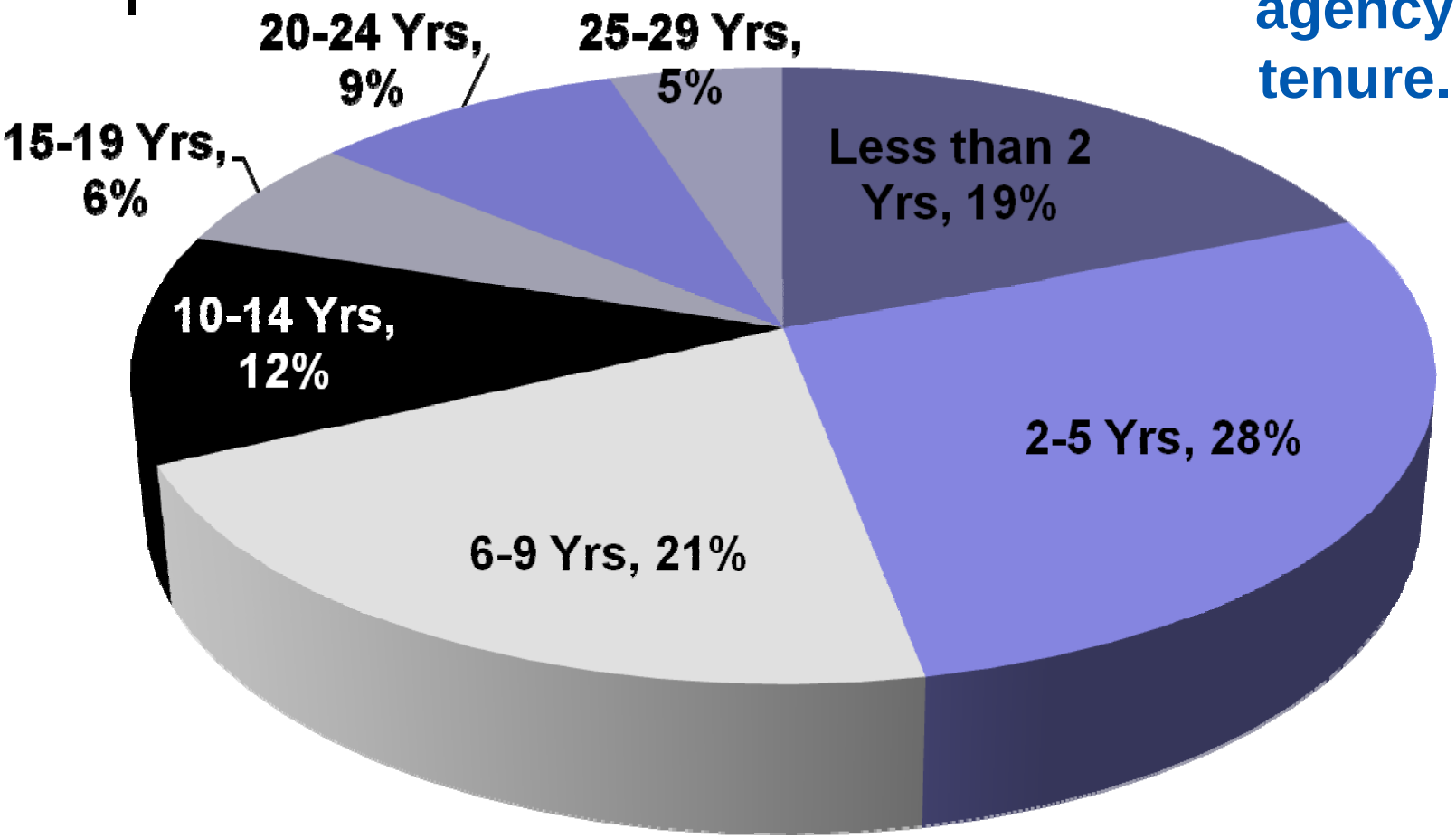
- Anna in Collin County:
  Assessment determined the new LP could not supply the MBs in the county.
  §28.07 temporarily suspended.
- Winona in Smith County:
  Assessment determined that 2 new LPs could not service the 50 RMs without disrupting the market.
  §28.07 temporarily suspended.

Cities of Rio Vista and Jacksonville

- Rio Vista in Johnson County:
  Assessment found that the 3 LPs could sufficiently service the 21 RMs.
  TABC will enforce §28.07 as of 2/1/2011.
- Jacksonville in Cherokee County:
  Assessment found that the one LP could meet the demands of the slowly growing number of RMs in the city.
  TABC will enforce §28.07 as of 9/1/2010.

