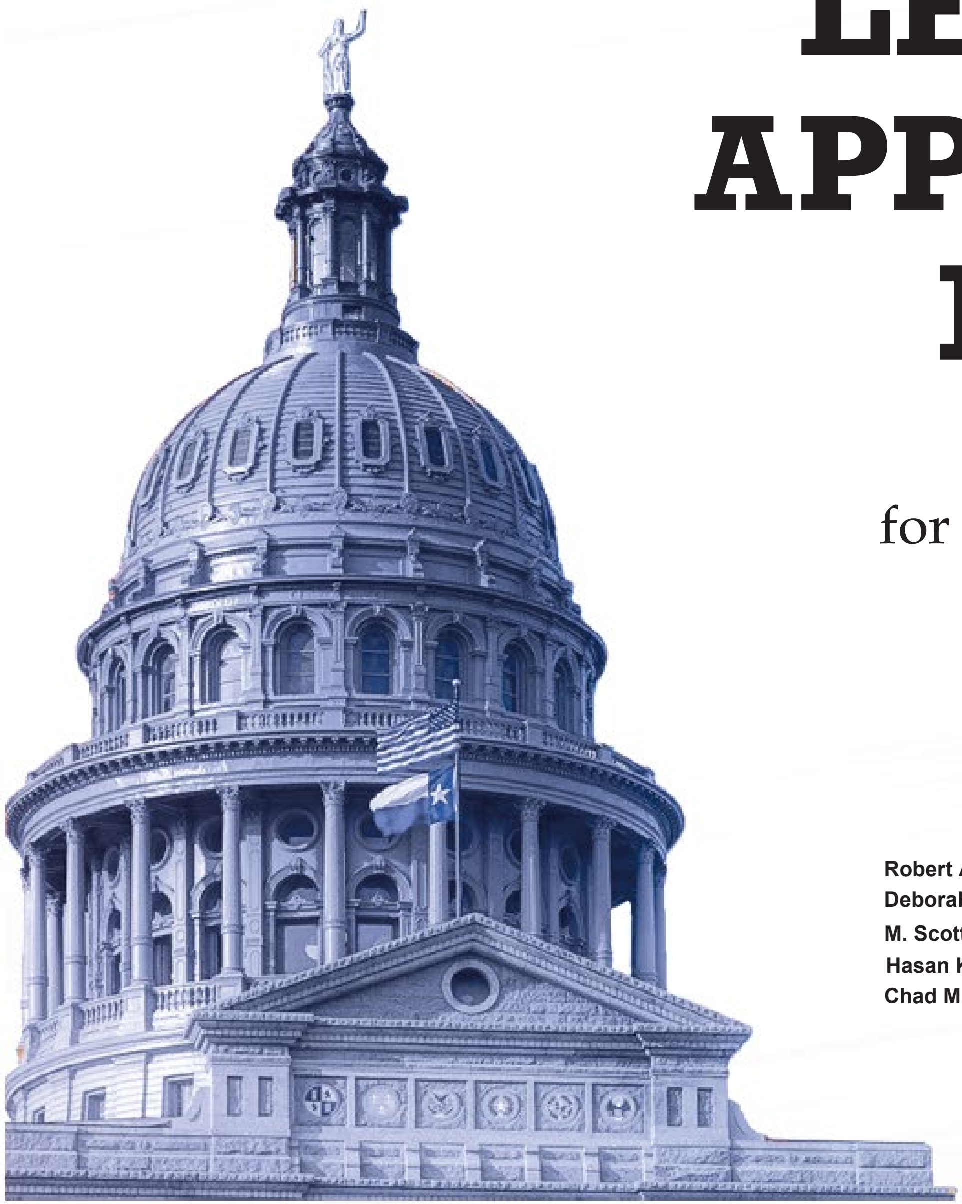
TEXAS ALCOHOLIC BEVERAGE COMMISSION

Supporting Businesses and Protecting Texans



LEGISLATIVE APPROPRIATION REQUEST

for **Fiscal Years 2028** and **2029**

Submitted to the

Office of the Governor, Budget Division, and the Legislative Budget Board

By the Texas Alcoholic Beverage Commission

Legislative Appropriations Request

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August 14, 2026

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Administrator’s Statement

I. TABC’s Governing Board

The Texas Alcoholic Beverage Commission (TABC) has a governing board consisting of five Commissioners appointed by the Governor and confirmed by the Senate. They serve staggered six-year terms without compensation. The board appoints and oversees TABC’s Executive Director, who runs the daily agency operations. The board votes on changes to the agency’s Administrative Rules (Rules) and on disciplinary actions involving regulated businesses in contested cases following an administrative hearing. The board’s top priority is to ensure TABC implements the law and Rules in a manner that is fair, protective of public health and safety, and not overly burdensome on businesses. It values transparency and open government and ensures all board meeting details are shared with the public in advance and that the meetings are streamed live for public viewing.

