

TEXAS ALCOHOLIC BEVERAGE COMMISSION

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BOARD MEMBERS

DATES OF TERM

HOMETOWN

John T. Steen, Jr., Chair

January 8, 1998 –
November 15, 2007

San Antonio

Gail Madden

April 19, 2000 –
November 15, 2005

Dallas

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Signed:

Approved:

Alan Steen, Administrator

John T. Steen, Jr., Chair

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The Texas Alcoholic Beverage Commission is the state agency that regulates all phases of the alcoholic beverage industry in the State of Texas. The duties of the Commission include regulating sales, taxation, importation, manufacturing, transporting, and advertising of alcoholic beverages.

The TABC collects in excess of \$200 million annually in taxes and fees, which aids in the financing of the state's public schools, local governments, research, human services, and other areas in which state government provides services to all Texans.

The Alcoholic Beverage Code authorizes the Texas Alcoholic Beverage Commission to:

- ## Grant, refuse, suspend, or cancel permits and licenses in all phases of the alcoholic beverage industry;
- ## Supervise, inspect, and regulate the manufacturing, importation, exportation, transportation, sale, storage, distribution, and possession of alcoholic beverages;
- ## Assess and collect fees and taxes;
- ## Investigate for violations of the Alcoholic Beverage Code and assist in the prosecution of violators;
- ## Seize illicit beverages;
- ## Adopt standards of quality and approve labels and size of containers for all alcoholic beverages sold in Texas;
- ## Pass rules to assist the agency in all of the above.

Although the laws regulating the alcoholic beverage industry are consistent statewide, the Alcoholic

Beverage Code allows local (county, city, justice precinct) determination of the types of alcoholic beverages that may be sold and how they can be sold by means of local option elections.

The Texas Alcoholic Beverage Commission has a wide and varied group of customers throughout the state. Not only does the agency focus on its most immediate group -- the alcoholic beverage industry -- it must also give adequate attention and concern to the issues of the general public, law enforcement groups, educators, various coalitions and public interest groups concerning the regulation of alcoholic beverages sales. The agency sought input during the strategic planning phases from all areas, including its own employees.

Beginning in March, the agency conducted strategic planning sessions in the form of public forums, roundtables, and agency brainstorming sessions in respective districts across the state, as well as internal reviews.

While there always exists concerns of consumption of alcohol by minors and unruly bars in neighborhoods, other consistent themes were evident:

- ## Fair Pay;
- ## Employee development (training);
- ## Communication;
- ## Increase in permits due to local option elections and economic growth;
- ## Increase in number of youth under 21 years of age;
- ## Intense competition for market share in the alcoholic beverage industry;

- ## Increased and improved computer technology;
- ## Inadequate manpower;
- ## Loss of institutional knowledge;
- ## Licensing process;
- ## Consistency in application of law;
- ## Education of industry, youth, and college-aged citizens.

External factors that limit our efficiency and effectiveness include:

- ## The difficulty in providing adequate services equitably and effectively to each area of the state with a field workforce that is limited to one FTE per 52,800 residents.
- ## Initiatives in the areas of education, public awareness, and community involvement, as well as an increase in the number of regulatory investigations, have created a greater demand on the staff.
- ## With more locations across the state being voted wet, the number of license/permit applications is expected to increase.
- ## The border regions continue to add new international bridges that will dictate the need for additional staffing in the ports of entry program.
- ## Increased turnover last fall resulting from special retirement incentives has left the agency short-staffed and without the high level of experienced staff.
- ## Steady growth in the state's population, averaging 1.9 percent per year between fiscal years 2004 and 2009.
- ## Although the number of young people between the ages of 16 and 20 are expected to grow at a substantially slower rate than the general population from 2004 to 2009, the actual number of young people will grow relative to the

agency's available resources.

- ## The number of alcoholic beverage retailers is expected to grow during the next five years due to population growth and an increase in the wet areas of the state. This will, at least temporarily, create an upward surge in the total number of licensed premises to be inspected and regulated by compliance and enforcement personnel.
- ## The agency expects competition for the market share to remain strong and possibly even to intensify. As in the past, the agency expects this competition to result in a certain volume of marketing practice violations. Should that competition intensify, the number of marketing practice violations will grow and more resources will be required for marketing practice compliance efforts.

The agency has begun a project to transform its mainframe and applications database systems to a modern enterprise environment in order to enhance its ability to develop future functionality. The primary objective for this project is to transition the agency's licensing and regulatory applications to newer technology. The agency is moving to a "web-based system" to participate in e-commerce initiatives of state government which may allow rapid renewal applications to be processed.

The agency plans to implement other technology solutions designed to increase employee productivity by reducing the paper processing workloads. Two of the most notable solutions include:

- ## Use of document imaging and retrieval technology for storing/retrieving of agency paper documents by

incorporating them into the new licensing regulatory system strategy.

- ## Use of mobile computing devices by enforcement agents and compliance officers. This technology will be evaluated as a tool to assist the field personnel with their paper workload.

Based on input received, limiting external factors, and existing objectives, the agency's strategic management goals for the period 2005-2009 are as follows:

- 1) To ensure that efficiencies and streamlining are identified and implemented where possible as the agency moves through its licensing technology transformation, while pursuing legislative change to eliminate impediments.
- 2) To focus enforcement programs on identifying retailers who sell to intoxicated persons and minors.
- 3) To continue to encourage retailers to avail themselves of the benefits of seller training.
- 4) To continue to focus educational efforts of the agency to the members of the alcoholic beverage industry and on programs to school-aged children and college-aged adults, which will have the most immediate effect.
- 5) To learn and stay current in the methods of operation among the upper tiers of the industry.
- 6) To reinvigorate the agency's efforts in partnering with coalitions, groups, and industry members to raise awareness in issues involving the sale of alcoholic beverages to minors and intoxicated persons.
- 7) To address the ongoing issue of training new staff as well as current employees while faced with the loss of vast amounts of institutional knowledge.
- 8) To continue expanding the agency's efforts in effective communication, both internally and externally, using all available means.
- 9) To ensure through available avenues that agency employees receive fair pay based on responsibilities.

The above goals, though they may appear simplistic in written form, are a challenge and cannot be wholly achieved in a short time. Constant attention to and progress on these goals will further the agency's mission in regulating alcoholic beverages within the state as well as contributing to the health, safety, and welfare of our citizens.

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The state's strategic planning and performance budgeting cycle sets forth the opportunity for the agency to continually review its business plan and processes. In an era where state agencies must continue to accomplish more with less, the planning process is a critical function in every successful agency. Strategic planning must be a process that has no end and operates in a continuous cycle to ensure forward and future thinking heightened by strategic decisions based on the mission of the agency and supported by its vision.

The statewide strategic planning process began in 1992 with the issuance of a statewide vision to focus the resources, efforts, and direction of state government to common goals and a future-oriented vision for which to strive. The message from the elected leadership of the state clearly indicates that the government's mission must be limited and its priorities clear. The agency's mission supports the state mission, and agency goals and strategies provide the decisions based on such priorities.

The following vision, mission and philosophy for Texas state government are presented in "Planning for Progress: The Statewide Strategic Planning Elements for Texas State Government" and they apply to all state agencies.

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Texas state government should be focused on the following critical priorities:

Assuring open access to an educational system that not only guarantees the basic core knowledge necessary for citizenship, but also emphasizes excellence and accountability in all academic and intellectual undertakings;

Creating and retaining job opportunities and building a stronger economy that will lead to more prosperity for our people, and a stable source of funding for core priorities;

Protecting and preserving the health, safety and well-being of our citizens by ensuring healthcare is accessible and affordable, and our neighborhoods and communities are safe from those who intend us harm; and

Providing disciplined, principled government that invests public funds wisely and efficiently.

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Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the

public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

"Aim high . . . we are not here to achieve inconsequential things!"

DECLARATION OF POLICY: THE TEXAS ALCOHOLIC BEVERAGE COMMISSION; CJBFA9BH

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

- ## First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.
- ## Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- ## Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- ## Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. And just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- ## Public administration must be open and honest, pursuing the high road rather than the expedient course. We

must be accountable to taxpayers for our actions.

- ## State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.

Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

THE TEXAS ALCOHOLIC BEVERAGE COMMISSION; CJBFA9BH

TABC strategies directly support the following statewide priority goals and benchmarks:

Public Safety and Criminal Justice

To protect Texans by enforcing laws quickly and fairly; maintaining state and local emergency, terrorism, and disaster preparedness and response plans; policing public highways; and confining, supervising, and rehabilitating offenders.

Benchmarks:

The public safety and criminal justice goal is supported by the agency's enforcement and compliance goal of promoting the health, safety and welfare of the public by taking positive steps to ensure voluntary compliance with the law and deterring the illegal distribution and consumption of alcoholic beverages. Statewide benchmarks regarding juvenile violent crime rate, adult violent crime rate, as well as the number of traffic deaths per thousand

are supported by the enforcement and compliance strategy of deterring and detecting the violations of the Alcoholic Beverage Code by inspections, investigations and education of the industry and general public.

Economic Development

To foster economic opportunity, job creation, capital investments, and infrastructure development by promoting a favorable business climate, addressing transportation and housing needs and developing a productive workforce.

Benchmarks:

The commission's licensing and compliance goals and strategies support the economic goal of the state. The related strategies are: (1) ensuring compliance with laws regarding ownership of permits/licenses, tax security and other licensing requirements; (2) inspecting, analyzing and investigating all segments of the industry and initiating actions, whether educational or punitive; and (3) strategically placing personnel to regulate importation of alcoholic beverages and cigarettes. Such strategies ensure compliance with statutory schemes and create an atmosphere and business climate supporting fair competition and lawful trade practices. The benchmarks of per capita gross state product, Texas employment rate, net number of new non-government, non-farm jobs created, and number of new small businesses created are directly related.

General Government

To support effective, efficient, and accountable state government operations and to provide citizens with greater access to government services while reducing service delivery costs.

Benchmarks:

The statewide benchmarks indicated by the number of state employees per 10,000 population and the number of state services accessible by the Internet are supported by each strategy of the commission as the agency is guided by its own philosophy and values in efficient and cost-effective operations. The leadership of the agency is particularly proud of ongoing efforts to provide the best service at the lowest possible cost.

Regulatory

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses through clear standards, compliance, and market-based solutions.

Benchmarks:

The commission's licensing, enforcement, and compliance goals and strategies support the regulatory goal of the state. The benchmarks of documented complaints resolved within 60 days and percent of new and renewed licenses issued via the Internet are directly related. Responsiveness to the public continues to be a high priority for TABC. The agency is moving toward making licensing services available on the Internet.

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

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.

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The mission of the Texas Alcoholic Beverage Commission is 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.

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- ⌘ *The TABC will exemplify friendly, courteous, ethical, and professional behavior in all areas of performance.*
- ⌘ *We will provide the best possible services at the lowest possible cost to the people of Texas.*
- ⌘ *We will apply the law and agency policy fairly and consistently throughout the state.*

- ⌘ *We will communicate openly and provide timely and accurate information to the public we serve, and to all our fellow employees.*

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The commission's leadership and personnel are dedicated to the principles of exemplary customer service, believing that the citizens of this state, as well as those who may conduct business in Texas, deserve the highest degree in service standards. The commission expects these characteristics to be obvious to citizens in their interaction with the commission's employees:

- ⌘ Commitment
- ⌘ Quality
- ⌘ Honesty
- ⌘ Efficiency
- ⌘ Friendliness
- ⌘ Professionalism

The *Compact With Texans* goes even further to delineate not only the universal guiding principles of how the service should be delivered, but when to expect it.

- ⌘ Provide accurate and timely information.
- ⌘ Respond to inquiries within three working days.
- ⌘ Acknowledge receipt of complaints within three working days.
- ⌘ Resolve complaints within 60 days.
- ⌘ Provide helpful and up-to-date information on the agency's website.
- ⌘ Ensure our facilities are easily accessible and clean.

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HISTORICAL PERSPECTIVE

When the 21st Amendment to the U.S. Constitution repealed national prohibition (imposed by the 18th Amendment) in 1933, it delegated responsibility for regulation of the alcoholic beverage industry to the individual states.

U.S. Constitution - AMENDMENT XXI

Section 1. The eighteenth article of amendment to the Constitution of the United States is hereby repealed.

Section 2. The transportation or importation into any state, territory, or possession of the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited.

Creation of the Agency

Shortly after the adoption of the 21st Amendment, the Texas Legislature, meeting in special session, enacted the Texas Liquor Control Act that created the Texas Liquor Control Board. The LCB, as it came to be commonly known, began its existence on November 16, 1935, charged with the administration of the new act. The name of the agency was changed January 1, 1970, to the Texas Alcoholic Beverage Commission and, on September 1, 1977, the recodified Texas Liquor Control Act took effect as the Texas Alcoholic Beverage Code.

Liquor by the Drink

After several attempts, the Texas Legislature responded in 1971 to a public referendum by creating a mixed beverage permit that allowed sales of liquor by the drink in those areas specifically authorized by local option election. With the new permit came the mixed beverage gross receipts tax: *a tax at the rate of 10 percent ... imposed on the gross receipts of a permittee from the sale, preparation, or service of mixed beverages or from the sale, preparation, or service of ice or nonalcoholic beverages that are sold, prepared, or served for the purpose of being mixed with alcoholic beverages and consumed on the premises of the permittee.* The new permit met with immediate acceptance, and the new tax quickly became a major revenue generator for the state. In 1985, the tax rate was increased to 12 percent and increased again in 1989 to 14 percent. For fiscal year 1993, gross receipts tax and penalty collections amounted to \$244.7 million, more than half of the total revenue collected by the agency.

Sunset Review

House Bill 1445 of the 73rd Legislature, 1993, enacted recommendations of the sunset review process regarding the commission. The legislature's action demonstrated its belief in the need for a separate alcoholic beverage regulatory agency. Emerging from the process, the Texas Alcoholic Beverage Commission was continued for 12 years with two significant functional changes:

Effective January 1, 1994, responsibility for the collection and verification of the mixed beverage gross receipts tax was transferred to the Office of the Comptroller of Public Accounts.

Effective April 1, 1994, responsibility for the enforcement of the Bingo Enabling Act was transferred to the Texas Lottery Commission. The Alcoholic Beverage Commission had assumed short-term responsibility for the regulation of bingo from the Office of the Comptroller of Public Accounts in January 1990.

Pass rules to assist the agency in all of the above.

Although the laws regulating the alcoholic beverage industry are consistent statewide, the Alcoholic Beverage Code allows local (county, city, justice precinct) determination of the types of alcoholic beverages which may be sold and how they can be sold by means of local option elections. For an overview of the variations this can create across the state, refer to the following wet/dry map.

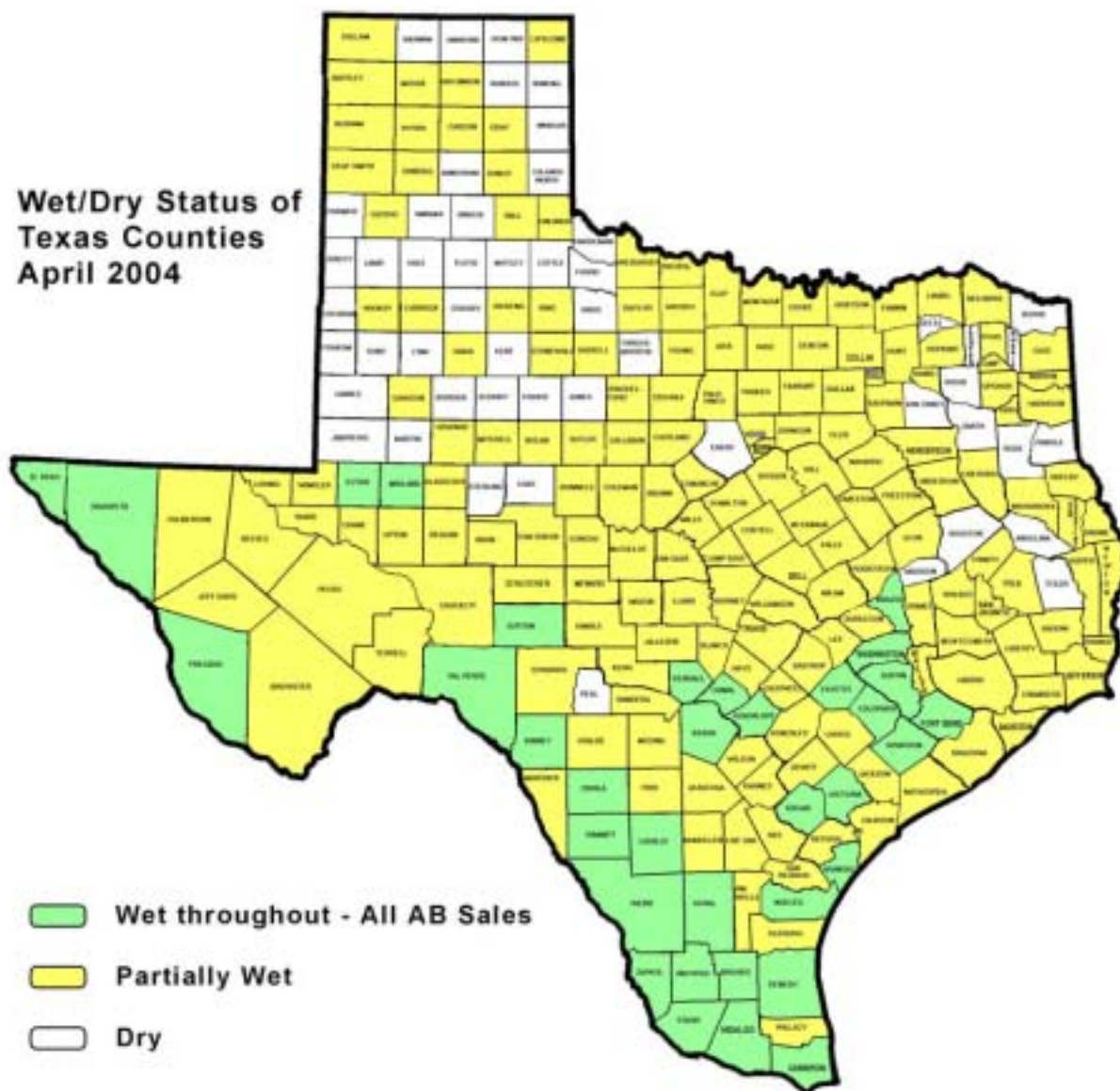
As provided in the Alcoholic Beverage Code, the commission continues to be subject to the Texas Sunset Act and will undergo the review process again in 2004 with legislative action in 2005.

MAIN FUNCTIONS

The Alcoholic Beverage Code authorizes the Texas Alcoholic Beverage Commission to:

- ## Grant, refuse, suspend, or cancel permits and licenses in all phases of the alcoholic beverage industry;
- ## Supervise, inspect, and regulate the manufacturing, importation, exportation, transportation, sale, storage, distribution, and possession of alcoholic beverages;
- ## Assess and collect fees and taxes;
- ## Investigate for violations of the Alcoholic Beverage Code and assist in the prosecution of violators;
- ## Seize illicit beverages;
- ## Adopt standards of quality and approve labels and size of containers for all alcoholic beverages sold in Texas;

FIGURE 1: Wet/Dry Status of Counties in Texas, April 2004



*Partially wet does not necessarily mean the entire county is partially wet. A city or justice precinct may be the only wet portion, and the remaining area is totally dry.

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WORKFORCE SIZE AND COMPOSITION

Management of human resources is critical to the overall effectiveness of any organization. As employees who are responsible for maintaining a functioning organization, management recognizes that the focus must be on recruitment, selection, and retention of a high quality workforce.

Recruitment Activities

The commission is committed to a diversified workforce and to focus on attaining ethnic, racial, and/or gender balance with emphasis on under-representation through its recruitment policy. Elements of the policy include participation in career fairs sponsored by colleges and universities as well as professional organizations and groups across the state. Groups involved with ethnic minorities and women combine efforts with field personnel to identify

and recruit qualified candidates. A wide distribution of brochures and pamphlets providing general information about the agency are also included in recruitment efforts. Additionally, job postings are distributed to an extensive network of colleges, universities, state agencies, regional training academies, and other organizations. A large number of applicants obtain information from the agency Internet career web site and from direct e-mail inquiries on the agency's public information Internet address. These efforts have been successful in addressing the under-representation issues as well as emphasizing the agency's mission, philosophy, goals, and objectives.

Diverse Workforce

At the end of fiscal year 2003, TABC's total number of employees was 492. Overall, minorities constitute approximately 43 percent of the commission's workforce, a slight increase from the 42 percent in 2002.

FIGURE 2: Minority Representation 2002

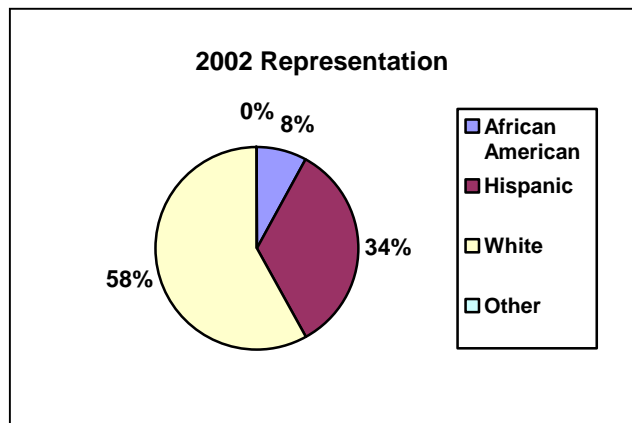
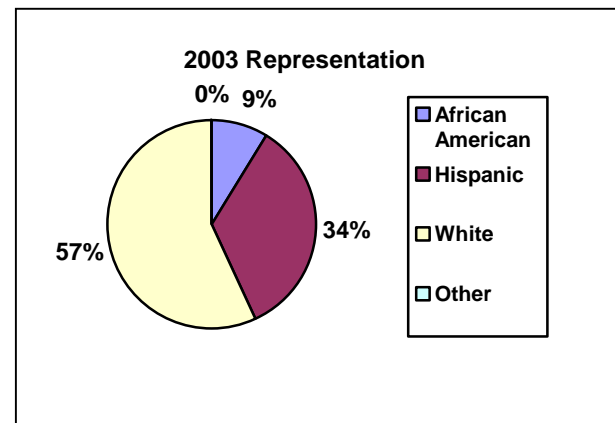


FIGURE 3: Minority Representation 2003



ORGANIZATION STRUCTURE

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. Members of the commission hold office for staggered terms of six years, with the term of one member expiring every two years. Each member must be a Texas resident and must have resided in the state for at least five years preceding the appointment. Commission members serve without salary.

The commission is currently comprised of Chairman John T. Steen, Jr., of San Antonio and Gail Madden of Dallas. One position is vacant.

An administrator, appointed by the three-member governing board, directs the daily operations of the Texas Alcoholic Beverage Commission. Current Administrator Alan Steen was appointed August 1, 2003. He is responsible for employing staff to ensure that the policies established by the commission and the laws enacted by the legislature are implemented in an efficient and cost-effective manner.

Sharing in that responsibility is an assistant administrator, general counsel, and public information officer, as well as the directors of the agency's functional and administrative support divisions. This includes enforcement, licensing, compliance, information resources, business services, and human resources.

There are also specialized sections for legal and marketing issues, homeland security, and an office of professional responsibility. An independent audit firm performs internal audit functions for the agency, reporting directly to the

commissioners. For a detailed organization chart, please see Appendix B.

Enforcement

The agency's largest and most visible operating unit is responsible for the criminal and administrative enforcement of the state's alcoholic beverage laws. Certified peace officers, known as TABC agents, inspect premises licensed by the agency and investigate alleged violations of the Alcoholic Beverage Code and other state laws. Increasingly, the commission has placed a greater emphasis on developing initiatives that target the problems associated with underage drinking. Agents are called on to provide presentations to schoolchildren, ranging from middle schools to college and university settings. In addition, presentations are delivered to licensees and their employees, civic organizations, and other law enforcement agencies in an attempt to promote a better understanding of the law and the roles and responsibilities of the Texas Alcoholic Beverage Commission.

Licensing

The licensing division investigates and processes applications for all phases of the alcoholic beverage industry, including the manufacture, sale, purchase, transportation, storage, and distribution of alcoholic beverages. The division must ensure that each applicant is qualified to hold such license/permit and adheres to all applicable regulatory requirements. More than 96,000 licenses and permits are issued each year by division personnel.

Compliance

The compliance division is charged with the oversight of the taxing authority of the agency, as well as administrative/regulatory enforcement of the Alcoholic

Beverage Code. The division plays a role in the initial licensing process through inspections, fee analysis, and marketing practices reviews. Personnel receive and process monthly excise tax reports and ensure taxes have been paid and that other reporting requirements are in adherence with the statutes of the Alcoholic Beverage Code through an audit oversight function. In addition, field personnel conduct investigative audits, regulatory compliance, and other financial reviews and assist the enforcement division in various types of investigations.

The ports of entry program, a section of the compliance division, is responsible for ensuring compliance with personal importation laws and the collection of taxes and fees on alcoholic beverages brought into Texas. Taxpayer compliance officers also monitor compliance with the laws regarding importation of cigarettes into Texas and collect the applicable taxes for the Office of the Comptroller of Public Accounts. Agency personnel are stationed at all major bridges along the Texas-Mexico border.

Marketing Practices

The marketing practices section is responsible for oversight of the labeling, bottling and promotion of alcoholic beverage products in Texas.

Office of Professional Responsibility

The office of professional responsibility oversees or conducts all internal investigations concerning the conduct of agency employees.

Information Resources

The information resources division is responsible for developing and maintaining the core technology applications for the agency, which

includes licensing, enforcement, compliance, legal, and business services. Additionally, the division establishes and supports the technology infrastructure that facilitates agency operations, and is charged with researching and analyzing how to apply new technologies to solve business problems.

Business Services

The business services division is responsible for all fiscal operations of the agency, including revenue processing, accounts payable, payroll, time and leave accounting, maintenance of the general ledger, and preparation and oversight of the agency's legislative appropriations request, annual report, and performance reports. The general services section of business services is responsible for staff support functions of purchasing, historically underutilized business (HUB) program coordination, real and personal property management, facilities leasing, fleet management, centralized consumable supply distribution, mail center operations, reproduction services, and warehousing.

Human Resources

The human resources division manages employment-related activities, including recruitment, selection, benefits and compensation, employee relations, classification, training, risk management, and implementation of the agency's equal employment opportunity program.

Legal

The agency's legal section prepares, processes, and prosecutes administrative cases dealing with violations of the Alcoholic Beverage Code. This section also reviews and prosecutes application protests by the

commission, local authorities, and citizens to the issuance of licenses and permits. When violations by permittees and licensees throughout the state are alleged, a hearing is held by the State Office of Administrative Hearings. Outcomes of such hearings include recommendations to cancel, suspend, grant, or deny a license or permit.

GEOGRAPHICAL LOCATION OF THE AGENCY

Texas is the second-largest state in the nation comprised of a population exceeding 22.5 million people. The commission is continually challenged to provide adequate services equitably and effectively to each area of the state with a field workforce that is limited to one FTE per 52,800 residents. The field staff provides not only law enforcement services but regulatory and compliance oversight including the initial phases of the licensing process. Ports of entry program staff on the Texas-Mexico border collect excise tax on imported products and serve as a barrier to individuals who attempt to import products exceeding importation limits or fail to meet minimum age requirements.

Meeting the needs of the state's citizens remains critical and requires great emphasis on the strategic locations of personnel. Office sites are chosen based on three criteria: (1) proximity to concentrations of licensed premises, (2) centrality of the location to the area being served, and (3) ease of access to and from all points of the service area. Enforcement and compliance personnel are assigned based on the number of licensed premises in the service area, actual size of the service area and service area population. Ports of entry staff are allocated based on traffic counts traveling into Texas.

Physical Locations

While maintaining the headquarters of the commission in Austin, the enforcement division's field operations remain regionalized to respond more effectively to local concerns. A captain directs each of the eight enforcement regions, and a compliance supervisor directs compliance personnel who are divided into four areas of the state.

Region 1 - Lubbock

Lubbock, Amarillo, and Wichita Falls districts.

Region 2 - Dallas

Dallas and Fort Worth districts; outposts located in Greenville, Denton, McKinney, Sherman, Terrell, Granbury, and Mineral Wells.

Region 3 - Odessa

Odessa and El Paso districts; outposts located in Big Spring and Alpine.

Region 4 - Abilene

Abilene and Waco districts; outposts located in San Angelo, Bryan, and Belton.

Region 5 - Beaumont

Beaumont and Longview districts; outposts located in Conroe, Huntsville, Athens, Nacogdoches, Mount Pleasant and Tyler.

Region 6 - Houston

Houston district; Galveston outpost.

Region 7 - Austin

Austin and Victoria districts; outposts located in San Marcos, Richmond, Bastrop, Kerrville, Llano, New Braunfels, Brazoria, Sealy, and Wharton.