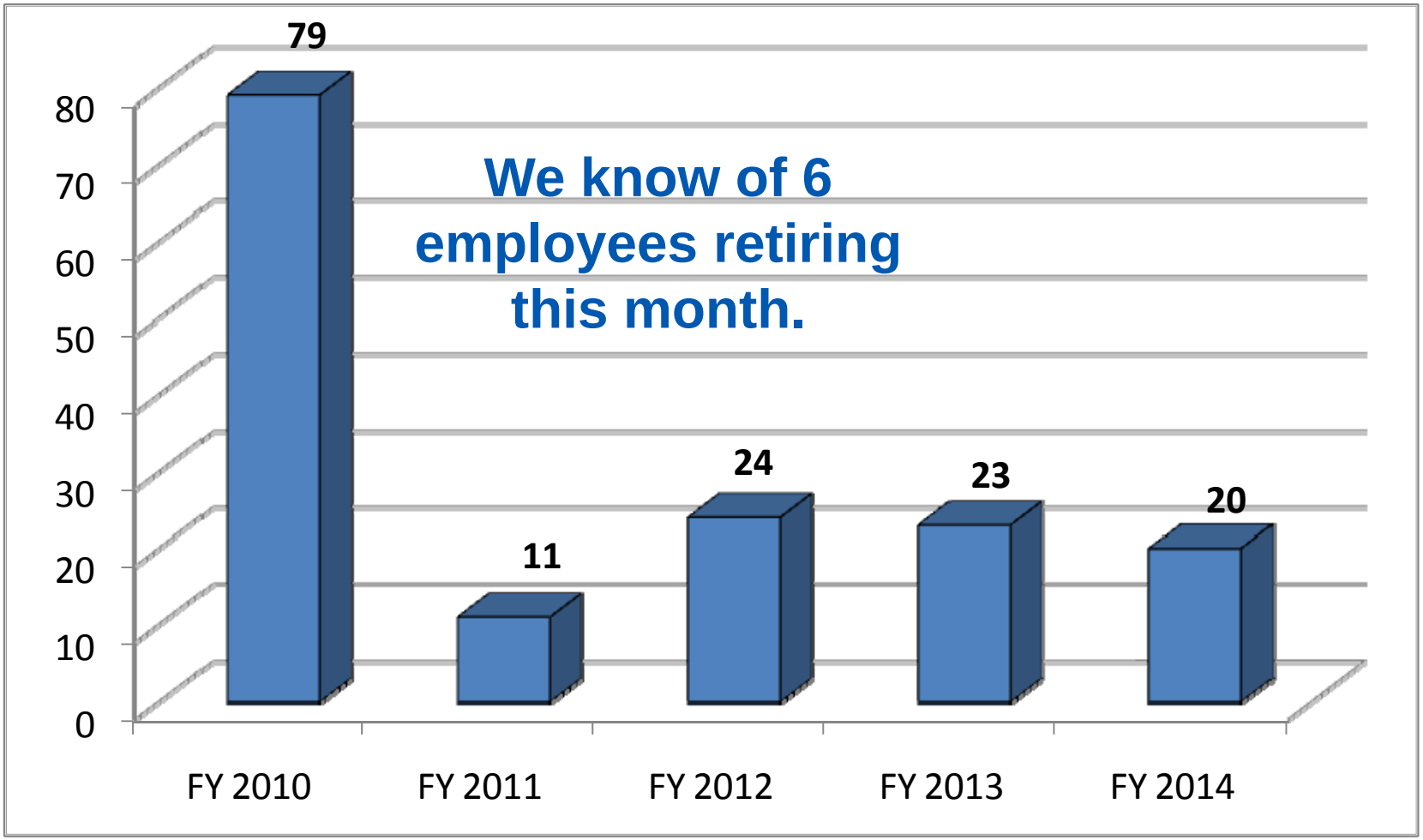
Agency Demographics
Staff Tenure Profile

47% of staff have 5 years or less agency tenure.

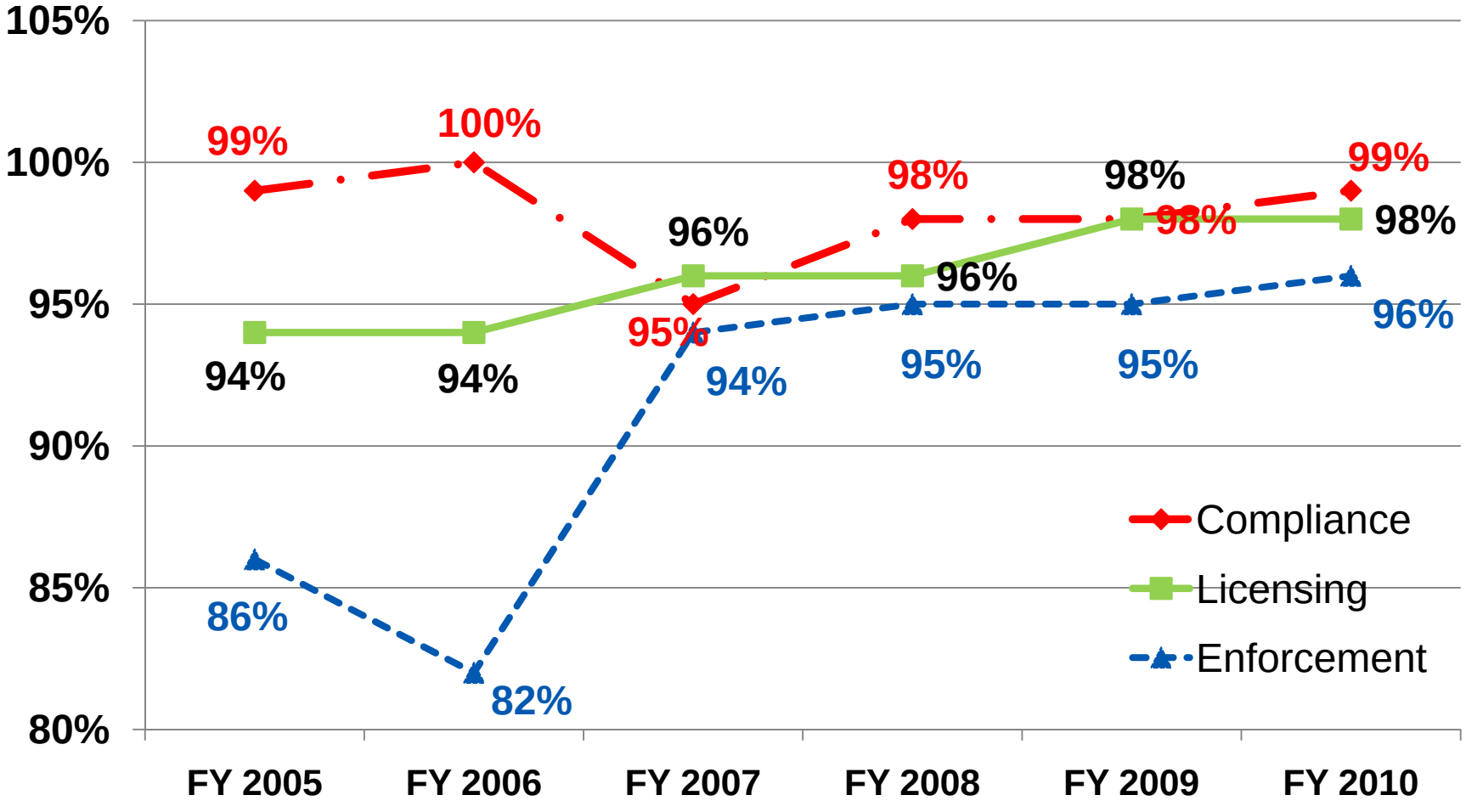


TABC's staff turnover is usually below statewide average. Most of the turnover occurs within 5 years of an employee's hire date.

