TEXAS ALCOHOLIC BEVERAGE COMMISSION

ENFORCEMENT REGULATION PREVENTION

GOVERNMENT INDUSTRY COMMUNITY

70 Years of Public Service

A SOBER RESPONSIBILITY

2005
Annual Report

Contents

TABC Annual Report 2005

This is the Annual Report of the Texas Alcoholic Beverage Commission for the fiscal year ending Aug. 31, 2005 (FY2005). Staff from each division contributed technical information for this report.

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John T. Steen, Jr.

Commissioner
Gail Madden

Commissioner
José Cuevas, Jr.

Administrator
Alan Steen

To meet the challenges of the present and future, this agency will continue to develop and implement educational and enforcement programs intended to save lives, such as those that minimize a minor's access to alcohol and those that prevent overselling and overconsumption.

Dear Friends,

The Texas Alcoholic Beverage Commission celebrated its 70th anniversary in November 2005 and took the time to reflect on the agency's accomplishments.

Texas emerged from Prohibition with TABC's original mission focused on keeping the criminal element out of the alcoholic beverage industry. Tied-house prohibitions mandated strict separation between the three tiers of the alcoholic beverage industry: manufacturers, distributors and retailers. Although we continue to confirm that applicants are legal residents of Texas and are otherwise qualified for a license or permit, we have been shifting away from concerns of the post-Prohibition era to emphasize modern-day public safety issues today. We strive to minimize minors' access to alcohol from retailers, parents or older friends. We encourage retailers to serve alcohol responsibly and patrons to consume sensibly. We strive to reduce alcohol-related crime, most notably drunk driving.

A comparison of fiscal year 2004 and fiscal year 2005 reflects our increasing emphasis on more serious public safety-related offenses. The number of minor stings increased by 140%, and stopping sales to intoxicated person operations increased by 94%. The number of administrative cases filed against permit holders grew by more than one third.

We are mainly directing our attention to the behavior of retailers, not individual patrons, because we believe it is the retailer's behavior that we can control through the permitting process. In return for the privilege to obtain a permit to sell alcoholic beverages, we expect and require retailers to comply with the law. Our role is to license and regulate the industry, and we believe that a major part of that is enforcing the laws that keep our communities safe.

We are proud of our role in issuing licenses and permits, enforcing the tenets of the three-tier system, and annually collecting more than $200 million in taxes, which aid in the financing of the state's public schools, local governments, human services and other areas in which state government provides services to all Texans.

We at TABC will continue to dedicate ourselves to the progressive administration of the laws, which we are charged to enforce, while never losing sight of the fact that our attentiveness to professionalism, uncommon courtesy and fairness will forever mark our effectiveness.

With a look at our past, we can take pride in how far we have come as an organization. With a glimpse at the future, we can find new motivation to see how much more we can accomplish by working together with other state agencies, community organizations, law enforcement entities, concerned individuals and the alcoholic beverage industry.

Commissioners Gail Madden, José Cuevas, Jr., and I, along with TABC staff and our stakeholders, pledge our continued determination to work diligently to meet the challenges of the future.

John T. Steen, Jr., Chairman

The Commissioners

John T. Steen, Jr., Chairman

San Antonio

An attorney in private practice, Chairman Steen is a fellow of the San Antonio Bar Foundation and a life fellow of the Texas Bar Foundation. Steen serves on the advisory council of San Antonio Academy, the development board of the University of Texas at San Antonio, and the executive committee of the Chancellor's Council of the University of Texas System. He is vice president of the Fiesta San Antonio Commission and is a director and past chairman of the World Affairs Council of San Antonio. He is past trustee of both the Alamo Community College District in San Antonio and Austin College in Sherman, and was a gubernatorial appointee to the Texas Commission on Economy and Efficiency in State Government. Steen graduated cum laude from Princeton University and received his law degree from the University of Texas. He served as a lieutenant in the United States Army Reserve and is an honor graduate of the Army's Military Police School. His term expires Nov. 15, 2007.

Gail Madden, Commissioner

Dallas

Commissioner Madden of Dallas is a co-founder of Community Connection, a consulting firm that provides full-service fund counsel to nonprofit institutions, specializing in special events management and capital campaigns. A graduate of Southern Methodist University, she has served as a trustee of the University of Dallas and as chair of Crystal Charity Ball. She is a past board member of United Way, Boys and Girls Clubs and the Volunteer Center. Currently, she is a member of The Catholic Foundation Advisory Council and Dallas Center for the Performing Arts President's Advisory Council, and serves as a member of both the YMCA of Metropolitan Dallas Executive Committee and Charter 100. Madden's term expired Nov. 15, 2005.

José Cuevas, Jr., Commissioner

Midland

Commissioner Cuevas of Midland is the founder and CEO of JumBurrito, Inc., and JumBurrito Franchises, LLC. He serves on several boards and committees, including HOPE—Hispanics for Opportunity, Progress and Education (chairman); Texas State History Museum Foundation (board of trustees); Texas Mutual Insurance Company (board of directors); Community National Bank of Midland (board of directors); and Midland Memorial Hospital (board of governors). Cuevas' term expires Nov. 15, 2009.

Vision, Mission & Philosophy

Vision

A safe and sober Texas served by the Texas Alcoholic Beverage Commission, known for its innovation, efficiency, work ethic and fiscal responsibility.

The Alcoholic Beverage Code exists for the protection of the welfare, health, peace, temperance and safety of Texans. Thus, the agency pursues its vision of a safe and sober Texas not only through normal police activities, but also through licensing and regulation of commercial activity within the alcoholic beverage industry.

Mission

To supervise and regulate all phases of the alcoholic beverage industry to ensure the protection of the welfare, health, peace, temperance and safety of the people of Texas, while facilitating fairness, balanced competition and responsible behavior through voluntary compliance.

Philosophy

- To exemplify professionalism in all areas of performance.
- To provide the best possible services at the lowest possible cost to the people of Texas.
- To apply the law and agency policy fairly and consistently throughout the state.
- To communicate openly and provide timely, accurate information to the public and to all our fellow employees.

Consistency Protection Safety Fairness Professionalism

Compact with Texans

Customer Service Standards

TABC is committed to providing exemplary customer service for the people of Texas, as well as those who conduct business in this state. The commission expects employees to provide the highest degree of service standards and to exhibit these characteristics in their interaction with customers:

- Commitment
- Quality
- Honesty
- Friendliness
- Professionalism

Quality service is essential to the agency's mission, goals and responsibilities. TABC will:

- Provide professional courtesy and respect at all times.
- Provide accurate, timely and complete information.
- Respond to all inquiries within three to five working days of receipt.
- Process new applications received for final processing in Licensing headquarters within 14 working days.
- Acknowledge receipt of complaints within three working days.
- Resolve complaints within 60 working days and provide notification if situations arise that may require additional time for complaint resolution.
- Provide helpful and up-to-date information on the website.
- Ensure TABC facilities are easily accessible and clean.
- Provide customers with *Compact with Texans* customer satisfaction survey results and continually strive to improve our services.

Innovation Efficiency Quality Honesty Friendliness

Birth of an Agency

Bootleggers

In these early days, stills used for the illegal manufacturing of distilled spirits ("moonshine") were fairly common and a number one enforcement priority of the Liquor Control Board.

Stills were well hidden and "bootleggers" often moved them to avoid detection by the "L-Men."

"Bootleggers" got their name from hiding liquor bottles inside their boots to avoid paying federal and state excise taxes.

Prohibition: The Grand Experiment

In 1918, the Texas Legislature ratified the 18th Amendment to the U.S. Constitution and immediately passed new laws that prohibited the distribution and consumption of alcoholic beverages. Thus began the "Grand Experiment" of prohibition.

Many otherwise law-abiding citizens began routinely violating the law by buying and consuming alcoholic beverages. The demand for illegal products created criminal empires that were built on illicit profits from these unlawful activities.

As it became apparent the prohibition law lacked the public support needed for proper enforcement, efforts were made to strengthen the law. The result was the "Dean Law," which prohibited the manufacture of intoxicating liquors for any purpose.

Transporters

Transporters were bootleggers who bought alcoholic beverages from a legal source in a wet area, then transported them to a dry area for sale.

These bootleggers used high-speed vehicles with secret compartments and ingenious disguises to mask their cargos from the Liquor Control Board.

Birth of an Agency

Prohibition Repealed

The Liquor Control Board

In 1933, the U.S. Congress amended the Volstead Act (known as the National Prohibition Act) to permit the sale of beer. This 21st Amendment to the U.S. Constitution repealed Prohibition and delegated responsibility for regulating the alcoholic beverage industry to the individual states.

In 1935, Texas voters ratified an amendment to the State Constitution legalizing the sale of liquor. The Texas Legislature soon adopted the Texas Liquor Control Act and created the Texas Liquor Control Board to regulate the manufacture, distribution, storage and sale of alcoholic beverages in the state.

Early Mission

The board's mission was to:

- promote temperance
- protect the public interest
- encourage compliance of the Liquor Control Act
- collect alcoholic beverage taxes
- discourage underage drinking and organized crime

By the end of 1936, the board had:

- hired 246 employees
- divided the state into 17 districts
- set bonding requirements
- created 21 types of permits and seven types of licenses
- established Ports of Entry in Brownsville, Eagle Pass, El Paso and Laredo to collect the state tax on alcoholic beverages imported from Mexico
- established tax stamps for alcoholic beverage containers to indicate state tax paid
- collected approximately $6,200,000 in total receipts

Early Enforcement

Prohibition ended, but many bootleggers continued to make their favorite moonshine.

As more areas of Texas legalized sales, enforcement priorities shifted from "bootleggers" to other areas of public concern.

Texas Ranger and State Liquor Control Board Agent E.T. "Red" Zwernemann displays a still found in Washington County (ca. 1940).