Region 8 - San Antonio

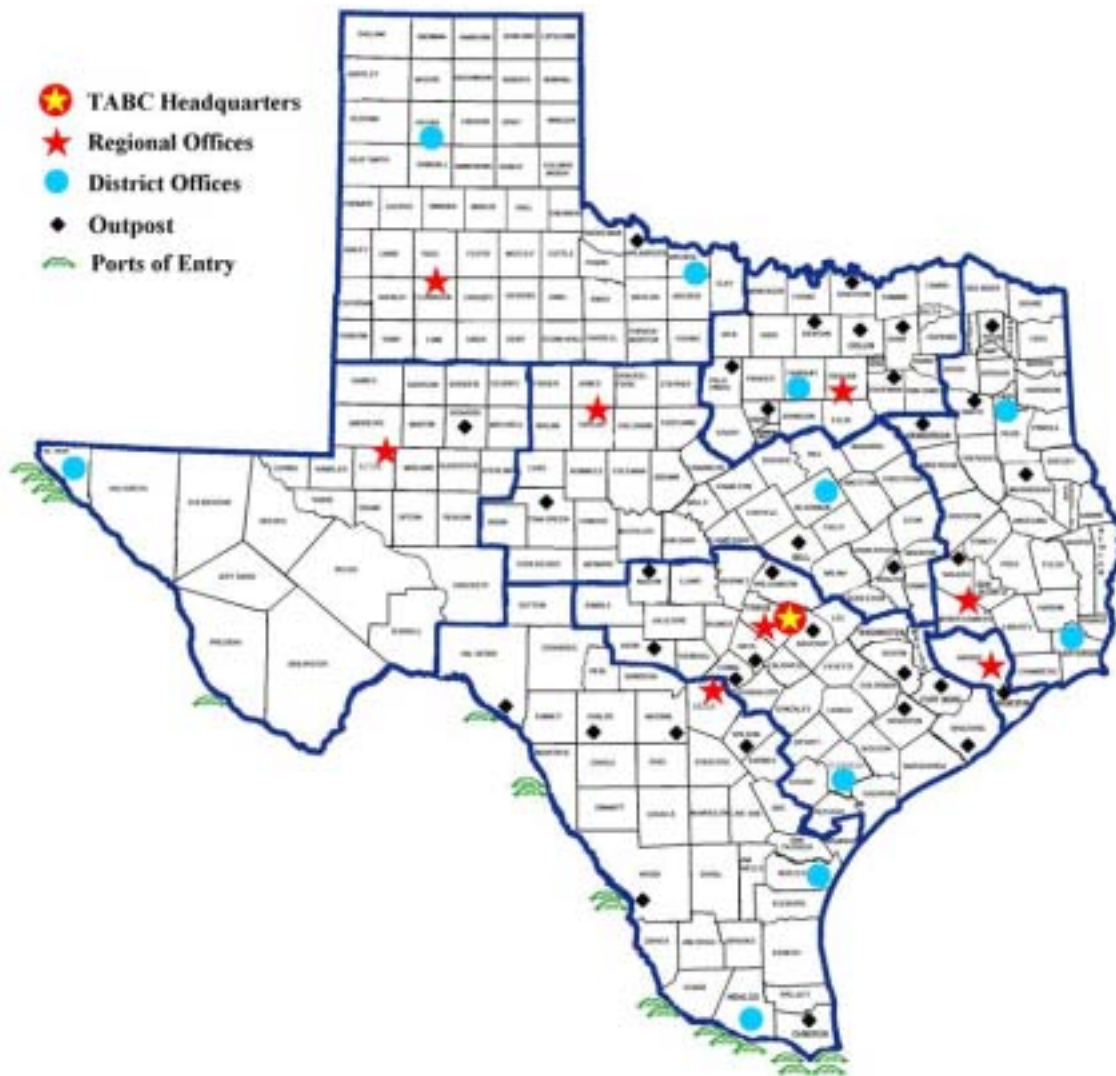
San Antonio, McAllen, and Corpus Christi districts; outposts located in

Harlingen, Laredo, Del Rio, Hondo, Floresville, and Uvalde.

All of the districts are staffed with commissioned peace officers and support staff. Fifteen of the 17 districts and one outpost have at least one compliance officer. Additional staffing of one to three law enforcement personnel is maintained in the 34 outpost locations.

Agency personnel, directed by a supervisor, also staff ports of entry facilities at all major border crossings along the Rio Grande, including the international bridges at El Paso, Zaragosa, Fabens, Presidio, Del Rio, Eagle Pass, Laredo, Roma, Rio Grande City, Progreso, Hidalgo, Los Indios, Pharr, and Brownsville. Other bridges are staffed on a temporary basis as dictated by seasonal traffic.

FIGURE 4: Location of TABC Offices



SERVICE POPULATION

The TABC allocates resources to its field offices based, for the most part, on the size of the populations served. While those served by the agency are found in every part of the state, they are concentrated in the state's 27 metropolitan statistical areas (MSAs). As a consequence, most of the TABC's service delivery resources are also concentrated in the state's MSAs.

The state's five most populous metropolitan statistical areas -- Houston, Dallas, Fort Worth, San Antonio, and Austin -- are home to the TABC's five largest field offices. Of the remaining 22 Texas MSAs, the agency has district offices in 12 and outpost offices (one to five person satellite offices) in the remainder.

The state's rural areas are served by agents working from the 27 MSAs and from three smaller communities located outside of the existing MSAs. The geographic size of the area served by an office is one factor in the agency's resource allocation model, but the impact of service area size on resource allocation is small relative to that service population size.

The situation at the Texas-Mexico border is unique in that a large part of the population goes unreported in the census. Even though additional personnel have been assigned to the area in numbers slightly more than the commission's standard staffing model, adequate staffing is still not available. However, this is not unique to the border areas, as the commission, in speaking of pure numbers, has less than one enforcement agent per county and only 28 compliance officers in the entire state.

HUMAN RESOURCES ISSUES

Effective management of employees involves matching employees' skills to the organization's needs by selecting people with necessary abilities and maximizing their potential through training. The commission continues to monitor its human resources management control systems such as performance appraisals, hiring processes, staff development and compliance with applicable statutes and laws to maintain an environment of continuous quality improvement. A continuing emphasis on professionalism, common courtesy, ethics and values, and commitment to the agency's customers has generated an organizational culture where employees strive for efficiency and effectiveness in the performance of their jobs and to meet agency measures, goals, and objectives.

Employee Satisfaction

The agency has maintained initiatives such as risk management, customer satisfaction surveys, professional development, and health and safety issues. Further, there is an ongoing evaluation of tasks and responsibilities by agency divisions to determine whether other services can be provided for the customers of the agency. TABC shall continue to place an emphasis on implementing new practices and on finding innovative ways of performing the same and/or additional tasks both internally and externally.

Future Staffing Needs

Initiatives in the areas of education, public awareness, and community involvement, as well as an increase in the number of regulatory investigations have created a greater demand on the staff. A void exists in the number of agents and compliance officers required

to adequately perform enforcement and regulatory functions, investigative functions, and new initiatives. The ever-increasing demand for information via the Internet and agency web page has multiplied the duties and jobs of the current staff in all divisions. As the agency continually “accomplishes more with less,” the added duties have strained the available resources.

The border regions continue to add new international bridges that will dictate the need for additional staffing in the ports of entry program. There are at least two new bridges planned in the near future. When consideration is given to new mandates, demand for additional services, the number of licensed establishments, and the increased population statewide, it is clear that our current staffing pattern in these areas is indeed limited.

Enhancing the quality and efficiency of the agency’s technology workforce will be realized through staff development and retention programs.

In 2003, the agency’s turnover rate was 10.96 percent. Efforts must be made to address such turnover issues as: retirements of experienced personnel, the lack of adequate career paths in key support positions, and a limited ability to reward productive employees. The agency must be proactive in ensuring the institutional knowledge of those employees retiring is not lost and those employees with lesser tenure benefit from long-time experience.

Proactive solutions include identifying succession plans for key positions and implementing a training program that both develops employees and enhances the skills that are necessary for their current positions.

A constant key factor in all employee-related issues is a budgetary limitation, both in terms of monies and resources. This ultimately impacts the agency in terms of its ability to control turnover, meet mandates and customer demands, and successfully recruit and retain qualified employees.

CAPITAL ASSETS

Wide Area Network

The agency has been able to upgrade and expand its wide area network (WAN) to improve overall network performance and to enhance network connectivity for remote field offices and ports of entry stations. Newer technology replacement equipment significantly outperforms older technologies and provides better performance, scalability, and security. Improvements and expansion in telecommunications services allows all TABC office locations to be interconnected, therefore streamlining workflow processes, communications, and reporting. Standardization -- especially in the area of security access, monitoring and control -- reduces the cost of network management, maintenance, and training. Higher bandwidth allows for faster response to important data that is essential for carrying out day-to-day job duties. Redundancy of T1 circuits provides a means for operations and daily processing to continue in the event of failures, disruptions, or disasters.

Personal Computers

Personal computing technologies throughout the agency have been entirely upgraded over the last two years. Historically, these purchases have been treated as large capital acquisitions, where the agency expects to see value from the purchase over a longer period of time. The rate of

technology change, however, has led to personal computers becoming functionally obsolete after an increasingly short period of time. Given the rate of technology change, availability of funding, the needs of the users, and the overall mission and goals, the agency has established a personal computer life cycle of three years as part of the technology planning process. By adhering to this plan, the agency has successfully transitioned its technology purchases as an ongoing operational expense that is incorporated into yearly operating budgets.

Fleet Assessment

The agency canceled an order for 47 law enforcement replacement vehicles in fiscal year 2003 due to the seven percent legislative appropriation reduction. This has resulted in the agency having to increase the mileage limits for its replacement vehicles during the 2004-2005 biennium. Fortunately, funding was provided in the 2004-2005 biennium for 15 new vehicles and 67 replacement vehicles. If sufficient funding is provided in the 2006-2007 biennium, the agency will be back on track in resuming a normal vehicle retirement cycle of 72 months or 100,000 miles.

Radios

The agency's mobile radio funding is sufficient to carry the agency through the year 2010; however, the handheld radio inventory is outdated and insufficient to meet the agency's needs. The agency will expend current available funds and attempt to obtain future funding to remedy this deficiency by the end of the 2006-2007 biennium. Handheld radios are a vital part of the agency's ability to effectively communicate with local law enforcement entities throughout the state. The

agency will continue to take an active role as a participating member of the State Radio Task Force that was created by the 76th Legislature. The task force was created in an effort to organize and plan the short- and long-range goals of the state as they relate to wireless communication needs of state agencies.

HISTORICALLY UNDERUTILIZED BUSINESSES

State Policy

A historically underutilized business (HUB) is defined by statute as (a) a corporation formed for profit in which at least 51 percent of the equity is owned by one or more women or Black, Hispanic, Asian Pacific or Native Americans, (b) a sole proprietorship 100 percent owned, operated and controlled by such person(s), (c) a partnership in which such person(s) owns at least 51 percent of its assets and interest and have proportionate control of partnership affairs, (d) a joint venture of HUBs or (e) a supplier contract between a HUB and prime contractor under which the HUB manufactures, distributes or warehouses and ships supplies.

In accordance with the Texas Government Code, Sections 2161.181-182 and Section 111.11 of the Texas Administrative Code (TAC), state agencies must make a good faith effort to utilize historically underutilized businesses in contracts for construction, services (including professional and consulting services) and commodity procurement. The Texas Alcoholic Beverage Commission encourages the use of HUBs through a Good Faith Effort Program (GFEP). The purpose of the GFEP is to promote full and equal business opportunities for all businesses in state contracting in accordance with

the goals specified in the state of Texas disparity study dated 1996.

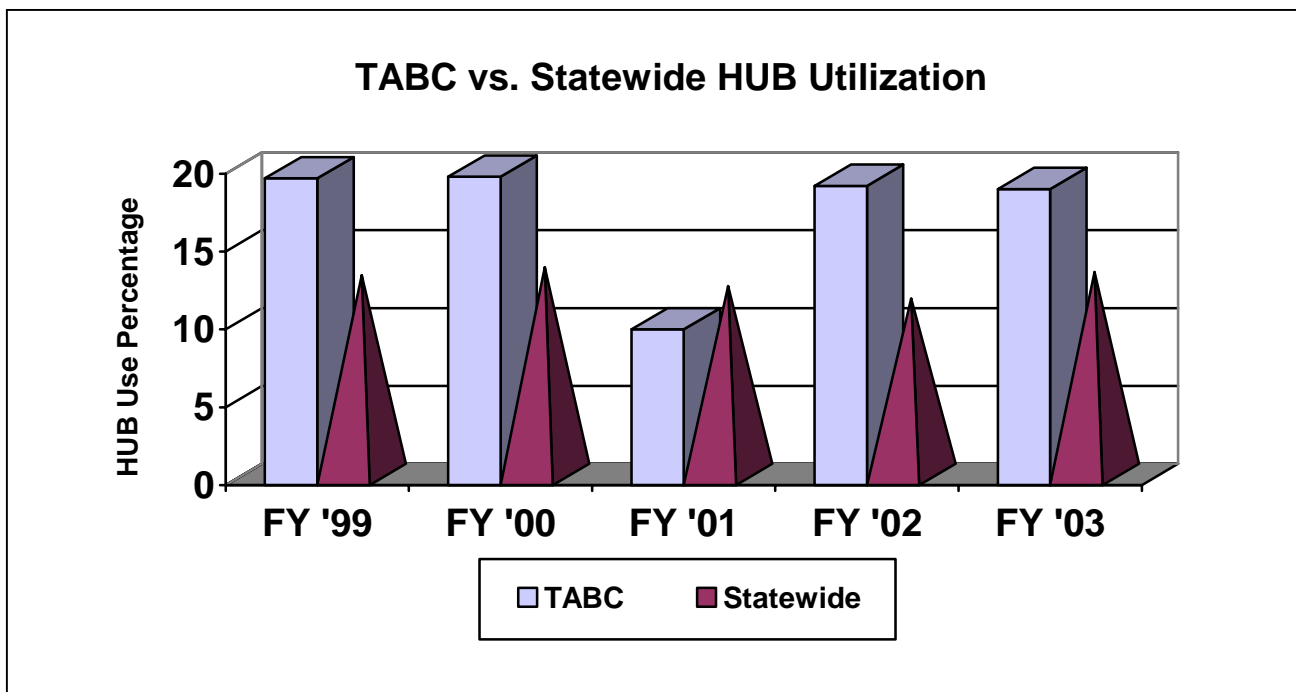
Goals established through the disparity study are:

- # 11.9% heavy construction other than building contracts;
- # 26.1% building construction, including general contractors and operative builders contracts;
- # 57.2% special trade construction contracts;
- # 20.0% professional services contracts;
- # 33.0% all other services contracts; and
- # 12.6% commodities contracts.

Utilization

The agency's successful utilization of historically underutilized businesses (HUBs) is an on-going effort attributable to a HUB policy that encourages contributions from all employees involved in the procurement process, establishes goals, and requires division level reporting and accountability. The policy incorporates Texas Building and Procurement Commission's guidelines, designates HUB utilization goals, confirms the agency's good faith effort to procure goods and services from the HUB community, and has resulted in an average agency HUB utilization rate of 17.5 percent over the last five fiscal years.

FIGURE 5: TABC vs. Statewide HUB Utilization



CONSULTING AND PROFESSIONAL SERVICES

The agency staff often lacks the internal expertise and/or skills to perform functions related to certain specialized services. In order to meet many of the agency's objectives related to training, education, construction, programming, professional printing, and internal auditing, the agency has contracted with professional entities skilled in these areas.

The agency periodically uses contract help for highly technical work that is definable and repeatable (e.g., software development) or for work that requires highly specialized skills on a one-time or infrequent basis (e.g., system network administration). Technical staff are contracted from a variety of local and regional technical employment agencies.

Specialized services have been used for workplace training related to ethics, sexual harassment, and management training. In-house expertise is used when available but is generally limited to more elementary type training or agency-specific training.

The agency expends a very small portion of their budget on consulting and professional fees. The contract for internal auditing services is the most significant contract the agency has, and for the last three years has averaged \$50,000 per year. In fiscal year 2003, the agency expended \$76,548 with the State Auditor's Office for an assessment of its internal information system(s).

The agency will continue to use consulting and professional services in the future for architectural/engineering services associated with ports of entry tax booth construction, media and public relations services associated with public information projects, internal audit services, employee assistance program, software development, specialized employee training, and routine internal assessments. The agency normally will budget about \$57,000 per year for consulting fees related to internal audit, employee's assistance program, and software development. Additional consulting services are obtained if they are justified and if funding is available.

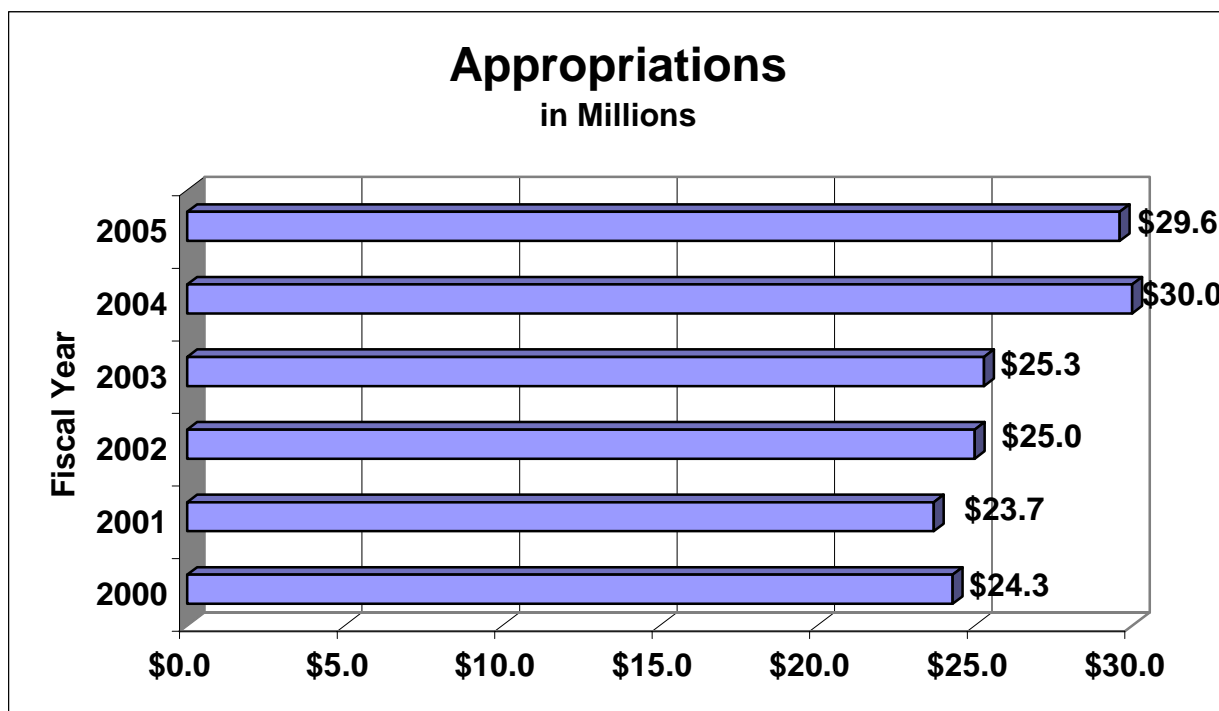
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BUDGET

For the 2004-2005 biennium, the agency received a \$9.6 million increase in legislative general revenue funding over the previous biennium. The majority of the increase was due to \$2.3 million in funding for upgrading the agency's information resource technology operations and \$3.9 million

in funding for adding 29 investigator positions. Contingency funding of \$239,112 was made available in fiscal year 2005 to the Ports of Entry strategy for opening two new bridges. The agency will also be authorized \$269,998 in general revenue in fiscal year 2005 to continue funding the investigator positions established through a 2004 grant awarded by the Office of the Governor's Criminal Justice Division.

FIGURE 6: Appropriations



GRANTS

The State Energy Conservation Office awarded the agency \$80,886 in fiscal year 2002 to purchase equipment for allowing the agency to conduct administrative hearings and other statewide meetings through video conferencing in order to reduce travel time and expenses associated with these activities.

In fiscal years 2002-2003, the commission was awarded \$1,076,868 from the United States Department of Justice for grants associated with a statewide initiative to prevent underage drinking through prevention, education, and enforcement programs. The majority of this funding was awarded by TABC to local governmental entities and colleges.

In fiscal year 2002, grant funding amounting to \$128,570 was received from the Texas Department of Transportation for programs related to Project Save, Shattered Dreams and Youth Power Camps and \$68,400 was received from the Office of the Governor's Criminal Justice Division for "Repeat Offenders Retailer Education." In fiscal years 2002-2003, the agency was also awarded a total of \$539,016 from the Office of the Governor's Criminal Justice Division for licensing investigators, for enforcement and educational efforts related to spring break and Mardi Gras, and for an information-sharing initiative.

REVENUE COLLECTIONS

Licensing Revenue

The 73rd Legislature directed the agency to cover its appropriation through

license and permit fees and surcharges. The 75th Legislature directed the agency to cover its appropriation plus other direct and indirect costs through fees, surcharges, fines and miscellaneous revenue. The 78th Legislature directed the agency to set surcharges such that fees, surcharges, fines, and miscellaneous revenue would cover, at a minimum, its appropriation plus other direct and indirect costs. These legislative changes have provided the agency with the desirable flexibility to set surcharges in amounts sufficient to cover increases in annual operating costs caused by inflation, new technology requirements, legislative pay increases, and additional capital equipment needs.

FIGURE 7: License and Permit Fees

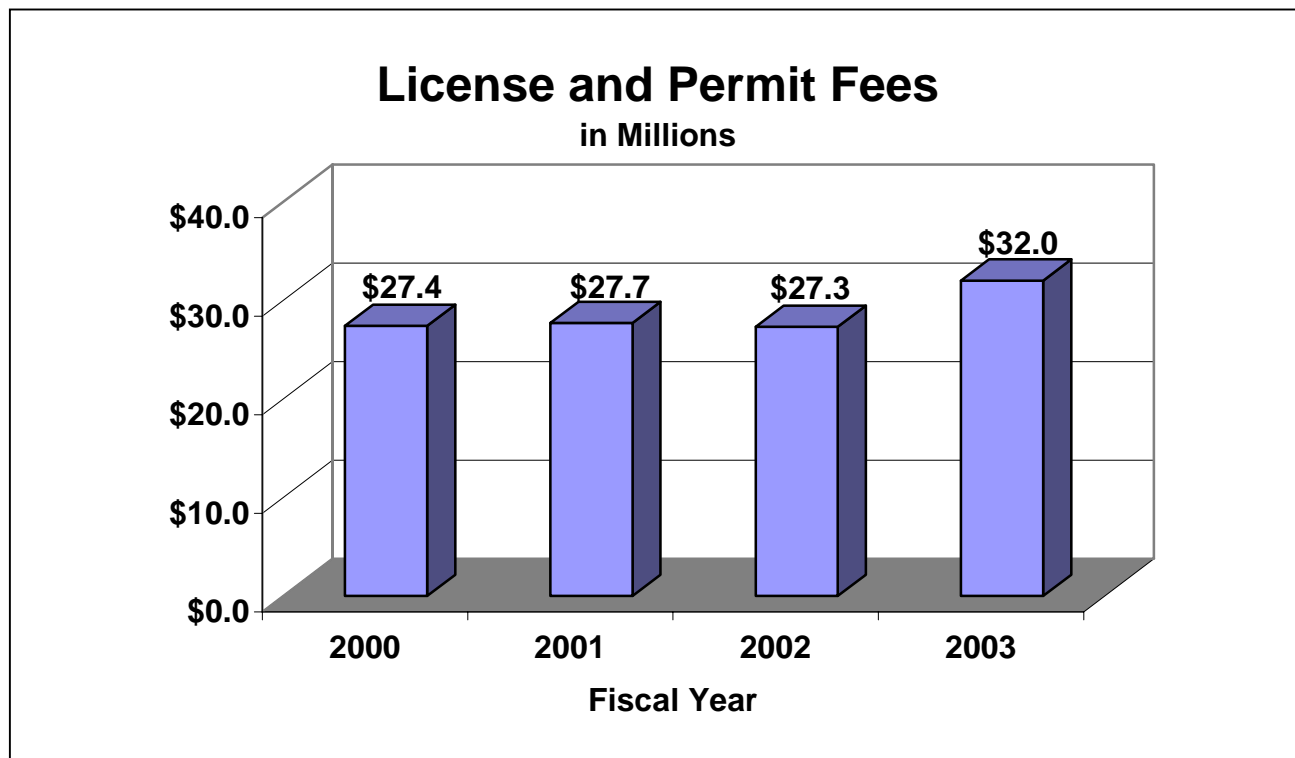
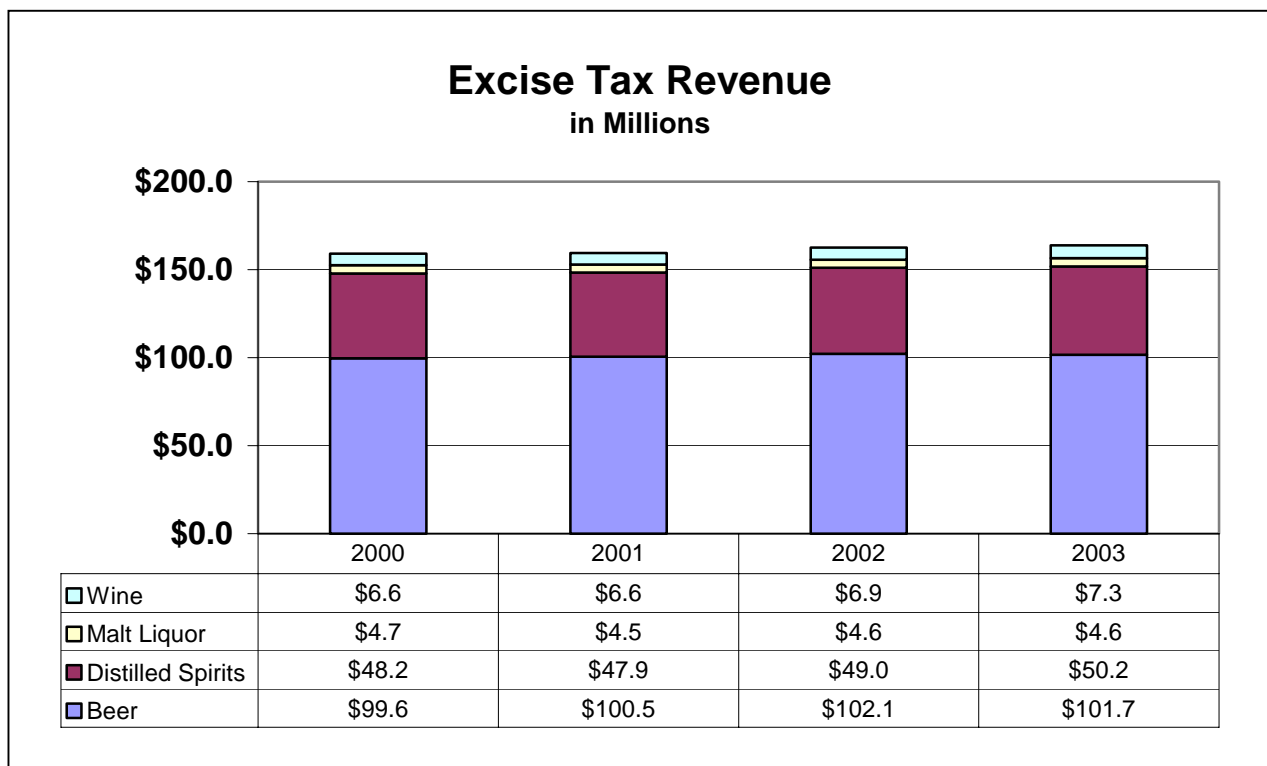


FIGURE 8: Excise Tax Revenue**Excise Taxes**

Excise tax collections increased approximately three percent between fiscal years 2000 and 2003. These taxes are deposited to the state's general revenue fund of which 100 percent are directed towards other state expenditures. A larger increase in excise tax revenues is being experienced due to the rebounding economy. The agency collects cigarette taxes along the border for the Office of the Comptroller, and these collections have been steadily increasing over the last three years. These collection increases can be attributed to increased tourist traffic as well as commercial traffic between Texas and Mexico.

LEASING COSTS**Wireless Communications**

Radio tower space lease expense

peaked in fiscal year 2003; however, the cost to lease space in the future will likely decrease due to agreements made with public entities to obtain "free" space on publicly-owned towers and because of an increase in the use of hand-held radios. In fiscal year 2001, annual tower lease expense was \$32,712; in fiscal year 2005, those costs are estimated to be \$23,748. The decrease in the cost for radio tower space will be offset with the increase in handheld radio subscription fees. The agency will continue to take an active role as a participating member of the State Radio Task Force that was created by the 76th Legislature. The task force was created in an effort to organize and plan the short- and long-range goals of the state as they relate to wireless communication needs of state agencies.