Projected Retirement Eligibility



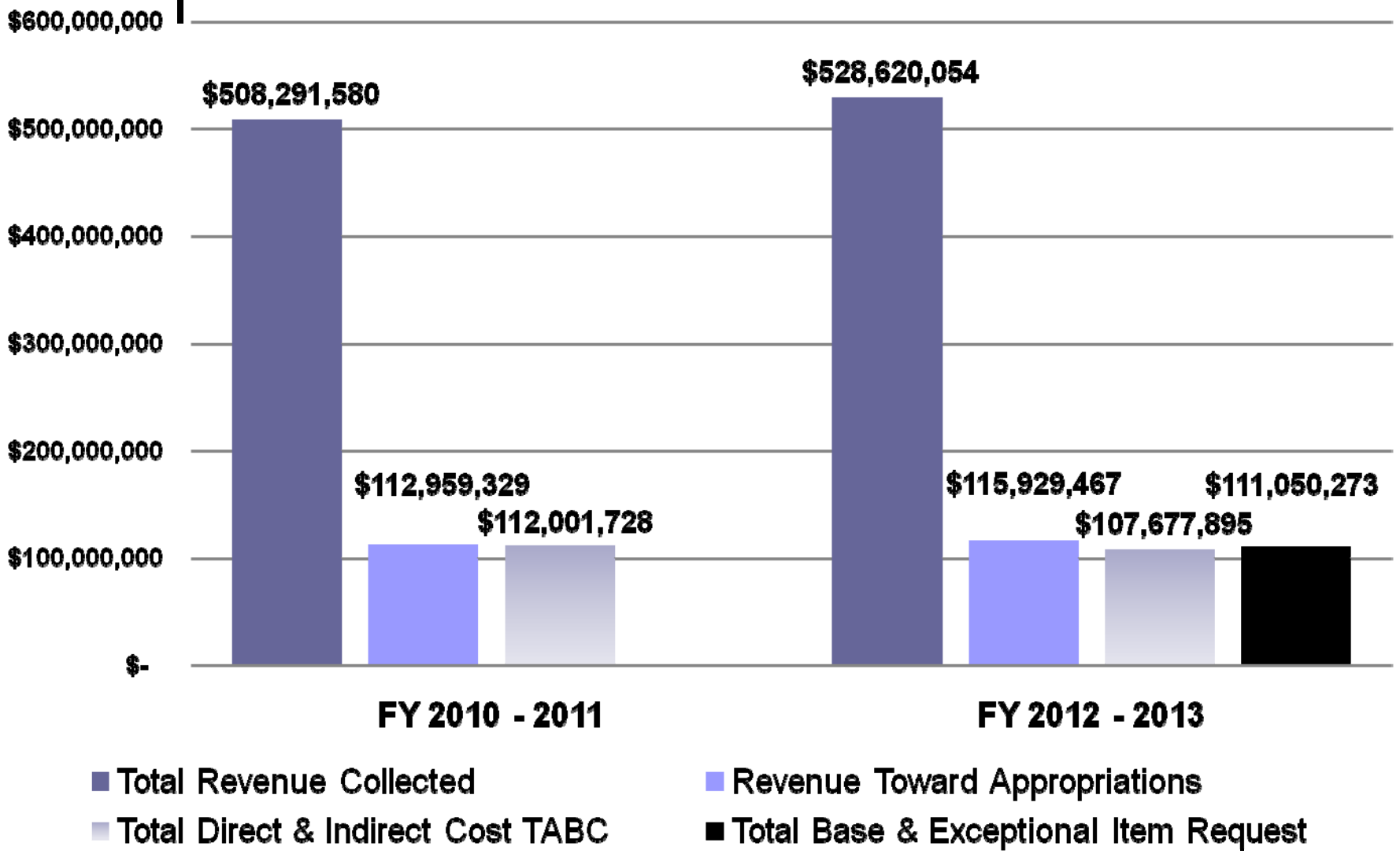
Customer Survey Respondents Expressing Satisfaction with Contact



LAR FY 2012-2013 Exceptional Items

1. Cost of Doing Business	**$ 1,373,473.00**
Rent	460,909.00
Lump Sum	300,000.00
Hazard Duty/Longevity	20,900.00
SORM Assessment	158,934.00
Maint & Repair of Vehicles	115,204.00
Fuel Costs	147,874.00
Unemployment	80,826.00
Versa Software Maint./Lic.	88,826.00
2. Efficiencies	**$ 404,462.00**
Imaging	144,000.00
Grant Air Cards	260,462.00
3. POE Unfunded Donna/Anzalduas	**$ 460,891.00**
4. Vehicles 27 - 65 Total Biennium	**$ 571,750.00**
5. Department Of Agriculture Transfer	**$ 500,000.00**
6. Data Consolidation Contract Increased Costs	**$ 61,802.00**