A Modern Agency, A Public Service

Public Safety

TABC remains committed to strong law enforcement to protect the health and welfare of the citizens of the State of Texas while regulating the alcoholic beverage industry in a fair and responsible manner.

Tax Collection

From 1935 through August 2005, TABC has brought in a total revenue of $9.1 billion for the State of Texas.

Alcoholic Beverage Commission

In 1970, the "Liquor Control Board" became the Texas Alcoholic Beverage Commission.

When the "Liquor Act" was recodified in 1977, it was codified into the Texas Alcoholic Beverage Code.

The commission has four primary functions:

- to license alcoholic beverage manufacturers, wholesalers and retailers
- to enforce administrative and criminal laws in the Texas Alcoholic Beverage Code
- to collect taxes on alcoholic beverages
- to provide educational programs on related issues

The policy-making body of the agency is a three-member governing board appointed by the Governor with the advice and consent of the Senate. Commission members serve without pay and for staggered terms of six years.

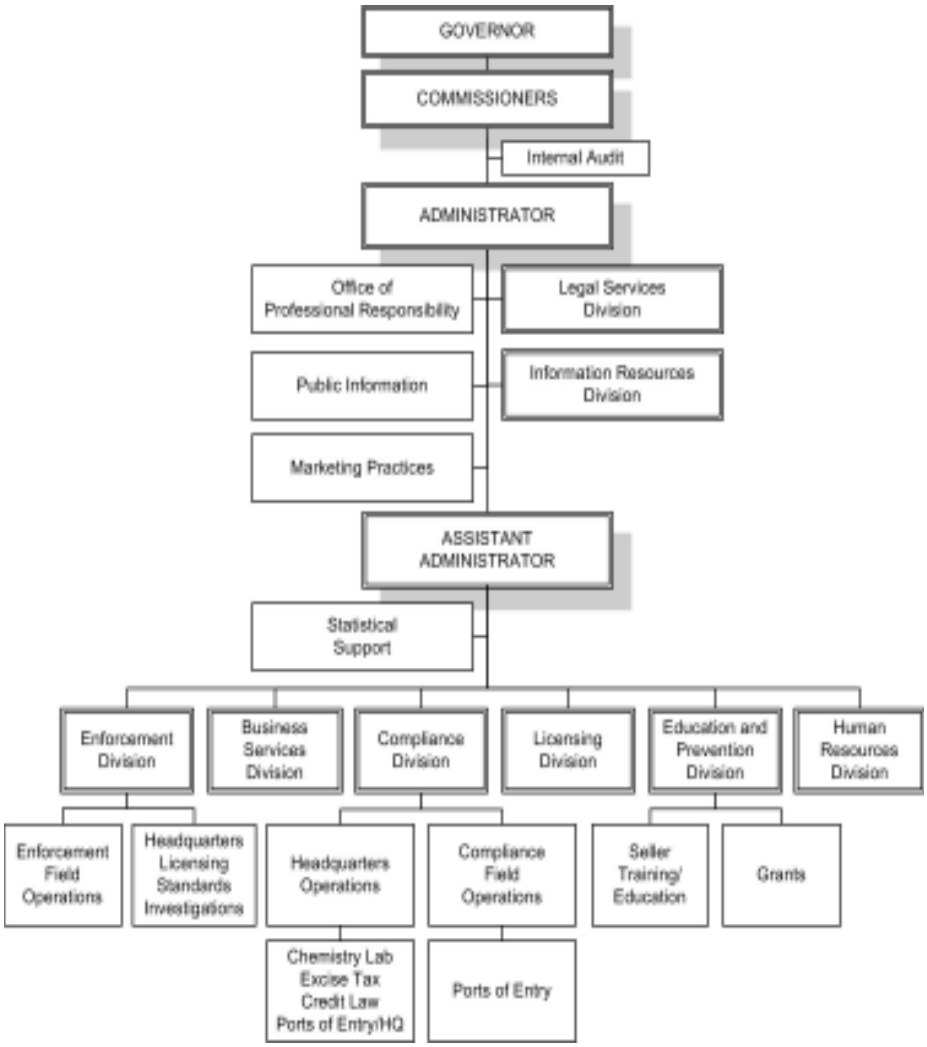
The agency is a leader in producing revenue for the state. In fiscal year 2005, the TABC collected more than $210 million in taxes and fees, an average of approximately $575,000 per day.

The revenue goes to the General Revenue Fund and helps finance the state's public schools, local governments, research, human services and other areas in which state government provides services to all Texans.

The TABC is considered a national leader among other states' agencies. In 2003, the National Liquor Law Enforcement Association (NLLEA) named TABC "Liquor Law Enforcement Agency of the Year" for "innovative programming, excellent service and dedication." They also presented the TABC with the "Most Innovative Liquor Law Enforcement Program" award.

The National Conference of State Liquor Administrators and the NLLEA recognized TABC and Texas as a "Model State" for regulating this industry.

The Inside Story



Agency Reorganization

- Legal Services and General Counsel were combined.
- Licensing Standards Investigations became part of Enforcement Division.
- Ports of Entry supervisors now report to Compliance supervisors in West Texas and San Antonio region.
- Chemistry lab and label approval functions moved to Compliance.
- Education and Prevention Division created to develop and evaluate educational programs, regulate seller training schools and certify trainees; administer and expand grants program; develop marketing strategies and materials; and research TABC-related issues.

TABC Regions and Office Locations

The TABC maintains its headquarters in Austin. The TABC allocates resources to its field offices based on the size of the population served. Most of the TABC's service delivery resources are concentrated in the state's 27 metropolitan statistical areas. The agency has divided the state into five regions, allowing staff to respond more effectively to local concerns.

Region 1: Lubbock
Lubbock, Amarillo, Abilene, Odessa and El Paso districts; outposts: Wichita Falls, San Angelo, Brownwood, Big Spring and Alpine.

Region 2: Dallas
Dallas, Fort Worth and Longview districts; outposts: Greenville, Denton, McKinney, Sherman, Terrell, Granbury, Mineral Wells, Mount Pleasant, Lufkin, Athens and Tyler.

Region 3: Houston
Houston and Beaumont districts; outposts: Galveston, Conroe and Huntsville.

Region 4: Austin
Austin, Victoria and Waco districts; outposts: San Marcos, Sealy, Bastrop, Kerrville, New Braunfels, Georgetown, Richmond, Brazoria, Wharton, Bryan, Belton and Llano.

Region 5: San Antonio
San Antonio, McAllen and Corpus Christi districts; outposts: Harlingen, Laredo, Del Rio, Hondo, Floresville and Uvalde.

For a complete listing of office locations and contact information, go to: www.tabc.state.tx.us.

The Inside Story

Executive Division

Alan Steen

The Executive Division is responsible for the administrative oversight of the agency and formulation of methods to carry out the Alcoholic Beverage Code and commission rules. An administrator, appointed by the three-member governing board, directs the daily operations of the Texas Alcoholic Beverage Commission.

Administrator Alan Steen, appointed Aug. 1, 2003, directly supervises the assistant administrator, public information officer, marketing practices coordinator, and directors of the Office of Professional Responsibility, Legal Services Division and Information Resources Division.

Jeannene Fox

The assistant administrator, Jeannene Fox, directly supervises the directors of Licensing, Compliance, Enforcement, Education and Prevention, Human Resources and Business Services Divisions.

An independent audit firm performs internal audit functions for the agency and reports directly to the commissioners.

Office of Professional Responsibility

In 2004, the TABC created the Office of Professional Responsibility to oversee or conduct all internal investigations concerning the conduct of agency employees. This office ensures the consistent, fair and impartial treatment of the public and agency employees. The complaint policy and instructions are on the TABC website at www.tabc.state.tx.us.

This information describes:

- what to expect once a complaint is filed
- what steps the agency will take to address the complaint
- how long the process may take

Complaints may be made anonymously, in person, by telephone, e-mail or letter to the Office of Professional Responsibility.

Enforcement

The Enforcement Division is the agency's largest division and is responsible for the criminal and administrative enforcement of the state's alcoholic beverage laws.

Division leadership includes a chief, assistant chief and deputy assistant chiefs who oversee operations in five state regions.

The TABC agents are certified peace officers and inspect premises licensed by the agency. In addition to investigating alleged violations of the Alcoholic Beverage Code, agents may also investigate prostitution, gambling, narcotics, homicide, illegal weapons, organized crime and threats to homeland security.

During holidays and special events, agents provide assistance to local law enforcement.

Enforcement Efforts. In 2005, the Legislature provided funding for the agency to add resources that would help reduce the number of deaths and injuries caused by persons driving while intoxicated. As a result, additional Enforcement agents were hired.

With a stronger emphasis on public safety, the Enforcement Division implemented action plans that directed agents to investigate sales to intoxicated persons (SIPs) and minors.

As a result, Enforcement agents increased the number of minor stings and sale to intoxicated persons investigations.

Agents filed approximately 18,000 criminal cases with courts across the state and submitted nearly 3,300 administrative cases seeking the suspension or cancellation of alcoholic beverage licenses or permits held by offenders.

(For more information on Enforcement Programs, see pp. 18-21.)

Licensing Standards Investigations. This unit of Enforcement helps ensure that the requirements to hold an alcoholic beverage license or permit are met.

TABC agents store confiscated beer in a district office evidence room. Alcoholic beverages are confiscated for many reasons. In one recent seizure, alcoholic beverages had been illegally transferred from a store with a suspended permit to another permitted store with the intent to re-sell to consumers.

The Inside Story

Because alcoholic beverage retailers work in what is primarily a cash business, these retailers sometimes serve as fronts for money laundering, drug dealing and other organized criminal activity.