FIGURE 9: Radio Tower Leases

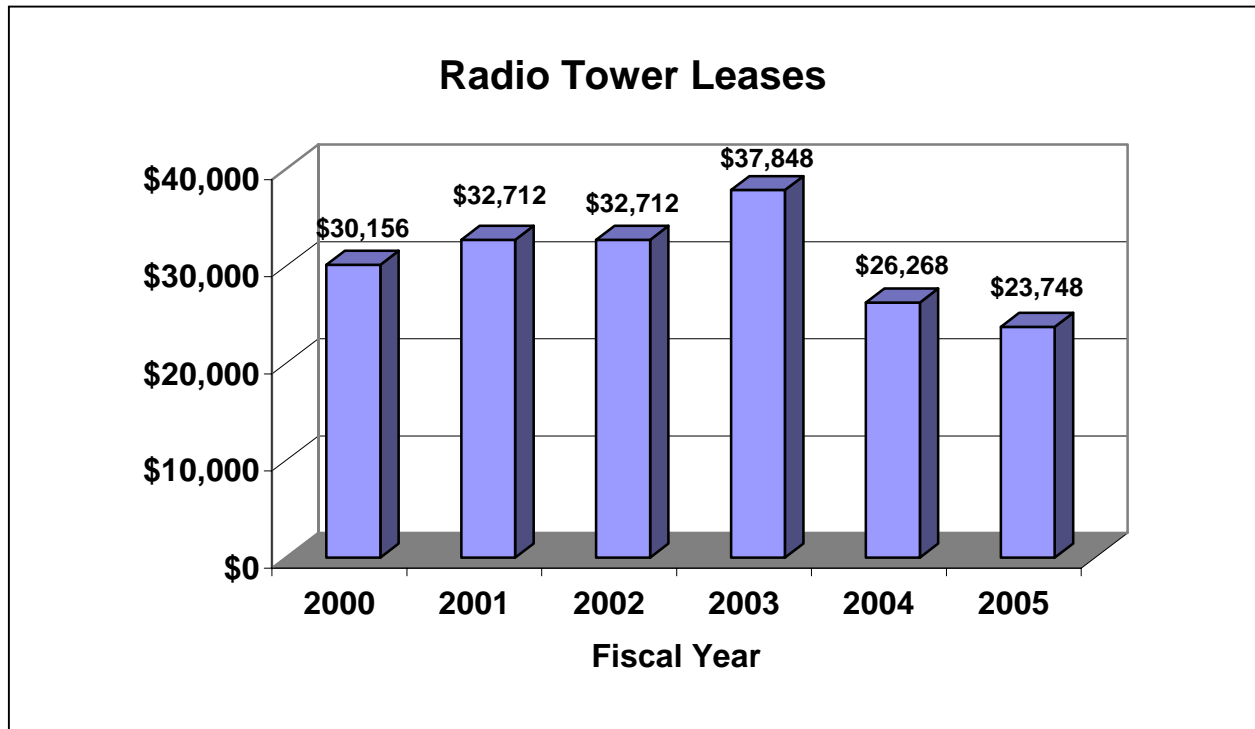
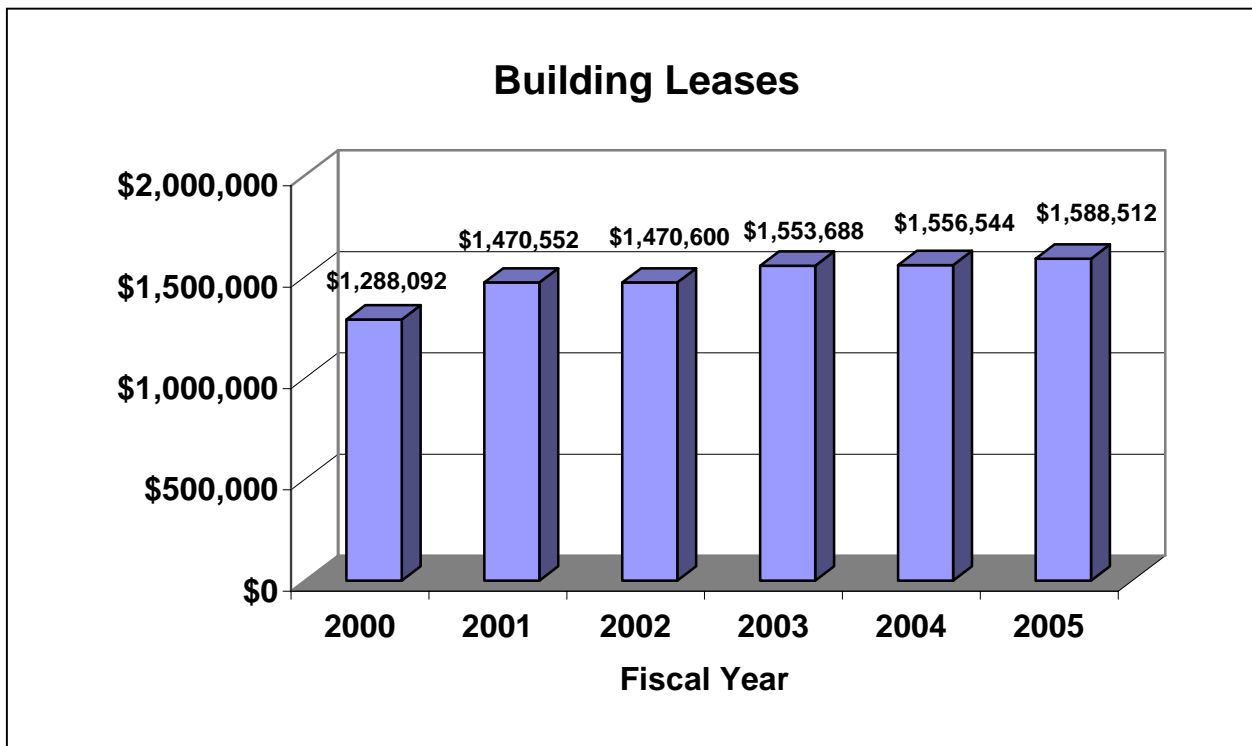


FIGURE 10: Building Leases



Office Space

In fiscal year 2001, the agency was funded for the anticipated increase in rental cost for its headquarters facility. A 40 percent increase in cost was experienced in that year due to a commercial real estate market boom. Increases for the future will be based on the consumer price index and the necessity to increase square footage due to staffing, but the costs associated with such increases are not expected to be as dramatic as they were in fiscal year 2001. The agency will experience only an eight percent increase in statewide lease expense between fiscal year 2002 and fiscal year 2005. The agency will eventually need to request additional funding for cumulative consumer price index increases but barring another real estate boom period or significant staffing increases, should have sufficient funding to cover cost increases over the next five years.

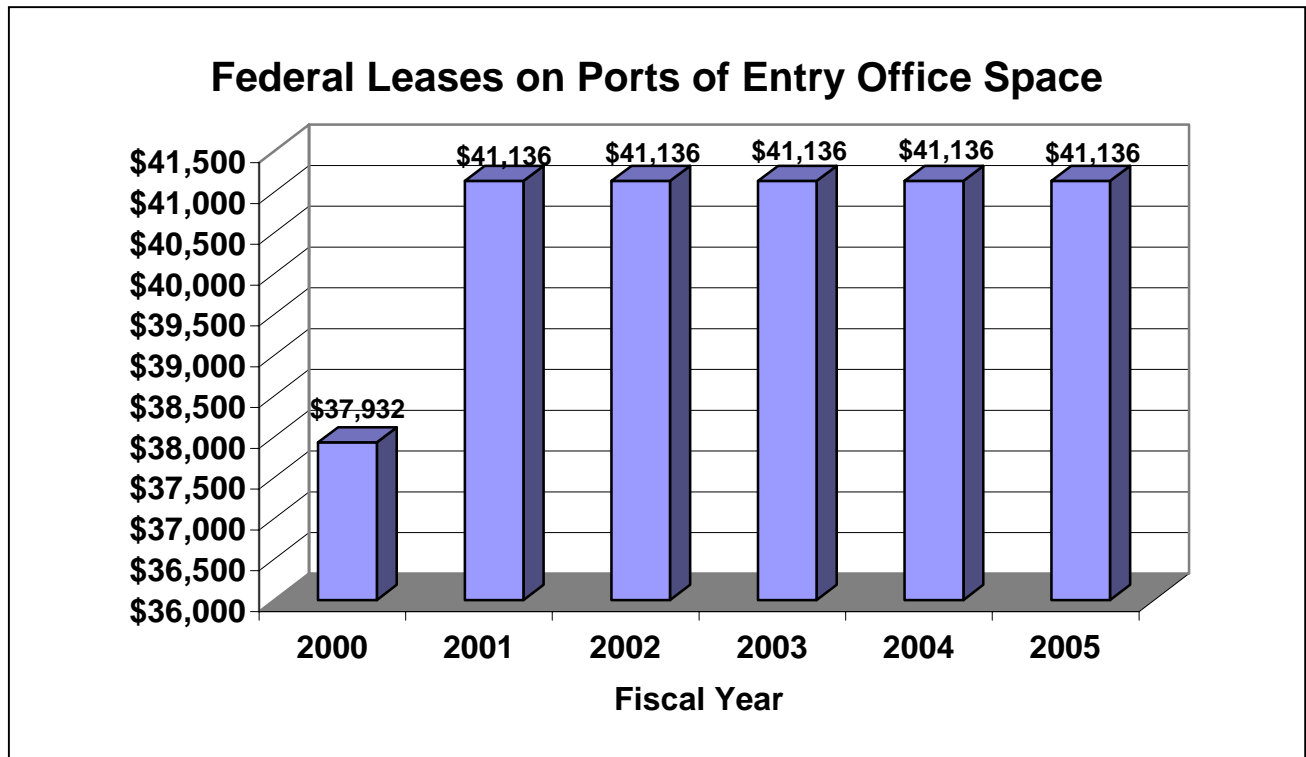
BORDER AREAS

The agency's mandated presence at bridge sites along the Texas/Mexico border not only requires personnel, but increasing lease and construction costs associated with providing tax collection facilities at these border crossings. The General Services Administration (GSA) continues to open new bridge locations and remodel existing locations. As this occurs, our lease fees with GSA will increase due to amortized construction costs and utility increases being factored into the rental rates. Since fiscal year 2000, the annual lease rentals with GSA have remained relatively steady; however, beginning in late fiscal year 2006 leases at the Paso Del Norte bridge in El Paso will increase

due to major renovation of the bridge. In addition to GSA controlled bridges, several bridge locations are privately owned or owned by municipalities. The rent increases associated with construction performed on these bridges is becoming a problem. At the Progreso International Bridge, a privately owned bridge, rent has increased from \$21,600 per year to \$31,200 per year due to remodeling costs being passed on to the agency. Similarly, the city of Pharr will be remodeling a tax collection booth at this location that will result in a rent increase of \$4,600 per year.

Replacement or remodeled buildings are still needed in Presidio, Pharr, Rio Grande City, and possibly Laredo (Bridge #4). Remodeling costs for existing structures in Del Rio and Ysleta are still needed. Anzalduas will probably be the next major bridge to open late in fiscal year 2005 and will be between Hidalgo and Roma. A new bridge is also expected to open in fiscal year 2005 at Donna. The existing port of Fabens is in need of a small facility to house agency personnel and equipment. The Los Indios Bridge has only recently been manned by TABC on a full-time basis, and the agency will need to lease space to house personnel and equipment. During the 77th Legislative Session, the agency was granted funding for constructing tax booths and for staffing at Fabens, Presidio, and Rio Grande City. Funding for these projects was returned to general revenue as part of the agency's seven percent appropriation reduction in fiscal year 2003. The agency will make an effort to complete these projects with fiscal year 2004 funding if possible.

FIGURE 11: Federal Leases on Ports Of Entry Office Space



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Specific groups served by or receiving special attention from the agency, besides the population in general, include young people, especially those in the 16-20 age group, and the businesses that make up the alcoholic beverage industry (alcoholic beverage retailers, wholesalers and manufacturers/brewers).

GENERAL POPULATION

The general population is of interest, not only because it benefits from the regulation of alcoholic beverages, but also because it is population growth that drives the demand for alcoholic beverage products and alcoholic beverage vendors. Changes in

aggregate demand for alcoholic beverages, as well as changes in the number of alcoholic beverage retailers, are directly and positively related to changes in the size of the general population.

The Office of Comptroller of Public Accounts' "Texas and the U.S. Economic and Population Forecast, Fiscal Years 2000-09, Spring 2003 Forecast" predicts a slow, but steady growth in population, averaging 1.9 percent per year between fiscal year 2004 and fiscal year 2009. According to the Texas State Data Center estimates, the state population will continue to age during this period, due principally to the aging of the population's largest age segment, the post-WWII baby boomers.

FIGURE 12: Projected Population of Texas

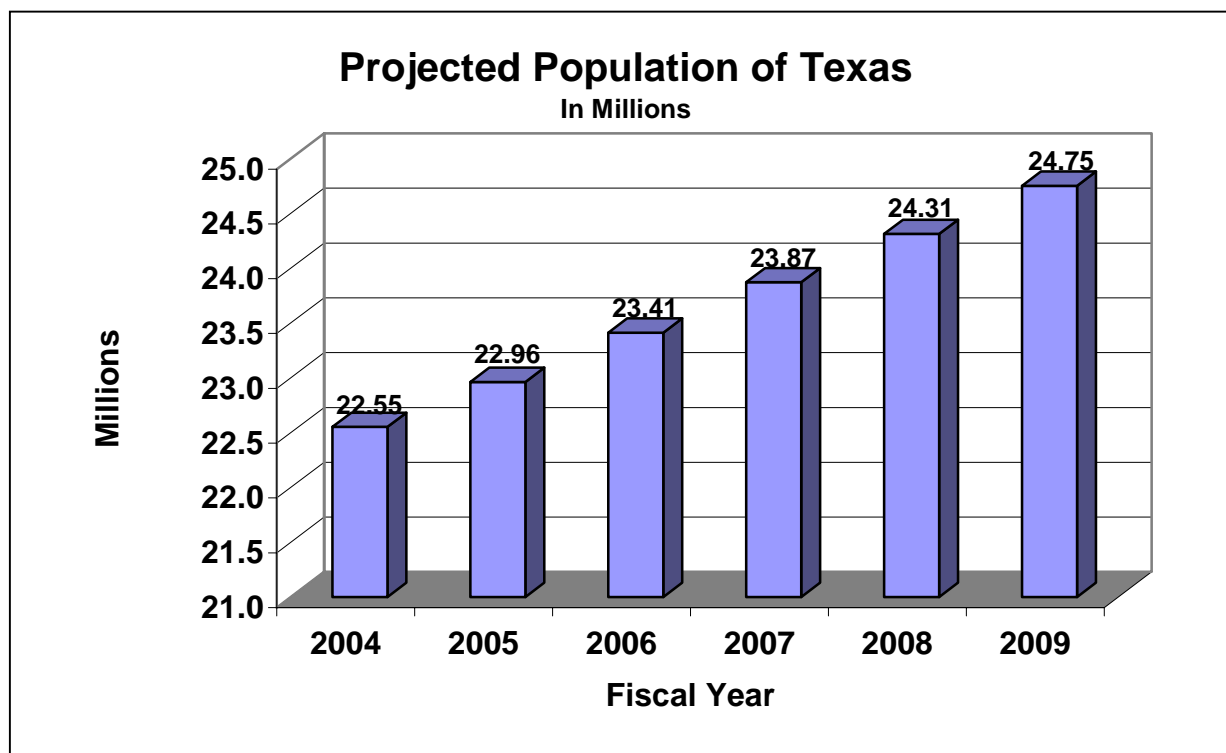
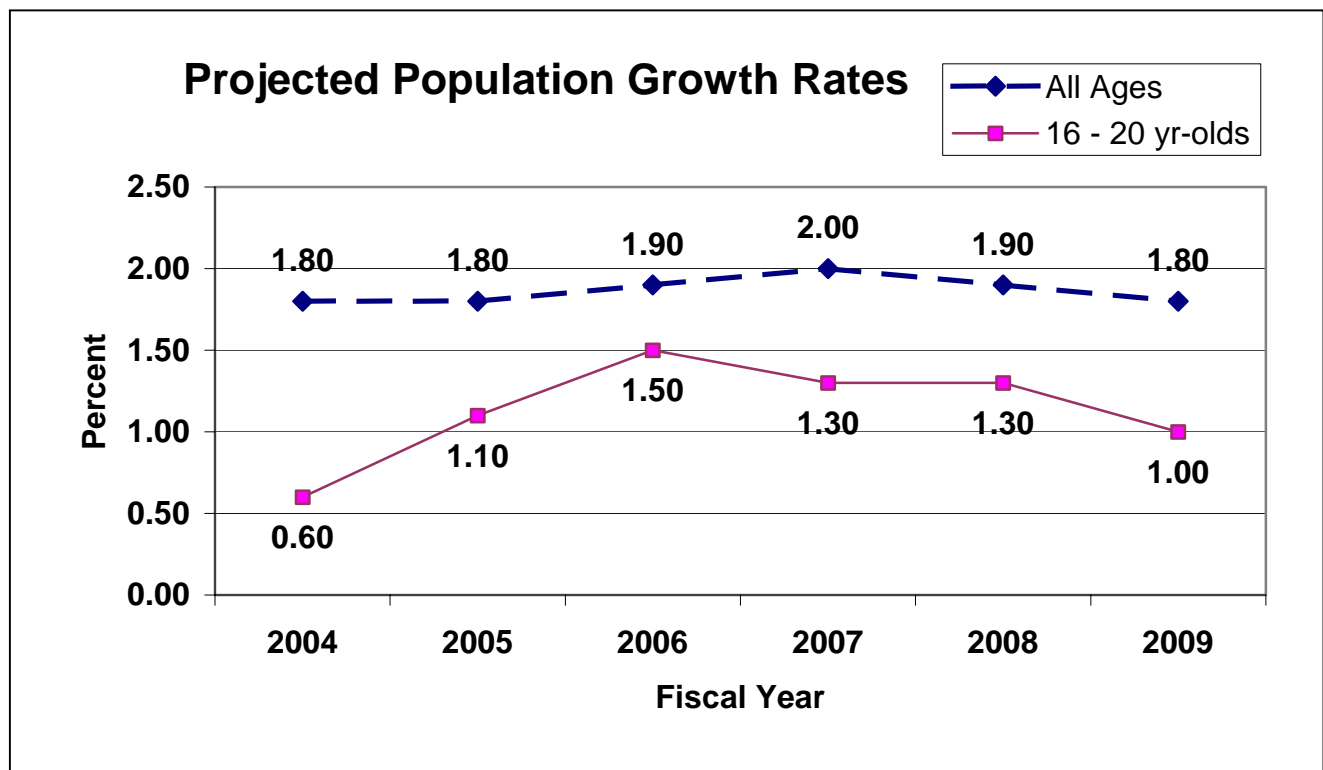


FIGURE 13: Projected Population Growth Rates

Because personal consumption of alcoholic beverages and the incidence of alcohol-related problems have historically declined with age, the passage of an age segment the size of the baby boomers through middle-age should exert a moderating influence upon the consumption patterns and alcohol-related behaviors of the population as a whole. The decline in per capita consumption of alcoholic beverages observed in recent years suggests that the boomers are following the normal trend. The commission expects individual consumption to decline as the population continues to age and believes that further declines in individual consumption will largely offset the pressures that population growth at the expected rate of increase would normally exert on its resources.

YOUNG PEOPLE

Young people in the 16 to 20 age group are the primary focus of Project SAVE, Shattered Dreams, and the agency's other prevention education programs. They and those who would sell or otherwise provide alcoholic beverages to them are also the target of much of the agency's law enforcement activities. The Texas State Data Center expects the number of young people between the ages of 16 and 20 to grow at a substantially slower rate than the general population from 2004 to 2009 and to decline slightly as a percentage of the whole. Even so, the actual number of young people will grow relative to agency's available resources, and the agency will have to find new and better methods of operation in order to maintain current service standards.

ALCOHOLIC BEVERAGE RETAILERS

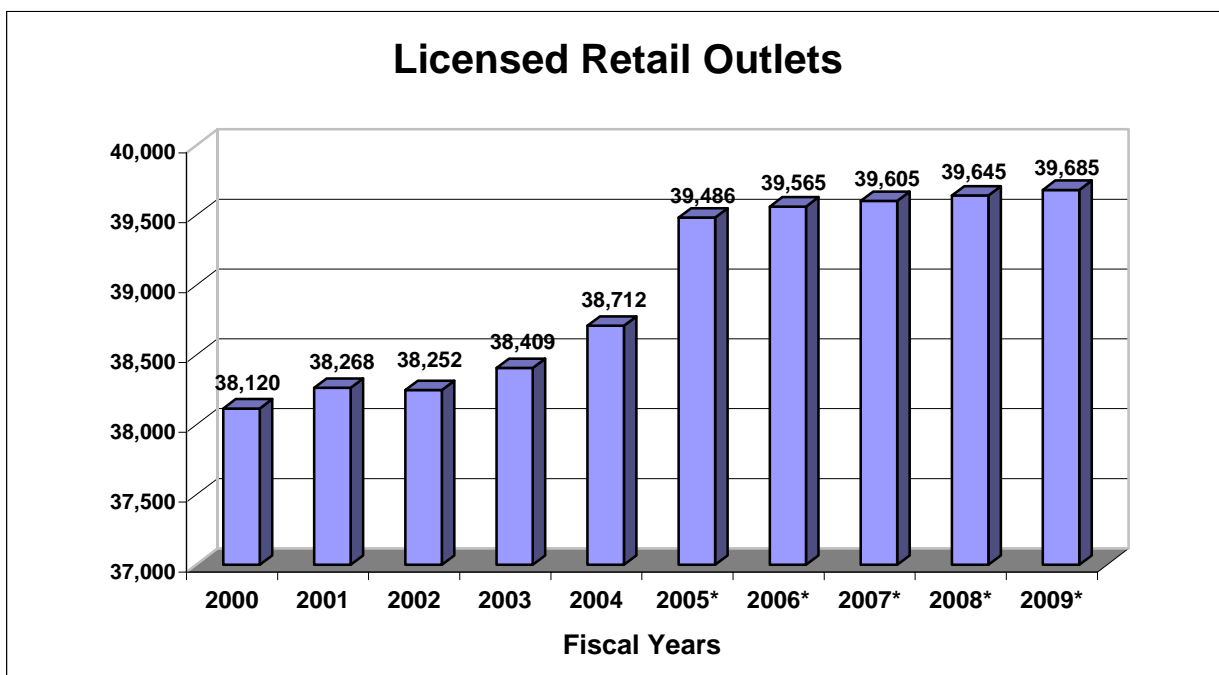
The number of alcoholic beverage retailers is expected to grow during the next five years, not only due to population growth but also due to recent changes in state law that have reduced the requirements for calling certain types of local option elections. These changes have led to a marked increase in the number of local option elections held, especially in bedroom communities in the Dallas/Fort Worth area, and will, at least temporarily, create an upward surge in the total number of licensed premises.

The exact duration and extent of this spike are matters of speculation. While the commission believes that the number of licensed retailers could grow by three to five percent over the next five years, it expects actual growth to be at the lower end of that range and to occur, for the most part, in fiscal year 2004 and fiscal year 2005. Thereafter, the commission's projections call for a steady decline in the number of new

elections and an increase in business failures. A number of licensees who rushed to take advantage of the new opportunities will discover that they were ill prepared to do so. It is expected that marginal retailers from neighboring communities, whose survival depended upon the alcohol sales they made to customers from the formerly dry areas, will go out of business. The increase in business failures should at least partially offset the previous increase in the number of licensed premises, limiting real growth during the five-year period to approximately three percent.

Any increase in the number of regulated premises will create additional demands on the agency's limited resources. An increase of the magnitude anticipated (three percent) will not overwhelm the agency's resource base, but it will create additional stresses. Those stresses could become unbearable if the increase in licensed retailers is substantially larger than that expected.

FIGURE 14: Licensed Retail Outlets (*Projected)



WHOLESALE AND MANUFACTURERS

The agency expects the number of firms doing business in Texas at the wholesale and manufacturing levels of the alcoholic beverage industry to remain more or less unchanged through fiscal year 2009. While it is evident the actual number of different firms in the wholesale level will decrease, the actual locations needed to conduct their operations will be relatively constant. National market conditions make the number of wholesale and manufacturing firms somewhat less responsive to changes in the general population or to changes in the economy than is the case with retailers. Consequently, the moderate levels of economic and population growth projected for Texas between fiscal years 2004 and 2009 are unlikely to spark significant changes in the sizes of wholesale and manufacturing tiers of the industry.

Of note, however, is that while the absolute size of these tiers is not expected to change, the agency does expect competition for market share to remain strong and possibly even to intensify. One element of this competition will undoubtedly be the continued expansion of the product lines marketed by manufacturers and wholesalers. The number of applications submitted annually for label approval, for example, increased by almost 70 percent between fiscal years 1999 and 2003. The agency expects this upward trend to continue.

As in the past, the agency also expects market share competition to lead some wholesalers and manufacturers into temptation and result in a certain volume of marketing practice violations. Should that competition intensify, the number of marketing practice violations

will grow and more resources will be required for marketing practices compliance efforts.

SUMMARY

Several key service populations will increase in size between fiscal years 2004 and 2009, but these increases should be relatively small. The agency does have some concerns about the aggregate growth expected in the number of retailers and in the "under 21" age group. It also notes that market share competition in the wholesale and manufacturing tiers have already stretched the agency resources available to deal with those segments of the industry.

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The agency has begun a project to transform its mainframe and applications database systems to a modern enterprise environment in order to lower operating costs and enhance its ability to develop future functionality. The primary objective for this project is to transition the agency's licensing and regulatory applications to newer technology. The new technology will consist of a fully developed commercial system that is built on a state-of-the-art architecture and expert rules-based engine. The solution will support many of our internal processes rather than force us to adapt to a system, which is based on preconceived ideas of how we do business. In addition, redundant, inefficient, and unnecessary processes that currently exist will be eliminated or refined. By transitioning mainframe applications to this modern software architecture, TABC stands to benefit in numerous ways:

- ## Replacement of mainframe hardware with enterprise servers and new software into a "state of the art" system allowing flexibility and expansion into future directions such as web services (for the internal and public customers) and wireless applications (for enforcement and licensing).
- ## Move to a "web-based system" to participate in e-commerce initiatives of state government allowing rapid renewal applications to be processed.
- ## Provide more detailed access to agency information to both other governmental entities as well as the alcoholic beverage industry.
- ## Make information more readily

available 24 hours a day, 7 days a week to local, state, and federal law enforcement, TABC agents, and industry (Quality of Service and Public Safety).

- ## Lower business risks due to improved system availability and improved responsiveness/flexibility in adding new features (Quality of Service).

INVESTIGATIVE ANALYTICAL TOOLS

The agency's role in law enforcement and information-sharing requires the timely collection and analysis of information relating to criminal investigations, illegal interests, and money laundering. To support this need, the agency plans to implement an enterprise-level solution for advanced analytical analysis designed for pattern discovery and information access for use by the agency's investigative and law enforcement users. The agency will benefit from this solution by providing functionality for data visualization and link analysis, allowing collaboration capabilities with other law enforcement entities, and lowering the total cost of maintenance and operations.

ENTERPRISE WEB ARCHITECTURE

The agency plans to implement an enterprise web architecture solution, which combines a variety of Web applications and workspaces, and manages them in one portal environment. The portal will assemble these applications from existing resources and new services. Services hosted on different application servers can work together, and new applications developed for agency program areas can be administered and secured in one place.

ACE (ARCHITECTURE COMPONENTS FOR THE ENTERPRISE)

The Department of Information Resources (DIR) has developed the ACE (Architecture Components for the Enterprise) initiative, which provides a common framework for agencies to use to identify and best deploy their information resources assets based on the business needs of the agency and the state. This statewide information resources framework allows for more effective technology resource planning and increases possibilities for cross-agency collaboration. This initiative will provide direction and tools for the TABC to follow toward developing an architecture that is aligned with the statewide enterprise architecture.

OTHER TECHNOLOGY POSSIBILITIES

The agency plans to implement other technology solutions designed to increase employee productivity by reducing the paper processing workloads. Several of the most notable solutions include:

Use of document imaging and retrieval technology for storing/retrieving of agency paper documents by incorporating them into the new licensing regulatory system strategy. Archiving images and documents will allow for immediate information access throughout the agency with the latest in document imaging technology. Agency users will be able to retrieve any file using complete text indexing of document contents (such as PDF or Office documents, or OCR text), and search by any custom fields of their choice.

Use of mobile computing devices by enforcement agents and compliance officers. This technology will be evaluated as a tool to assist the field personnel with their paper workload. New generations of wireless mobile technology devices are emerging on the market including hand-held computers, PDAs, tablet computers, and smart phones. These devices are capable of running a number of business applications, including word processors, e-mail, spreadsheets, presentation tools, fax utilities, and Web browsers. With wireless communications support, these devices would have the ability to provide inquiry and update capability to our new licensing regulatory solution in field operations situations.

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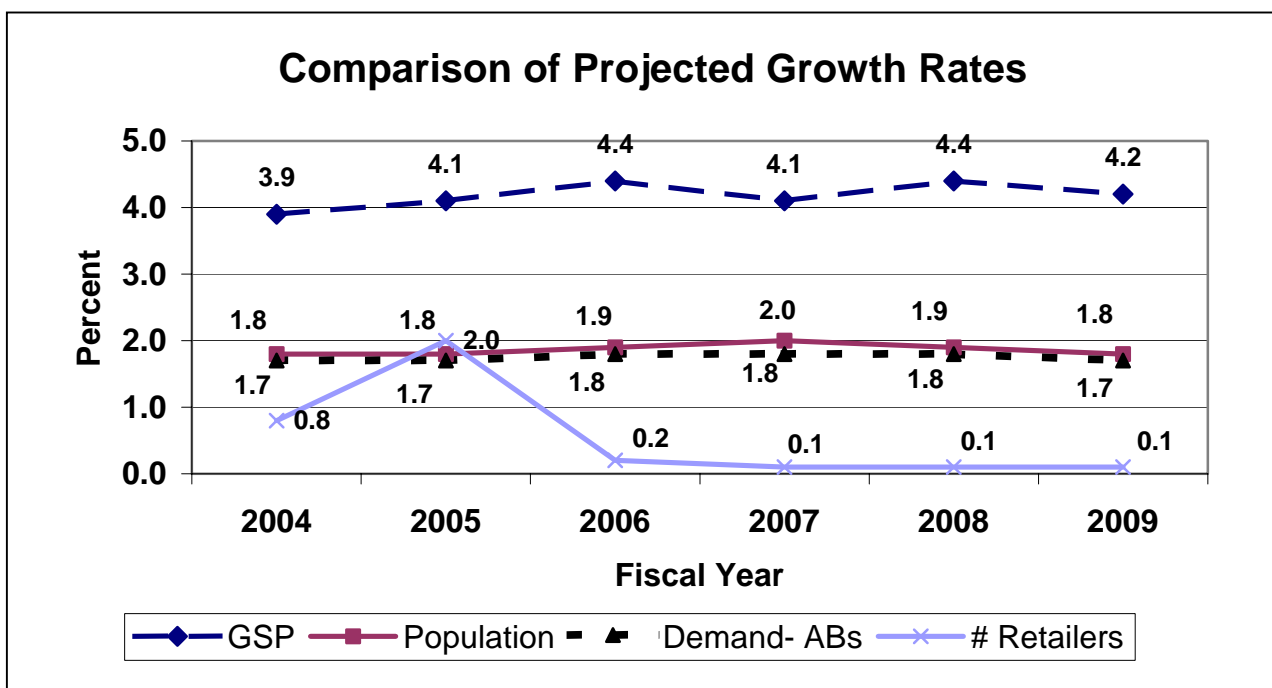
Regression analysis of alcoholic beverage sales volumes, population changes, and economic growth in Texas clearly demonstrates that the economic well-being of the Texas alcoholic beverage industry is directly tied to the overall growth rates of the state's population and its economy. The relationships in question are strong, highly significant, and undoubtedly causal. While these historic relationships have moderated somewhat in recent years due to aggregate changes in personal drinking patterns, they still exist and will continue to influence the future.