Revenue Collections Compared to General Revenue Appropriated Levels



10% Biennial Base Reduction

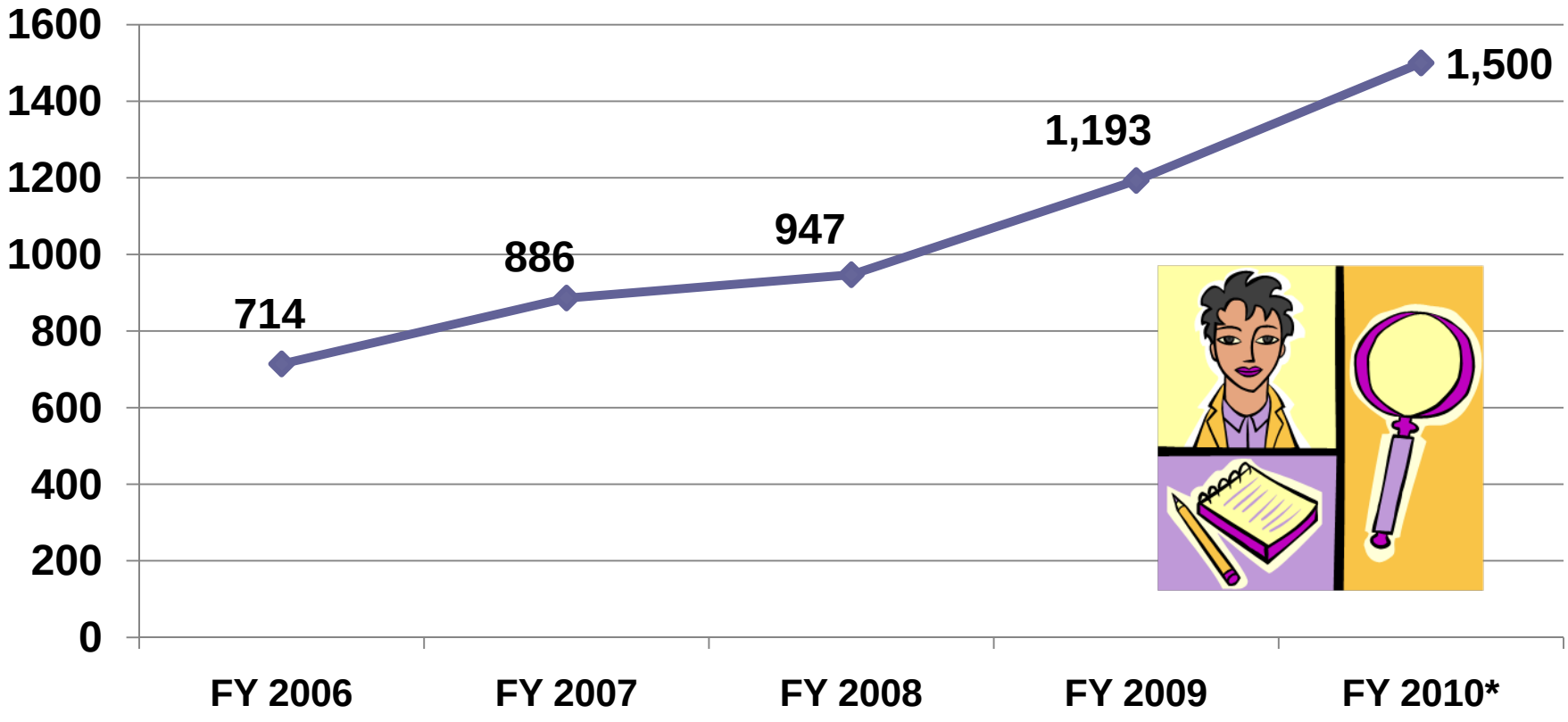
Total of Base Reduction Options Schedule $8,448,056

- 94 FTE's
- Strategies Affected:

A.1.1. Enforcement	$4,903,756
B.1.1. Licensing and Investigation	692,166
C.1.1. Compliance and Monitoring	2,700,620
D.1.2. Information Resources	151,514
	$8,448,056

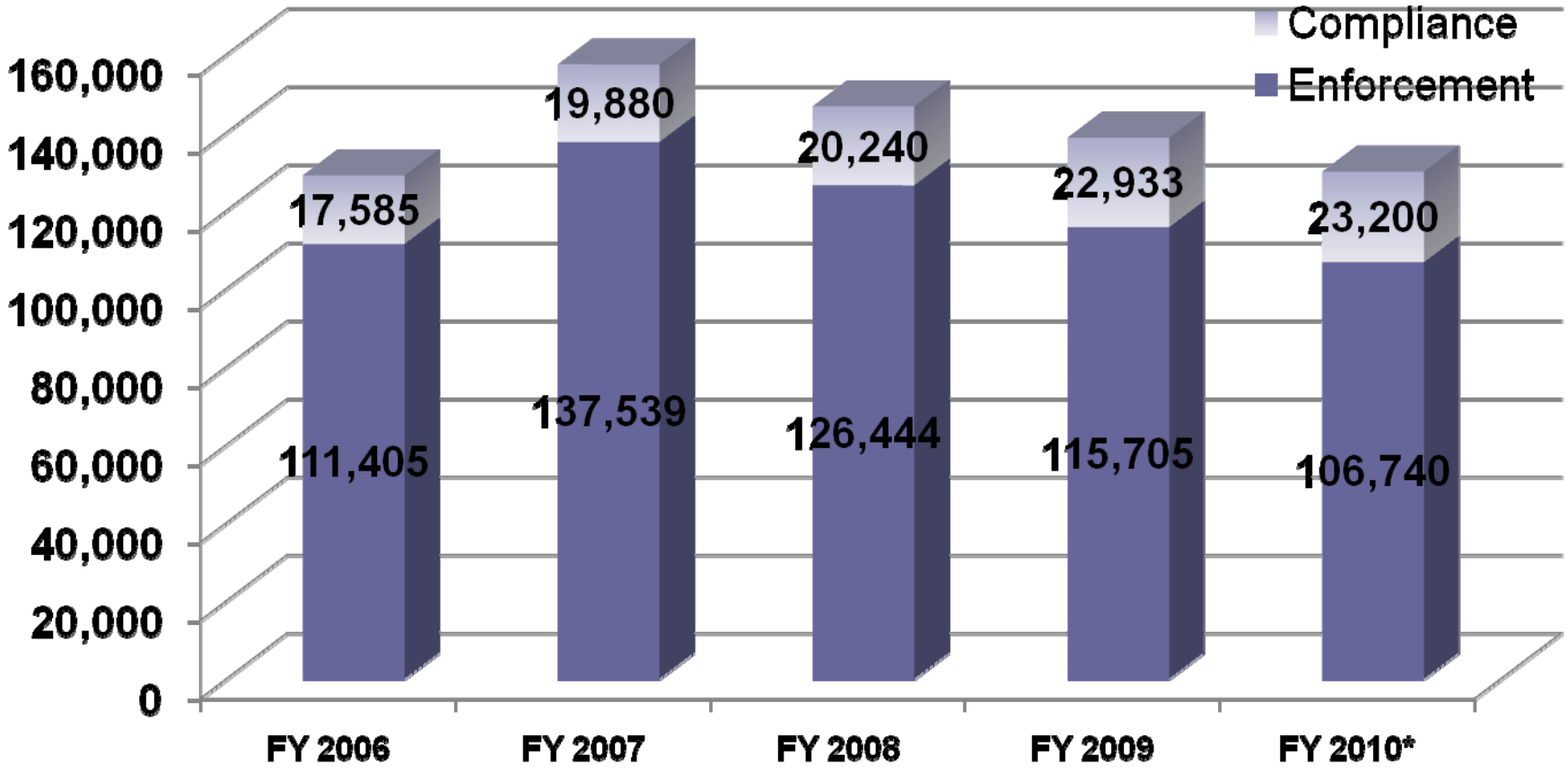
New Agency Direction

Compliance Audits & Analyses



*FY 2010 total is a projection based on performance through May.