Staff work closely with many state and federal government agencies, such as the Federal Bureau of Investigation, Internal Revenue Service, Small Business Administration, various sections of the federal Department of Homeland Security, Texas Department of Public Safety and the Texas State Comptroller of Public Accounts.

The Licensing Standards Investigations unit has:

- reviewed approximately 6,300 applications including originals, renewals and changes;
- initiated approximately 770 investigations;
- referred 180 cases for criminal and/or administrative action; and
- assisted TABC field agents and non-TABC entities.

Educational Programs. Agents present, coordinate and/or participate in numerous educational programs for all areas of the community: schools, licensees and their employees, civic organizations and other law enforcement agencies.

Enforcement agents provide information to help reduce alcohol and drug use in schools and communities.

Youth programs include MADD/TABC Youth Leadership Power Camp, SAVE (Stop Alcohol Violations Early), Safe Prom/Safe Graduation, College and University Symposiums and Shattered Dreams. (For more information on these youth educational programs, see pp. 22-27.)

Lt. Christina Guerra, of the San Antonio District Office, speaks to attendees of a "Town Hall Meeting" at The Incarnate Word College. These meetings, held statewide, are part of the agency's outreach program offered by the Enforcement Division. In this forum, community members may ask questions, request information or raise issues about the agency or alcohol-related laws. In response to the public's questions or concerns, the agency may develop or revise public education materials or programs, or re-evaluate agency policies or procedures.

In fiscal year 2005, Enforcement agents spent more than 33,000 hours providing educational presentations to approximately:

- 270,000 Texans;
- 19,500 members of civic and parent groups;
- 204,000 students (grades K–12);
- 14,000 college students;
- 12,000 police officers; and
- 21,300 alcoholic beverage retailers and their employees.

Education and Prevention

In October 2005, the Education and Prevention Division was created to develop, administer and promote public education and prevention programs that increase the public's awareness of the Alcoholic Beverage Code. The division consists of Grants (formerly in Enforcement), Seller/Server Training (formerly in Compliance), Research, Marketing and Education sections.

The Grants Section seeks and applies for grants to fund the agency's educational programs. Staff administers the agency's existing grant programs, in which the TABC provides grant money to individuals and organizations working to prevent underage drinking.

The Seller/Server Training Section certifies private business providers and approves curriculum offered by seller/server training schools. These TABC-approved courses include laws applicable to responsible alcohol service and techniques on how to identify and avoid illegal sales.

This certification program creates a conditional administrative shield for offenses involving sales to minors, intoxicated persons or nonmembers of private clubs for those employers who require their employees to attend such programs.

The Research Section provides information on issues and trends used to support various programs.

The Marketing Section develops strategies that target specific groups, and produces and distributes materials that promote education and prevention programs.

The Education Section evaluates and develops public education and prevention programs for school-aged children, college-aged adults, community groups, regulated business and others.

Licensing

Licensing Division investigates and processes applications for all phases of the

The Inside Story

alcoholic beverage industry, including the manufacture, sale, purchase, transportation, storage and distribution of alcoholic beverages. Licensing ensures that each applicant is qualified for a license/permit and adheres to all applicable regulatory requirements.

In 2005, Licensing issued approximately 100,000 licenses and permits, and collected approximately $34 million in fees and surcharges. There are 64 different types of licenses and permits, plus one certificate and one authority.

New Laws, New Permits. New laws created a Promotional Permit, and new requirements for Beer On-Premise Licenses and Wine and Beer Retailer's Permits in counties with populations of 1.4 million or more (Dallas, Harris and Tarrant Counties).

In May 2005, Governor Perry signed a bill revising the Alcoholic Beverage Code with regard to direct shipping of wine to Texas consumers for personal consumption. This bill:

- expanded the rights of Texas wineries to allow direct shipment to consumers in wet or dry areas without shipping through a package store.
- created a new permit allowing out-of-state wineries to ship the product they produce or bottle directly to Texas consumers in wet or dry areas.

In the past year, the Licensing Division has been involved in a technological conversion to transform licensing and license-related functions to current technology. New computer enhancements will eventually allow customers to apply for and renew licenses and permits online.

Compliance

Compliance Division serves as the taxing authority of the agency, as well as administrative/regulatory enforcement of the Alcoholic Beverage Code. In 2005, the division collected approximately $170 million in taxes.

Staff conducts excise tax audits at the wholesale level, private club permit fee analyses and Food and Beverage analyses and inspections. The division processes and verifies excise tax reports.

Compliance serves summary suspensions for delinquent gross receipts permittees after notification from the Texas State Comptroller of Public Accounts, conducts or participates in protest and financial investigations, enforces cash and credit laws and investigates money-laundering and subterfuge operations.

In August 2005, the field application processing function and some inspection duties were transferred from Enforcement to Compliance to allow Enforcement agents to focus on public safety issues.

Also, the chemistry lab was transferred from Marketing Practices to Compliance. The lab analyzes the contents of new products for the Texas market to ensure the product is pure and conforms to the labeling description.

Ports of Entry (POE) ensures compliance with personal importation laws, and the collection of taxes and fees on alcoholic beverages brought into Texas. Compliance collects applicable cigarette taxes for the Comptroller of Public Accounts.

POE staff are stationed at all major bridges along the Texas-Mexico border. Six port offices monitor 26 border crossings. Personnel are assigned to 19 major crossings. The additional seven crossings are considered low-volume and are monitored on a random basis.

Effective Nov. 1, 2005, new laws went into effect that allowed the TABC to round up to the nearest quarter taxes collected on alcohol and cigarettes at the border.

The Inside Story

This change makes tax collections more efficient, expedites traffic flow and prevents long lines, which are considered security risks.

In fiscal year 2005, POE collected approximately $3.3 million in revenue, including almost $978,000 from cigarettes. Staff stamped nearly 5 million containers and confiscated more than 10,000 containers.

Marketing Practices

Marketing Practices is responsible for oversight of the labeling, bottling and promotion of alcoholic beverage products in Texas. The Marketing Practices coordinator works with all levels of the industry to ensure an understanding of marketing practice regulations.

The TABC must approve marketing items, such as promotional programs by manufacturers, distributors and retailers of alcoholic beverages. Advertisements, radio spots, special promotions and giveaway gimmicks are subject to review.

In 2005, Marketing Practices began publishing bulletins to provide information on revised rules, agency opinions, clarifications and frequently asked questions. The bulletins help ensure the consistent interpretation and regulation of laws and issues concerning interaction between the three tiers. To access bulletins, go to: www.tabc.state.tx.us/enforce/MPBull.htm.

Legal Services

Legal Services Division provides two distinct functions within the agency—general counsel and litigation.

The General Counsel provides legal advice, opinions and guidance to the commissioners and the agency.

Staff conducting litigation prepares, processes and prosecutes administrative cases dealing with violations of the Alcoholic Beverage Code, including application protests by this agency, local authorities and citizens regarding the issuance of licenses and permits.

Legal Services represents the agency in all contested administrative hearings before county judges and the State Office of Administrative Hearings.

The division also oversees and coordinates litigation involving the Commission. Staff helps develop agency rules and regulations; responds to legal inquiries from the public, permittees and licensees; and provides legal counsel and support to other agency divisions.

In August 2005, Legal Services and the General Counsel's office were combined, and additional attorneys were hired.

Information Resources

Information Resources Division develops and maintains the agency's core technology applications. Staff researches, analyzes and implements new technologies.

Other duties include: management of the agency's information resources budget; database administration and application programming support; network (WAN) and operations support of hardware and software; information security; and the printing of various forms, licenses, reports and letters.

In the past several years, the division has directed a technological transformation to make agency processes more efficient. In June 2005, the agency converted major licensing, enforcement and compliance functions from a mainframe environment to a new web-based system.

Business Services

This division handles all fiscal operations, such as preparation and oversight of the legislative appropriations request, budget, performance reports, payroll, purchasing, revenue processing, accounts payable and support services.

Human Resources

Human Resources manages employment-related activities, such as recruitment, selection, benefits, compensation, classification, training and equal employment opportunity.

Enforcement staff (from left) Jeff Taylor, Charlotte Clary, Debra Jones, Rickie Cruz and Harry Schreffler interview a candidate for an agent position.

2005 Highlights

January

79th Legislature Opens

Office of Professional Responsibility
New policy and procedures for complaint and investigation process implemented, and made available on TABC public website.

February

Human Resources
Annual in-service training conducted. Topics included diversity, liquor law, and customer service.

Spring Break Project
TABC received a grant from the Governor's office that covered overtime pay for TABC agents who assisted local law enforcement in South Padre Island and Port Aransas to enforce underage drinking laws during Spring Break.

Mardi Gras Project Grant
TABC applied for and received grant funds allowing TABC to bring in agents across the state to help local law enforcement in Galveston enforce underage drinking laws during Mardi Gras.

March

Texas Joint Terrorism Task Force
Six commissioned peace officers from TABC's Homeland Security Division joined this task force headed by the FBI to assist with investigations related to licensed premises TABC regulates.

Amended Texas Admin. Code
Amendment to Sec. 45.78 governs mandatory information on malt beverage labels.

April

POE Staff Plan for New Border Crossings
TABC Ports of Entry staff met with the U.S. General Services Administration to discuss plans and staffing for the new international bridges in Anzalduas, Donna and Tornillo-Guadalupe scheduled for 2006-2007.

Regional Action Plans
Captains met in Abilene to discuss and evaluate regional action plans for FY 2006. Plans included increased undercover activities for sales to intoxicated persons. TABC staff will continue to notify local officials before major undercover operations.

Seller/Server Training
- The Manager's Awareness Program was launched by Seller/Server Training and the Houston Compliance Office to provide managers with information on developing policies and procedures that promote responsible alcohol sales and service.