The Office of Comptroller of Public Accounts projects steady growth for the state's population and its economy during the next five years. In keeping with this projection, the Alcoholic Beverage Commission anticipates slight

to moderate increases in the aggregate demand for alcoholic beverage products during each of the years under consideration, due largely to population growth. At the same time, however, the commission expects the number of business entities that it regulates to grow at rate much slower than either the general population or the economy.

The moderate nature of the anticipated changes in aggregate demand, where the push of population growth will be limited by the downward trend in personal consumption, is one factor cited by agency analysts when projecting only a three percent increase in the number of licensed retailers between the start of fiscal year 2004 and the end of fiscal year 2009. Another is the expected duration and anticipated long-term effects of the current upswing of local option elections.

FIGURE 15: Comparison of Projected Growth Rates



TABC analysts expect the spike in local option elections to be relatively short-lived, ending sometime in fiscal year 2005. There is the potential for greater than projected growth in the number of alcoholic beverage retailers if the current upswing in local option elections continues for a longer period of time or peaks at a higher point than presently anticipated. However, the commission's staff believes that aggregate demand places an absolute cap on the number of retail outlets that can be sustained by the economy. Beyond that point, additional local option elections will only increase the geographic dispersion of the possible points of sale, not overall sales volumes.

Greater ease of purchase, made possible by a broader dispersion of retail outlets, lowers the opportunity cost of buying alcoholic beverages and can, therefore, increase aggregate demand. However, relatively few "dry" population centers, especially those of any size, are more than a short drive from a "wet" area. Also, almost all dry areas contain licensed private clubs, very few of which are restrictive in terms of membership, that serve alcoholic beverages to members and their guests. The TABC believes that most of the potential demand within dry areas is already being met either directly by local private clubs or by retailers in neighboring "wet" spots, or indirectly via bootleggers. Except for small, more isolated communities, local option elections should have only a limited impact on the demand for alcoholic beverages within the communities in which they are held and, therefore, little influence on aggregate demand statewide.

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On August 29, 2002, the federal district court for the Southern District of Texas entered its final order in the case of *Dickerson v. Bailey*, No. H-99-1247. That order enjoined the agency from enforcing §§6.01, 11.01, 37.03, 107.05(a), 107.07(a), and 107.07(f) of the Alcoholic Beverage Code to the extent those statutes prevent out-of-state suppliers of wine from selling and shipping their product directly to adult Texas consumers in “wet” areas of the state. This order was affirmed by the Fifth Circuit Court of Appeals on June 26, 2003. *Dickerson v. Bailey* 336 F. 3d 388 (5th CIR., 2003). No appeal was taken from the Fifth Circuit’s judgment and all litigation has concluded. Nevertheless, this issue will continue to affect alcoholic beverage regulation for the foreseeable future.

The federal court injunction has effectively deregulated the channel of commerce in wine between out-of-state suppliers and Texas consumers. Currently, the agency’s staff, in conjunction with the Texas Attorney General’s office, is studying what steps, if any, can be taken through rulemaking to ameliorate this situation. The difficult questions of adopting revised statutes will no doubt be addressed during the coming legislative session.

The question of state’s ability to impose a ban on shipments of wine directly to consumers in light of the Interstate Commerce Clause of the federal constitution is pending writ of certiorari by the U. S. Supreme Court. *Granholm v. Heald*, No. 03-1116, is an appeal to the Supreme Court from a Sixth Circuit Court of Appeals’ decision invalidating Michigan’s laws banning direct

shipments of wine. *Swendenberg v. Kelly*, No. 03-1274, is an appeal to the Supreme Court from a Second Circuit Court of Appeals’ opinion upholding New York’s direct shipping laws. The Supreme Court opinion in these cases will have great effect on the character and extent of Texas regulation in this area.

During the Third Called Session, 2003, the legislature added §32.03(k) to the Alcoholic Beverage Code forbidding the grant of a private club permit to a sexually oriented business located in a dry area. Two cases have challenged the constitutionality of this statute on First Amendment and Equal Protection grounds. *Plano-Miller Club Inc. v. Steen*, No. 304-CV-0609P; *Illusions-Dallas v. Steen*, No. 304-CV-0201-R. Both cases are pending in the federal district court for the Northern District of Texas. The outcome of these cases may well affect the validity of §32.03(k) of the code and, by implication, the ability of the state to regulate sexually oriented businesses with alcoholic beverage permits.

Section 11.61(b)(7), as defined by 16 Tex. Admin. C. 35.31(c)(12) provides that alcoholic beverage permits can be cancelled or suspended if the permittee violates the obscenity statutes or allows them to be violated on the licensed premises. Plaintiffs in *Carico Investments v. TABC*, No. H-03-5532, charge that this statute and rule, as well as the agency’s enforcement efforts in this area, violate rights under the First, Fourth and Fourteenth Amendments to the U. S. Constitution. The outcome of the case could impair the agency’s ability to enforce compliance with Chapter 43 of the Penal Code on licensed premises.

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During the current year, the agency has had a number of events that are important in scope and audience, both internally and externally.

The agency is undergoing sunset review during 2004 and is interacting with the sunset commission staff on a frequent basis. The appointment of a new administrator in August 2003 led to a self-review and restructuring of the agency. To maximize resources and give focus to programs needing attention, a level of supervision was eliminated, some divisions were combined, and the supervision of the marketing practices section was moved from the enforcement division to report directly to the administrator. A number of internal issues concerning the hiring process of new agents are undergoing an in-depth review as well as ensuring agency employees receive appropriate career and personal development. The agency is committed to the diversity of its most important resource as well as ensuring the most qualified employees are attracted to a career with the agency and continually contribute in a meaningful way.

Another key event for the biennium is the transformation of the agency's 1985 mainframe computer system to a modern web-based enterprise environment allowing the agency flexibility and expansion into future directions as well as participation in e-commerce initiatives and online renewals. At the same time, the agency continues to expand and improve its information flow and communication with remote offices through improvements in the wide area network.

Agency efforts are also noteworthy in the attention to its performance measures. Program divisions continue to meet their key performance measures and stay on track for the current year.

In addition to an ever-increasing number of permit applications to process and issue, continual inspections of licensed premises, pre-license interviews, resolution of complaints, and collection of taxes, the agency has a number of programs that play an important role in fostering voluntary compliance.

Educational efforts include:

- ## Instructional programs for all levels of the industry as well as outside police groups, civic or community groups, college or school-aged children;
- ## Seller-training seminars for the trainers of seller/servers of alcoholic beverages;
- ## Providing funding for 45 "Shattered Dreams" programs for area high schools;
- ## MADD/TABC sponsored "Power Camps" to empower young leaders; and
- ## A new effort to inform parents of high school students of the consequences of hosting teen parties with underage drinking.

The agency continues to focus on successful initiatives of prior years such as:

- ## Source investigations;
- ## Complaint investigations;
- ## Minor stings; and
- ## Seller-training initiatives to increase the number of retailers requiring seller training of their employees.

A number of special events for the state required additional attention and awareness on the part of the field staff. Houston played host to the NFL Super Bowl and the added attractions concerning the event required an additional 15 agents to be assigned to the area from around the state to assist with alcohol enforcement during Super Bowl Week. Crowds that attend the Mardi Gras festivals held in Galveston and Austin also raise attention and awareness from normal work levels. A grant from the Office of the Governor's Criminal Justice Division, which paid for lodging expenses and overtime, permitted the agency to keep 14 officers on station throughout both weekends of the Galveston festival. Manpower requirements for the Austin festival were met by bringing agents from counties immediately adjacent to Austin to supplement those actually stationed in the capitol city.

Spring Break at South Padre Island and Port Aransas also necessitated a significant manpower commitment by the TABC. Fourteen agents were sent to South Padre Island and eight more to Port Aransas for the peak two-week period. While on site, the agents assisted local authorities in crowd control and enforcing underage drinking laws. The additional support is accomplished with financial assistance from the Office of the Governor's Criminal Justice Division.

While these are not all of the year's ongoing activities, they highlight special programs currently underway and which will continue through the next several years. For a more detailed description of agency initiatives, please see Appendix H.

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As part of the agency's strategic planning process, public forums were held across the state, and internal brainstorming sessions were held in the agency's headquarters and field office. Both proved beneficial and informative in assessing the accomplishments and challenges of the agency. External groups praised the agency for the variety of programs (such as "Shattered Dreams"), community interactions, minor stings, and youth camps and recognized the value of partnering with local law enforcement. However, external and internal groups alike noted the same number one concern -- lack of adequate personnel.

Though the agency consistently reaches its overall performance goals, which measure day-to-day activity, achievement of identified management opportunities indicated in the strategic plan of FY 2003-2007 are somewhat limited. Positive inroads were made in focusing educational programs on those having the most immediate effect for school-aged children, and in enhancing industry education to foster voluntary compliance. However, the agency must continue to work with the colleges and universities across the state to address the problem of underage drinking.

The agency was successful in increasing the number of retailers requiring seller training for employees who are involved in the sale and/or service of alcoholic beverages. Partnering with industry members to disseminate information to retailers on the advantages of well-trained staff has been a useful and successful project.

Strong enforcement efforts were pursued with appropriate attention, including minor stings and initiatives targeting intoxicated people. The compliance rate for retailers refusing to sell to minors remains at 80 percent. The agency shall continue its focus on enforcing underage drinking laws while expanding efforts to decrease the sale of alcoholic beverages to intoxicated people.

The statewide budget reduction issues of 2002 limited the agency's efforts in several areas, and the agency remains committed to those areas for continuing improvement and expansion. With a new coordinator in the marketing practices area, the staff remain steadfast in expanding its knowledge and regulatory oversight in the interaction of the manufacturing and wholesaling tiers of the alcoholic beverage industry. Limited staff due to budget reductions curtailed much progress in this area in the recent past. Partnering with the industry and interested community groups, which ceased during the budget crisis, should be pursued knowing that the value in collective attention to the issues of underage drinking will raise public awareness in ways that the agency may not obtain on its own limited resources.

Agency attention to communication and training have not yet reached a level of satisfaction with employees, and the commission will continue to focus resources on such issues. Though some progress has been made as noted in Appendix F Survey of Organizational Excellence, the staff must continue to improve its processes, outreach, and evaluation of needs.

In a state with a population over 21 million and 262,000 square miles and

knowing that the agency has limited field staff, it will always be a reality that the effective regulation of the alcoholic beverage industry cannot be achieved without the industry's cooperation and desire to operate within the framework of the statutes. To enhance the industry's efforts of compliance as well as all stakeholders' understanding and collaborative efforts, the agency's opportunities are balanced on achieving a knowledgeable and informed constituency with the limiting external factors heretofore discussed.

Based on the input received from a wide variety of stakeholders and the limiting external and internal factors, the agency's strategic management goals for the period 2005-2009 are as follows:

- 1) To ensure that efficiencies and streamlining are identified and implemented where possible as the agency moves through its licensing technology transformation, while pursuing legislative change to eliminate impediments.
- 2) To focus enforcement programs on identifying retailers who sell to intoxicated persons and minors.
- 3) To continue to encourage retailers to avail themselves of the benefits of seller training.
- 4) To continue to focus educational efforts of the agency to the members of the alcoholic beverage industry and on programs to school-aged children and college-aged adults, which will have the most immediate impact.
- 5) To learn and stay current in the methods of operation among the upper tiers of the industry.
- 6) To reinvigorate the agency's efforts in partnering with coalitions, groups, and industry members to raise awareness in issues involving the sale of alcohol beverages to minors and intoxicated persons.
- 7) To address the ongoing issue of training new staff as well as current employees while faced with loss of vast amounts of institutional knowledge.
- 8) To continue expanding the agency's effort in effective communication, both internally and externally, using all available means.
- 9) To ensure through available avenues that agency employees receive fair pay based on responsibilities.

The above goals, though they may appear simplistic in written form, are a challenge and cannot be wholly achieved in a short time. Constant attention to and progress on these goals will further the agency's mission in regulating alcoholic beverages within the state as well as contributing to the health, safety, and welfare of our citizens.

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1. To promote the health, safety and welfare of the public and to regulate the alcoholic beverage industry by taking positive steps to foster voluntary compliance with the law through a combination of enforcement and education.

[Vernon's Texas Alcoholic Beverage Code: Chapters: 2, 61, 101 (Subchapters B & D), 103, 105, 106, 107, 108 and 251; Sections: 1.03, 5.33, 5.36, 5.38, 6.01, 11.01, 11.46, 11.61, 11.68, 25.06, 28.0, 32.14, 32.15, 37.07, 37.09, 38.03, 39.21, 39.31, 39.32, 40.05, 51.03-.04, 63.04, 67.01, 69.06, 104.01, 109.33, 109.35 and 109.53.]

2. To process and issue alcoholic beverage license/permit applications while ensuring compliance with the Alcoholic Beverage Code through investigations and other regulatory means.

[Vernon's Texas Alcoholic Beverage Code: Chapters: 6-53, 61-75 102, 103, 109, 204 and 251; Sections 5.50, 6.02 and 101.69.]

3. To ensure compliance with the Alcoholic Beverage Code in the manufacturing, importing, exporting, transporting, storing, selling, serving, and distributing of alcoholic beverages.

[Vernon's Texas Alcoholic Beverage Code: Chapters: 102, 106, 107, 108, 109, 201, 202, 203, 204, 205 and 206; Sections: 5.32, 5.37, 5.41, 5.51, 6.01 and 11.61.]

4. To carry out developed agency policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of historically underutilized businesses.

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GOAL 01: ENFORCEMENT

To promote the health, safety and welfare of the public and to regulate the alcoholic beverage industry by taking positive steps to foster voluntary compliance with the law through a combination of enforcement and education.

OBJECTIVES/OUTCOME MEASURES

STRATEGIES/OUTPUT MEASURES

01 Detect and Prevent Violations of the Law

To act to detect and to prevent violations of the law in such a manner that, by fiscal year 2009, 98 percent of all administrative cases filed by enforcement agents result in suspensions or cancellations, 78.5% of all licensed establishments are inspected annually, 90 percent of all complaint investigations are closed within 60 days and 82 percent of all licensees responding to post-inspection surveys rate agency enforcement services as satisfactory or better.

Outcome Measures

- 01 Percentage of Licensed Establishments Inspected Annually
- 02 Percent of Administrative Cases Filed by Enforcement Agents Resulting in Suspension or Cancellation
- 03 Percent of Agency Contacts Rating Enforcement Actions as Satisfactory or Better
- 04 Percentage of Complaint Investigations Closed within 60 Days

01 Deter and Detect Violations

Deter and detect violations of the Alcoholic Beverage Code by inspecting licensed establishments, by investigating complaints and by providing or sponsoring educational programs that promote voluntary compliance and increase the public's awareness of the state's alcoholic beverage laws.

Output Measures

- 01 Number of Inspections Made
- 02 Number of Persons Instructed by the Agency
- 03 Number of Youth Instructed by the Agency

Efficiency Measures

- 01 Average Cost Per Inspection
- 02 Average Cost Per Person Instructed by Agency

Explanatory/Input Measures

- 01 Number of Administrative Cases Settled
- 02 Number of Criminal Cases Filed
- 03 Number of Criminal Violations Found during Inspections
- 04 Number of Licensed Establishments Subject to Inspection
- 05 Number of Investigations Opened
- 06 Number of Administrative Violations Found During Inspection

GOAL 02: LICENSING

To process and issue alcoholic beverage license/permit applications while ensuring compliance with the Alcoholic Beverage Code through investigations and other regulatory means.

OBJECTIVES/OUTCOME MEASURES

STRATEGIES/OUTPUT MEASURES

01 Licensing

Process applications for permits and licenses in an efficient and timely manner such that by fiscal year 2009 the average permit/license processing time is 14 days in the headquarters office.

Outcome Measures

- 01 Percent of Original License/Permit Applications Processed Within 14 Days
- 02 Percent of Agency Clients Expressing Satisfaction with Licensing Process

01 Licensing

Issue licenses and permits while ensuring compliance with laws regarding ownership, performance, tax securities and other regulatory requirements.

Output Measures

- 01 Number of Applications Processed
- 02 Number of Licenses/Permits Issued

Efficiency Measure

- 01 Average Cost Per License/Permit Processed

GOAL 03: COMPLIANCE AND TAX COLLECTION

To ensure compliance with the Alcoholic Beverage Code in the manufacturing, importing, exporting, transporting, storing, selling, serving and distributing of alcoholic beverages.

OBJECTIVES/OUTCOME MEASURES	STRATEGIES/OUTPUT MEASURES
<p>01 Compliance and Tax Collection</p> <p>Monitor all tiers of the alcoholic beverage industry and conduct inspections, analyses, investigations and other activities to encourage maximum voluntary compliance with the Alcoholic Beverage Code.</p> <p>Outcome Measures</p> <p>01 Percent of Inspections, Analyses and Compliance Activities Resulting in Administrative or Compliance Actions</p> <p>02 Percent of Report Analyzations (including analyzations of tax reports) Resulting in Administrative or Compliance Actions</p> <p>03 Percent of Agency Contacts Expressing Satisfaction with Compliance Functions</p>	<p>01 Compliance Monitoring</p> <p>Inspect, investigate and analyze all segments of the alcoholic beverage industry and initiate any necessary compliance and/or administrative actions for failure to comply, while providing instruction to promote voluntary compliance.</p> <p>Output Measures</p> <p>01 Number of Inspections, Analyses and Compliance Activities</p> <p>02 Number of Compliance and/or Administrative Actions (including tax report actions)</p> <p>03 Number of Reports Analyzed (including tax reports) Regarding Inter-State and Intra-State Distribution of Alcoholic Beverages</p> <p>Efficiency Measure</p> <p>01 Average Cost Per Compliance Activity</p> <p>Explanatory Measures</p> <p>01 Number of Licensees/Permittees Subject to Compliance Activity</p> <p>02 Number of Licensees/Permittees Subject to Report Analyzation (including tax report analyzations)</p>

GOAL 03: COMPLIANCE AND TAX COLLECTION (cont'd)

To ensure compliance with the Alcoholic Beverage Code in the manufacturing, importing, exporting, transporting, storing, selling, serving and distributing of alcoholic beverages.

OBJECTIVES/OUTCOME MEASURES	STRATEGIES/OUTPUT MEASURES
<p>02 Ports of Entry</p> <p>Ensure maximum compliance with laws regulating the personal importation of alcoholic beverages and cigarettes at ports of entry.</p> <p>Outcome Measures</p> <p>01 Revenue as a Percent of Expenses</p> <p>02 Illegal Containers of Alcoholic Beverages and Packages of Cigarettes as a Percent of Total Containers and Packages Imported</p>	<p>01 Ports of Entry</p> <p>Identify high traffic loads and strategically place personnel or equipment at ports of entry to more effectively regulate the personal importation of alcoholic beverages and cigarettes.</p> <p>Output Measures*</p> <p>01 Number of Alcoholic Beverage Containers and Cigarette Packages Stamped</p> <p>02 Number of Alcoholic Beverage Containers and Cigarette Packages Confiscated</p> <p>Efficiency Measure</p> <p>01 Average Cost Per Container of Alcoholic Beverage Container or Cigarette Package Imported/ Confiscated</p> <p>*These measures represent explanatory measures as the agency has no control over the number of alcoholic beverages or cigarette packages that are imported.</p>

GOAL 04: HISTORICALLY UNDERUTILIZED BUSINESSES (Non-budgeted)

To carry out developed agency policies governing purchasing and public works contracting that foster meaningful and substantive inclusion of historically underutilized businesses.

OBJECTIVES/OUTCOME MEASURES	STRATEGIES/OUTPUT MEASURES
<p>01 HUBs</p> <p>To include HUBs in at least: 1) 12.6 percent of commodities contracts; 2) 33 percent of services contracts; 3) 20 percent of professional and consulting contracts; 4) 57.2 percent of all special trade construction contracts; 5) 11.9 percent of heavy construction contracts; and 6) 26.1 percent of all other building construction contracts. These objectives will be measured as the total value of contracts and subcontracts awarded annually by the agency from fiscal year 2005 through fiscal year 2009.</p> <p>Outcome Measure</p> <p>01 Percent of Total Dollar Value of Purchasing Contracts and Subcontracts Awarded to Qualified HUBs.</p>	<p>01 Increased Use of HUBs</p> <p>To continue the implementation of the agency's internal HUB policy dated November 15, 1995 for increasing the use of HUBs through purchasing and public works contracts and subcontracts.</p> <p>Output Measures</p> <p>01 Aggregate Number of HUB Contractors and Subcontractors Contacted for Bids.</p> <p>02 For Each Purchasing Category, the Number of HUB Contracts and Subcontracts Awarded.</p> <p>03 For Each Purchasing Category, the Dollar Value of HUB Contracts and Subcontracts Awarded.</p> <p>04 Number of HUB Related Economic Opportunity Forums, Trade Shows, and Seminars Attended for Increasing the Agency's Outreach and Utilization of HUB Vendors.</p>

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The Texas Alcoholic Beverage Commission has a wide and varied group of customers throughout the state. Not only does the agency focus on its most immediate group, the alcoholic beverage industry, but it must also give adequate attention and concern to the issues of the general public, law enforcement groups, educators, various coalitions, and public interest groups concerning the regulation of alcoholic beverages sales. The agency sought input during the strategic planning phases from all areas, including its own employees, and outside input from public forums held across the state. Notices were mailed to interested groups as well as press releases to the local newspapers, radio, and television. The forums provided an open venue to receive input from the interested members of the public, the regulated industry and other parties.

Agency efforts internally were more fruitful than prior years also. Each field office and the headquarters office held brainstorming sessions with the employees and reported the input gathered in three basic areas: major issues facing the agency, areas of improvement, and major accomplishments. This, in and of itself, provided valuable insight in the planning process. Information gathered from the internal and external customers as well as the prior strategic plan, action plans, goals, strategies, performance measures, new initiatives, Survey of Organizational Excellence, technology issues, and various agency resources

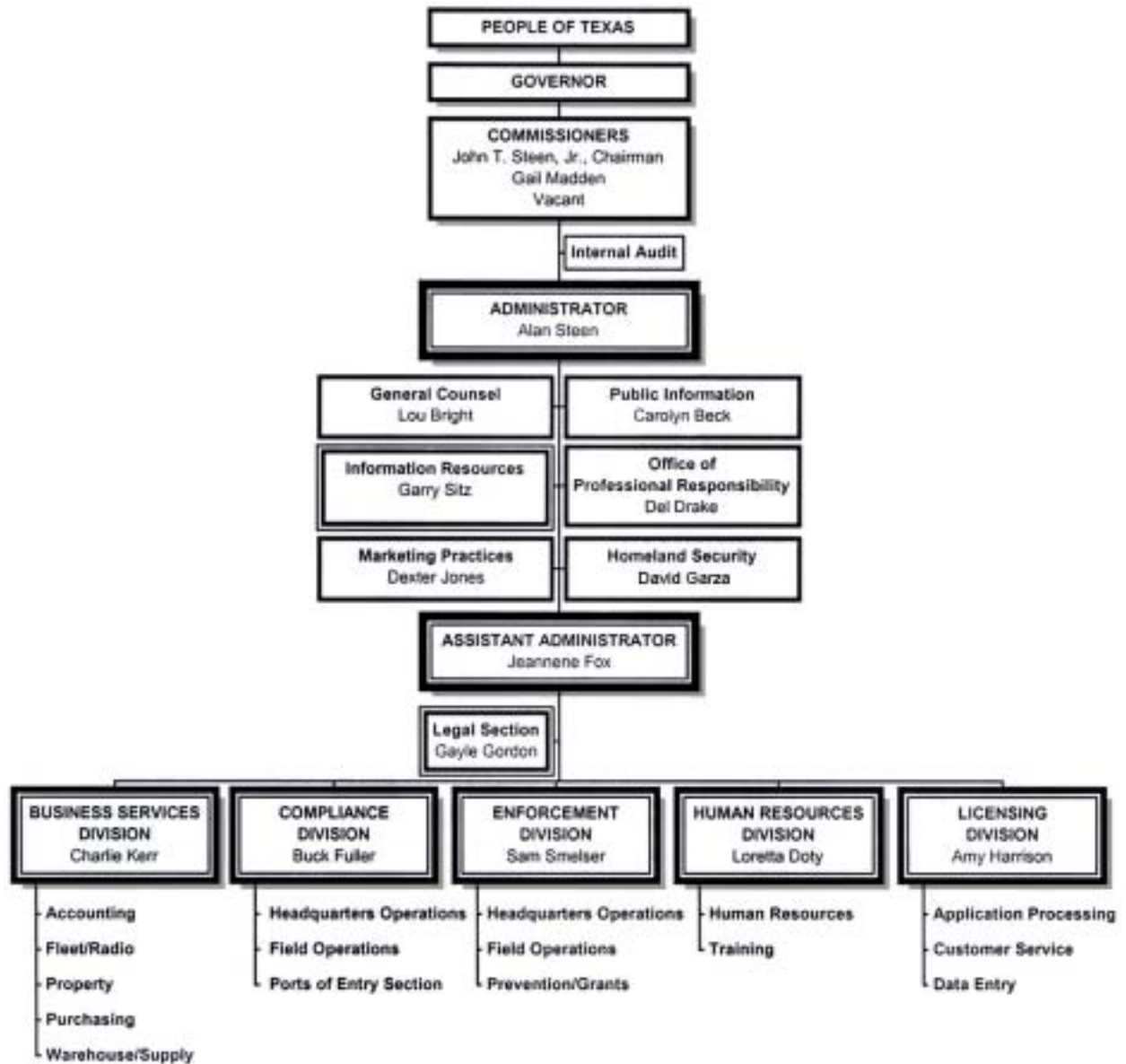
were provided to members of the senior team and field staff for their review, analysis, and consideration.

On March 29 and 30, 2004, executive staff and field managers gathered to review the external and internal input and other resource information. The in-depth sessions included reviews of both the functional programs as well as the support divisions. Specific areas of improvement and challenges before the agency were also discussed and reviewed at length. On April 6, 2004, headquarters staff met with interested parties to discuss the internal and external needs assessments and public forums. On May 24, 2004, the strategic plan was adopted by the commission members as the plan for the five-year period ending August 31, 2009.

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Outcome	2005	2006	2007	2008	2009
Percent of Licensed Establishments Inspected Annually	78.5%	78.5%	78.5%	78.5%	78.5%
Percent of Administrative Cases Filed by Enforcement Agents Resulting in Suspension or Cancellation	98%	98%	98%	98%	98%
Percent of Agency Contacts Rating Enforcement Actions as Satisfactory or Better	82%	82%	82%	82%	82%
Percent of Complaint Investigations Closed Within 60 Days	90%	90%	90%	90%	90%
Percent of Original License/Permit Applications Processed Within 14 Days	99%	99%	99%	99%	99%
Percent of Agency Clients Expressing Satisfaction with Licensing Process	92%	92%	92%	92%	92%
Percent of Inspections, Analyses, and Compliance Activities Resulting in Administrative or Compliance Actions	34.5%	34.5%	34.5%	34.5%	34.5%
Percent of Report Analyzations Resulting in Administrative or Compliance Actions	24%	24%	24%	24%	24%
Percent of Agency Contacts Expressing Satisfaction with Compliance Functions	97%	97%	97%	97%	97%
Revenue as a Percent of Expenses	102%	102%	102%	102%	102%
Illegal Containers of Alcoholic Beverages and Packages of Cigarettes as a Percent of Total Containers and Packages Imported	.21%	.21%	.21%	.21%	.21%

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Goal 1: To promote the health, safety and welfare of the public and to regulate the alcoholic beverage industry by taking positive steps to foster voluntary compliance with the law through a combination of education and enforcement.

OUTCOME MEASURES

01 Percentage of Licensed Establishments Inspected Annually

Short Definition: The percentage of licensed establishments inspected during the year by enforcement agents, expressed as a ratio of the number of individual establishments subject to inspection.

Purpose/Importance: This outcome is intended to measure the degree of coverage achieved by enforcement agents during a specified period. Adequate coverage is deemed important because of the deterrent effect of the expectation of inspection and because inspections give licensees the opportunity to ask questions and receive answers that might prevent future, unintentional violations.

Source/Collection of Data: The data required to calculate the measure comes from the agency's automated agent activity inspection records and from its automated licensing records. Records of the inspections conducted by agents are created as agent daily activity reports and are data-entered by field personnel. An automated licensing record is created for each licensee by

data entry of information from the licensee's application at the time of application and updated at the time of approval and at the time of each subsequent renewal or change. The values reported for this measure are taken from either of the automated reports RPT.E.171, RPT.E.213.2 or RPT.E.215.2.