TABC Inspections by Division



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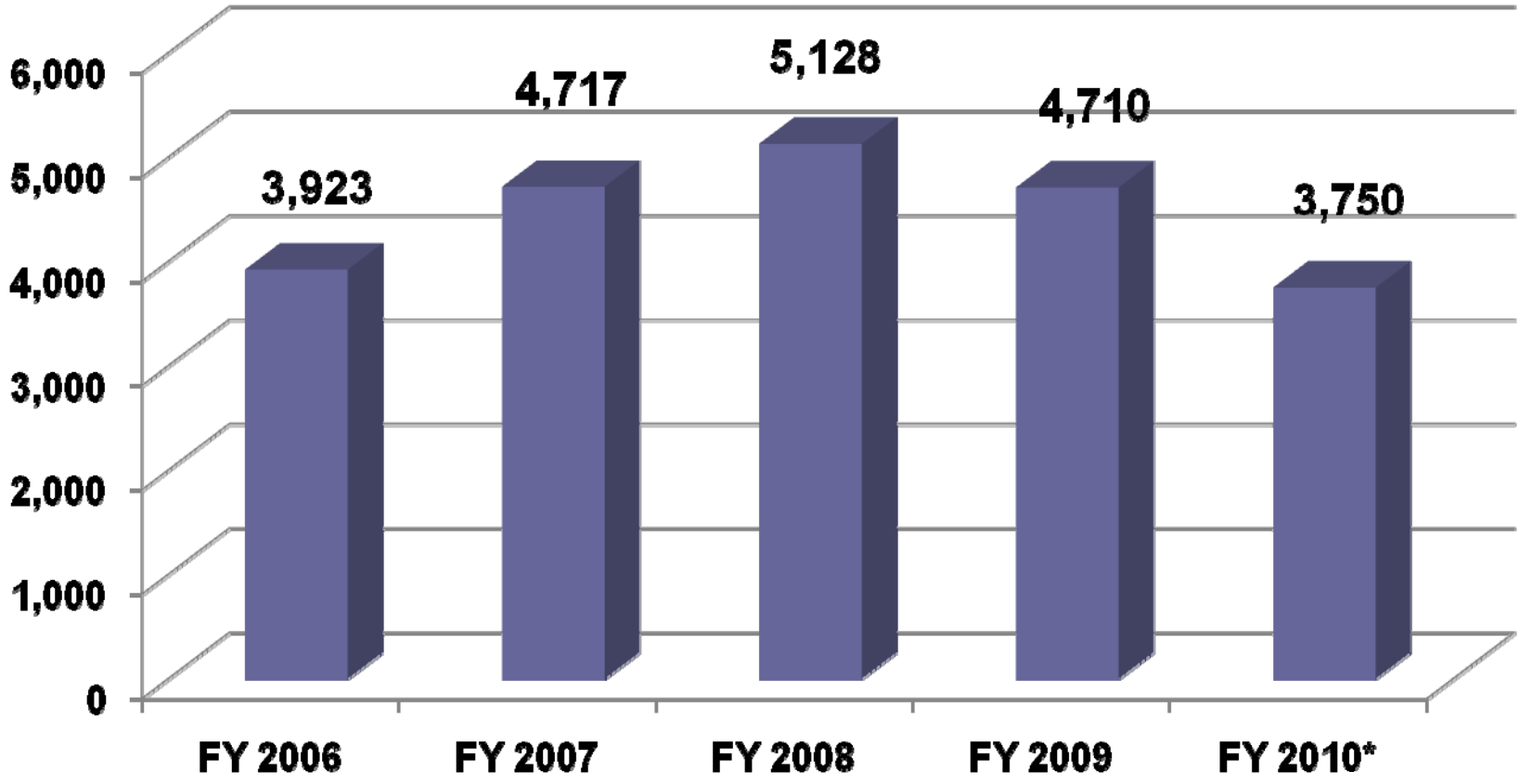
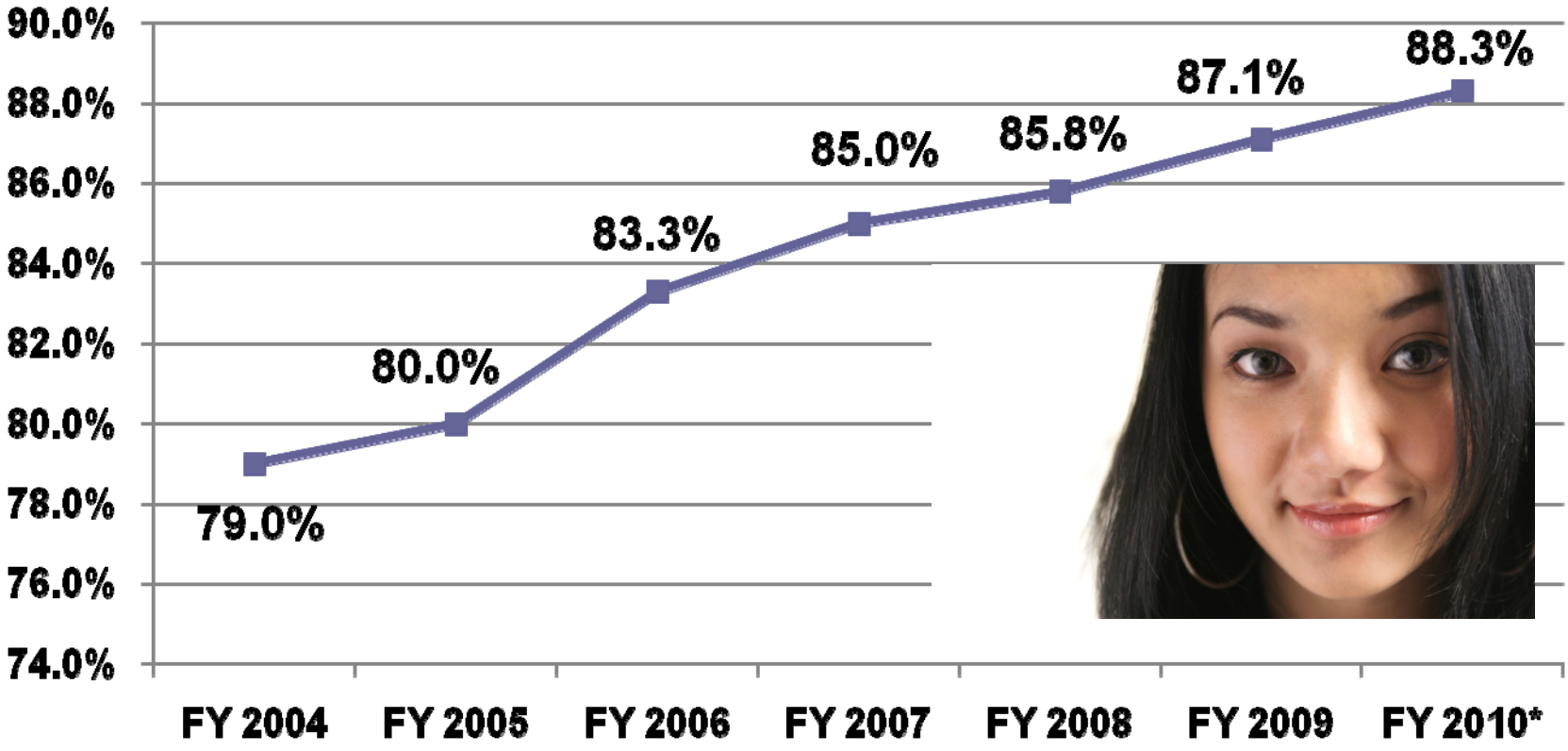
Priority “At Risk” Retailers