May

New Out-of-State Winery Direct Shipper's Permit
New law allows wineries that hold an out-of-state winery direct shipper's permit to ship their product directly to adult consumers anywhere in Texas, wet or dry.

Border Travel Warnings Impact Revenue
Travel advisories by the U.S. State Department caused a decline in tourism and trade. Tax collections for alcohol and tobacco dropped 3% in six months. The number of cigarette and alcoholic beverage containers stamped decreased 7%.

Texas College and University Symposium
Funded by an Enforcing Underage Drinking Laws (EUDL) grant from OJJDP, Enforcement staff helped coordinate the event and gave presentations on drinking prevention strategies.

EUDL Grants Awarded
TABC awarded seven grants totaling $200,000 to fund programs that prevent underage drinking and support age-law enforcement. Funding was provided by the U.S. Dept. of Justice, Office of Juvenile Justice and Delinquency Prevention, Enforcing Underage Drinking Laws (EUDL) Program.

Internal Audit of Accounting System
TABC was commended in the internal audit report for the "good controls and effective procedures," and for "structuring the Uniform Statewide Accounting System (USAS) to fit TABC's needs."

June

79th Legislative Session Ends
Legislature approves funds to hire more staff for increased public safety efforts. TABC staff assess impact of alcohol-related bills passed.

Sunset Bill did not pass. TABC will go through the Sunset process again in 2006-2007.

2005 Highlights

July

Power Camp
TABC staff provided information on education and prevention programs, enforcement efforts, available grants and Shattered Dreams program.

Revised POE Brochure
Revised Ports of Entry brochure, "How Much Can I Bring Back" in Spanish and English to include new tax rates.

August

TABC Announces Public Intoxication Operations
A news release was issued to announce an increase in sales to intoxicated person operations (SIPs) in various parts of the state and provide information on public intoxication, laws and consequences.

Press Conferences
Held in Dallas and McAllen on underage drinking laws, specifically those regarding making alcohol available to a minor.

Agency Reorganization
- Legal and General Counsel were combined.
- Homeland Security was moved to Enforcement.
- Ports of Entry supervisors will report to compliance supervisors in West Texas and San Antonio region.
- Chemistry lab and label approval functions moved to Compliance.

New/Amended Rules Adopted for Texas Administrative Code
- Amendment to Sec. 33.23 relating to license and permit surcharges.
- Amendment to Sec. 33.9 relating to service fees for online transaction and credit card fees.

September

Hurricane Disaster Relief
Nearly 100 employees assisted local law enforcement in the Gulf Coast region. TABC also waived the trainee's certificate fee for seller training schools that donated classes to certify evacuees.

New Hires
Approximately 90 positions filled.

Summer Conference
TABC staff and industry members learned about new laws and impact to agency operations.

Excise Tax
Excise tax filing requirements for malt beverages by distributors changed from reporting by package size to reporting by gallons.

Training
- Compliance officers and supervisors on licensing laws and issues.
- Enforcement field supervisors on regional hiring process.

October

New/Amended Rules Adopted for Texas Administrative Code
- Amendment to Sec 33.21 on performance bonds.

New rules:
- Sec. 37.4 relating to notice of hearing.
- Sec. 37.5 about determination of population in certain counties.
- Sec. 41.56 relating to out-of-state winery direct shipper's permits.

New Education and Prevention Division
The division will:
- develop and evaluate educational programs and materials
- administer and expand the grants program
- regulate the seller training schools and certify trainees
- develop marketing strategies/materials
- research TABC-related issues

Internal Audit
Audit of Enforcement and Field Operations approved by commissioners.

November

70th Anniversary
"The History of the Texas Alcoholic Beverage Commission 1935-2005" available on the website.

Ports of Entry
Senate Bill 269 went into effect Nov. 1 and increased the price of stamps for liquor and cigarettes, resulting in increased revenue for the state.

Seller/Server Training Seminars
Seller Training staff conducted seminars throughout the state to keep seller training schools and trainers informed about the latest laws, administrative issues, research and topics that impact retail employees and immediate managers.

December

Press Conferences
Held around the state regarding sales to intoxicated persons and minor stings.

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The 79th Legislature: Assessing the Impact

This chart summarizes the changes to alcohol-related laws made during the last legislative session and includes the bill number and related Texas Alcoholic Beverage Code references.

Bill	Eff. Date	Summary of Law and Code References
HB168	9/1/2005	Allows sale and consumption of alcoholic beverages at fairs, festivals and concerts between 10 A.M. and noon on Sundays without service of food. §105.08
HB833	6/17/2005	Raises population requirements for automatic late hours from 500,000 to 800,000 according to the preceding federal census. "Grandfathers" in cities and counties of at least 500,000 (as of 2001 federal census). No effective change until 2011 (next federal census). §§105.03(c), (d); 105.05(c), (d)
HB937	9/1/2005	Allows holder of a Wine-Only Package Store Permit or Wine and Beer Retailer's Off-Premises Permit to conduct free wine tasting on premises. Allows Nonresident Seller's Permit holder who owns a winery outside Texas to have wine tasting at retailer's premises. §§24.12; 26.01; 26.08; 37.01; 52.01(l), (m)
HB1357	9/1/2005	Enhances penalty for illegally making alcohol available to a minor. Requires automatic suspension of driver's license for 180 days upon conviction. Enhances penalty for minors convicted of certain alcohol-related offenses if minor has similar previous convictions. Requires automatic suspension of driver's license for one year if minor does not attend required alcohol awareness training. §106.115(d)
HB1575	9/1/2005	A minor convicted of certain alcohol-related offenses, who has two or more alcohol-related convictions, is not eligible for deferred adjudication. Repeals Sec. 106.11 which required presence of a parent or guardian at trial if minor is under 18. §§106.041(f); 106.071(f), (i); 106.11 (repealed)
HB1799	9/1/2005	Moves chapter regarding local option elections to the Election Code. No substantive changes. §251 (heading); 251.71(e); 251.72; 251.80(c); 251.82; 251 subchapters A, B, C (repealed)
HB1813	9/1/2005	Allows carrying a handgun while participating in a historical reenactment on the premises of a license or permit holder. Live ammunition prohibited. §§ 11.61(e), (i); 61.71(f), (i)
HB2064	6/18/2005	A fraternal or veterans organization that holds a TABC permit and the private club established under that permit will be considered separate entities. The organization shall establish a membership committee. Membership in the organization is not governed by the requirements of private club membership, which means members can be under 21. §32.11(b), (e)
HB2065	9/1/2005	Private clubs must vote on membership within seven days, not three. If application is not approved before preliminary membership expires, the club shall pay the State $3. §§ 32.03(d); 32.06(b)
HB2451	9/1/2005	Creates a specific administrative and criminal charge of sale or consumption during prohibited hours on the permitted premises of a Mixed Beverage or Private Club permit holder. Clarifies the penalty on consumption during prohibited hours as a class C misdemeanor. §11.61(b); 105.06(e)
HB2526	9/1/2005	Creates a new Promotional Permit to allow a person to promote the sale of A/B on behalf of someone who manufactures A/B on the premises of a license or permit holder. §§ 54.001; 54.002; 54.003
HB2590	6/18/2005	Allows Wine-Only Package Store Permit holder to obtain a Package Store Tasting Permit and have on-premises tasting of wine and malt liquor. §§ 24.09; 24.10; 52.01(a); 52.03
HB2868	9/1/2005	Establishes civil liability for 21 or older (other than parent/guardian) for damages caused by intoxication of minor under 18 if adult knowingly provided alcoholic beverages to minor or allowed minor to be served or provided alcoholic beverages on premises owned or leased by the adult. §2.02(c)
HB1116		Continues the TABC's existence until Sept. 1, 2007. Requires the Sunset Advisory Commission to review the TABC but to limit the review to the appropriateness of recommendations made by the Sunset Commission to the 79th Legislature. The Sunset Commission's report to the 80th Legislature may include any recommendations it considers appropriate. §5.01(b)

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New/Amended Alcoholic Beverage Laws