Method of Calculation: The measure is calculated by dividing the number of individual establishments actually inspected during a particular period by the number of licensed establishments subject to inspection during the same period. The number of individual establishments inspected is derived by first finding all inspection records for the inspections conducted during a specified period of time and then by sorting out inspection records with duplicate CLP's (alpha/numeric license identifiers unique to each establishment), leaving one record for each CLP and then counting the remainder. The number of establishments subject to inspections is determined by (1) searching the automated licensing files to identify all licenses that were active during the period in question; (2) then sorting out the records of all secondary licenses, leaving just one, the primary license record, for each establishment and finally (3) counting the remaining records.

Data Limitations: The base of the ratio (the number of licensed locations) constantly changes as businesses enter or leave the industry. The speed and

magnitude of this change are beyond the agency's control and can influence this measure.

Calculation Type: The measure is cumulative in nature but not fully cumulative due to the constant entry and exit of businesses from the industry.

New Measure: No.

Desired Performance: At or above target.

02 Percent of Administrative Cases Filed by Enforcement Agents Resulting in Suspension or Cancellation

Short Definition: Percent of administrative cases filed by enforcement agents that, during a specified period of time, resulted in the suspension or cancellation of licensing privileges or where the agency was restrained from taking action by operation of Section 106.14 of the Alcoholic Beverage Code, expressed as a ratio of all administrative cases reaching final disposition during the same time period.

Purpose/Importance: This measure is intended to demonstrate the quality of the administrative cases filed by enforcement agents and is essentially the agency's "win" ratio for cases receiving final disposition.

Source/Collection of Data: The data required for the calculation of this measure comes from the agency's automated administrative case (docket) records. Docket records are created by the data entry of hard copy "Waiver of Hearing" or "Request for Hearing"

packages that are forwarded to headquarters for each administrative case filed by enforcement agents. After original entry, docket records are updated as dispositions are reached. The values reported for this measure are taken from either automated report RPT.E.171 or RPT.E.215.2.

Method of Calculation: The measure is calculated by dividing the number of agent-generated administrative cases that were settled during a particular period of time with final dispositions of "suspension," "cancellation," or "restrained" by the total number of agent-generated administrative cases which were disposed of (settled) during the same time period. The number of agent-generated administrative cases that were "wins" during a particular period of time is determined by an automated search of the docket file for all cases with origin codes of "E" (enforcement), disposition statuses of "O" (order), order dates falling within period of interest and disposition types of "S" (suspension), "C" (cancellation), or "R" (restrained) and then by counting the records found. The total number of administrative cases settled during the same period is found in very much the same manner. The only difference is that for this search, specific disposition types are not part of the search criteria.

Data Limitations: The only problem with this measure is that a lengthy time lapse can occur between filing and final disposition if an administrative case is contested. However, most cases are settled by waiver without a hearing and receive dispositions almost immediately.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: On target or higher.

03 Percent of Agency Contacts Rating Enforcement Actions as Satisfactory or Better

Short Definition: Percent of responses in returned post-inspection surveys indicating satisfaction with or positive feelings towards the conduct of agency enforcement agents, represented as a ratio of the number of responses found in returned surveys.

Purpose/Importance: The purpose of this measure is to serve as a gauge of licensee satisfaction with the agency's enforcement methods and the conduct of its enforcement agents.

Source/Collection of Data: The data required for this measure is compiled from returned post-inspection licensee surveys. Each month, surveys are mailed to 10 percent of the licensed establishments that were inspected by enforcement agents during the preceding month. The surveys contain five questions that attempt to gauge the degree of licensee satisfaction with agency enforcement practices and agent behavior using a Likert type scale. When completed, surveys are returned to the agency, the respondent's answers to these questions are recorded, and then analyzed.

Method of Calculation: The measure is calculated by dividing the number of positive responses to survey questions by the total number of question responses found in returned post-inspection surveys. The number of

positive survey responses is calculated by counting the number of recorded question responses that fell within the positive end of the Likert range used.

Data Limitations: Low response rates compromise the representativeness of the data and preclude any generalization of the results.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Higher than target.

04 Percentage of Complaint Investigations Closed Within 60 Days

Short Definition: Percent of complaint investigations "closed" (completed) during a specified period time that were closed within 60 days of the date on which they were received and "opened," expressed as a ratio of the total number of complaints closed during the same time period.

Purpose/Importance: This measure provides information regarding the timeliness of service delivery in response to a specific type of customer request for service (complaints concerning licensed establishments).

Source/Collection of Data: The data required to calculate the measure is compiled from the records found in the agency's automated complaint tracking system. The agency personnel create an automated complaint record each time a complaint is received from the public concerning a licensed establishment and then update the record at the conclusion of the

investigation to record the specific actions taken by the agents assigned to the investigations and the investigation's outcome. The complaint received date is recorded when the record is first created and the "date closed" is noted at the time of final entry. The values reported for this measure are taken from either automated report RPT.E.171, RPT.E.210.2 or RPT.E.215.2.

Method of Calculation: The number of complaints closed within a specified period of time are identified by virtue of the closure dates contained in the related automated complaint records, and from these, the number closed within 60 days of the date of their original receipt is found by comparing the "date opened" recorded in each record with the recorded "date closed" in each record. Then the number closed within 60 days of the date on which they were opened is divided by the total number of complaints closed during the period of interest to derive the ratio that is reflected in this measure.

Data Limitations: Two factors that can influence this measure are outside the agency's control. These are (1) the absolute number of complaints received and (2) the complexity of the complaints received. Either can affect the value of the measure.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Higher than target.

OUTPUT MEASURES

01 Number of Inspections Made

Short Definition: The number of inspections of licensed premises conducted by agency enforcement agents during a specified period of time.

Purpose/Importance: The term "inspection" extends to everything enforcement agents do except when in the office or engaged in educational activities. Counting them provides an accurate representation of the number of times agents have had physical contact with licensed premises and citizens in the course of street enforcement activities. They are, in effect, service stops, points at which law enforcement services were provided by agents.

Source/Collection of Data: The information required to derive the count comes from inspection records in the agency's agent activity reporting system. Each individual inspection made by an agent is noted in the agent's daily activity report. When these reports are data-entered, an automated record summarizing each inspection is created. The values reported for this measure are taken from either automated report RPT.E.171 or RPT.E.213.2.

Method of Calculation: The measure is calculated by counting the number of automated inspection records that were originated for activity occurring during a specified period of time.

Data Limitations: The term “inspection” is applied to a wide variety of service stops. One inspection is not necessarily equal to another in terms of complexity, the specific activities performed or the time and other resources required to conduct it.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: On target.

02 Number of Persons Instructed by Agency Including School Children or Youth

Short Definition: The number of people attending educational presentations made by enforcement agents.

Purpose/Importance: Enforcement agents perform two primary tasks. They enforce the law and they educate the public to prevent violations of the law. The volume of the enforcement division’s public education efforts is represented by this measure.

Source/Collection of Data: The data for this measure comes from educational program session records stored in the database of the agency’s agent activity reporting system. Agents record information about each program session they teach in their daily activity reports. Automated educational program session records are created when the agent’s daily activity reports are data-entered. Each record identifies the type of program taught, the county in which the session was held, the number of people taught and the date of the session. The values reported for this measure are taken from either automated report

RPT.E.171, RPT.E.211.2 or RPT.E.214.2

Method of Calculation: The measure is calculated by identifying all automated educational program session records created for sessions held in a specified time period and then summing the attendee counts found in those records.

Data Limitations: Most of the work to achieve this goal is done during the school year, which means that there can be strong seasonal variances during the course of a full fiscal year.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: On or higher than target.

03 Number of Youth Instructed by the Agency

Short Definition: The number of school-age persons (Grades K-12) attending educational presentations made by enforcement agents.

Purpose/Importance: Most of the agency’s educational efforts target young people. School-age persons in grades K-12 represent the largest segment of the population attending TABC programs.

Source/Collection of Data: The data for this measure comes from educational program session records stored in the database of the agency’s agent activity reporting system. Agents record information about each program session they teach in their daily activity reports. Automated educational program session

records are created when the agent's daily activity reports are data-entered. Each record identifies the type of program taught, the county in which the session was held, the number of people taught and the date of the session. The values reported for this measure are taken from either automated report RPT.E.171 or RPT.E.211.2.

Method of Calculation: The measure is calculated by identifying all automated educational program session records created during a specified time period for educational programs that target people in Grades K-12 and then by summing the attendee counts found in those records.

Data Limitations: Most of the work to achieve this goal is done during the school year which means that there can be strong seasonal variances during the course of a full fiscal year.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.

EFFICIENCY MEASURES

01 Average Cost Per Inspection

Short Definition: The average unit cost of agency law enforcement services with those services defined in terms of individual inspections.

Purpose/Importance: The measure provides a method for comparing the cost efficiency of agency law enforcement operations across time.

Source/Collection of Data: The cost figures come from the USAS accounting system and consists of those expenditures that are directly and indirectly attributable to enforcement division operations over a specified time period. The information required for the inspection counts come from inspection records found in the agency's agent activity reporting system (See Source/Collection of Data Information for "Inspections"). The CPO work hour totals used to allocate costs between the agency's law enforcement and public education activities also come from agent activity reporting system records. When making the allocations, all direct and indirect costs of the enforcement division not allocated to public education are attributed to the division's law enforcement functions. Note: The values pertaining to CPO work hours are taken from automated report RPT.E.212.

Method of Calculation: The measure is calculated by dividing the total agency cost of inspections by the number of inspections conducted. The total agency cost of inspections is determined by subtracting the cost of the division's educational activities from the total cost of division operations, a figure which will include the division's share of the agency's administrative overhead expenses. The cost of the division's educational activities is determined by multiplying total cost of division operations by a ratio created by dividing the number of agent work hours spent on educational activities by the total number of hours worked by agents.

Data Limitations: The allocation of agent work hours to various tasks is, at best, an approximation. While it is an

approximation made by each agent at the end of their work day, errors can be made, and incorrect approximations will affect the reported value of the measure. Unexpected funding (grants, gifts, forfeiture proceeds, etc.) and the resultant unanticipated spending can also affect the measure's reported value as can personnel turnover and under staffing.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Lower than projected estimate.

02 Average Cost Per Person Instructed by Agency

Short Definition: The average unit cost of agency public education services with those services defined in terms of individual persons taught.

Purpose/Importance: The measure provides a method for comparing the cost efficiency of agency public education efforts across time.

Source/Collection of Data: The cost figures come from the USAS accounting system and consist of those expenditures that are directly and indirectly attributable to enforcement division operations over a specified time period. The information required for the inspection counts come from inspection records found in the agency's agent activity reporting system. (See Source/Collection of Data Information for "Inspections.") The CPO work hour totals used to allocate costs between the agency's law enforcement and public education activities also come

from agent activity reporting system records. When making the allocations, all direct and indirect costs of the enforcement division not allocated to public education are attributed to the division's law enforcement functions. Note: The values pertaining to CPO work hours are taken from automated report RPT.E.212.

Method of Calculation: The measure is calculated by dividing the total cost of the agency's public education efforts by the number of persons instructed by enforcement agents. The cost of the division's educational activities is determined by multiplying the total cost of division operations by a ratio created by dividing the number of agent work hours spent on educational activities by the total number of hours worked by agents.

Data Limitations: The allocation of agent work hours to various tasks is, at best, an approximation. While it is an approximation made by each agent at the end of their work day, errors can be made, and incorrect approximations will affect the reported value of the measure. Unexpected funding (grants, gifts, forfeiture proceeds, etc.) and the resultant unanticipated spending can also affect the measure's reported value as can personnel turnover and under staffing.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Lower than projected estimate.

EXPLANATORY/INPUT MEASURES

01 Number of Administrative Cases Settled

Short Definition: This measure provides a count of the number of administrative cases originated by enforcement agents that reach the final disposition stage during the reporting period.

Purpose/Importance: The measure provides interested parties with the denominator of the ratio that is used in the calculation of Outcome Measure 01-01-03 (Percentage of Administrative Cases Filed by Enforcement Agents Resulting in Suspension or Cancellation).

Source/Collection of Data: The data required for the calculation of this measure comes from the agency's automated administrative case (docket) records. Docket records are created by the data entry of hard copy "Waiver of Hearing" or "Request for Hearing" packages that are forwarded to headquarters for each administrative case filed by enforcement agents. After original entry, docket records are updated as dispositions are reached. The values reported for this measure are taken from automated report RPT.E.214.2.

Method of Calculation: The measure is calculated by first conducting an automated search of the dockets file for all cases with origin codes of "E" (enforcement), dispositions status of "O" (order), and order dates falling within period of interest, and then by counting the records found.

Data Limitations: The only problem with this measure is that a lengthy time lapse can occur between filing and final disposition if an administrative case is contested. However, most cases are settled by waiver without a hearing and receive dispositions almost immediately. All the same, the resulting number may include cases that originated in reporting periods other than the one under consideration.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: None. The measure is reported only for informational purposes.

02 Number of Criminal Violations Found During Inspections

Short Definition: The number of the criminal violations found by agents as a result of law enforcement activities (all involve inspections) during a specified period of time.

Purpose/Importance: The measure reports the volume of criminal violations found by enforcement agents over the course of a specified time period.

Source/Collection of Data: The information needed for this measure comes from the agency's criminal citation/criminal warnings records. A criminal citation or warning is completed and then issued to the offender by enforcement agents whenever a criminal violation is observed. Copies of these documents become the source documents for data entry. Data entry of the documents creates automated criminal records containing the

information that was on the original documents. Each criminal citation or warning record contains information about one violation. The values reported for this measure are taken from automated report RPT.E.214.2.

Method of Calculation: The measure is calculated by counting the number of criminal records that were created for the criminal citations and warnings issued during a specified period of time.

Data Limitations: Variances can be caused by opportunity bias and seasonal workload.

Type of Calculation: Cumulative.

New Measure: No.

Desired Performance: None. The measure is reported only for informational purposes.

03 Number of Licensed Establishments Subject to Inspection

Short Definition: The number of licensed establishments in operation during a specified period of time.

Purpose/Importance: The measure supplies the denominator for Outcome Measure 01-01-01-01 (Percentage of Licensed Establishments Inspected Annually).

Source/Collection of Data: The data required for this measure comes from agency licensing records. An automated licensing record is created for each licensee by data entry of information from the licensee's application at the time of application and updated at the time of approval and at the time of each

subsequent renewal or change. The values reported for this measure are taken from automated report RPT.E.213.2.

Method of Calculation: The number of licensed establishments that were subject to inspections is determined by (1) searching the automated licensing file to identify all licensees that were active during the period in question, (2) sorting out the records of all secondary licenses, leaving just one -- the primary license record -- for each establishment, and (3) counting the remaining records.

Data Limitations: The number of licensed locations constantly changes as businesses enter or leave the industry. The speed and magnitude of this change are beyond the agency's control and can influence this measure.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: None. The measure is reported only for informational purposes.

04 Number of Complaint Investigations Opened

Short Definition: The number of complaint investigations initiated during a specified time period.

Purpose/Importance: The number of investigations opened is a function of the number of complaints received. The measure is a service need indicator.

Source/Collection of Data: The data required to calculate the measure is compiled from the records found in the

agency's automated complaint tracking system. The agency personnel create an automated complaint record each time a complaint is received from the public concerning a licensed establishment and then updates the record at the conclusion of the investigation to record the specific actions taken by the agents assigned to the investigation and the investigation's outcome. (Note: Each complaint results in the opening of an investigation except when a new complaint is received about a specific location and an investigation concerning that location is already in progress. In these cases, the subsequent complaint is added to the ongoing investigation. The values reported for this measure are taken from either automated report RPT.E.171 or RPT.E.210.2.

Method of Calculation: The measure is calculated by conducting an automated search of the complaint records to find all investigations that were opened during the time period specified and then counting the records found.

Data Limitations: The agency has no control over the volume of complaints it receives.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: None. The measure is reported only for informational purposes.

05 Number of Administrative Violations Found During Inspections

Short Definition: The number of administrative violations found by

agents as a result of law enforcement activities (all involve inspections) during a specified period of time.

Purpose/Importance: The measure reports the volume of administrative violations found by enforcement agents over the course of a specified time period.

Source/Collection of Data: The information needed for this measure comes from the agency's automated administrative case (docket) records and from automated records pertaining to administrative warnings. The warning records are created by data entry of administrative notices that were completed and issued by agents to licensees or to their representatives when minor administrative infractions were observed on the licensee's premises. Docket records are created by the data entry of hard copy "Waiver of Hearing" or "Request for Hearing" packages that are forwarded to headquarters for each administrative case filed by enforcement agents. Both docket records and administrative notice warning records can contain information concerning more than one violation. The values reported for this measure are taken from automated report RPT.E.214.2.

Method of Calculation: First, an automated search is made to find all administrative notice warning records for warning notices issued during a specified time period. All the violations contained in these records are counted and totaled. Then, an automated search is made for all docket records pertaining to administrative cases docketed during the period. All the violations contained in these records are counted and totaled.

Finally, both violation totals are added together to obtain the value that will be reported for the measure.

Data Limitations: These counts are subject to seasonal variances. Also, the time lapse between the violation date and docket date for an administrative case can be so great that the violations from a particular case may not be counted in the same period as they actually occurred.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: None. The measure is reported only for informational purposes.

06 Number of Criminal Cases Filed

Short Definition: The number of the criminal cases filed by agents as a result of law enforcement activities during a specified period of time. One case is filed for each criminal citation written by enforcement agents.

Purpose/Importance: The measure reports the number of criminal cases found by enforcement agents over the course of a specified time period.

Source/Collection of Data: The information needed for this measure comes from the agency's criminal citation records. A criminal citation is completed and then issued to the offender by enforcement agents whenever a chargeable criminal violation is observed. Copies of these documents become the source documents for data entry. Data entry of the documents creates automated

criminal records containing the information that was on the original documents. Each criminal citation issued becomes the basis for a criminal case. Each criminal citation record contains information about one violation. The values reported for this measure are taken from automated report RPT.E.171.

Method of Calculation: The measure is calculated by counting the number of criminal records that were created for the criminal citations issued during a specified period of time.

Data Limitations: Variances can be caused by opportunity bias and seasonal workload.

Type of Calculation: Cumulative.

New Measure: No.

Desired Performance: None. The measure is reported only for information purposes.

Goal 2: To process and issue alcoholic beverage license/permit applications while ensuring compliance with the Alcoholic Beverage Code through investigation and other regulatory means.

OUTCOME MEASURES

01 Percent of Original License/Permit Applications Processed Within 14 Days

Short Definition: The percentage of original applications processed within 14 days at the agency's central headquarters.

Purpose/Importance: This measure is intended to show the percentage of original permits/licenses processed within 14 days from the date the original application is received in Austin. Fluctuation in this information alerts management to problems and/or changes occurring in the application process.

Source/Collection of Data: Data entry personnel at headquarters enter into the agency's database all required information on each application received. A record is created for each application. A report is generated at the end of each month extracting information from this database.

Method of Calculation:

This measure is calculated by the mainframe computer system, using PGM.L.273, (RPT-L-273 Percentage Processed Within 14 Days for MMY) by subtracting the application's received date from the actual process date. The actual process date is the date the original license/permit application is

issued or the date the notification is sent to applicant explaining any deficiencies with the application. The number of original license/permit applications processed within 14 days is divided by the total number of original license/permit applications processed for the period. The number of applications processed within 14 days is calculated by subtracting the received date in the agency's central headquarters (Austin) from the actual process date.

Data Limitations: We rely on a verification process to ensure proper recording of data.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Higher percentage than targeted is desirable as it indicates more original applications are being processed faster.

02 Percent of Agency Clients Expressing Satisfaction With Licensing Process

Short Definition: The percentage of agency clients expressing satisfaction with the licensing application process.

Purpose/Importance: From the responses and comments made by our customers, management is able to identify areas in the process which are offensive, confusing or create hardships on the applicant.

Source/Collection of Data: This information is obtained from the survey responses which are mailed to each applicant receiving an original

license/permit. The confidential and anonymous survey responses are reviewed by management staff. Results are entered in a statistical program (Systat). Reports are generated from this data (Q1-7.wpd, Normal1.wpd, Normal2.wpd, Regions1.wpd and Regions2.wpd).

Method of Calculation: Using a survey designed specifically for licensing activities, the number of favorable responses received is divided by the total number of responses.

Data Limitations: The major limitation of this measure is the low response rate. The customer's dissatisfaction with the statutory requirements, as well as city and county regulations and requirements, are beyond the agency's control and may affect this measure.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Higher percentage than targeted is desirable.

OUTPUT MEASURES

01 Number of Applications Processed

Short Definition: This measure is intended to reflect the total number of license/permit applications (originals, renewals, temporaries and changes) processed by the licensing division.

Purpose/Importance: It provides management with information concerning the total work as to the number of applications processed,

including those which require time to maintain the files in their current status.

Source/Collection of Data: The data required to calculate this measure is obtained from license/permit records which are created by data entry personnel. Information is entered from the license/permit applications as they are received by the division. Upon approval of such documents, further updates are completed by data entry personnel. The following programs generate data from the license/permit records and are used to calculate this measure: PGM.L.255-(RPT-L-060) Licenses & Permits Issued by Class PGM.L.253-(RPT-L-058) Monthly, New, Renewal, Reissued, and PGM.L.250-(RPT-L-056 and RPT-L-055) License Performance Measures, PGM.L.033 (RPT-L-032) Daily Listings of New, Renewal, Reissued, Form L.505 Licenses and Permits Assigned to Licensing, Form L-502 New/Renewal Liquor Form L-503 New/Renewal Beer, and Form L-504 Reissued Beer/Liquor.

Method of Calculation: Using the agency's computer system, this figure represents the number of applications (originals, renewals, temporaries and changes) processed. This measure affects the average license/permit processing time and the average cost per license/permit processed.

Data Limitations: The number of new businesses requiring licenses, as well as the number of business failures and turnover requiring some type of licensing action can affect this measure.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher performance is desirable.

02 Number of Licenses/Permits Issued

Short Definition: This measure provides the number of originals, renewals, and temporaries issued in a specific period.

Purpose/Importance: The number of originals, renewals, and temporaries issued determines the revenue generated by the licensing division from license/permit fees and surcharges.

Source/Collection of Data: The data required to calculate this measure is obtained from license/permit records which are created by data entry personnel. Information is entered from the license/permit applications as they are received by the division. Upon approval of such documents, further updates are completed by data entry personnel. The following programs generate data from the license/permit records and are used to calculate this measure: PGM.L.255-(RPT-L-060) Licenses & Permits Issued by Class and PGM.L.253-(RPT-L-058) Monthly, New, Renewal, Reissued, and PGM.L.033-(RPT-L-033) Daily Listings of New, Renewal, Reissued, Form L-505 Licenses and Permits Assigned to Licensing, Form L-502 New/Renewal Liquor, Form L-503 New/Renewal Beer and Form L-504 Reissued Beer/Liquor.

Method of Calculation: Using the agency's computer system, this figure represents the number of original, renewal, and temporaries issued during the specified time period.

Data Limitations: The economy, population and social trends on alcoholic beverage consumption affect the number of new businesses requiring licenses/permits, as well as the number of businesses failures.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher performance is desirable.

EFFICIENCY MEASURE

01 Average Cost Per License/Permit Processed

Short Definition: This measure is intended to represent the average cost to process a license or permit.

Purpose/Importance: This measure allows management to monitor costs and control expenditures.

Source/Collection of Data: The expenditure amounts are from reports provided by the USAS accounting system and quarterly indirect cost allocations and PGM.L.255-(RPT-L-060) Licenses & Permits Issued by Class PGM.L.253-(RPT-L-058) Monthly, New, Renewal, Reissued.

Method of Calculation: These costs are divided by the total number of licenses/permits processed including temporaries and changes. Total cost of the licensing function (including the division's share of agencies' administrative overhead expense) divided by the number of applications processed.

Data Limitations: The economy, population and social trends on alcoholic beverage consumption affect the number of new businesses requiring licenses/permits, as well as the number of business failures. Indirect costs from other divisions also affect this measure.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Lower cost is desirable.

Goal 3: To ensure compliance with the Alcoholic Beverage Code in the manufacturing, importing, exporting, transporting, storing, selling, serving, and distributing of alcoholic beverages.

OUTCOME MEASURES

01 Percent of Inspections, Analyses, and Compliance Activities Resulting in Administrative or Compliance Actions

Short Definition: The percentage of inspections, analyses, and compliance activities during which violations of the Alcoholic Beverage Code and/or rules were detected and an administrative or compliance action was issued.

Purpose/Importance: This measure is intended to determine the effectiveness of the compliance monitoring system in detecting violations of the Alcoholic Beverage Code and rules. It reflects regulatory duties conducted by compliance personnel to ensure compliance with the Alcoholic Beverage Code and rules.

Source/Collection of Data: Compliance and administrative actions are entered into the mainframe computer system, or a database, or a manual record is kept. Reports (Report #'s - warning and docket files: PGM.A.188; credit law file: PGM.L.243; audit history file: PGM.L.235; food and beverage analyses and inspections approved report) are generated at the end of each month. Manual records (Compliance Division Monthly Activity Report, Form C-601; Audit Support Monthly Activity Report; Excise Tax Activity Report; Summary Suspension Log; Credit Law

Monthly Notices of Default, Form C-805; Cases to Legal Log.) All compliance and administrative actions are added together and compared to inspections, analyses and compliance activities conducted during the reporting period.

Method of Calculation: The number of administrative or compliance actions issued due to inspections, analyses, and compliance activities by the compliance division divided by the total number of inspections, analyses, or compliance activities conducted during the reporting period.

Data Limitations: The agency's current efforts to train and educate its customers can cause a decrease in the number of inadvertent violations noted and decrease the percentage of total activities that result in compliance or administrative actions.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Lower than target.

02 Percent of Report Analyzations (Including Analyzations of Tax Reports) Resulting in Administrative or Compliance Actions

Short Definition: The percentage of monthly reports analyzed during which violations of the Alcoholic Beverage Code and/or rules were detected and an administrative or compliance action was issued.

Purpose/Importance: This measure shows the rate of noncompliance with the reporting requirements of the

Alcoholic Beverage Code and rules and the effectiveness of the agency's monitoring program in detecting these violations.

Source/Collection of Data: Compliance and administrative actions resulting from the report analyzation process are entered into the mainframe computer system. Reports (Report #'s-gross receipts history file: PGM.A.208, PGM.A.251; warning file: PGM.A.188; docket file: PGM.A.188) are generated at the end of each month from which these values are taken.

Method of Calculation: The number of administrative and compliance actions issued for failure to comply with the Alcoholic Beverage Code and rules discovered during the report analyzation process divided by the total number of reports analyzed during the reporting process.

Data Limitations: The agency's current efforts to simplify the reporting process can cause a decrease in the number of inadvertent violations noted and decrease the percentage of report analyzations that result in compliance or administrative actions.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Lower than target.

03 Percent of Agency Contacts Expressing Satisfaction with Compliance Functions

Short Definition: The percentage of customers with positive responses after

having contact with compliance division personnel.

Purpose/Importance: The measure is intended to help identify problems with procedures and understanding of the Alcoholic Beverage Code and rules. It is important because feedback from our customers indicates how well the agency is fulfilling their needs.

Source/Collection of Data: A survey is given to permittees/licensees at the close of an analysis or audit (Compliance Division Customer Satisfaction Questionnaire, Form C-701). Permittees or licensees mail their responses to the Austin headquarters, and responses are accumulated in a database when received. A report (Customer Satisfaction Questionnaire) is generated at the end of the reporting period.

Method of Calculation: The number of favorable responses on the survey instrument divided by the total number of responses.

Data Limitations: The agency has no control over the number of survey instruments returned.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Higher than target.

OUTPUT MEASURES

01 Number of Inspections, Analyses, and Compliance Activities

Short Definition: Inspections are examinations of or conferences with licensees/permittees in which the compliance officer determines if the licensee/permittee is in compliance with the Alcoholic Beverage Code and/or rules. Analyses are reviews of selected areas of a licensee's/permittee's operations to ensure compliance with licensing requirements of the Alcoholic Beverage Code and rules. Compliance activities are enforcement of regulatory provisions, which may or may not require an on-premise visit and also consist of compliance audits conducted on licensees/permittees.

Purpose/Importance: This measure is intended to show all inspections, analyses and compliance activities conducted by division personnel. It reflects the regulatory duties performed by compliance personnel to ensure adherence with the Alcoholic Beverage Code and rules.

Source/Collection of Data: Using the agency's automated audit file (PGM.L.235), food and beverage history file (Monthly Food and Beverage Analyses and Inspections Approvals), and forms completed by division personnel (Compliance Division Monthly Activity Report, Form C-601; Audit Support Monthly Activity Report; Excise Tax Activity Report; Summary Suspension Log; Credit Law Monthly Notices of Default, Form C-805; Cases Sent to Legal Log; Monthly Commissioner's Report) when conducting inspections, analyses, and

compliance activities. This number is a manual tabulation of the number of inspections, analyses and compliance activities.

Method of Calculation: This measure is calculated by compiling information from monthly computer reports and manual records which contain the number of audits and analyses approved, and inspections and compliance activities completed during the reporting period, regardless of when the activity was begun.

Data Limitations: Employee retirements, problems in hiring qualified personnel, and other personnel issues may affect the work hours available to conduct the monitoring activities.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.

02 Number of Reports Analyzed (Including Tax Reports) Regarding the Inter-State and Intra-State Distribution of Alcoholic Beverages

Short Definition: Reports analyzed regarding the inter-state and intra-state distribution of alcoholic beverages are all monthly reports submitted by licensees and permittees who are engaged in the manufacturing or wholesaling of alcoholic beverages, those who transport or transport and serve, and those who use alcohol in the manufacturing process. The reports are examined to ensure compliance with the Alcoholic Beverage Code and rules.