The number of retailers qualifying for “at risk” or “priority” status has declined by almost 27% since FY 2008.



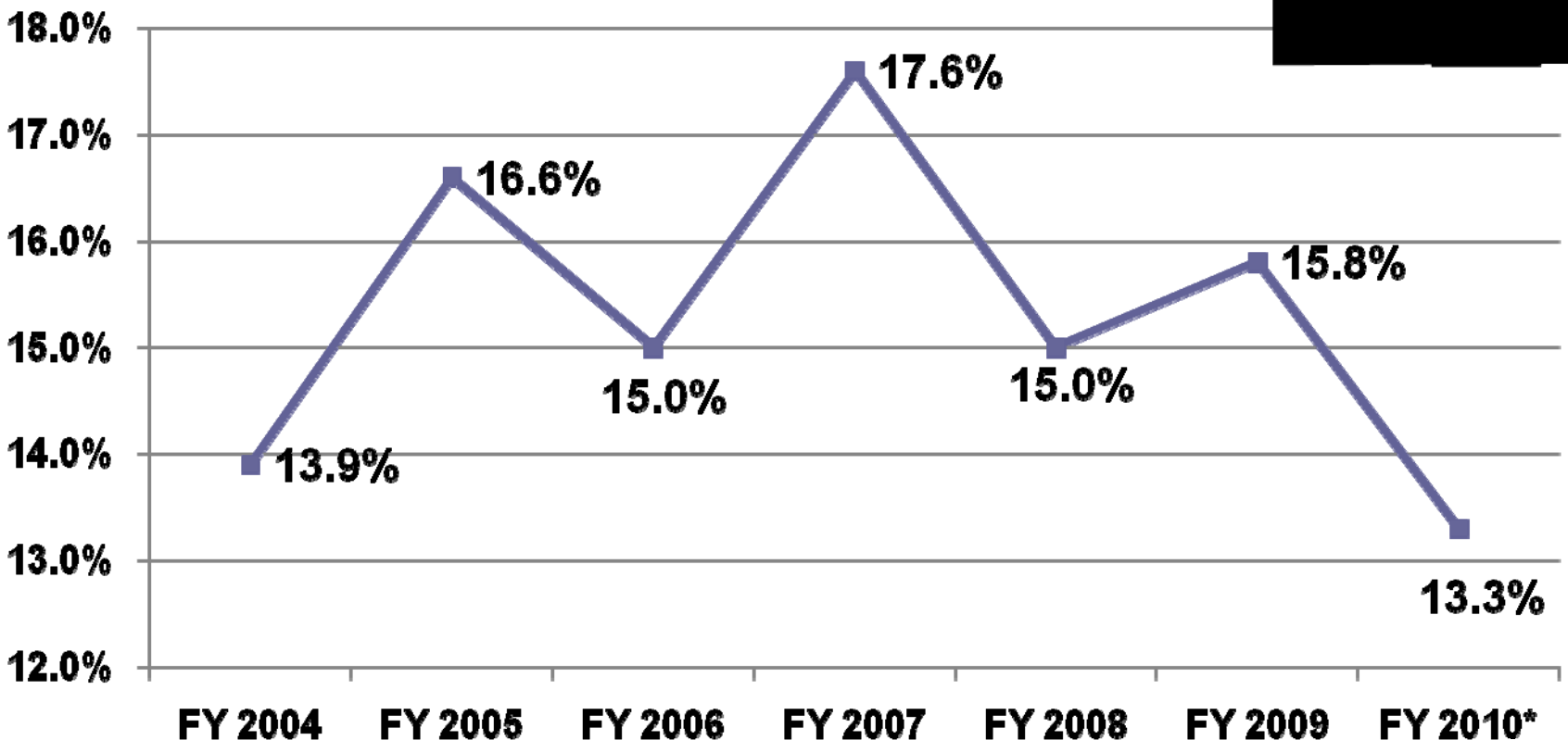
*FY 2010 total is projection based on actual count at end of May and changes observed from 3rd to 4th quarters in prior fiscal years.

Minor Sting Compliance Rate



*Value shown for FY 2010 is as of the end of May.