Bill	Eff. Date	Summary of Law and Code References
SB269	9/1/2005	Allows TABC to round up to the nearest quarter taxes/fees collected on alcohol and cigarettes imported into Texas for personal use. §107.07(g)
SB571	5/17/2005	Establishes hours of sale and consumption at a winery. Mon.-Sat., 8 A.M.-midnight; Sun., 10 A.M.-midnight. No sale or consumption past midnight, even in late hours areas. §§105.01; 105.08
SB877	5/9/2005	Creates a new Out-of-State Winery Direct Shipper's Permit, authorizing out-of-state wineries to ship their wine directly to consumers in Texas. Also allows for the shipment of wine to individuals across the state, including wet and dry areas. §§16.09; 54.01-54.12; 107.07(f); 110.052; 110.53
SB1137	6/17/2005	Allows dual or contract winemaking. Allows a winery to advertise where their wine can be purchased. §§16.011; 1605.05; 45.03(c); 108.09
SB1255	6/18/2005	Allows dual or contract brewing. Repeals beer container and barrel sizes. Forfeiture suits allow TABC to pay local prosecutors. §§1.04; 12.06; 13.04; 61.41; 62,03; 62.14; 63.05; 103.07; 103.22; 104 (repealed)
SB1331	5/28/2005	Allows Texas Motor Speedway to obtain a limited number of Temporary Wine and Beer Retailer's Permits each year. §§27.03; 27.05(b); 27.07
SB1370	9/1/2005	Portions of increases in excise tax collected annually on wine up to $50,000 will be appropriated to the Texas Cooperative Extension for viticultural projects in Texas. If available, other amounts may be given to the Texas Agricultural Experiment Station, the Texas Wine Marketing Research Institute at Texas Tech University and the Department of Agriculture for projects related to grape growing and wine making. This section expires in 2015. §205.03
SB1426	9/1/2005	Requires the court to charge a $30 fee for requests to expunge certain offenses committed by minors. §106.12
SB1465	9/1/2005	Creates a defense to prosecution of sale to a minor if person selling checked ID with an electronic scan device that showed the ID was valid and the person was 21. Creates a defense to administrative action if permittee provided a transaction scan device to employees and trained them, but an employee sold to a minor. §§106.03; 109.61
SB1471	9/1/2005	Eliminates 30-state requirement for prizes, premiums, gifts, or sweepstakes. §§102.07(d), (e); 108.061
SB1472	9/1/2005	Allows manufacturers/distributors to provide CO^2 filters to retailers. The manufacturer shall bear the costs. §108.041
SB1626	6/17/2005	A Wine-Only Package Store Permit may be issued in an area wet for Wine and Beer Retailer's Off-Premise Permit. The permit will indicate that wine up to 14% or 17% may be sold. Lowers the number of signatures needed on a petition to call certain types of local option elections. §§251.11(a); 251.14(h)
SB1692	9/1/2005	Allows Winery Permit holder to obtain a Storage Permit for a location inside or outside the county where the winery is located. §45.03
SB1850	9/1/2005	Increases annual fee for holders of Wine and Beer Retailer's Permits (BG) and Retail Dealer's On-Premises Licenses (BE) in Harris, Dallas and Tarrant Counties. For BG's or BE's in these counties not holding a Food and Beverage Certificate, law prohibits a person within the fourth degree of consanguinity or affinity of current licensee/permittee from applying for a license/permit that is suspended or has a charge pending. Creates a $4,000 civil penalty for falsification of an application; creates a new performance bonding requirement. §§11.13; 11.321; 11.61(b-1), (i); 25.02; 61.15; 61.52; 61.71(j), (k); 6902
SB270	6/17/2005	Changes definition of mass gathering to 2,500 ***OR*** more than 500 if 51% or more might be under 21, and it's expected alcohol will be sold, served, or consumed ***AND*** the persons will remain for more than five continuous hours or any time between 10 P.M. and 4 A.M.

Local Option Elections

What Is a Local Option Election?

Those familiar with the Texas alcoholic beverage industry know voters in counties, cities and individual judicial precincts have local control over what types of alcoholic beverages can be legally sold. A community can be totally dry, meaning the sale of any type of alcoholic beverage is illegal.

Local option elections give citizens the opportunity to decide if alcoholic beverages should or should not be sold in their communities. Communities can legalize a wide range of options such as only beer only for off-premises consumption; or beer, wine and distilled spirits for on- or off-premises consumption; and nearly anything in between.

New Laws Create Surge in Local Option Elections

New laws passed in 2003 and 2005 make it easier than ever for a community to "go wet" or legalize the sale of alcoholic beverages.

Requirements for holding elections to vote on the wet/dry status of a community were relaxed, resulting in a surge of statewide local option elections.

Before Sept. 1, 2003, the law stated an election could not be held until 35 percent of all registered voters signed a petition—and the signatures had to be collected within 30 days. The new law extends the period to 60 days.

For most issues, the new laws also reduce the number of signatures required to 35 percent of the people who voted in the last gubernatorial election.

Having more time to recruit a smaller number of supporters has encouraged many groups to start petition drives. Many have already succeeded in legalizing the sale of certain types of alcoholic beverages in their community.

Also, cities located in multiple counties can now hold local option elections.

State law still requires 25 percent of the registered voters who voted in the most recent general election for a ballot issue that permits voting for or against the sale of wine on the premises of a winery.

Recent Election Results

Between September 2003 and August 2006 (fiscal years 2004, 2005 and 2006), there have been 177 elections to legalize some form of the sale of alcoholic beverages—with an 82 percent success rate. There have also been a few petitions circulated to prohibit the sale of alcoholic beverages, but so far, only one has succeeded in getting the issue on the ballot. However, the proposition did not pass.

At the other end of the spectrum, only two judicial precincts, six cities and one county voted to become entirely "wet," legalizing the sale of all alcoholic beverages for on- or off-premises consumption. It appears that most communities holding elections want to allow the sale of alcoholic beverages, but only under certain circumstances.

As of the closing of fiscal year 2006, there are 36 completely wet counties in Texas, and 42 completely dry counties.

To help the public and industry stay informed on the quickly changing status of local option election results, the TABC added a new web page to its website. To access the list of local option petitions and election results by county, go to the TABC home page at www.tabc.state.tx.us. and click on the "Local Option Results" icon.

Related Legislation

Senate Bill 1626 also allows the TABC to issue Wine Only Package Store Permits in any area in Texas voted wet for the sale of wine. The permit would indicate whether it was legal for 14 percent, 17 percent or higher alcohol content. This bill went into effect in June 2005.

Finally, House Bill 1799 transferred the laws governing the holding of local option elections from the Alcoholic Beverage Code to the Election Code, effective Sept. 1, 2005. Local option elections have always been governed by the Office of the Secretary of State, rather than the TABC, so this was a logical but not a substantive change.

Technology Transformation Technology Transformation Technology Transformation Technology Transformation Technology Transformation Technology Transformation Technology Transformation Technology

Technology Transformation

New Technology

Computing for the 21st Century. In the past several years, the agency has implemented many innovations to modernize the agency and improve customer service.

One primary objective was to transition licensing and regulatory applications to newer technology that would support an automated licensing process, a workflow management system and an online purchasing system.

Mainframe Conversion. In June 2005, all major licensing, enforcement and compliance functions were converted from a mainframe environment to new licensing software built on state-of-the-art architecture that uses an expert rules-based engine.

Workflow Management System. This system provides field and headquarters staff with a method of tracking an application through every step of the application processing cycle.

Vehicle Management System. The Daily Activity Reporting System (DARS) interfaces with a new vehicle management system that allows field personnel to track their time and efforts.

The vehicle management system captures vehicle usage and historical data, and provides information required to feed into the statewide FleetFocus system.

Human Resources Information System (HRIS). This system was installed to automate many functions, such as employee and payroll information, benefits, time and attendance, training development, application, recruiting and termination.

Moving Forward

Plans are underway to provide the public with a new inquiry system for checking the status of a license or pending original, generating lists of licenses or permits based on user-defined queries and reviewing the delinquency status of a license and related permits.

Ports of Entry personnel can look forward to an automated point of sale system in the next year.

Paperwork Reduction. Agency staff routinely seek and evaluate technological solutions designed to increase employee productivity by reducing paper processing workloads. Primary initiatives under evaluation include:

- document imaging and retrieval technology for storing/retrieving paper documents by incorporating them into the new licensing regulatory system strategy; and
- mobile computing devices and wireless technologies for Enforcement agents and Compliance auditors.

Looking Ahead

Moving Forward. The agency continues to work toward a single technology platform that will help provide efficient state-of-the-art applications to support all internal processes.

To meet the increased demands for detailed information and improved customer service, the agency plans to:

- expand web services (for internal and public customers) and wireless applications (for Enforcement and Licensing);
- move toward a totally "web-based system" essential to participating in e-commerce initiatives of state government that will allow rapid processing of renewal applications;
- provide more access to agency information for governmental entities, members of the alcoholic beverage industry and general public;
- ensure current information is available 24/7 for local, state and federal law enforcement, the TABC agents and members of the industry;
- maintain a state-of-the-art technology environment that results in total cost of ownership savings; and
- lower business risks with improved system availability and responsiveness/flexibility when adding new features.

Enforcement Programs

Joel Moreno, Deputy Assistant Chief of Enforcement, responds to a report of underage drinking.

Enforcing the Alcoholic Beverage Code

2005 Action Plans. Enforcement Division adopted and implemented an ambitious action plan that emphasized public safety concerns rather than regulatory issues. As a result, the number of minor stings and sale to intoxicated persons operations doubled.

Age Law Enforcement. Enforcing those aspects of the Alcoholic Beverage Code that prohibit underage drinking and the sale, service or delivery of alcoholic beverages to those who are under 21 has long been a priority for this agency and its enforcement agents.

In the past, the TABC relied on a system of open inspections, roving patrols and covert surveillance as the primary methods of combating underage drinking. However, statistics showed these efforts made little difference in reducing a minor's demand for and access to alcohol.

Education Program Development. As a result, TABC continues to research, develop and implement new enforcement and educational programs that may prevent underage drinking.

Minor Stings

Minor stings are undercover compliance checks in which obviously underage buyers, closely supervised by TABC enforcement agents, are sent into retail establishments to attempt to buy alcoholic beverages. The minors used in these operations are volunteers, usually from civic, church or school groups or from the families of agency personnel. They are youthful in appearance, usually 16 to 18 years of age, and are dressed and groomed appropriately for their age group.

Conducting a Minor Sting. Establishments are either randomly selected or targeted based on complaints or geographic location.

At the start of each operation, the minors are searched for false identification. They are then instructed to present valid IDs if asked and to respond honestly to any questions about their age.

Agents are usually in the establishments to observe the transactions and to provide security for the minors. Whenever possible, audio and visual recordings are made of the attempted buys.

Criminal charges are filed on clerks and servers who violate the law by completing the transactions. The licensed entity faces administrative charges that could result in suspension, fine in lieu of suspension or cancellation.

When the clerk or server complies with the law and refuses to sell, he or she is personally congratulated by a follow-up team of agents. The TABC also sends a letter to the employer recognizing the employee for compliance with the law and praising both. Some employers have framed these letters and posted them in a prominent place within their establishment. Many give the employee special recognition or other reward.

Origin. TABC Enforcement agents conducted their first minor stings in 1985 on a random basis and began organized stings in 1990. Compliance rates were initially as low as 20 percent in some areas but quickly rose to 65 percent statewide.