Purpose/Importance: This measure is intended to show the number of reports analyzed to ensure compliance with the inter-state and intra-state distribution of alcoholic beverages. The entities involved report all alcoholic beverages manufactured, imported, exported, transported, stored, sold, and distributed in this state.

Source/Collection of Data: Compliance division personnel record each type of analyzation and when the analyzation was completed regardless of when the activity was begun on the Excise Tax Daily Report, Form C-291. The information is then compiled on a monthly section report form (Excise Tax Activity Report), which is manually totaled for all employees.

Method of Calculation: This is a manual tabulation of reports analyzed by division personnel on a monthly basis and maintained on a spreadsheet.

Data Limitations: A decrease or increase in the number of entities required to report could occur due to economic variables and decrease or increase in the number of reports analyzed.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.

EFFICIENCY MEASURES

01 Average Cost Per Compliance Activity

Short Definition: Total cost of the compliance monitoring function (including the division's share of the agency's administrative overhead cost) divided by the total number of inspections, analyses and compliance activities.

Purpose/Importance: This measure is intended to show efficiency of conducting analyses, inspections, and compliance activities.

Source/Collection of Data: Expenditures are recorded in USAS by the business services division (BSD). Monthly budget and expenditure statements from USAS (Agency Budget Control by Fund, Organization and Program Report) and quarterly support cost allocations are provided by BSD (Expenditures for XX Quarter FY XXXX).

Method of Calculation: Total cost of the compliance monitoring function, less the cost of report analyzation (including the division's share of the agency's administrative overhead cost), divided by the total number of inspections, analyses, and compliance activities.

Data Limitations: Employee retirements, problems in hiring qualified personnel, and other personnel issues may affect the work hours available to conduct the monitoring activities and thereby, affecting the average cost per compliance activity.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Less than target.

EXPLANATORY MEASURES

01 Number of Licensees/Permittees Subject to Compliance Activity

Short Definition: This measure is intended to indicate the population of retail, wholesale, and manufacturing licensees/permittees subject to inspection, analyses, and/or compliance reviews.

Purpose/Importance: To determine increase or decrease in potential licensees/permittees subject to compliance activity.

Source/Collection of Data: The agency's automated license file (Report # - PGM.A.201) on the mainframe computer system is the source of data reflecting the number of licenses and permits at a given date which are subject to inspection, analysis, and compliance reviews.

Method of Calculation: A monthly computer report that tabulates totals by class at a given date. A manual tabulation of these totals is then performed to obtain the grand total.

Data Limitations: A decrease in the number of entities subject to compliance activity could occur due to economic variables.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Not applicable. Explanatory only.

02 Number of Licensees/Permittees Subject to Report Analyzation (Including Tax Report Analyzations)

Short Definition: The number of licensees/permittees subject to report analyzation who are engaged in the manufacturing or wholesaling of alcoholic beverages, those who transport or transport and serve, or those who use alcohol in the manufacturing process.

Purpose/Importance: To determine increase or decrease in potential licensees/permittees subject to report analyzation.

Source/Collection of Data: The agency's automated license file (Report # - PGM.A.201) on the mainframe computer system is the source of data reflecting the number of licenses and permits at a given date which are subject to report analyzation.

Method of Calculation: A monthly computer report that tabulates totals by class at a given date. A manual tabulation of these totals is then performed to obtain the grand total.

Data Limitations: A decrease or increase in the number of entities subject to report analyzations could occur due to economic variables and decrease or increase the number of reports analyzed.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Not applicable.
Explanatory only.

03 Number of Compliance and/or Administrative Actions (Including Tax Report Actions)

Short Definition: An administrative action is an action taken against a licensee/permittee, which results in the recommendation of a suspension or cancellation of the license or permit for violations of the Alcoholic Beverage Code and/or rules. A compliance action is a written warning issued to a licensee or permittee or action to secure compliance with the Alcoholic Beverage Code and/or rules.

Purpose/Importance: This measure is intended to show the number of compliance and/or administrative actions issued for violations of the Alcoholic Beverage Code and rules detected during inspections, analyses, or compliance activities.

Source/Collection of Data: The agency's automated gross receipts history file (Report #'s - PGM.E.157, PGM.A.208, PGM.A.251), warning file (Report # - PGM.A.188), docket file (Report # - PGM.A.188), credit law file (Report # - PGM.L.243) and monthly reports (Excise Tax Cases Sent to Hearing Log, Cases Sent to Legal Log, Summary Suspension Log and Monthly Commissioner's Report) prepared by division personnel are the sources of data providing the number of administrative and compliance actions taken by the compliance division during the reporting period for violations found during inspections, analyses, compliance activities, or report analyzations. The actions are counted

regardless of when the activity was begun.

Method of Calculation: This measure is calculated by manually compiling information from monthly computer reports and manual tabulation of cases referred to the legal section and summary suspensions of permits. The computer reports contain the number of compliance actions issued, warnings issued, waiver orders issued, and all permittees/licensees with a "delinquent" status during the reporting period.

Data Limitations: The agency's current efforts to train and educate its customers can decrease the number of violations detected.

Calculation Type: Cumulative.

New Measure: Yes.

Desired Performance: Neutral.

PORTS OF ENTRY OUTCOME MEASURES

01 Revenue as a Percent of Expenses

Short Definition: It is intended to show the cost effectiveness of the ports of entry section.

Purpose/Importance: This measure compares the tax revenue generated by the agency's ports of entry section with the total cost of operating that section.

Source/Collection of Data: The revenue from fees and taxes collected is accumulated in computerized reports at each port location. The data is submitted to Austin headquarters on the Master Weekly Report, Form C-930,

where it is reconciled with bank deposits by the business services division (BSD). Expenditures are tracked in USAS by BSD. Monthly budget and expenditure statements from USAS and quarterly support cost allocations are provided by BSD.

Method of Calculation: Total fees and taxes collected from the personal importation of alcoholic beverages and packages of cigarettes divided by the total cost of the ports of entry function (including the section's share of the agency's administrative overhead costs).

Data Limitations: Economic conditions in the United States and Mexico which affect currency valuations, and other world events, have a direct effect on the quantity of alcoholic beverages and cigarettes imported and the fees and taxes collected.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Higher than target.

02 Illegal Containers of Alcoholic Beverages and Packages of Cigarettes as a Percent of Total Containers and Packages Imported

Short Definition: A container is considered an illegal importation if:

- ⌘ It is in excess of the legal importation quota;
- ⌘ The container itself is illegal;
- ⌘ It is imported by minors or intoxicated persons; or
- ⌘ It is not declared or the importer refuses to pay the required tax.

Purpose/Importance: This measure shows the rate of noncompliance with the personal importation requirements of the Alcoholic Beverage Code and rules and the effectiveness of the agency's monitoring program in detecting these violations.

Source/Collection of Data: Each port location accumulates the number of illegal containers confiscated and the total containers imported on computerized reports. These reports (Monthly Number of Containers Stamped, Form C-920; Statewide Monthly Destroyed Confiscated Merchandise, Form C-908) are submitted to Austin headquarters on a monthly basis. Monthly reports are compiled showing the total containers/packages confiscated and total containers/packages imported.

Method of Calculation: The number of alcoholic beverage containers and cigarette packages identified and confiscated as being imported into the state unlawfully divided by the total number of containers imported for the reporting period.

Data Limitations: Economic conditions in the United States and Mexico which affect currency valuations, and other world events, have a direct effect on the quantity of alcoholic beverages and cigarettes imported and the fees and taxes collected. Since the quantity of illegal containers identified bears a direct relationship to total containers imported, the measure would be affected.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Lower than target.

OUTPUT MEASURE

01 Number of Alcoholic Beverage Containers and Cigarette Packages Stamped

Short Definition: This measure is intended to indicate the total number of alcoholic beverage containers and cigarette packages that the ports of entry section has attached stamps to.

Purpose/Importance: The stamped containers reflect the amount of fees and taxes paid on imported alcoholic beverages and cigarettes during the reporting period.

Source/Collection of Data: The total number of containers and packages imported is accumulated in computerized reports at each port location (Daily Liquor Tax Stamp Sales, Form C-909; Master Weekly Report, Form C-930; Monthly Number of Containers Stamped, Form C-920). The data is submitted to the Austin headquarters where it is manually tabulated to obtain grand totals on the Monthly Number of Containers Stamped Report. The information from each port location is reconciled with bank deposits by the business services division.

Method of Calculation: The number of alcoholic beverage containers and cigarette packages stamped are manually added together for the reporting period.

Data Limitations: Economic conditions in the United States and Mexico which affect currency valuations, and other

world events, have a direct effect on the quantity of alcoholic beverages and cigarettes imported.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Higher than target.

EFFICIENCY MEASURE

01 Average Cost Per Container of Alcoholic Beverage Container or Cigarette Package Imported/Confiscated

Short Definition: Total cost of the ports of entry section in stamping or confiscating alcoholic beverage containers or cigarette packages divided by the total number of alcoholic beverage containers and cigarette packages imported or confiscated.

Purpose/Importance: This measure is intended to show the average cost incurred by the agency for each container or package imported or confiscated.

Source/Collection of Data: The number of containers and packages imported and those confiscated/seized are manually added together by Austin headquarters from reports: Monthly Number of Containers Stamped, Form C-920; Statewide Monthly Destroyed Confiscated Merchandise, Form C-908; Daily Liquor Tax Stamp Sales, Form C-909; Master Weekly Report, Form C-930; Confiscated Property Report, Form C-934. Expenditures are recorded in USAS by the business services division. Monthly budget and expenditure

statements from USAS and quarterly support cost allocations are provided by BSD (Expenditures for XX Quarter FYXXXX).

Method of Calculation: Total cost of the ports of entry function (including the section's share of the agency's administrative overhead cost) divided by the total number of containers or packages imported or confiscated.

Data Limitations: Economic conditions in the United States and Mexico which affect currency valuations, and other world events, have a direct effect on the quantity of alcoholic beverages and cigarettes imported and may affect this average cost.

Calculation Type: Noncumulative.

New Measure: No.

Desired Performance: Less than target.

EXPLANATORY MEASURE

01 Number of Alcoholic Beverage Containers and Cigarette Packages Confiscated

Short Definition: A container is considered an illegal importation if:

- ⌘ It is in excess of the legal importation quota;
- ⌘ The container itself is illegal;
- ⌘ It is imported by minors or intoxicated persons; or
- ⌘ It is not declared or the importer refuses to pay the required tax.

The illegal containers are confiscated and destroyed by the ports of entry personnel.

Purpose/Importance: This output is intended to measure the total number of alcoholic beverage containers and cigarette packages confiscated for any reason during the period referenced.

Source/Collection of Data: The total number of containers and packages confiscated is accumulated at each port location on forms completed by section personnel (Confiscated Property Report, Form C-934; Confiscated Merchandise Destroyed, Form C-908). The data is entered into the port system by port supervisors and submitted to the Austin headquarters on the Statewide Monthly Destroyed Confiscated Merchandise, Form C-908.

Method of Calculation: The number of alcoholic beverage containers and cigarette packages stamped are manually added together for the reporting period.

Data Limitations: Economic conditions in the United States and Mexico which affect currency valuations, and other world events, have a direct effect on the quantity of alcoholic beverages and cigarettes imported.

Calculation Type: Cumulative.

New Measure: No.

Desired Performance: Neutral.

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OVERVIEW

The Texas Alcoholic Beverage Commission (formerly the Texas Liquor Control Board) was created in 1935.

Under the Alcoholic Beverage Code the TABC *“shall inspect, supervise and regulate every phase of the business of manufacturing, importing, exporting, transporting, storing, selling, advertising, labeling and distributing alcoholic beverages, and the possession of alcoholic beverages for the purpose of sale or otherwise.”*

“This code is an exercise of the police power of the state for the protection of the welfare, health, peace, temperance and safety of the people of the state. It shall be liberally construed to accomplish this purpose.”

The Texas Alcoholic Beverage Code was enacted to protect against involvement of the criminal element in beverage alcohol trafficking. The legislature has very strictly prohibited persons who have been convicted of certain crimes from obtaining licenses or permits. Also prohibited are “tied house” violations where ownership overlaps the three marketing levels (manufacturing, wholesaling and retailing) in the alcoholic beverage industry.

The separation of marketing levels is closely scrutinized. TABC employees review all shipments of alcoholic beverages into Texas, as well as any transfer of merchandise between

wholesalers. Background investigations and other research are undertaken when a person applies for a permit or license to operate in some phase of the industry. Efforts are made to detect ownership by others involved at different levels, as well as those factors that would tend to disqualify an applicant, such as previous criminal history or indebtedness to the state for taxes.

ORGANIZATIONAL STRUCTURE

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. Members of the commission hold office for staggered terms of six years, with the term of one member expiring every two years. Each member must be a Texas resident and must have resided in the state for at least five years preceding the appointment. Commission members serve without salary.

The commission is currently comprised of Chairman John T. Steen, Jr., of San Antonio and Gail Madden of Dallas. One position is vacant.

An administrator, appointed by the three-member governing board, directs the daily operations of the Texas Alcoholic Beverage Commission. The current administrator is Alan Steen, who was appointed August 1, 2003. The administrator is responsible for employing staff to ensure that the policies established by the commission and the laws enacted by the legislature are implemented in an efficient and cost-effective manner.

Sharing in that responsibility is an assistant administrator, general counsel, and public information officer, as well as the directors of the agency's functional and administrative support divisions. This includes enforcement, licensing, compliance, information resources, business services, and human resources.

There are also specialized sections for legal and marketing issues, homeland security, and an office of professional responsibility. An independent audit firm performs internal audit functions for the agency, reporting directly to the commissioners. For a detailed organization chart, please see Appendix B.

Enforcement

The agency's largest and most visible operating unit is responsible for the criminal and administrative enforcement of the state's alcoholic beverage laws. Certified peace officers, known as TABC agents, inspect premises licensed by the agency, and investigate alleged violations of the Alcoholic Beverage Code and other state laws. Increasingly, the commission has placed a greater emphasis on developing initiatives that target the problems associated with underage drinking. Agents are called on to provide presentations to school children, ranging from middle schools to college and university settings. In addition, presentations are delivered to licensees and their employees, civic organizations and other law enforcement agencies in an attempt to promote a better understanding of the law and the role and responsibilities of the Texas Alcoholic Beverage Commission.

Licensing

The licensing division investigates and processes applications for all phases of the alcoholic beverage industry, including the manufacture, sale, purchase, transportation, storage, and distribution of alcoholic beverages. The division must ensure that each applicant is qualified to hold such license/permit and adheres to all applicable regulatory requirements. More than 96,000 licenses and permits are issued each year by division personnel.

Compliance

The compliance division is charged with the oversight of the taxing authority of the agency, as well as administrative/regulatory enforcement of the Alcoholic Beverage Code. The division plays a role in the initial licensing process through inspections, fee analysis, and marketing practices reviews. Personnel receive and process monthly excise tax reports and ensure taxes have been paid and that other reporting requirements are in adherence with the statutes of the Alcoholic Beverage Code through an audit oversight function. In addition, field personnel conduct investigative audits, regulatory compliance, and other financial reviews and assist the enforcement division in various types of investigations.

The ports of entry program, a section of the compliance division, is responsible for ensuring compliance with personal importation laws and the collection of taxes and fees on alcoholic beverages brought into Texas. Taxpayer compliance officers also monitor compliance with the laws regarding importation of cigarettes into Texas and collect the applicable taxes for the Office of the Comptroller of Public Accounts.

Agency personnel are stationed at all major bridges along the Texas-Mexico border.

Marketing Practices

The marketing practices section is responsible for oversight of the labeling, bottling, and promotion of alcoholic beverage products in Texas.

Office of Professional Responsibility

The office of professional responsibility oversees or conducts all internal investigations concerning the conduct of agency employees.

Information Resources

The information resources division is responsible for developing and maintaining the core technology applications for the agency, which includes licensing, enforcement, compliance, legal, and business services. Additionally, the division establishes and supports the technology infrastructure that facilitates agency operations, and is charged with researching and analyzing how to apply new technologies to solve business problems.

Business Services

The business services division is responsible for all fiscal operations of the agency, including revenue processing, accounts payable, payroll, time and leave accounting, maintenance of the general ledger, and preparation and oversight of the agency's legislative appropriations request, annual report, and performance reports. The general services section is responsible for staff support functions of purchasing, HUB program coordination, real and personal property management, facilities leasing, fleet management, centralized

consumable supply distribution, mail center operations, reproduction services, and warehousing.

Human Resources

The human resources division manages employment related activities, including recruitment, selection, benefits and compensation, employee relations, classification, training, risk management, and implementation of the agency's equal employment opportunity program.

Legal

The agency's legal section prepares, processes, and prosecutes administrative cases dealing with violations of the Alcoholic Beverage Code. This section also reviews and prosecutes application protests by the commission, local authorities and citizens to the issuance of licenses and permits. When violations by permittees/licensees throughout the state are alleged, a hearing is held by the State Office of Administrative Hearings. Outcomes of such hearings include recommendations to cancel, suspend, grant, or deny a license or permit.

MISSION

The mission of the Texas Alcoholic Beverage Commission is 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 AND VALUES

The Texas Alcoholic Beverage Commission will exemplify friendly, courteous, ethical, and professional behavior in all areas of performance. We will provide the best possible services at the lowest possible cost to the people of Texas. We will apply the law and agency policy fairly and consistently throughout the state. We will communicate openly with the public we serve and with all our fellow employees.

VISION

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

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.

STRATEGIC GOALS AND OBJECTIVES

Goal 1:

To promote the health, safety, and welfare of the public and to regulate the alcoholic beverage industry by taking positive steps to foster voluntary compliance with the law through a combination of enforcement and education.

Objective: Deter and prevent violations of the law.

Strategy: Deter and detect TABC code violations.

Goal 2:

To process and issue alcoholic beverage license/permit applications while ensuring compliance with the Alcoholic Beverage Code through investigations and other regulatory means.

Objective: Process and issue license and permit applications.

Strategy: Ensure compliance with laws and other regulatory requirements.

Goal 3:

To ensure compliance with the Alcoholic Beverage Code in the manufacturing, importing, exporting, transporting, storing, selling, serving, and distributing of alcoholic beverages.

Objective: Ensure compliance with the Alcoholic Beverage Code.

Strategy: Conduct inspections and monitor compliance.

Objective: Ensure maximum compliance with importation laws.

Strategy: Place ports personnel for maximum revenues.

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WORKFORCE DEMOGRAPHICS

The following charts profile the agency's workforce at the end of calendar year 2003. TABC's workforce total is comprised of 62 percent males and 38 percent females. Over 60 percent of the employees are over the age of 40. More than 36 percent of employees have less than five years agency service. This figure is relatively high and possibly results from the turnover in lower paid positions the agency has experienced.

FIGURE 16: Agency Age Profile

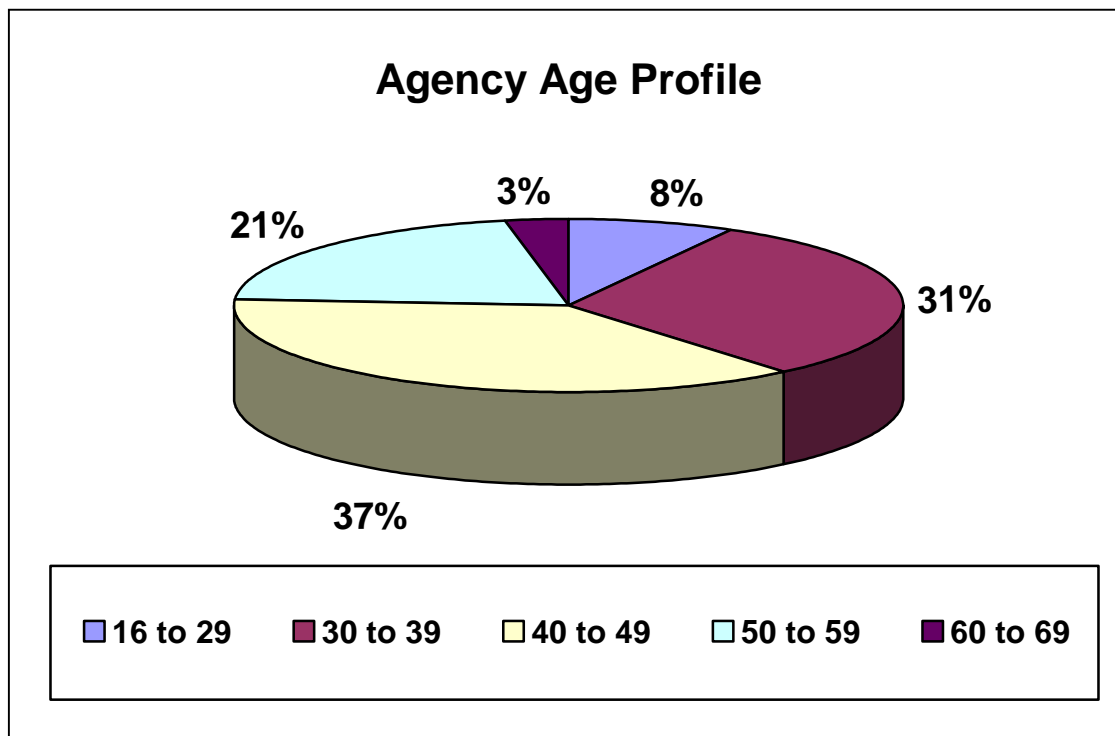


FIGURE 17: Agency Gender Profile

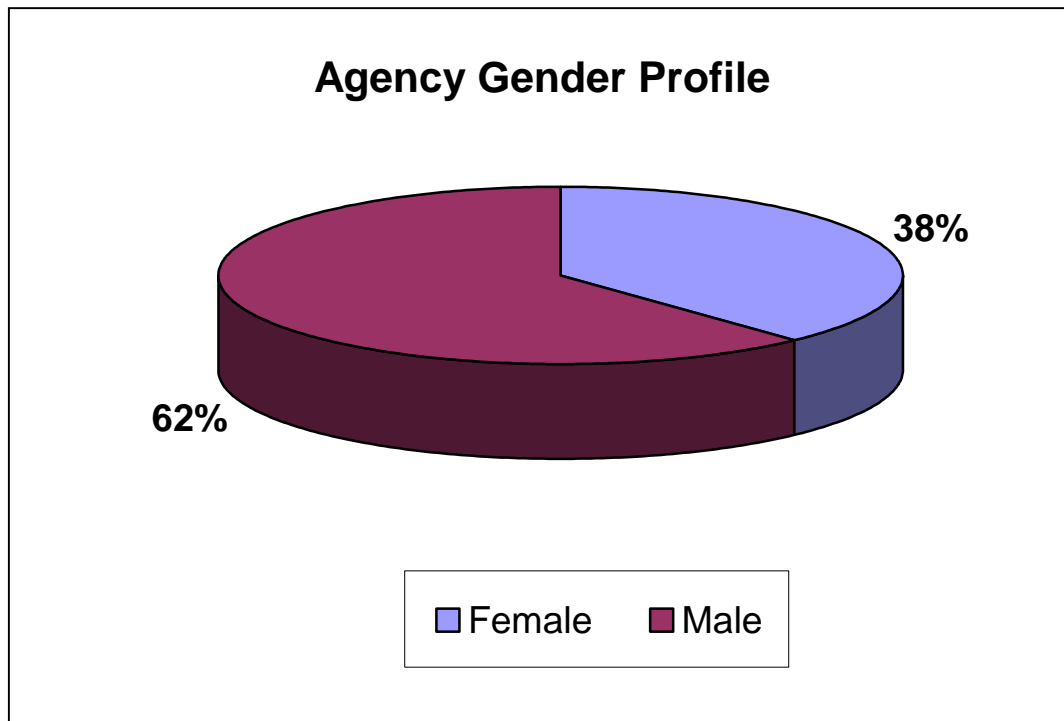
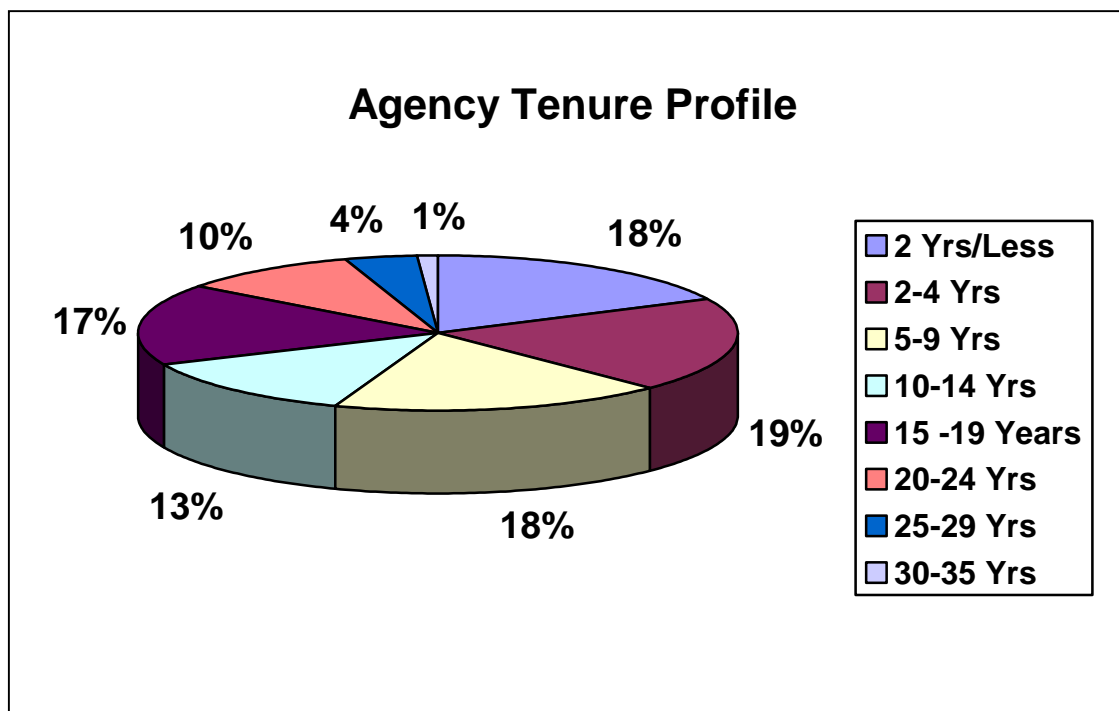


FIGURE 18: Agency Tenure Profile



The following table compares the percentage of African American, Hispanic, and female employees to the statewide civilian workforce.

FIGURE 19: 2003 Workforce Profile Comparison

EEO Category	Statewide Civilian Workforce					TABC Workforce				
	African American	Hispanic	White/Other	Female	Male	African American	Hispanic	White/Other	Female	Male
Officials/Administrators	7.27%	11.81%	78.08%	31.63%	68.65%	9.1%	0.0%	90.9%	36.4%	63.6%
Professional	9.31%	10.85%	71.22%	46.93%	53.07%	10.6%	20.5%	68.9%	51.5%	48.5%
Technical	13.67%	18.89%	61.57%	39.36%	60.64%	11.1%	0.0%	88.9%	22.2%	77.8%
Protective Services	17.82%	22.02%	59.14%	21.02%	78.98%	7.1%	21.8%	71.1%	11.1%	89.9%
Paraprofessional	17.94%	31.41%	48.15%	55.81%	44.19%	5.3%	71.4%	23.3%	54.1%	45.9%
Administrative Support	19.59%	25.62%	52.29%	79.87%	20.13%	24.3%	29.7%	46.0%	91.9%	8.1%
Skilled Craft	10.36%	29.51%	57.62%	10.20%	89.80%	0.0%	0.0%	100.0%	0.0%	100.0%

The agency remains underrepresented in one or two areas of all seven EEO categories. The overall percentages of the EEO categories have remained stable since 1998 with slight decreases in one category, balanced by increases in others.

African Americans comprised 13 percent and Hispanics accounted for 16 percent of the new hires during 2003. African Americans made up only a small percentage of the agency's terminations, while 32 percent of the terminations were Hispanic.

The agency's representation of African Americans exceeded their availability in the statewide civilian workforce in the official/administrator, professional, and administrative support categories. However, African American representation remains more than 10 percent below the available civilian workforce in the paraprofessional and protective services categories.

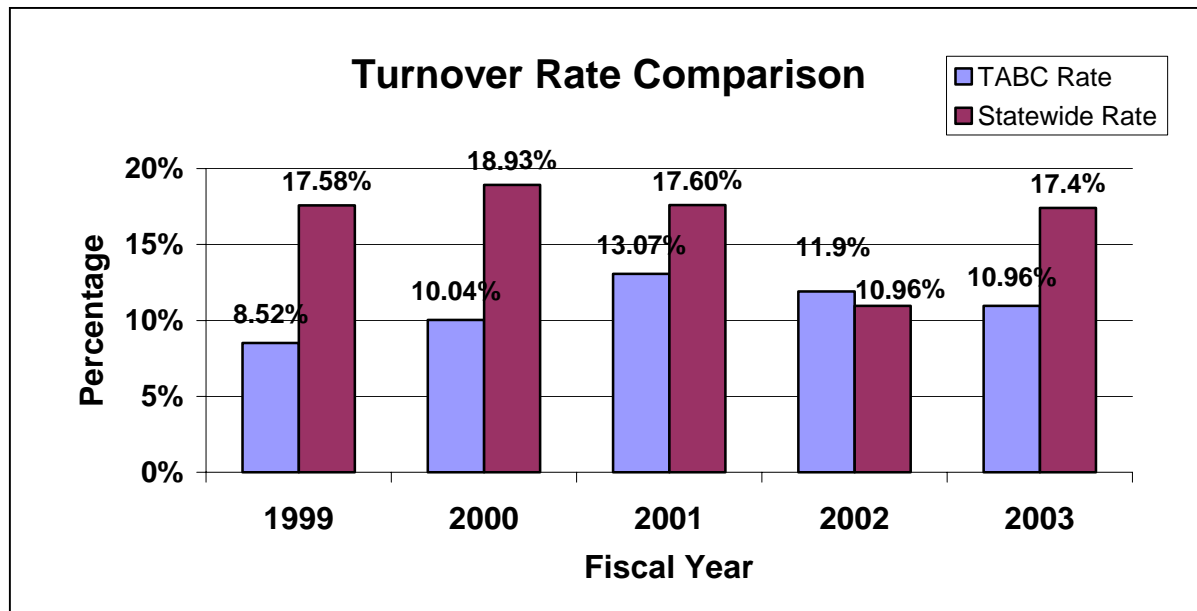
The agency also has a favorable level of representation of Hispanics in the professional, paraprofessional, and administrative support categories. A large portion of the Hispanic representation in the paraprofessional category includes ports of entry personnel. Ports of entry personnel are hired to conduct TABC business at ports of entry from Mexico. Hispanics make up the majority of the population in these areas.