Retailer Recidivism
(Public Safety Offenses)



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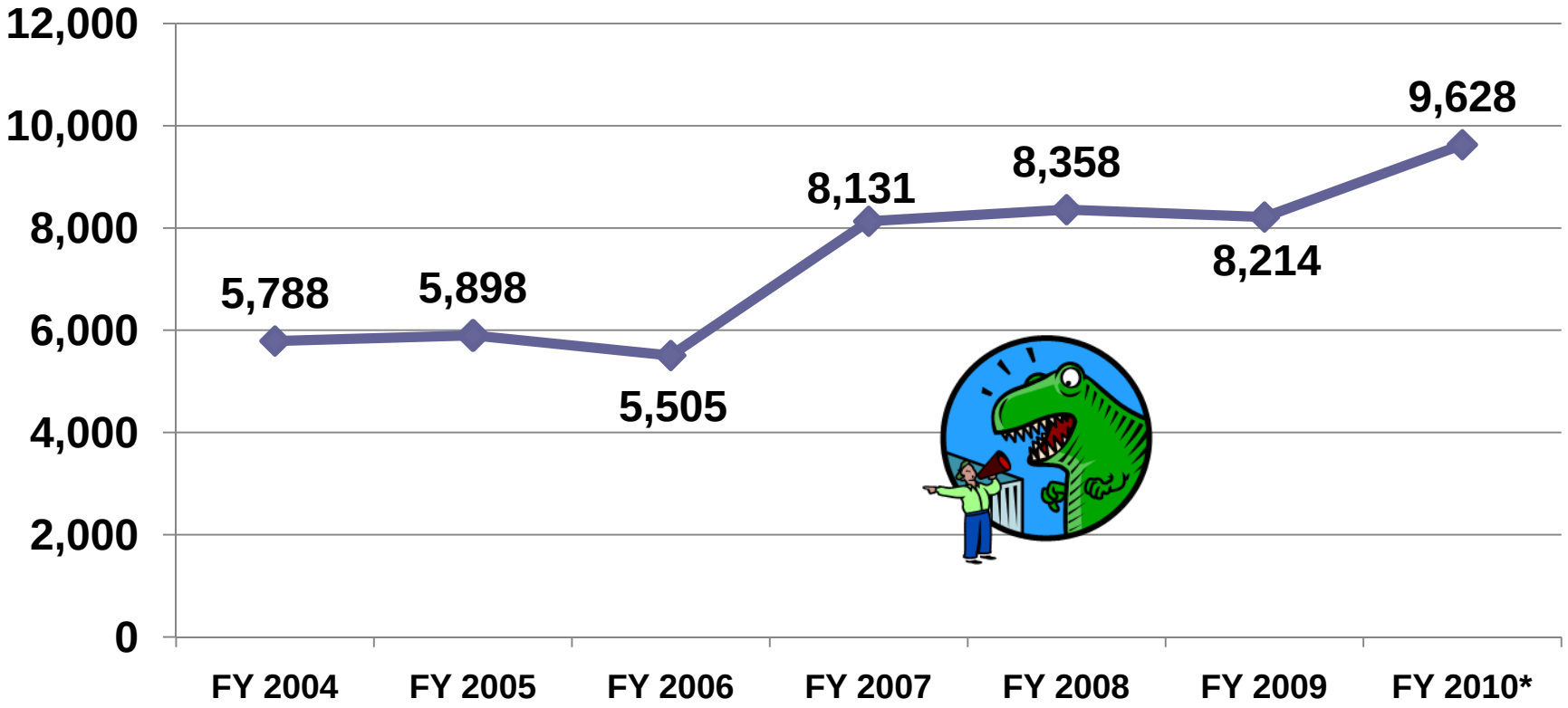
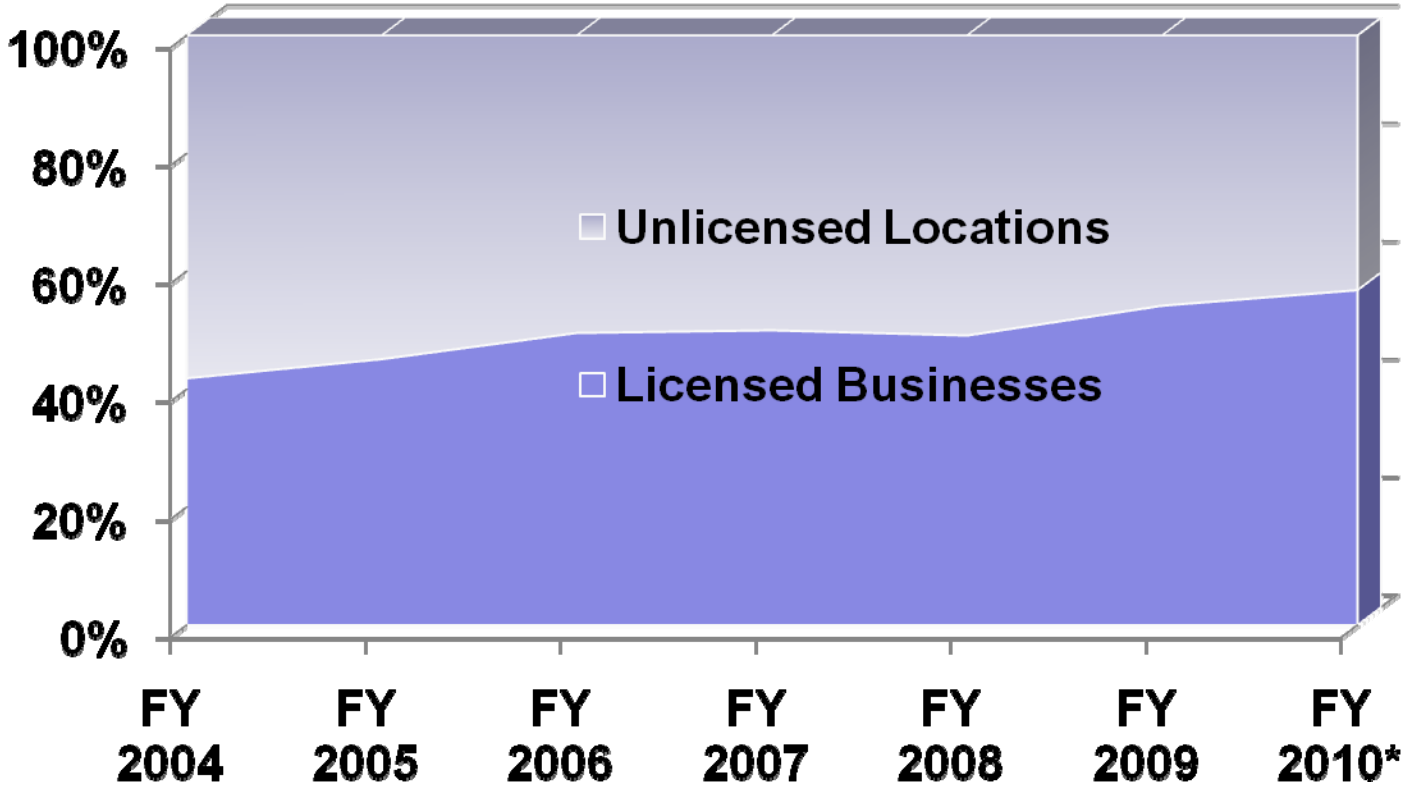
Enforcement Complaint Investigations Against Licensed Establishments