In 1997, Enforcement conducted a seven-site study to determine the impact of repetitive minor stings on retailer compliance with the state's underage drinking laws. The study found a higher degree of noncompliance among retailers licensed to sell alcoholic beverages for on-premises consumption. In response, the division created a new enforcement program that would emphasize minor stings targeting on-premises retailers and sought grant funding to support that program.

The next year, the Texas Department of Transportation (TxDOT) provided grant funding for the TABC's On-Premises Minor Sting Program. By the end of the year, retailer compliance, as measured by sales refusals when the TABC supervised minors attempt to buy alcoholic beverages, reached 80 percent, an all-time high.

In 1999, with grant funding from the Office of the Governor's Criminal Justice Division, the TABC produced and distributed a minor sting training video to local police and sheriff's departments.

Enforcement Programs

Shoulder Tap

For generations, minors have used creative and innovative tactics in their attempts to obtain alcohol. Most often, a minor asks an adult to buy it for them.

Often, minors wait outside a convenience store and ask an adult if he or she will buy a six-pack for them.

To discourage this illegal practice, the Legislature increased penalties for making alcoholic beverages available to minors to a Class A misdemeanor, a fine up to $4,000, one year in jail and a six-month suspension of the driver license.

The TABC created the "Shoulder Tap Program" to target those who buy alcohol for minors in an effort to prevent underage drinking.

In this program, as with minor stings, Enforcement agents use "decoys" similar to those in minor stings.

Conducting a "Shoulder Tap." Under the watchful eye of an agent, the minor waits outside a licensed premise and asks an adult to buy them a six-pack of beer explaining he or she is under 21 and the store won't make the sale.

If the adult agrees, the minor hands over just enough money for the purchase, usually $10, so the adult's decision wouldn't be influenced by money.

If the violation is committed, the violator is arrested and criminally charged for making alcohol available to a minor.

Cops In Shops

Achieving a significant reduction in underage drinking requires a collective approach involving a broad cross-section of the community.

The Cops In Shops program unites the TABC with licensees and their employees in this enforcement and education effort.

Cops In Shops targets establishments where alcoholic beverages are sold for off-premise consumption only. The program is intended to provide the retailer's employees with a better understanding of their legal responsibilities.

Conducting an Operation. During the operation, agents pose as retailer employees or customers inside the retailer's premises and apprehend minors when they attempt to buy alcoholic beverages.

Agents will also instruct the retailer's employees on identifying false or fake IDs, signs of intoxication and physical and behavioral characteristics of minors.

Origin. In 1993, Enforcement received its first traffic safety grant from TxDOT and used the proceeds to fund a pilot test of its new Cops In Shops program. A year later, TxDOT increased grant funding to expand the program. The program is now fully funded by the TABC.

Source Investigations

Whenever alcohol-related deaths and accidents involving serious injury occur, the TABC conducts a source investigation to determine whether the alcohol was legally provided and to gather evidence against those who might have sold or provided the alcohol illegally.

Cop or Clerk?

79th Legislature Supports Increased Focus on Public Safety

The Sunset Commission reviewed the agency in 2004; however, the bill containing their recommendations did not pass during the 79th Legislative Session. Instead, the TABC was continued for another two years. The agency will be reviewed again in 2006 with legislative action in 2007.

Although the Sunset bill did not pass, the Sunset Report recommended that the agency focus on public safety issues. As a result, in 2005, the agency requested, and was funded for more than 100 additional employees to increase enforcement efforts focused on reducing DWI arrests, accidents and fatalities in Texas.

The additional staff allowed the Compliance Division to assume administrative tasks previously conducted by Enforcement agents. With the new staff and shift in responsibilities, enforcement efforts became more focused on at-risk locations, increasing the efficiency and effectiveness of operations.

Enforcement Programs

Operation Fake Out

The vast majority of alcoholic beverage retailers want to avoid sales to underage persons. Teenagers, however, particularly those of college age, can be devious when in pursuit of alcohol. Many don't hesitate to use false or fake IDs, and unfortunately, technological advances have made high-quality fake IDs relatively easy to create and even easier to acquire.

This program targets underage persons who use fake, borrowed or altered IDs to obtain alcoholic beverages.

Operation Fake Out is a cooperative venture involving the alcoholic beverage retailers, the TABC, the Texas Department of Public Safety, U.S. Secret Service and whenever possible, local law enforcement.

The use of fake IDs to misrepresent one's age, while attempting to buy an alcoholic beverage, is a violation of the Alcoholic Beverage Code. The possession, use, manufacture or distribution of counterfeit IDs — some of the high quality fake IDs cross that line — violates both state and federal law.

Conducting an Operation. Typically, TABC agents or other officers with expertise in detecting fake IDs are stationed just inside the door of a participating on-premises retailer. The establishment's doormen stationed outside the door conduct a cursory visual scan of the IDs presented by those seeking admission and pass the customers inside to the waiting police officers. The agents or officers recheck the IDs using magnetic strip readers and ultraviolet light to detect telltale

imperfections and then closely compare the physical descriptions and pictures found on the IDs that pass these tests with the actual physical appearance of the presenters. Those found to be using fake, false or altered IDs are arrested and charged with the appropriate ID-related offense.

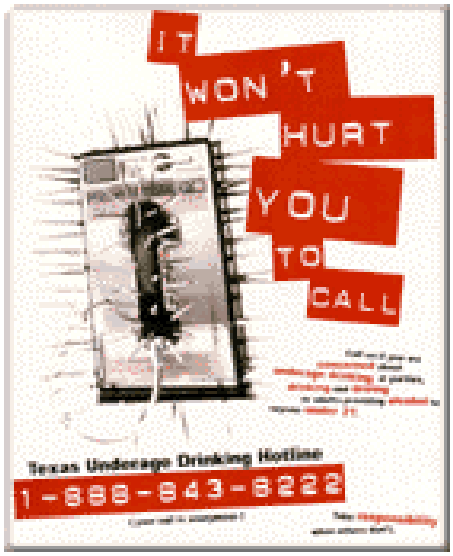
In jail, those detained with fake IDs are interrogated about the source of their IDs, and that information is forwarded to the DPS or the Secret Service as leads for further investigation. The operation is concluded with a wrap-up news conference in which representatives of the TABC and other participating agencies announce the results.

Benefits. Operation Fake Out holds underage drinkers—especially those who use false, fake or altered IDs to obtain alcoholic beverages—responsible for their actions and does so in such a public way that other young people might be deterred from acting in a similar fashion.

In addition, Operation Fake Out also generates operational intelligence that can help authorities identify and root out those who are manufacturing high quality fake IDs.

Origin. In 1999, Enforcement agents began conducting fake ID sweeps in the entertainment districts of the state's major cities and in bars and nightclubs located around college campuses. Called "Operation Fake Out," the methodology proved so successful that it was adopted as a regular enforcement tactic and became the focal point of a public information campaign.

Underage Drinking Hotline



Tips from the public about underage drinking and other alcohol violations have always been an important source of information for TABC Enforcement agents.

The TABC has sponsored a toll-free phone number to report alcohol violations since 1994.

Initially funded by a grant from the Texas Department of Transportation, the toll-free complaint number, 1-888-THE-

Enforcement Programs

TABC, became known as the "Texas Underage Drinking Hotline."

To ensure that calls received after business hours are answered timely, the TABC contracts with an answering service that promptly refers calls to the appropriate local authorities for immediate response. The hotline is advertised through posters, cards and the agency's website.

Sale to Intoxicated Person Operations

Texas law prohibits sales of alcoholic beverages to those who are already intoxicated.

In 2001, the Enforcement Division developed a Sale to Intoxicated Person (SIP) pilot program.

Objective. The TABC uses education and enforcement programs to encourage the responsible sale of alcoholic beverages to patrons, and to encourage adults who drink, to drink responsibly.

SIPs is intended to significantly reduce the number of DWI fatalities, injuries, crashes, arrests and other crimes associated with overconsumption of alcoholic beverages.

This operation targets high-risk areas to stop licensed locations from selling alcoholic beverages to intoxicated patrons by holding bar owners and bartenders accountable for overselling.

Background. Recent research indicates that Texas and California continue to lead the nation in alcohol-related fatalities, and almost half of those arrested for drunk driving had their last drink at an establishment licensed to sell alcoholic beverages.

As a result, lawmakers provided the TABC with funding to increase enforcement efforts that would help reduce DWIs and save lives.

The agency hired additional Enforcement agents and implemented action plans to support these efforts.

Identifying At-Risk Establishments. Most locations are not chosen randomly.

Enforcement is now using mapping software, licensee data and DWI arrest information to identify areas where DWI "hot spots" correspond with concentrations of alcoholic beverage retailers.

Some cities track the location where a driver arrested for drunk driving took his or her last drink. The TABC uses this information to determine if a business is at-risk for overserving patrons.

Licensee administrative and complaint history, as well as business type, are also being used for SIPs targeting purposes.

Conducting an Operation. Once a location has been identified as "at-risk," agents approach the permit holder to discuss the findings. This meeting is intended to foster voluntary compliance and allow the owner to see the indicators, and to consider whether the establishment's business practices may be contributing to a larger problem.

The agency will then conduct open and undercover inspections to determine if the business has changed its illegal business practices.

Enforcement agents may pose as customers or watch for sales made to intoxicated persons. If violations are observed, agents document the violations and then take action as warranted.

Compliance. Follow-up inspections will continue until a business is brought into compliance.

The local field office recognizes businesses that have voluntarily complied and conducts follow-up inspections at those places found to be in violation.

Results. The long-term effectiveness of this data-driven program can only be measured over time.

Alcohol Violation Enforcement Response Teams

Alcohol Violation Enforcement Response Teams (AVERT) is an alcohol enforcement task force that provides training by TABC agents on alcohol-related violations to various local law enforcement officers.