The agency's representation of female employees has remained the same since 2001. Sixty-six percent of the new hires during 2003 were females; however, 42 percent of the terminations were females. There were 47 new hires during the 2003 calendar year, of which 22 (47percent) were minorities.

Hispanic, African American and female representation in the Technical and Skilled Craft categories remains low. These are two specialized categories containing a limited number of positions in which turnover rarely occurs,

providing no opportunity to increase representation numbers. Consequently, the resignation or reclassification of one employee will drastically affect the overall representation.

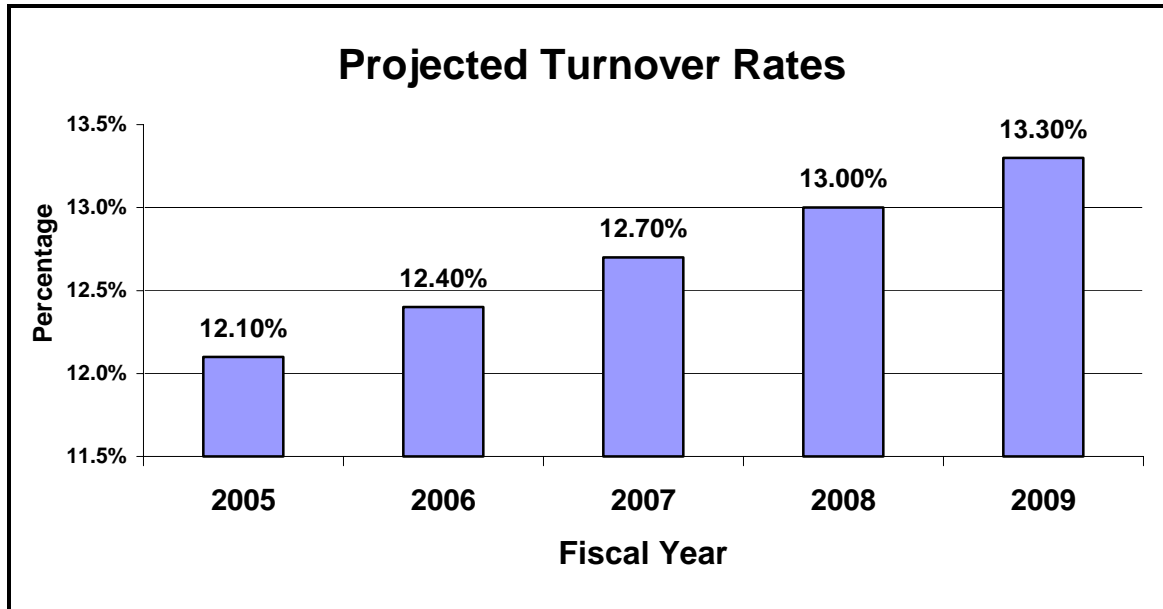
FIGURE 20: Turnover Rate Comparison



During the last five years, the agency has experienced a fluctuating rate in its turnover as exhibited in Figure 20 above. This chart also compares the average TABC turnover rate to that of the state over the last five years. The agency's turnover rate has been lower than the state as a whole; however, a significant increase is evident when comparing single divisions within the agency. Most of the turnover has resulted in the lower categories of support personnel due to the inability to compete with private sector and/or other state agencies in terms of pay.

Trend analysis indicates that turnover rates over the next five years should be as depicted in the following graph. Past trends, however, may not accurately predict a future in which the workforce ages at a more rapid pace.

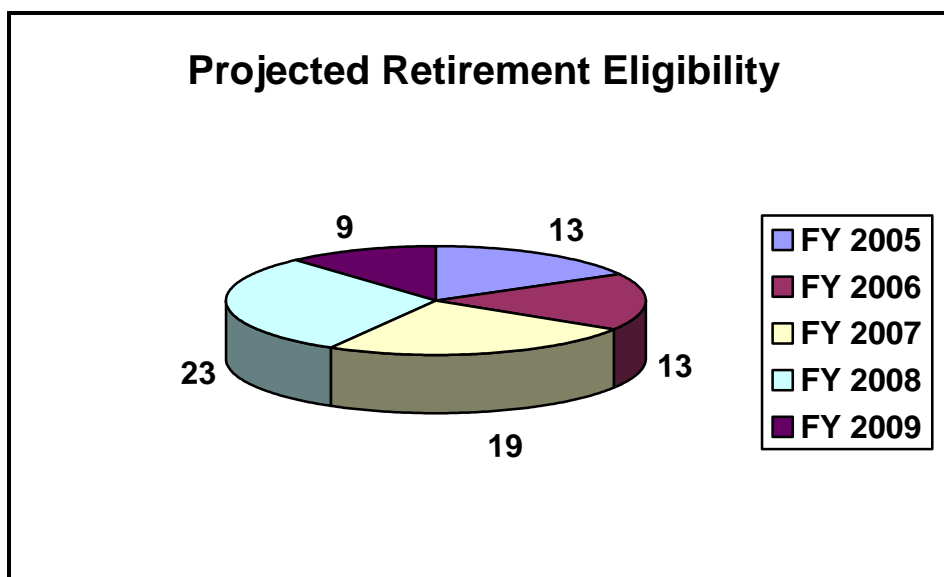
FIGURE 21: Projected Turnover Rates



In the past, retirement has not accounted for the majority of terminations. Over the next five years, it will become critical because of the high number of eligible personnel for retirement in key positions with a high degree of expertise. During the next five years, 77 employees will become

eligible for retirement. Of those projected retirements, 32 are classified in non-commissioned positions. Commissioned peace officers account for 45 of the possible retirements. The following chart examines the potential loss of employees due to retirement over a five-year period.

FIGURE 22: Projected Retirement Eligibility



CRITICAL WORKFORCE SKILLS

Although the agency has many qualified employees, there are critical skills necessary in order for the agency to operate. Without such, basic business functions could not be provided. These skills are customer service, database development, and maintenance.

We also recognize that skills such as written and verbal communication, analytical reasoning, and interpersonal skills will always be a necessity.

Determining the existing levels of skills for employees is difficult. It is not possible at this stage to determine the skills individual employees have. The identification of required competencies and a comprehensive skills audit throughout TABC should be undertaken so that future planning for the development and importation of workforce skills and competencies are improved.

CHALLENGES AFFECTING CRITICAL WORKFORCE SKILLS

Staffing, both currently and even more important in the future, requires employees with the educational level to match the complexity of the work they are required to perform. This ranges from high school graduates for the filing positions, to employees with degrees in business-related fields.

The workplace is becoming more automated and efficiency-oriented. The public expects services to be easily accessible, customer friendly, and cost effective. In addition, in the future both workers and customers are becoming more diverse. As a result of these factors, staffing of positions will require better-educated, trained, and a more technical staff. Many positions currently

require outside and/or state certifications in order to perform job duties, and few positions within the division will accommodate the hiring of non-experienced personnel due to down time and limited staff.

Organizational, communication, and problem solving skills are needed at all levels of the organization. In addition, most positions within all divisions will require the utilization of a computer. The changing demands for increased information technology services means TABC will have to revise the staffing needs for its information technology business unit.

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EXPECTED WORKFORCE CHANGES

The aging of the available workforce will pose unique challenges to the agency and especially its law enforcement arm. Because of the physical exertions often required in police work, workforce age can greatly affect program effectiveness. Increased automation may very well improve certain work processes and decrease manpower requirements to a limited degree, but it cannot offset the need for physical contact between enforcement agents and those they regulate, or between enforcement agents and criminal violators. The need for a physically fit and physically able agent workforce will remain even though the population segment from which that workforce can be drawn (21 to 50 year olds) will shrink as a percentage of the general population. Under these circumstances, workforce demand will certainly outpace available supply.

The population of Texas and its workforce will become increasingly Hispanic in composition. Asian and Southwest Asian subpopulations are also expected to grow disproportionately. While increased diversity has a multitude of possible advantages for the agency, a significant advantage is that increased diversity in the available workforce should make it easier for the agency to recruit, hire, and retain a greater number of bilingual enforcement agents, more of whom are desperately needed to serve an increasingly multilingual population.

While the agency's mission and the enforcement division's goals and objectives are expected to be relatively fixed, the strategies, technologies, and work processes used to achieve them will change and, as they change, so too will the knowledge, skills, and abilities needed within the workforce.

For example, in the past, the tactics used to achieve enforcement division's primary objective -- detecting and deterring violations of the Alcoholic Beverage Code -- were limited to those associated with direct street enforcement -- inspections, surveillance, and limited undercover work. Today, with a greater emphasis on public education and working with and through other organizations, agents have to be communicators, teachers, planners, organizers, and motivators as well as enforce the law. Also, because of the growing use of technology and the increased complexity of some of the activities in which they take part, agents have to have a broader range of skills and knowledge.

This expansion of the division's tactical methods translates into a great expansion of the range of knowledge, skills, and abilities required of an effective enforcement agent. Neither expansion is expected to stop, which means the enforcement agent of tomorrow will have to be more broadly educated and better trained than those serving today. As a consequence, the agency will not only be competing to attract a shrinking segment of the future workforce, its competition will be increasingly focused towards the upper end of that segment.

Employees within the licensing division will require more formal education because of the complexity of business entities applying for licenses and permits. Most will require degrees in business, accounting, finance, or related areas. Higher skilled employees will be required to be intuitive, self-motivated, and analytical, working in a very fluid environment and atmosphere.

Compliance officers' decreasing involvement in tax collection, due to consolidation of entities, will expand their role. In the future, compliance officers' duties will include investigations, providing regulatory oversight, and acting as an information resource.

Increases in technology will enhance information gathering and report writing. Employees will be required to have computer literacy skills ranging from very basic to advanced. More efficient programmers, database administrators, and network and systems support specialists will be necessary to increase technology efforts. A re-engineering of workflow processes, revising, and streamlining, must also take place to identify and implement necessary automation for improved efficiency and greater productivity.

Employee training will need to be enhanced to an on-going continuing education program to provide sufficient training in new processes and to supplement prior training of those hired. This training modality should include both internal and external courses in classroom and/or seminar settings and instructional or on-line training. A basic need may also rise for increased usage of cross training among employees and

across divisions due to shrinking resources to hire additional manpower.

FUTURE WORKFORCE SKILL REQUIREMENTS

TABC enforcement agents will be required to have the ability to communicate well both verbally and in writing, as well as the ability to plan, analyze, organize, and lead. Increased knowledge and use of computer technology as well as proficient computer user skills will become an integral part of the workplace.

Investigative skills will continue to be a necessary component in an agent's skill set. A background in investigations can be either required as a condition of employment or acquired after hiring. If the agency decides that it is not better served by requiring such skills and experience as a prerequisite of the job, then it should have a training program in place that ensures that agents acquire these needed skills.

Basic peace officer certification and a limited degree of law enforcement experience are no longer enough to satisfy the division's tactical needs. Agents will need a broader range of training, education, experience, and managerial skills.

To effectively and efficiently process all applications ensuring compliance with all provisions of the Texas Alcoholic Beverage Code and rules, and other local, state, and federal statutes, will require employees with varied attributes. These may include, but are not limited to, additional formal education, degrees in business, accounting, finance, or other related fields, the ability to analyze various and complex structures, and

supervisory skills or management potential.

Compliance officers, similar to enforcement agents, will require investigative skills, the ability to communicate, and the ability to plan, analyze, and organize. Increased knowledge and use of computer technology will be necessary as well.

Cash handling experience, customer service, problem resolution, report writing, oral and written communications, and safety awareness will remain necessary as basic level skills.

Support services will require maintaining a knowledgeable and competent staff. As those services move toward a more strategic focus, staff will need skills such as project management, teamwork, negotiation and facilitation, strategic planning, business process re-engineering, statistical analysis, fiscal management, and performance assessments.

Technical environment workforce skills, with expanded technology, will also require change and security management, network and operating systems expertise, database administration, and other training as essential for future positions. More specifically, PC and PC application skills and working knowledge of external systems such as USAS, USPS, and ABEST will become required skills for employees in several divisions.

STAFFING NEEDS

To perform critical functions as outlined above, the TABC has 242 budgeted commissioned peace officer positions in the enforcement division. The TABC needs every full-time position from its

budgeted commissioned peace officer positions to meet its performance targets. Inability to hire or excess delays in hiring replacements adversely affects performance achievement. Failure or inability to maintain adequate skill and proficiency levels among the agents also adversely affects performance achievement, and of course, the range of skills and proficiencies necessary will expand as new tactical methods are employed.

With respect to staffing and the skill and proficiency levels of its agents, the division's chief concern is that future retirements will lead to an exit of manpower, knowledge, and experience. Compounding this concern is the fact that all law enforcement agencies are competing for a shrinking applicant pool and state agencies with enforcement responsibilities are unable to attract top candidates due to a noncompetitive salary structure. This concern is magnified by the number of employees that are eligible for retirement over the next five years. A large number of retirements, in addition to regular turnover, could have an impact on the agency's operations for a period of time.

The licensing division is currently authorized 41 employees. An increase in full-time positions will be required to meet future division demands.

Past reviews to automate parts of the applications process have indicated that no reduction of staff would be obtained and one review actually required an increase of three staff. However, automation of agency programs overall may result in the re-evaluation of workloads within all divisions and/or sections as to staffing.

Complexity of applications resulting from statutory qualification requirements and the applicants' need for capital, protection of liability, and other business decisions makes application processing too varied and unique to automate.

Enactment of new legislation regarding license/permit cancellations may further affect this division's needs and will definitely increase the need for additional attorneys in the legal section due to an increased caseload resulting from increased enforcement efforts.

The compliance division anticipates a need for increased field personnel to conduct investigations, audits, and analyses.

The ports of entry section appears to have the most anticipated need due to renovation of existing bridges and new bridges opening. Approximately two positions will be required for two bridges being renovated; one upon completion and one additional during a one-year remodeling phase. Six bridges need increased staff, approximately nine positions, simply because of present demands. A total of seven positions will be required for bridges opening within the fiscal year. If these increases are forthcoming, then additional staff will ultimately be required for headquarters to balance the increased field staff.

Supervisory or managerial positions may also become necessary depending on the overall increase of agency positions in relation to current management/staff ratios. Additionally, other factors such as an increase in the workforce size, increased demands on existing program, onset of new programs or tasks such as internet on-

line processing, and reallocations of processes may also create the need for additional personnel, especially in service related divisions.

CRITICAL FUNCTIONS

Determining the agency's workforce requirements for the future needs to take into account a range of factors. The following critical functions have been identified:

Enforcement activities such as inspections, complaint investigations, and public education programs to achieve goals and objectives.

Processing applications for all phases of the alcoholic beverage industry involving the manufacturing, sale, purchase, transportation, storage, and distribution of alcoholic beverages and determining each applicant's qualifications to hold such license or permit.

Maintaining complete and accurate information of all licensees and permittees and to provide this information in a timely manner to agency personnel, members of the alcohol beverage industry, other law enforcement and state agencies, and to the general public.

Ensuring the state is adequately protected from the potential loss of revenue from taxes and non-compliance by maintaining current tax security and performance bonding.

Processing monthly tax and informational reports and credit law notices. Monitoring and evaluating seller training schools and classes. In compliance with code and rules,

collecting taxes on alcoholic beverages and cigarettes.

Conducting investigations, audits and analyses, inspections of licensed entities, and inspections of applicants holding alcoholic beverage permits or licenses. Maintaining and accounting for confiscated properties.

Strategically moving towards re-engineering of the agency's legacy and other independent database systems. Increasing support of the agency's network and PC computing environments, and increasing security awareness and oversight.

Processing all financial transactions in an efficient and timely manner and preparing necessary reports for management and as statutorily required. Budgeting agency appropriations and managing grant programs effectively.

Attracting and retaining qualified applicants for positions within the division and developing and training division employees for future positions within other divisions.

Maintaining voice and radio communications systems and portfolio of office, radio, and warehouse leases. Procuring goods and services effectively and efficiently, and managing vehicle fleet and capital equipment.

Exploring and implementing cost-effective changes utilizing the advancements in technology.

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ANTICIPATED SURPLUS/SHORTAGE OF EMPLOYEES

A shortage of qualified police recruits is dependent upon three factors: (1) growth of staffing relative to the growth of general population, (2) growth of staffing relative to the growth of the potential pool of applicants, and (3) the competitiveness of the state salary structure.

Based on past history, any growth in staffing is likely to be relatively small and certainly not proportionate to the growth of the general population. As for the pool of potential applicants, it will shrink relative to the general population, but still grow in absolute terms.

If the state salary structure is even moderately competitive (better than most small or intermediate size police departments and sheriff's offices), the TABC should be able to recruit in numbers sufficient to meet manpower needs. If state salaries are highly competitive (as good as or higher than those of large metropolitan departments), then the agency will not only meet basic manpower needs, but should also be able to minimize personnel development costs by hiring experienced officers who already have the full range of knowledge, skills, and abilities needed for agency service.

The TABC projects that law enforcement salaries will be only moderately competitive. Even so, the agency should be able to hire commissioned peace officer replacements in sufficient numbers but will probably have to make

compromises in terms of the knowledge, skill, and proficiency levels of those hired.

Past experiences have demonstrated how difficult it has been to attract, develop, and retain qualified applicants for all support positions within several divisions. Many of the processes and/or job tasks are moving away from clerical untrained and unskilled positions to positions requiring more formal education and technical training. Salaries for administrative positions often do not reflect the higher skill level needed, making recruitment for the positions more difficult. Also, the repetitive nature of several primary job functions hinders efforts to retain more qualified employees. Fatigue and stress brought on by the large volume of work to be processed within a short period of time also adds to the inability to retain employees within the licensing division.

Advancement opportunities are limited within the agency in several job positions, which discourages many of the more qualified and educated employees from making long-term plans and commitment. In many instances, the agency has experienced losing full-time positions in favor of salary increases to retain existing staff due to the difficulty in attracting and retaining qualified employees.

Trends demonstrate increasing annual turnover rates for technical positions, as younger technical employees (by age and length of service) are not staying with the agency. The rate at which younger, less tenured employees are leaving is affecting the agency's ability to position key staff members for promotion, career development and succession planning.

ANTICIPATED SURPLUS/SHORTAGE OF SKILLS

The compromises made at the time of hiring will force the TABC to invest more resources in agent training and development. Because the unusually high number of retirements will create immediate and acute shortages in the knowledge and skills needed for operations, a greater proportion of this investment will have to be made at the front-end of careers than ever before.

Expected shortages include a lack of computer and oral communications skills among recruits. Few are expected to be sufficiently familiar with investigative techniques and procedures or with techniques and procedures for undercover operations. Lack of knowledge concerning the Alcoholic Beverage Code has always been common among recruits but will be even more critical due to the presence of fewer tenured employees to provide on-the-job instruction in practical applications.

Within the compliance division, field personnel are primarily college educated with accounting/business degrees and over 20 years with the agency. This type of loss in knowledge and experience may take several years to regain, due again to the complexity of the Alcoholic Beverage Code and rules. There will be limited existing staff to replace these positions, as the remaining staff is primarily administrative and require neither the skills nor education to fill professional staff vacancies. Additionally, there is a lack of professional/highly knowledgeable employees to follow a management career, and limited

resources negate developing this group for management positions.

Increasingly, there is a shortage of skilled workers with the diversification of job skills now required for the majority of positions within the agency. This makes replacement of most positions with qualified applicants a problem considering current compensation levels as compared to the private sector and other state agencies.

Current employees in administrative support divisions, such as human resources and business services, do not have a wide range of career opportunities inside the agency. Limited advancement is possible, but relative job experience may not qualify staff for other jobs in the agency. Although the skills necessary to carry out most of the tasks associated with the service divisions do not require a college education, the soft skills and technical knowledge that are usually acquired through an advanced education are often missing (management, communication, statistical analysis, and decision making). This may not negatively affect the overall success of divisions as to meeting performance standards but it could affect how well these divisions interact with other divisions and employees.

Several key positions throughout the agency, and especially in information technology management, have not been targeted for succession planning, although a number of employees have been identified as eligible for retirement in the next five years. A lack of skilled information technology programmers has slowed the development process for

new systems resulting in more outsourcing contracts. As well, Internet based skill sets are not being developed as quickly as needed. The next generation database, programming and operating systems skills are lacking, and internal candidates for information technology positions are experiencing difficulty competing for higher positions because of limited technical experience.

The ports of entry section does not anticipate a shortage of skills within the next five years as this segment of the workforce is diverse enough to develop and train future supervisory/management personnel from within the ranks. Working knowledge acquired through length of service coupled with on-site training will enable selecting from present employees.

Throughout the agency, managers are currently sufficiently skilled in all necessary areas at this time and are likely to remain secure for the next five years. At the next level, there may be some gaps in skills related to decision making, business process analysis, statistical analysis and computer skills; however, this will not present a significant problem unless these individuals aspire to become managers. This gap could be difficult to close because of the educational background of current staff and limited opportunity to learn such skills on the job. Manager positions are relatively competitive as far as salary is concerned, so the agency could attract employees outside the agency that would have the skills necessary to take over the management positions of the division.

NEW SKILLS NEEDED

The need for new skills will arise whenever operational methods change or when new strategies or sub-strategies are added. Changes in high-level strategies are not expected; however, the fine-tuning of existing methods and the adoption of new ones is an on-going process. Such changes are, however, generally incremental and are built on existing skills. When the need for new skills results from changes or additions to existing operational methods, training is provided in advance of full implementation. This training has been primarily in the form of interactive instruction but in the future will also employ teleconferencing.

To accomplish the mission and goals of the agency, future employees must possess the ability to make sound decisions, communication skills both verbal and written, computer skills, business, finance, accounting background or training, analytical skills, customer service, management and supervisory experience, and the ability to work within a stressful atmosphere.

In several areas and for key positions, investigative skills, problem resolution, project management, various certifications, business process analysis, and statistical analysis may also be required.

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In an attempt to address identified deficits between the current workforce and future demands, several strategies will be implemented for the current workforce. These are based on a range of factors identified through analyzing the agency and its workforce.

ORGANIZATIONAL STRUCTURE

Continue to realign personnel and restructure processes utilizing more technology and moving away from labor intensive manual processes to electronic processes and computer based applications.

Increase requirements of level of formal education for key positions to facilitate career development among positions. In some cases, education, training, and certifications may become of more value than experience and will be assigned a higher weight during selection processes.

RETENTION PROGRAMS

Encourage greater utilization of staggered work hours and work incentive (flexible) schedules by employees. Encourage increased usage of telecommuting and implement job sharing program.

Utilize performance enhancement programs such as use of administrative leave and employee recognition. Increase educational incentives and allow for greater flexibility to meet educational demands.

Increase the availability of training both inside and outside of the agency. Increase the use of online training.

Develop a method of notifying employees of available training. Offer in-house training at different locations throughout the state to accommodate more employees.

Create an employee development program that allows employees to gain training in skills needed for current positions and higher level positions. Identify core training needs for each employee and locate or develop training resources to meet those needs. Training will have both a developmental and job specific focus.

Implement career ladders and encourage greater state benefits through appropriate channels.

RECRUITMENT PLANS

Establish a hiring process for agent trainee positions that allows for greater participation of field staff, a process to hire agents throughout the year, and increased recruitment in specific areas and locations.

Establish a relationship with college and university career centers to recruit graduates and alumni. Increase participation in high schools, college and university vocational training, and internship programs.

Seek additional cost-efficient recruitment resources that are targeted to all areas of the population for key positions within the agency.

Establish membership with associations related to the operations of TABC to facilitate cost-effective advertising.

CAREER DEVELOPMENT PROGRAMS

Encourage participation in Governor's Management Development Program and Bill Blackwood Law Enforcement Training Program.

Encourage participation in state-sponsored fundamental courses such as fiscal officer, human resources, and information technology academies.

Coordinate and participate with other state agencies in their training by exchanging areas of experience and expertise.

SUCCESSION PLANNING

Continue agency wide career ladder for key positions and competitive promotional process for ranking law enforcement positions.

Selection of personnel for advancement either by employees indicating their desire for advancement or based on supervisor's opinion of employee's ability.

Increase employee job functions/task responsibilities through cross training, job shadowing or special projects.

Encourage participation in Governor's Management Development Program and Bill Blackwood Law Enforcement Training Program.

LEADERSHIP DEVELOPMENT

Develop and implement basic supervisory courses to include a fundamental core of workplace issues relating to management and supervision.

Utilize team and project leaders in special projects, new initiatives or applicable agency processes.

Encourage participation in Governor's Management Development Program and Bill Blackwood Law Enforcement Training Program.

ORGANIZATIONAL TRAINING AND EMPLOYEE DEVELOPMENT

Encourage participation in Governor's Management Development Program and Bill Blackwood Law Enforcement Training Program.

Continue to provide mandatory training for key positions requiring continuing education mandates.

Continue to provide basic training for respective job functions/tasks such as licensing procedures, business entity training, customer service, Alcoholic Beverage Code and Administrative Rules, and other timely work issues.

Increase accessibility to computer-based training, both interactive and on-line instruction.

Develop training profiles for employees to assist in identifying potential career advancement and address performance issues.

Increase and develop new training, addressing unique needs of core groups for respective job functions/tasks.

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Out of 491 survey recipients, 253 employees participated in this year's Survey of Organizational Excellence -- a 52 percent response rate. Survey questions dealt with 20 "core constructs," broad themes, or subject areas that go to the heart of job satisfaction and general attitude toward TABC as an employer.

The scores are based on a 500-point system. Scores of 400 or higher indicate areas of substantial strength. Scores above 300 suggest that employees perceive the issue more positively than negatively, while scores below 300 are viewed more negatively by employees. Scores below 200 should be a significant source of concern for the organization and should receive immediate attention. TABC did not have any constructs that were rated below 200. Ranked from highest to lowest score agency wide, here are the TABC results with previous year's scores for each core area.

<u>Constructs</u>	<u>2004</u>	<u>Change</u>	<u>2002</u>	<u>2000</u>	<u>1998</u>	<u>1996</u>
Areas of Substantial Strength Within the Agency:						
Strategic Orientation	375	-3	378	389	398	385
Quality	361	-5	366	356	353	344
Physical Environment	353	12	341	329	319	310
Availability of Information	351	1	350	302	301	301
External Communication	349	-4	353	387	345	335
Other Areas:						
Fairness	346	1	345	287	279	284
Burnout	345	-5	350	320	321	323
Empowerment	340	-5	345	305	299	300
Job Satisfaction	337	-5	342	319	305	301
Goal Oriented	336	0	336	340	341	340
Time and Stress	332	-5	337	342	343	348
Diversity	329	0	329	311	310	307
Holographic (Consistency)	328	-5	333	307	307	308
Benefits	327	-27	354	369	365	363
Team Effectiveness	318	0	318	322	321	314
Change Oriented	311	-4	315	305	301	308
Supervisor Effectiveness	309	-4	313	286	278	283
Opportunities for Improvement:						
Internal Communication	299	9	290	297	292	289
Employee Development	297	-9	306	302	306	302
Fair Pay	223	-6	229	321	323	311

The Survey of Organizational Excellence consists of five workplace dimensions: Work Group, Accommodations, Organizational Features, Information, and Personal. Taken together these five capture the total work environment. Each workplace dimension consists of several survey constructs. The survey constructs are designed to broadly profile organizational strengths and weaknesses so that interventions may be targeted appropriately.

TABC experienced positive growth in four out of the 20 constructs in comparison to the last iteration of the survey: *Physical Environment*, *Internal Communication*, *Availability of Information*, and *Fairness*. Together, these constructs were identified by employees as having the most significant improvement compared to the previous iteration of the survey. The constructs that showed a decrease in score are: *Benefits*, *Employment Development*, and *Fair Pay*. These constructs may or may not be the lowest scoring constructs, but definite attention should be given to these constructs when considering which areas to focus efforts upon improving.

In order to support the improvement of the agency's organizational needs as outlined in the results of the survey, each division will concentrate on the constructs unique to their division.

Licensing Division

- ⌘ Fair Pay
- ⌘ Benefits
- ⌘ Team Effectiveness
- ⌘ Supervisor Effectiveness
- ⌘ Employee Development

Enforcement Division

- ⌘ Fair Pay
- ⌘ Employee Development
- ⌘ Internal Communication
- ⌘ Change Oriented
- ⌘ Supervisor Effectiveness

Resource Management and Legal Division

- ⌘ Fair Pay
- ⌘ Internal Communication
- ⌘ Supervisor Effectiveness
- ⌘ Team Effectiveness
- ⌘ Diversity

Compliance and Ports of Entry

- ⌘ Fair Pay
- ⌘ Low Response Rate from Ports of Entry

Below is an explanation each of the constructs with the workplace dimensions they comprise. The agency score is noted for each construct, with an average score for the dimension as a whole.