Commission Member	Hometown	Term End
Robert A. Eckels, Chair	Houston	November 15, 2027
Chad M. Craycraft	Dallas	November 15, 2029
M. Scott Adkins	El Paso	November 15, 2029
Hasan K. Mack	Austin	November 15, 2031
Deborah Gray Marino	San Antonio	November 15, 2031

II. TABC Overview

TABC is charged with regulating all aspects of the alcoholic beverage industry in the state through enforcement of the Texas Alcoholic Beverage Code (Code). The Code gives TABC a dual regulatory and public safety mission to ensure fair competition within the industry and to protect the welfare, health, and safety of the people of the state.

The agency’s regulatory mission includes issuing licenses to eligible applicants to operate in the Texas alcoholic beverage industry, approving the registration of new alcoholic beverage products, collecting excise taxes from alcohol manufacturers and wholesalers upon their first use or sale of alcoholic beverages, collecting taxes from and enforcing age and importation limits on travelers who bring alcoholic beverages and cigarettes with them into Texas from Mexico, enforcing restrictions on alcohol marketing and intra-industry agreements, and auditing businesses’ records to ensure compliance with state law.

TABC's public safety mission is to investigate all criminal activity connected to the alcoholic beverage industry and ensure that anyone operating within the industry does not endanger Texas communities.

Currently, the agency operates on a biennial budget of about $121 million in General Revenue and has 625 authorized full-time equivalent (FTE) positions, of which 230 are commissioned peace officer positions and 395 are civilian positions. TABC staff are divided among 25 offices across Texas and 28 ports of entry along the Texas-Mexico border. The agency regulates about 70,000 primary licenses and permits held by alcoholic beverage manufacturers, distributors, and retailers; and oversees the sale of about 1.5 billion gallons of alcohol each biennium. Additionally, TABC collected about $739.4 million in General Revenue for the state in the 2024-25 biennium, of which $210.5 million was from licensing fees and other revenue, $2.8 million from violation fines, and $525.9 million from taxes collected from businesses on their alcohol wholesale transactions and from travelers on the alcohol and cigarettes they bring into Texas for personal use at the state's international ports of entry.

III. Summary of TABC's Baseline Budget Request

For the upcoming 2028-29 biennium, TABC requests a baseline appropriation of $121.5 million in General Revenue, which includes 625 FTEs. This baseline request differs from TABC's unadjusted 2026-27 General Revenue base of $128.7 million in the following ways:

(1) It does not include a $1.4 million one-time appropriation for commissioned peace officer vehicles authorized in HB 500 (89R);

(2) It does not include $2 million out of a $3.1 million recurring appropriation for technology solutions authorized in SB 1 (89R); and

(3) After removing the previous two items and getting an adjusted 2026-27 General Revenue base of $125.3 million, it — in compliance with the 2028-29 LAR Policy Letter issued by the Governor, Lieutenant Governor, and Speaker of the House — does not include nearly $3.8 million, which is 3% of TABC's adjusted 2026-27 base.

TABC proposes that the 3% reduction to its adjusted 2026-27 base of $125.3 million be achieved by removing nearly $3.8 million from Strategy 4.1.2 Information Resources, which the agency will no longer need due to completed IT projects.

TABC's $121.5 million baseline request for the 2028-29 biennium is less than the $730.5 million in General Revenue that TABC estimates to collect for the state during that biennium. These estimated revenue collections include $207.8 million in licensing fees and other revenue, $2.8 million in violation fines, and $519.9 million in taxes collected from businesses on their alcohol wholesale transactions and from travelers on the alcohol and cigarettes they bring into Texas for personal use at the state's international ports of entry.

IV. Summary of TABC's Exceptional Item Requests

After conducting a comprehensive review of its operations and budget, TABC developed 5 exceptional item requests totaling $9.4 million and 3 new FTEs. This brings TABC's combined baseline and exceptional item requests for the 2028-29 biennium to $130.9 million in General Revenue and 628 FTEs. This funding level is less than the $730.5 million in General Revenue that TABC estimates to collect for the state during the 2028-29 biennium.

TABC's exceptional item requests aim to address critical salary dollar shortfalls for well-trained commissioned peace officers (CPOs), maintain effective transportation and communication resources for CPOs, and implement needed data management solutions. This additional funding will ensure TABC continues to effectively and efficiently execute its statutory mission and provide the level of service expected by the alcoholic beverage industry and the millions of Texans who rely on TABC to ensure public safety in their communities.