Officers who receive 24 hours of training are certified as Alcohol Enforcement Specialists and given assignments based on their expertise and training.

Law enforcement officers from local jurisdictions meet regularly to plan and execute alcohol enforcement activities usually supervised by TABC agents.

The task force actively seeks input from citizens and community leaders. The concept was piloted by the TABC Longview Enforcement District in 2002.

Public Education Programs

Youth Leadership Power Camp

Sponsored by MADD (Mothers Against Drunk Driving) and the TABC, this summer camp unites young Texas leaders on a common mission—to prevent underage drinking in their schools and communities.

The Youth Leadership Power Camp brings students in the 7th to 12th grades together with state and national experts to learn how to develop effective skills and strategies essential to building sustainable broad-based coalitions in their communities to fight underage drinking.

In July 2005, more than 600 student leaders and adults from across Texas attended camp held in San Angelo.

Presentations included topics on binge drinking, crisis intervention, media relations and community action. Other sessions focused on the consequences of underage drinking and the zero-tolerance law.

TABC agents and staff work with teams and provide information on agency education and prevention programs, available grants and the Shattered Dreams program.

Scholarships are available for lower income students through the TABC, thanks to a grant from the Texas Department of Transportation.

Project SAVE

The TABC uses many educational tools to "Stop Alcohol Violations Early" (SAVE). This public education initiative is directed toward several groups throughout the state.

Project SAVE serves as one of the cornerstones of agency education programs designed to increase compliance with the law and improve public safety.

The TABC provides alcohol prevention education with four separate, multi-lesson curriculums for grades four through nine.

Also, for those in the later years of high school, the TABC offers "Shattered Dreams," a two-day special event that dramatizes community and peer response to alcohol-related tragedies.

Because they, too, have a role to play in combating underage drinking, Project SAVE also includes programs for parents, civic groups, alcoholic beverage retailers and local law enforcement.

In fiscal year 2005, TABC enforcement agents made educational presentations to 270,504 Texans, including 203,959 school children, 13,957 college students, 11,784 police officers, 19,530 members of civic and parent groups, and 21,274 Texas retailers and their employees.

Safe Prom/Safe Graduation

To promote alcohol-free proms and graduation parties, TABC Enforcement agents and local officers visit high schools to discuss options and consequences with students and their parents.

During the Safe Prom/Safe Graduation initiative, agents visit high schools across the state to promote alcohol-free prom and graduation parties.

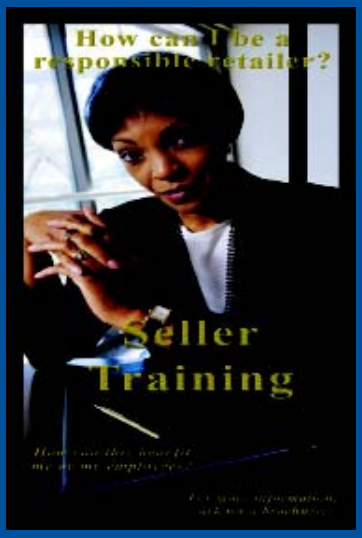
Agents and local officers visit area high schools to discuss options and consequences with the students and their parents. They heavily promote the concept of alcohol-free parties and make every effort to publicize enforcement efforts planned for the party season.

At the same time, however, TABC agents and local police officers also coordinate with the managers of local hotels where prom and postgraduation events are scheduled to be held and are either on hand or in close proximity on

Public Education Programs

event nights in order to be able to respond to incidents as they arise.

The objectives of the program are to give young people alternatives to drunken bashes and to ensure teens understand that bad choices will have immediate consequences.



Seller/Server Training

The TABC recognizes that trained sellers, servers and managers are better able to serve responsibly, and identify and prevent sales of alcoholic beverages to minors, intoxicated persons or nonmembers of a private club.

Although Texas law does not require certification for those who sell or serve alcoholic beverages, the TABC offers a voluntary certification program for retail employees who successfully complete in-house or third-party training courses.

The TABC does not conduct the courses but does regulate the schools, approving the training courses and certifying the trainers.

The TABC encourages retailers to require their employees to be certified by TABC-approved schools.

Courses provide information on laws applicable to the sale or service of alcoholic beverages to minors, intoxicated persons or nonmembers of a private club. Instructors teach techniques on how to identify signs of intoxication and how to prevent sales to intoxicated persons.

Individuals who successfully complete an approved program are issued certificates.

Currently, approximately half the state's retailers require such training as a condition of employment.

"Safe Harbor"

State law provides a limited shield to administrative prosecution for those employers who require their employees to attend the TABC-approved courses.

The TABC may not take administrative action against a licensee/permittee when an employee sells or serves an alcoholic beverage to a minor, intoxicated customer or nonmember of a private club as long as:

- all employees engaged in the sale, service or delivery of alcoholic beverages, as well as their immediate managers, are currently certified;
- the person selling holds a current TABC seller training certification;
- the person selling is not the owner or officer of the license or permit;
- the licensee/permittee posts policies for responsible alcohol service on the premises and ensures that each employee understands these policies;
- the licensee/permittee does not directly or indirectly encourage the employee to violate the law; and
- there are not more than two sales to minors, intoxicated persons or nonmembers of a private club within 12 months.

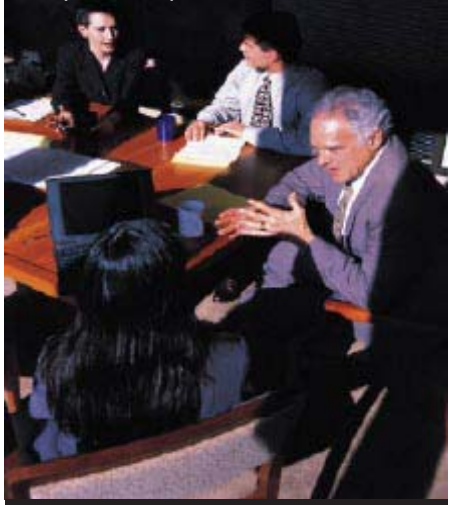
This relief from administrative action is commonly referred to as "safe harbor." If illegal sales are made to minors, intoxicated persons and nonmembers of a private club, the seller/server will most probably be arrested, but the retailer's permit/license will have protection from administrative action. (See Tex. Alco. Bev. Code §106.14 (a).)

Manager's Awareness Program

Developed by the Education and Prevention Division, the Manager's Awareness Program provides further skills to retail managers who sell alcoholic beverages. The program is taught by TABC staff.

For more information about seller/server training, go to www.tabc.state.tx.us.

Grant Programs



TABC provides technical assistance to help teams develop and evaluate individualized campus action plans.

Grants Pay the Way

TABC administers a $350,000 federal EUDL block grant to fund selected underage drinking prevention initiatives, such as the college symposium, special events and public education.

TABC agents assisted Corpus Christi law enforcement during Spring Break. Grant funds paid for the overtime.

College/University Symposiums

> "What helped most was learning new strategies for education and prevention programs, and hearing about the strategies used by other universities. The information from this symposium gave us a more specific direction and recharged the energy level of our team."
>
> Conference Attendee

College campuses and surrounding communities often have more alcohol-related problems than other areas.

With funding from the Office of Juvenile Justice and Delinquency Prevention (OJJDP), TABC staff helps coordinate and host college/university symposiums that address underage drinking issues on campuses and in surrounding communities.

Speakers present findings on the latest alcohol-related research and trends, enforcement tools and prevention strategies.

Select colleges and universities are invited to send five-person teams that must include the campus alcohol and drug coordinator and a campus police official. Other team members may include an administrator, student or community coalition member.

In 2005, teams from 20 Texas colleges and universities attended the symposium, which focused on the role of residence hall assistants (RAs) in enforcing state laws and college policies concerning underage drinking.

Special Events: Mardi Gras, Spring Break

Events such as Mardi Gras and Spring Break celebrations at South Padre Island and Galveston require especially large manpower commitments from local law enforcement.

The TABC often assists local law enforcement in crowd control and alcohol enforcement at these special events.

In recent years, the agency has sought and received grant funding from the Office of the Governor's Criminal Justice Division and the U.S. Department of Justice's Office of Juvenile Justice and Delinquency Prevention to pay for costs associated with helping local law enforcement at these events.

In fiscal year 2005, the TABC received $129,065 from the Office of the Governor's Criminal Justice Division to pay for costs associated with enforcement and educational efforts related to Spring Break. TABC agents worked approximately 22,000 hours during these events.

During these events, agents conduct random inspections, minor stings and other enforcement operations to prevent the possession and consumption of alcoholic beverages by minors.

Grant Programs

TABC Awards $200,000 for EUDL Grants to Enforce Underage Drinking Laws

The TABC awarded seven grants totaling $200,000 to Texas nonprofits, colleges and local communities for underage drinking prevention projects. Funding is provided by the U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention (OJJDP), Enforcement of Underage Drinking Laws (EUDL).

Each year, organizations may apply for these grants by submitting an application to the TABC, which functions as the designated state administrator for EUDL. Applications are initially reviewed by the Texas EUDL Task Force—an advisory body of representatives from the Governor's Office, Texas Department of Transportation, Texas Department of Health, Pacific Institute for Research and Evaluation and several statewide prevention nonprofit groups.

The TABC received 23 grant applications, and senior TABC staff chose seven finalists on the basis of their proposed underage drinking enforcement and prevention initiatives.

The TABC grants coordinator monitors specific program output and outcome measures that allow the grantee and the TABC to determine the effectiveness of funded efforts.

EUDL 2005-2006 Grant Recipients and Funded Projects

University of the Incarnate Word — **$20,000**

Sharing Our Support: A Campus/Community Coalition to Reduce Underage Drinking

Summary: To train student peer educators using "Train the Trainer" to teach peers about the consequences of underage drinking in mandatory sessions for incoming freshmen, Greeks, athletes, resident assistants and student leaders.