*FY 2010 total is a projection based on performance through May.

The volume of complaints received and investigated by enforcement agents has increased by 75% since FY 2006.

Location of Incidents Resulting in Enforcement Criminal Cases



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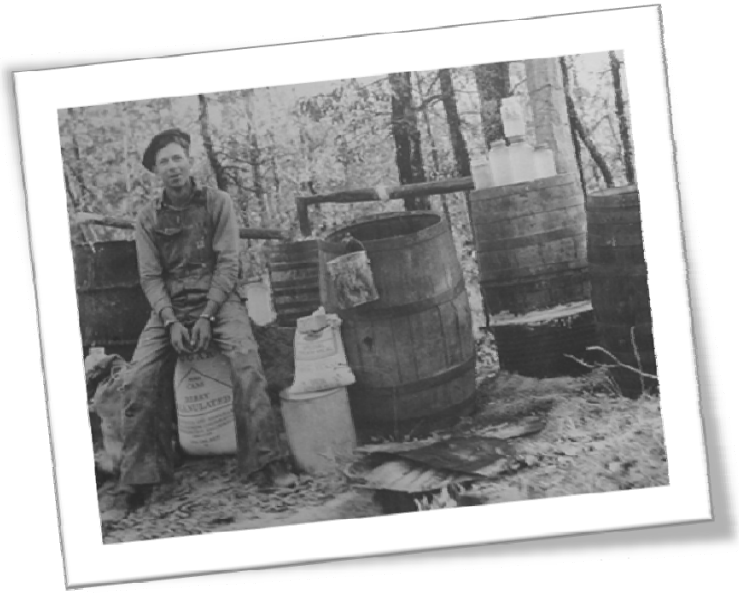
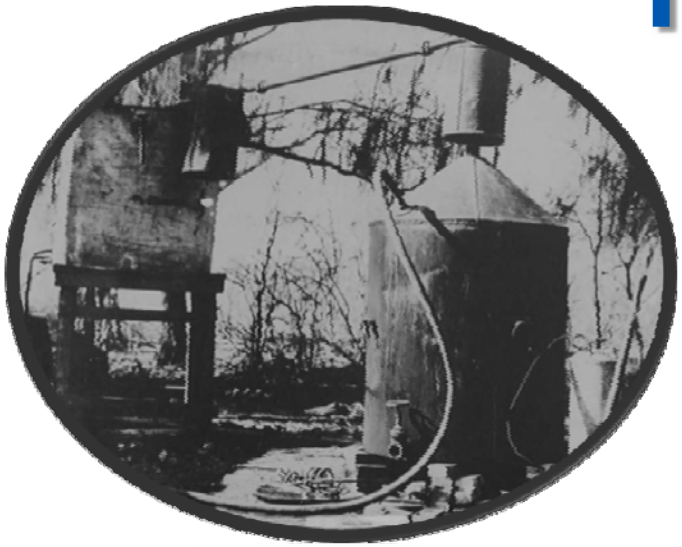
Fred's 1st job at the Liquor Control Board



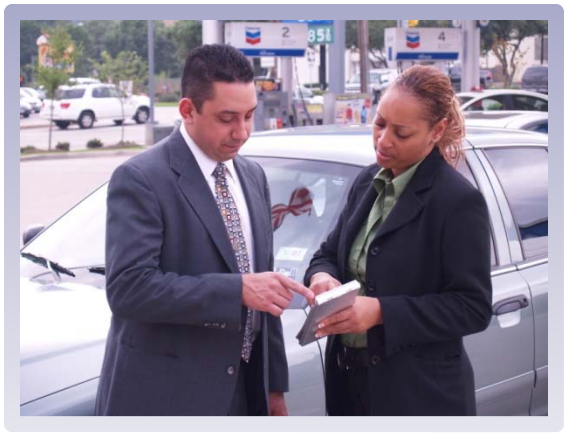
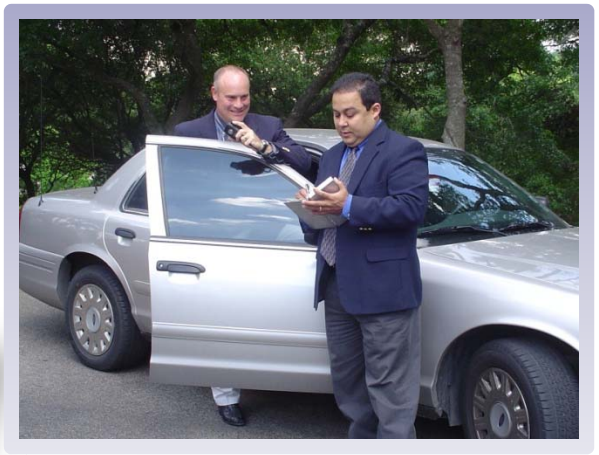
Then…



TABC

Texas Alcoholic Beverage Commission

service ★ courtesy ★ integrity ★ accountability



And now…