WORK GROUP

Average Score: 325

This dimension relates to employees' activities with their immediate work vicinity. They include factors that concern how employees interact with peers, supervisors, and all of the persons involved in day-to-day work activity. This is the immediate work environment of the employee.

Supervisor Effectiveness

Score: 309

This construct provides insight into the nature of supervisory relationships in the organization, including the quality of communication, leadership, thoroughness, and fairness that employees perceive exists between supervisors and them. This construct helps organizational leaders determine the extent to which supervisory relationships are a positive element of the organization.

Fairness

Score: 346

This construct measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.

Team Effectiveness

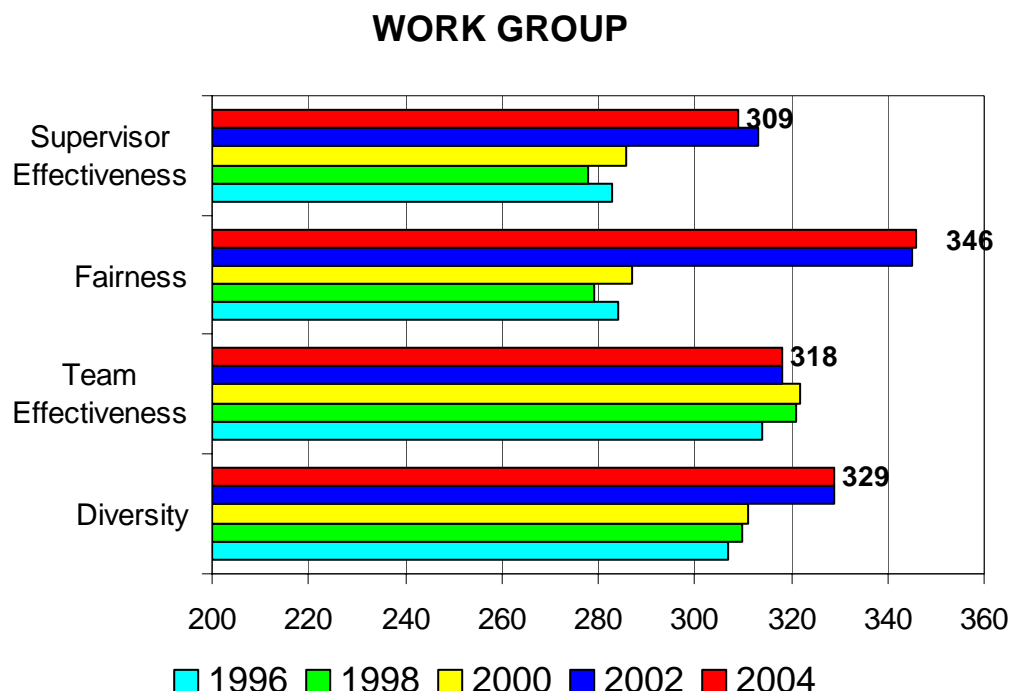
Score: 318

This construct captures employees' perception of the effectiveness of their work group and the extent to which the organization environment supports appropriate teamwork among employees.

Diversity

Score: 329

This construct addresses the extent to which employees feel that individual differences, including ethnicity, age and lifestyle, may result in alienation and/or missed opportunities for learning or advancement.



ACCOMMODATIONS

Average Score: 300

This dimension looks at the physical work setting and the factors associated with compensation, work technology, and tools. It is the “total benefit package” provided to employees by the organization.

Fair Pay

Score: 223

This construct is an evaluation from the viewpoint of employees of the competitiveness of the total compensation package. It addresses how well the package “holds up” when employees compare it to similar jobs in their own communities.

Adequacy of Physical Environment

Score: 353

This construct captures employees’ perceptions of the work setting and the degree to which employees believe that a safe and pleasant working environment exists.

Benefits

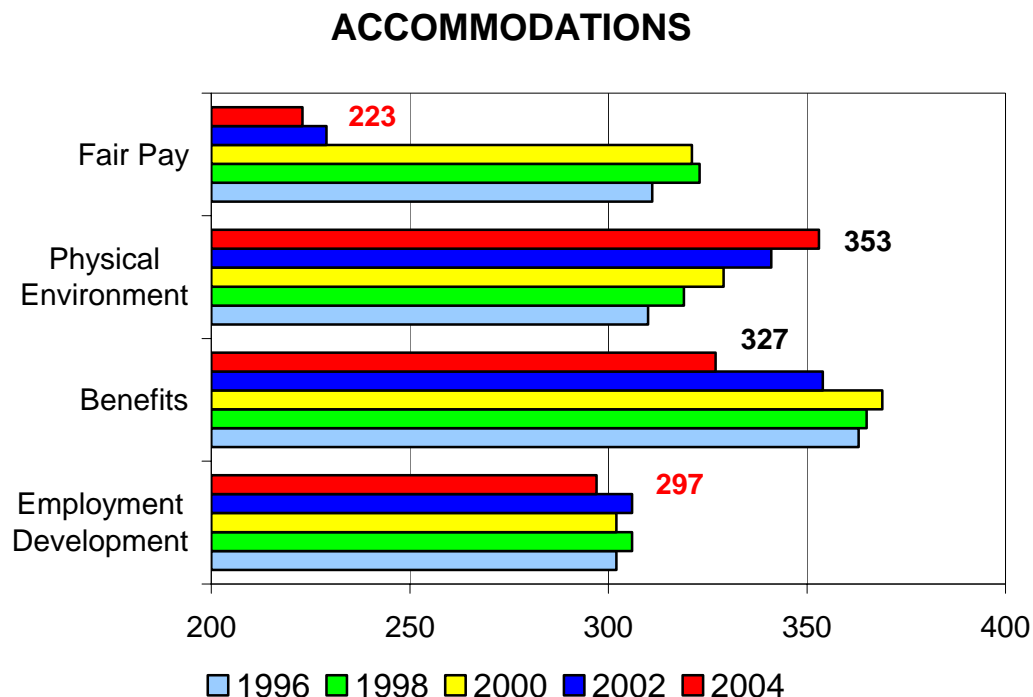
Score: 327

This construct provides an indication of the role that the employment benefit package plays in attracting and retaining employees.

Employment Development

Score: 297

This construct captures perceptions of the priority given to the career and personal development of employees by the organization.



ORGANIZATIONAL FEATURES

Average Score: 342

This dimension addresses the organization's interface with external influences. It is an internal evaluation of the organization's ability to assess changes in the environment and make needed adjustments. Also included are assessments of the quality of relations the organizations has with the public. In essence, this dimension captures the "corporate" culture.

Change Oriented

Score: 311

This construct secures employees' perceptions of the organization's capability and readiness to change based on new information and ideas.

Goal Oriented

Score: 336

This construct addresses the organization's ability to include all its members in focusing resources towards goal accomplishment.

Holographic (Consistency)

Score: 328

This construct refers to the degree to which all actions of the organization "hang together" and are understood by all. It concerns employees' perceptions of the consistency of decision-making and activity within the organization.

Strategic Orientation

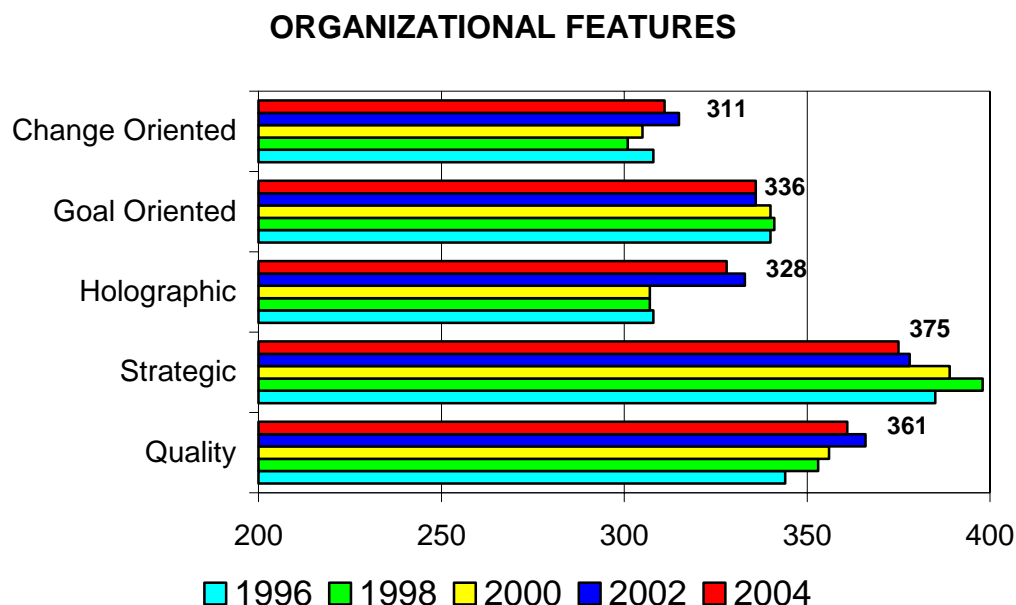
Score: 375

This construct secures employees' thinking about how the organization responds to external influence, including those which play a role in defining the mission, services, and products provided by the organization.

Quality

Score: 361

This construct focuses upon the degree to which quality principles, such as customer service and continuous improvement, are a part of the organizational culture.



INFORMATION

Average Score: 333

This dimension refers to how consistent and structured communication flow is within the organization and to outside groups. It examines the degree to which communication is directed towards work concerns, how focused and effective it is, as well as how accessible information is to employees.

Internal Communication

Score: 299

This construct captures the nature of communication exchanges within the organization. It addresses the extent to which employees view information exchanges as open and productive.

Availability of Information

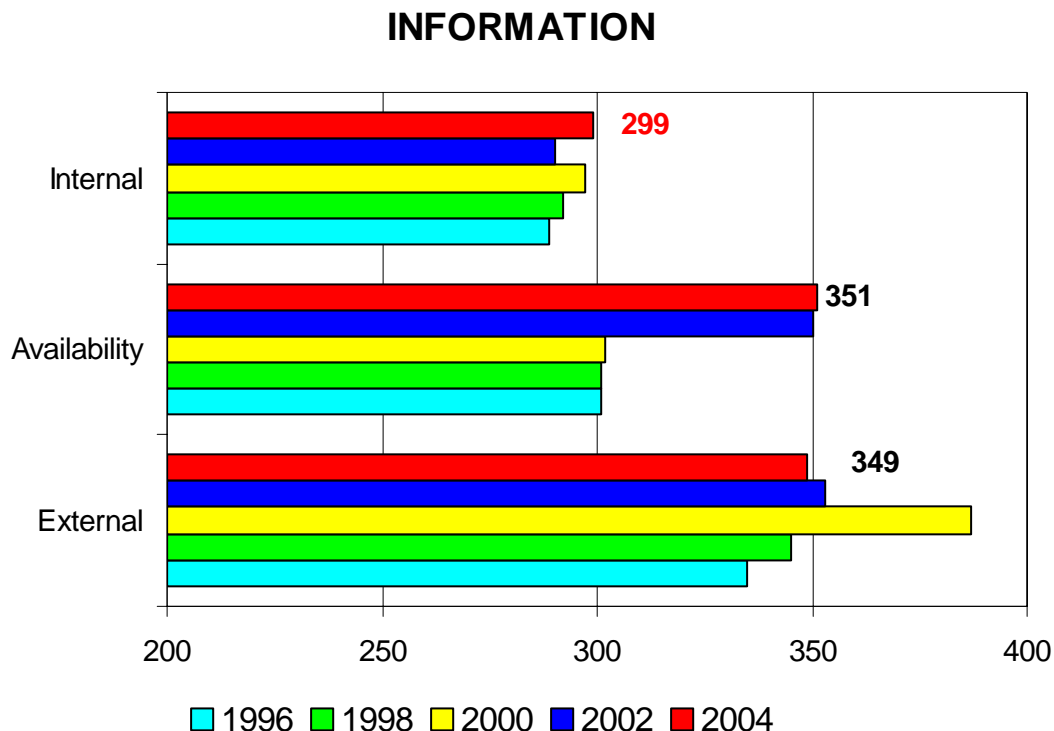
Score: 351

This construct provides insight into whether employees know where to get needed information and whether they have the ability to access it in a timely manner.

External Communication

Score: 349

This construct looks at how information flows in and out of the organization. It focuses upon the ability of the organization to synthesize and apply external information to work performed by the organization.



PERSONAL

Average Score: 338

This dimension reports on how much internalization of stress is occurring and the extent to which debilitating social and psychological conditions appear to be developing the level of the individual employee. It addresses the important interface between employees' home and work lives, and how this relationship may impact job performance and organizational efficiency.

Job Satisfaction

Score: 337

This construct addresses employees' satisfaction with their overall work situation. Weighed heavily in this construct are issues concerning employee evaluation of the availability of time and resources to perform jobs effectively.

Time and Stress Management

Score: 332

This construct looks how realistic job demands are given time and resource constraints, and also captures employees' feelings about their ability to balance home and work demands.

Burnout

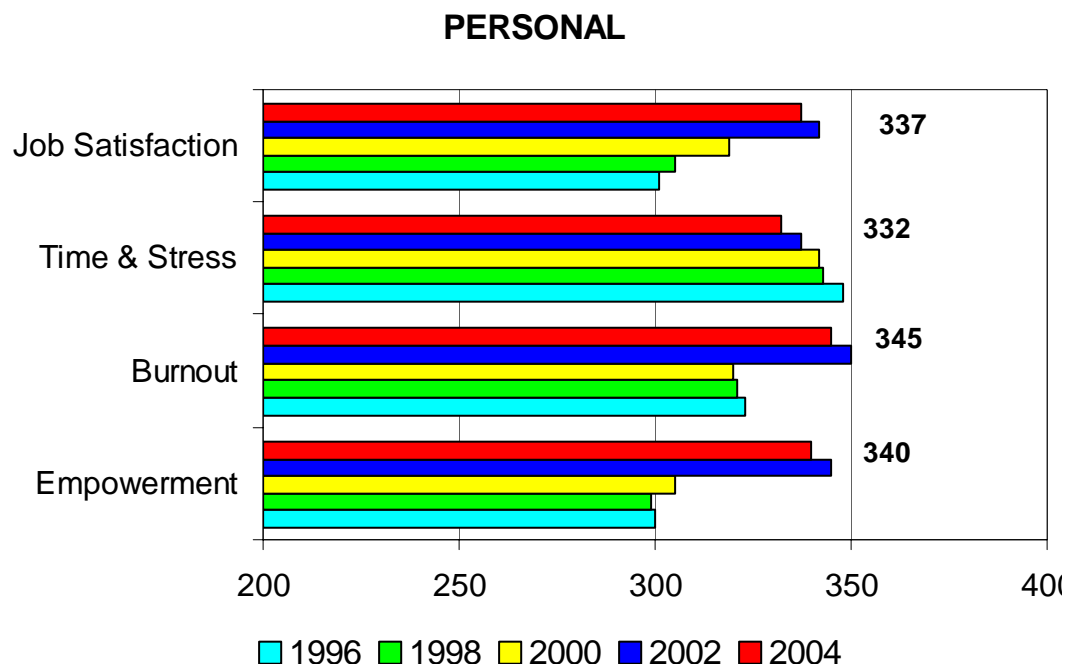
Score: 345

This construct is a feeling of extreme mental exhaustion that can negatively impact employees' physical health and job performance, leading to lost resources and opportunities in the organization.

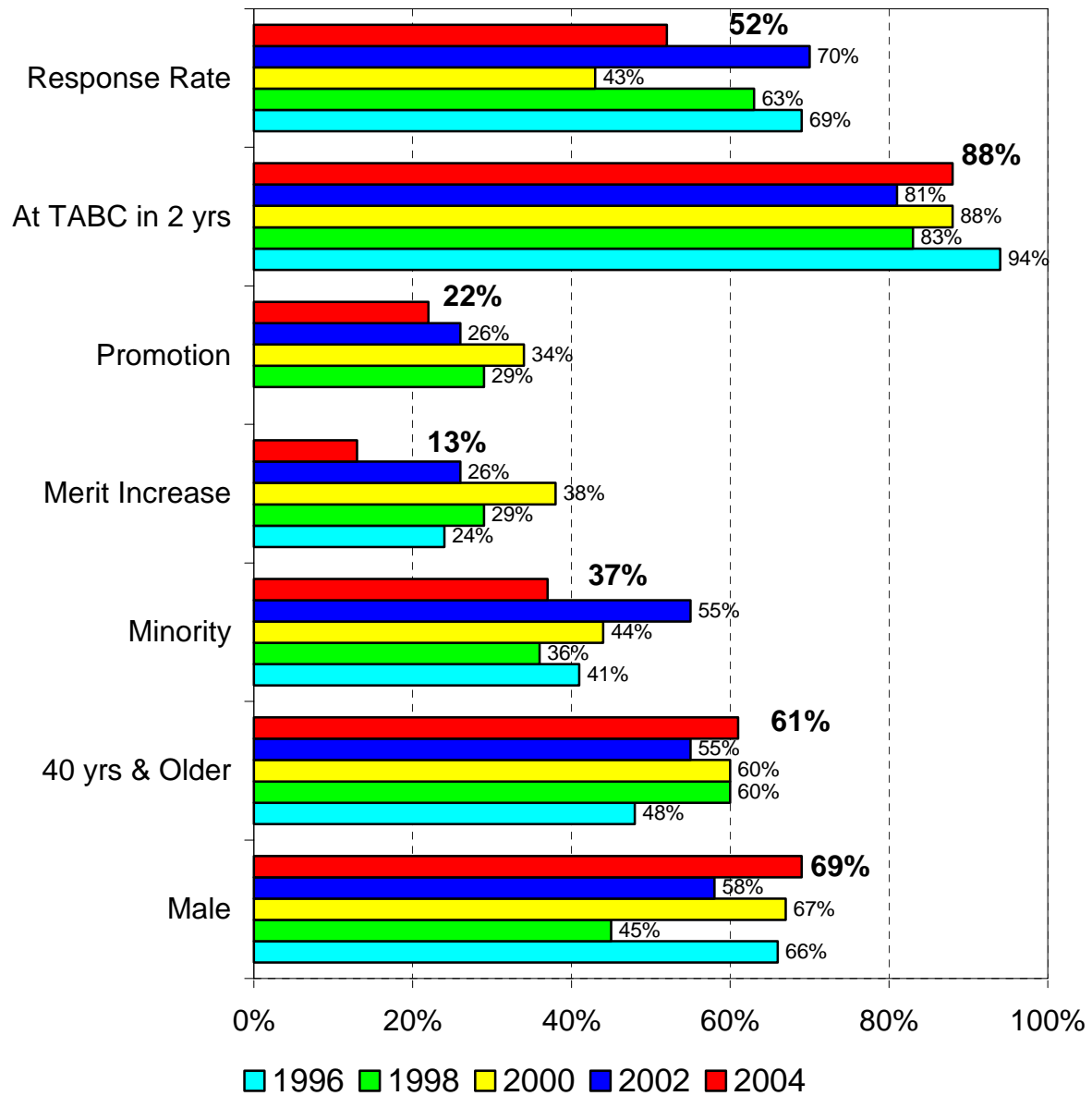
Empowerment

Score: 340

This construct measures the degree to which employees feel that they have some control over their jobs and the outcome of their efforts.



PARTICIPANT PROFILE



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It is the policy of the Texas Alcoholic Beverage Commission (TABC) to comply with Article IX, Section 111 of the General Appropriations Act, House Bill 1, 74th Legislature R.S. (1995), the Texas Building and Procurement Commission's (TBPC's) adopted HUB rules, Texas Administrative Code (TAC) 111.11 – 111.28, and Texas Government Code, Title 10, Subtitle D, Chapter 2161 in order to encourage the use of historically underutilized businesses (HUBs) and to achieve these goals through the use of race, ethnic, and gender neutral means. The goal of this program is to promote full and equal business opportunity for all businesses in the agency's contracting.

This policy shall incorporate the adoption of TBPC's HUB rules to implement a meaningful HUB program based on the State of Texas Disparity Study. The TABC will make a good faith effort to utilize HUBs in contracts for commodities, services, professional and consulting services, and construction by contracting directly with HUBs or indirectly through subcontracting opportunities. The TABC shall make a good faith effort to assist HUBs in receiving a portion of the total contract value of all contracts that the agency expects to award in a fiscal year in accordance with the following percentages: 1) 12.6 percent for commodities contracts; 2) 33 percent for services contracts; 3) 20 percent for professional and consulting services contracts; 4) 57.2 percent for all special

trade construction contracts; 5) 11.9 percent for heavy construction contracts; and 6) 26.1 percent for all other building construction contracts.

The agency shall ensure it makes a good faith effort by implementing the following procedures: 1) advance planning of large purchases to ensure adequate time and preparation is involved; 2) when possible, divide proposed requisitions into reasonable lots in keeping with industry standards and competitive bid requirements; 3) when applicable, assess bond and insurance requirements to avoid unreasonable bidding restrictions and permit more than one business to perform the work; 4) specify reasonable, realistic delivery schedules consistent with the agency's actual requirements; 5) ensure that specifications, terms and conditions reflect TABC's actual requirements, are clearly stated, and do not impose unreasonable or unnecessary contract requirements; 6) when contracts exceed \$100,000 the agency shall require contractors to make a good faith effort to award necessary subcontracts to HUBs by providing contractors with HUB subcontracting good faith guidelines, HUB goals, and a reference list of available certified HUBs; and 7) determine whether specific agency-wide goals are appropriate because some HUB groups have not been underutilized within applicable contracting categories and should not

be included in the HUB goals for that category.

The TABC will maintain and compile monthly information relating to the agency's use (by each operating division of the agency) of HUBs, including information regarding subcontractors. Additionally, the TABC shall require contractors on awarded contracts exceeding \$100,000 to report to the TABC on a quarterly basis, the identity and the amount paid to each HUB vendor to whom the contractor has awarded a subcontract for the purchase of supplies, materials, equipment, and services. The agency will ensure that internal and external reporting guidelines are in place to ensure tracking, control, and accountability.

The TABC shall maintain the designation of an agency HUB coordinator. The HUB coordinator and the purchasing section shall assist each division in finding, certifying, and making a good faith effort to use HUBs in accordance with the agency's set forth policies, goals, and procedures. Agency employees within each division that are engaged in recommending, requesting, or approving a particular vendor in the acquisition of goods and services and/or vehicle fleet repairs, will be held accountable for adhering to the agency's HUB policy. The HUB coordinator shall actively participate in HUB forums, trade shows, training, and implementation of the agency's Mentor Protégé program to promote HUB sub-contracting.

This internal HUB policy, as amended, is hereby adopted for implementation this 25th day of April 2002.

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Minor Stings

Under the close supervision of TABC enforcement agents, young people who are obviously underage go into licensed establishments and attempt to buy alcoholic beverages. 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.

Enforcement agents conducted approximately 3,063 minor stings in fiscal year 2003 and found an overall compliance rate of 78 percent, a vast improvement from the 30 to 40 percent rate that existed at the time the program began in the early 1990s.

Cops In Shops/COPS

TABC enforcement agents, with the cooperation of licensees and their employees, pose as customers or employees of an establishment and apprehend underage buyers as they attempt to purchase alcoholic beverages. Cops In Shops targets establishments where alcoholic beverages are sold for off-premise consumption only. COPS targets establishments where alcoholic beverages are sold for on-premise consumption

Both programs were originally funded by grants through the Texas Department of Transportation but are now fully funded by the TABC.

Operation Fake-Out

TABC enforcement agents, working in cooperation with alcoholic beverage licensees, local law enforcement, and other state police agencies, check the IDs offered by young people as they attempt to gain access to bars and nightclubs. Youngsters presenting fake, forged, or altered IDs, or IDs that clearly belong to other parties, are arrested and charged with the appropriate ID-related offense.

Operation Fake-Out activities have taken place in the entertainment districts of most of the state's major metropolitan areas and in and around the state's college campuses. The arrests resulting from each operation have run well into the double digits, and the deterrent effect of those arrests have been greatly magnified by the tremendous coverage given each Operation Fake-Out by the local press.

Project SAVE

The TABC's public education initiative is directed to several groups throughout the state. The TABC provides alcohol prevention education with four separate, multi-lesson curriculums for grades four through nine and, 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 2003, TABC enforcement agents made educational presentations to 410,017 Texans, including 305,236 school children, 33,236 college students, 12,761 police officers, 45,589 members of civic and parent groups, and 13,195 Texas retailers and their employees.

Safe Prom/Safe Graduation

Prom and graduation parties are common in Texas during April and May. The TABC, along with local law enforcement authorities, make a special effort to keep these parties safe and alcohol-free. Agents and local officers visit the area high schools to discuss options and consequences with the youngsters and their parents. They heavily promote the concept of alcohol-free parties and do everything they can to publicize enforcement efforts planned for the party season. The objective is to give young people alternatives to underage drinking and to ensure that bad choices will have immediate consequences.

Co-sponsors of Safe Prom/Safe Graduation include the Texas Association of Petroleum Marketers and Convenience Stores and the Texas Hotel/Motel Association.

Shattered Dreams

Shattered Dreams is a profoundly hard-hitting program that targets high school students and involves the dramatization of an alcohol-related crash on or near a high school campus, complete with police and EMS response, emergency room treatment, family notification, and

the arrest and booking of the teenage driver. To help students better comprehend the absolute magnitude of DWI-related deaths and injuries, a person dressed as the "Grim Reaper" appears in a different classroom every fifteen minutes to select a new victim, who is then taken out of the classroom, made-up in white face, and dressed in a black t-shirt before being returned to the classroom to represent a DWI death for the remainder of the day. The following morning, a wrap-up assembly is held featuring those who played roles during the previous day's drama, including the crash victims, the drunk driver, their parents, participating law enforcement, and medical personnel. Comment and impact statements from community members whose lives have been affected by teenage alcohol use and teenage DWI bring closure to the program and reinforce its dual message for the teenage audience - don't drink until you are 21 and never drink and drive.

TABC enforcement agents assisted in the planning and staging of more than 45 Shattered Dreams productions in fiscal year 2003 and expect to assist with roughly the same number of productions in fiscal year 2003 and future years. Federal funding through the Office of Juvenile Justice and Delinquency Prevention permitted the TABC to provide \$500 mini-grants to participating high schools in fiscal year 2003 to help them offset the cost of Shattered Dreams productions. Federal highway traffic safety funds made available by a grant from the Texas Department of Transportation provided continued funding for the mini-grant program in fiscal year 2004.

MADD (Mothers Against Drunk Driving)/TABC Power Camps

MADD/TABC Power Camps are held at various sites across the state each summer and provide leadership and team building skills training to high school students who are interested in underage drinking and DWI prevention issues. The objective of these camps is to prepare young people for leadership roles in community prevention efforts and to give them the skills needed to help build sustainable broad-based coalitions in their communities.

MADD and the TABC sponsored two power camps in 2003 and will sponsor a like number in 2004.

Policing Special Events - Mardi Gras and Spring Break

The TABC has always assisted local law enforcement in crowd control and alcohol enforcement at special events such as rodeos, festivals, and other mass gatherings. In recent years, the agency has sought and received grant funding from the Texas Department of Transportation and the Office of the Governor's Criminal Justice Division to increase its presence at events such as Mardi Gras on Galveston Island and at South Padre Island and Port Aransas during Spring Break. In fiscal year 2003, the TABC devoted over 26,231 agent work hours to special events, a fifth of which was spent on the beaches of Galveston, South Padre Island, and Port Aransas during Mardi Gras and Spring Break.

SSIPs (Stopping Sales to Intoxicated Persons)

Recent research indicates that almost half of the state's drunk drivers had their last drink before driving from an establishment licensed to sell alcoholic beverages for on-premise consumption. Texas law prohibits sales of alcoholic beverages to those who are already intoxicated. The goal of SSIP is to significantly reduce the number of intoxicated drivers by using enforcement actions to motivate retailers, who might be inclined to do otherwise, to comply with the law.

In the course of SSIP operations, retailers who have sold to intoxicated persons in the past or who have been the subject of complaints concerning such violations are visited by enforcement agents posing as customers in the late evening hours of peak business nights. While in these establishments, the agents watch specifically for any sales made to intoxicated persons. If violations are observed, agents document the violations and then take action as warranted.

SSIP operations are usually preceded and followed by publicity blitzes. These publicity blitzes are intended to raise public awareness of the relationship between illegal sales and drunk driving and to building public support for efforts to curb illegal sales. A third, perhaps even more important goal, is to encourage voluntary compliance among retailers.

Full statewide implementation of the SSIP program began in fiscal year 2003. In that year, SSIP operations targeted 1628 establishments and generated 477 criminal charges and 138 administrative cases.

EUDL Grant Program

In late 2002, Governor Perry transferred responsibility for administering the federal Enforcing the Underage Drinking Laws (EUDL) block grant from his office's Criminal Justice Division to the TABC. Funded through the U.S. Department of Justice's Office of Juvenile Justice and Delinquency Prevention, the EUDL block grant provides approximately \$360,000 per year to the State of Texas for underage drinking enforcement and prevention efforts. On average, two-thirds of the EUDL funds received are used to provide grants to eight to ten universities, communities, and non-profits per year to support local programs. The remainder is used to support TABC pilot tests and statewide initiatives, such as an annual symposium on underage drinking for representatives from the state's colleges and college communities.

Seller Training

The agency's seller training section has established initiatives throughout the state to encourage retailers to require that their employees attend TABC-approved seller training classes. It is expected that attending the training will reduce the possibility that these employees will sell alcohol to underage or intoxicated persons.

The seller training division has also implemented a standardized test for all seller-training schools. It is hoped that standardizing the tests will improve the quality of the content of the classes and ensure consistency across the state.

Ports of Entry

The ports of entry section has been making additional efforts to distribute information on laws concerning personal importation of alcoholic beverages and cigarettes into Texas from Mexico.