Alcohol & Drug Abuse Council of Deep East Texas — **$40,000**

Nacogdoches Coalition Responsibly Opposing Underage Drinking (N-CROUD)

Summary: To combine education/awareness presentations to targeted youth, media outreach and marketing campaigns and provide support for increased enforcement to limit youth access to alcohol.

UT-Brownsville & Texas Southmost College — **$20,000**

Scorpion Identity

Summary: To provide programs that increase students' awareness of alcohol laws and UTB/TSC policies on alcohol and underage drinking prevention at the border area.

University of Texas Health Science Center at San Antonio — **$40,000**

Shattered Dreams: Expanding an Underage Drinking Prevention Program

Summary: To continue program expansion and statewide Shattered Dreams coalition as well as provide technical assistance and program evaluation to high schools.

Mothers Against Drunk Driving — **$40,000**

Community Project Planning

Summary: To conduct follow-up evaluations of activities that participants committed to during MADD/TABC Youth Leadership Power Camp.

Harris County, Constable Precinct 4 — **$20,000**

Task Force on Underage Drinking

Summary: Conduct compliance checks (minor stings) targeting rural establishments in Harris County. Provide prevention education to high schools, junior colleges and the community.

St. Edward's University — **$20,000**

The Hilltopper Advantage: Safe & Healthy Choices

Summary: Peer educators will help coordinate educational programs.

EUDL Block Grant

EUDL grants provide funding for Texas nonprofits, colleges and local communities for underage drinking prevention projects.

Grant Programs

Shattered Lives

Mini-Grant Funded Participants

Aubrey H.S.
Azle H.S.
Bandera H.S.
Borger H.S.
Bowie H.S.
Brazos H.S.
Breckenridge H.S.
Burnet H.S.
Cedar Park H.S.
Central H.S.
Cisco H.S.
Cleburne H.S.
Coleman H.S.
Comfort H.S.
Crosbyton CISD H.S.
Dallas Christian H.S.
Duncanville H.S.
Eastland H.S.
El Dorado H.S.
Floresville H.S.
Fort Davis H.S.
Frenship H.S.
Grand Saline H.S.
Hamlin H.S.

Unique in its design and powerful in its impact, Shattered Dreams is a two-day educational event for high school students that features a dramatic re-creation of a fatal alcohol-related crash involving an underage drunk driver—from the moment of impact to the victim's "funeral." This docudrama graphically illustrates the dangers of underage drinking and driving.

In 2005-2006, the agency received federal funding through the Texas Department of Transportation for a grant to support TABC's Shattered Dreams program ($30,287). TABC awarded mini-grants to approximately 45 participating high schools that completed the program.

TABC agents help plan and stage each production. The program begins when a morning assembly brings students to the "crash site" where a fellow student plays an injured victim being "rescued" by actual police and EMS response teams. Students get involved in the emergency room treatment, family notifications, funeral planning and the arrest and booking of the driver.

To give students a better understanding of the number of DWI-related deaths, an individual dressed as the "Grim Reaper" appears in a different classroom periodically to select a new victim (every 20 minutes someone in Texas is injured or killed by a drunk driver).

Shattered Dreams

"We hear from participants that this program is touching kids and changing their behaviors as no other program has done before," said TABC Deputy Assistant Chief of Enforcement Joel Moreno.

Victims are taken out of class and dressed in black t-shirts and white makeup to symbolize death, then either removed or returned to their classrooms to emphasize the loss of a student. By the end of the day, there is at least one "dead" student in each classroom.

The next morning, students attend a "wrap-up" assembly where those who played roles in the drama, including the "crash" victims, drunk driver, parents, law enforcement and medical personnel, provide comments about their participation.

But the most profound impact statements come from community members whose lives have been affected by teenage alcohol use and teenage DWI. These testimonials bring the program to a close and reinforces the message to the teenage audience—Don't drink until you are 21, and never drink and drive.

In 1997, the TABC created the Shattered Dreams program, which was based on key elements of California's "Every 15 Minutes" Program—a reference to the statistic that every 15 minutes someone in California is injured or killed as the result of drunk driving.

TABC Mini-Grants. To encourage participation in the Shattered Dreams program, the TABC offers mini-grants up to $500 each to high schools to help reimburse purchased program supplies. Schools must apply to the TABC, and funds are allocated on a first-come, first-serve basis. After the event, schools must provide TABC with a report of activities conducted and the number of students who participated.

Mini-Grant Funded Participants

Hico H.S.
Hudson H.S.
Idalou H.S.
Jack C. Hays H.S.
James Madison H.S.
La Porte H.S.
Lockney H.S.
McCallum H.S.
Muleshoe H.S.
Plains H.S.
Plainview H.S.
Ponder H.S.
Ralls H.S.
R. L. Turner H.S.
Shallowater H.S.
Shamrock H.S.
Smithville H.S.
Snyder H.S.
Spurger H.S.
United South H.S.
Valentine H.S.
Van Horn H.S.
Wink H.S.
Waco H.S.

Excellence in Public Service

Sheriff Dennis Wilson
Limestone County

SHERIFF DENNIS WILSON HAS BEEN A STRONG SUPPORTER OF TABC AND A CHAMPION OF EDUCATION AND THE ENFORCEMENT OF UNDERAGE DRINKING LAWS IN HIS COUNTY.

THIS COMMENDATION IS AWARDED FOR THE EFFORTS THAT EXEMPLIFY THE TEXAS ALCOHOLIC BEVERAGE COMMISSION'S TRADITION OF DILIGENCE AND COOPERATION FORGED BY BERT FORD, TABC ADMINISTRATOR (1936-1947).

THE BERT FORD SHERIFF'S COMMENDATION

Sheriff Dennis Wilson of Limestone County was awarded the 2005 Bert Ford Sheriff's Commendation.

TABC presents this annual award in honor of the second TABC administrator, Bert Ford, who understood the importance of maintaining a high level of cooperation with local law enforcement agencies, such as sheriffs' offices.

The Bert Ford Sheriff's Commendation gives the TABC an opportunity to recognize a sheriff who has demonstrated that level of cooperation.

Sheriff Wilson has a reputation for supporting and cooperating with all law enforcement agencies.

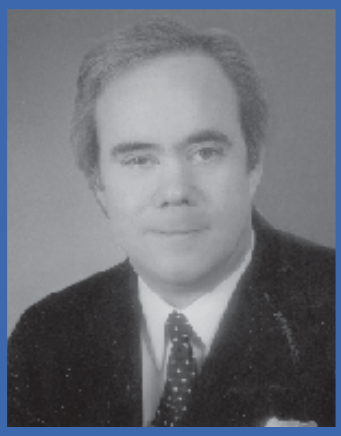
One local law enforcement officer said Sheriff Wilson not only reaches out to help Limestone residents, he offers his services to surrounding counties as well, knowing that "caring for one's needs does not always stop at the county line."

TABC Lt. Tom Dickson says Sheriff Wilson provides services to the TABC that consistently go above and beyond the call of duty by "sharing every available resource to help us complete the mission of TABC."

The Bert Ford Sheriff's Commendation recipient is awarded a handgun suitable for routine duties and a special plaque of recognition. In addition, Sheriff Wilson's name will be added to a plaque displayed at the headquarters of the Sheriff's Association of Texas, which identifies each Bert Ford Sheriff's Commendation recipient.

Excellence in Public Service

The Allan Shivers, Jr., Award for Excellence in Public Service was established to recognize the outstanding performance and accomplishments of a TABC commissioned peace officer and civilian employee.



Allan Shivers, Jr.
TABC Chairman 1995-2002

THE ALLAN SHIVERS, JR. AWARD FOR EXCELLENCE IN PUBLIC SERVICE

Commissioned Peace Officer of the Year

Sgt. Craig Bobo of the Wichita Falls District Office was named Commissioned Peace Officer Employee of the Year. His work developing the agency's field training program serves as an example of his dedication and willingness to serve. Sergeant Bobo joined the agency in 1987 and has been assigned to offices in Houston, Amarillo, San Angelo, El Paso and Wichita Falls. He is known as "The TABC" in the Wichita Falls area, where he has developed strong community partnerships and gained recognition for his community service.

Civilian Employee of the Year

This year, two employees tied for the Civilian Employee of the Year award—Loretta Green and Julie Ross.

Loretta Green, an accounts examiner, began her career with the TABC in 2001 as an administrative technician in Fort Worth. She is being recognized for going the extra mile to assist TABC customers. By coming in early and staying late to process applications, she ensures that licenses and permits are issued in a timely manner. Well respected by her coworkers, she represents the best of the agency.

Julie Ross, an accounts examiner in the Licensing Division, joined the TABC in 1989. With her invaluable knowledge of division operations, she was a vital resource during the division's recent technology transformation. Ross took initiative, showed leadership and contributed countless hours toward the success of the conversion. She represents a model of excellence for the agency.

Where the money comes from . . . Where the money goes . . . Where the money comes from . . . Where the money goes . . . Where the money comes from . . . Where the money goes . . .

Financial Information

Where the Money Comes From . . .

FY 2005	
Taxes	$170,091,053
License and Permit Fees	25,508,628
Surcharges	8,624,392
Fines	2,634,375
Bond Forfeitures	330,687
Grants/Interagency Contracts	654,853
Appropriated Receipts	26,002
Miscellaneous	2,500,335
Total	$210,370,325

Where the Money Goes . . .

Enforcement Activity	$15,625,137
Education Activity	554,173
Licensing Activity	1,691,298
Compliance Activity	3,902,565
Ports of Entry Program	3,110,193
Indirect Administration	5,080,403
Other Direct and Indirect Costs	5,211,357
Total	$35,175,126