(1) Commissioned Peace Officer Stipends: TABC requests a biennially recurring $2 million to fund the salary stipends it must pay its CPOs for the degrees and certifications they achieve, as per Art. IX, Sec. 3.12(b) of the 2026-27 General Appropriations Act (GAA). This will allow TABC to pay the stipend without harming its ability to execute its statutory public safety mission.

(2) Commissioned Peace Officer Vehicles: TABC requests a one-time appropriation of $5 million to replace 64 of its 139 CPO vehicles that meet or exceed the

replacement threshold recommended by the 2025 Texas State Vehicle Fleet Management Plan (i.e., 9 years of service and 100,000 miles). This will help TABC maintain reliable, cost-effective vehicles so that it can keep its CPOs on the road and fulfill its duty to investigate criminal activity tied to the alcoholic beverage industry.

(3) Data Management & Analytics: TABC requests a biennially recurring $1.4 million to add 3 new FTEs to the agency to form a small team that manages, analyzes, and makes use of critical TABC data. This will allow TABC to properly preserve and aggregate data generated by the agency to produce reliable reflections of its operations and the alcoholic beverage industry's activities, which TABC and its stakeholders can leverage to gain valuable insights about agency processes and expenditures, industry compliance, and market trends; and make data-driven decisions regarding resource allocation, customer service, industry education, enforcement operations, and more.

(4) Digital Evidence Management: TABC requests $450,000 for a system to store and manage the digital evidence it collects during investigations. This includes a one-time $50,000 service fee and a biennially recurring $400,000 for contracted services for system support and cloud storage that is compliant with the FBI's Criminal Justice Information Services (CJIS) requirements. This will allow TABC to stop storing, accessing, and sharing digital evidence on hard drives, flash drives, and DVDs and stop manually documenting all interactions with this evidence, and to instead use a cloud-based system that allows authorized users to remotely upload and access evidence, make redactions, and electronically share digital evidence with required internal and external parties. The system will also transcribe video evidence and generate a tamper-evident record of each interaction with the evidence, ensuring TABC maintains the proper chain of custody for its use in legal proceedings.

(5) Commissioned Peace Officer Radios: TABC requests a one-time appropriation of $600,000 to buy 52 handheld radios, necessary accessories (e.g., battery packs, charging stations, etc.), and a 7-year subscription to mission-critical applications (e.g., location tracker, push program changes to radios, and enable radios to switch between LMR and broadband) to ensure reliable peace officer communications. This will enable TABC to have a small number of modern radios that are interoperable with the radios now being used by other law enforcement agencies with whom TABC collaborates. TABC will strategically distribute these new radios among its 230 CPO positions when they are on joint operations with other law enforcement entities — such as disaster responses, public safety at major music festivals and sporting events, operations at dangerous business locations, and more. This will help fill a major gap in TABC's critical public safety communications.

To get a more detailed description and justification for TABC's five exceptional items, go to the Exceptional Item Request Schedule in part 4.A. of this document.

V. Significant Changes in Policy Fundamental to Budget Request

(1) State Laws and State Policy Regarding Agency Data: In the last few regular sessions, the Texas Legislature has adopted or amended various provisions of Texas Government Code Chapter 2054 that establish data management priorities for state agencies. Additionally, Texas' 2026-2030 State Strategic Plan for Information Resources Management establishes several goals for state agencies, including managing data responsibly to power AI and technology innovation and making public data easily obtainable and securely available. Existing TABC staff do the work necessary to align the agency with these priorities and goals, but this is unsustainable as they are also assigned to other critical agency functions and as data requests from stakeholders grow. TABC needs dedicated staff to create and enforce consistent data governance, management, and analytics protocols; and to make more useful datasets available in DIR's Open and Closed Data portals so that they are readily available to all TABC stakeholders.

(2) State Law and TABC Policy to Reduce Commissioned Peace Officer Vacancies by Compensating Based on Prior Experience: The 2026-27 GAA, Art. V, Sec. 1, Alcoholic Beverage Commission, Rider 17 allows TABC to put its CPOs on Salary Schedule C based on their prior experience (up to 4 years) as a peace officer anywhere in the U.S. rather than based only on their years at TABC. The 2026-27 GAA also provided TABC with additional salary funds to pay for this. TABC updated its salary policy and began implementing this practice in FY2026 with much success in filling historically vacant CPO positions. However, because of this success,

relying on these balances to support agency needs creates a potential future budget challenge, as those dollars have historically served as a last-resort resource for addressing critical public safety funding gaps. As a result, TABC has made several exceptional item requests related to public safety in this LAR.

(3) State Law on Commissioned Peace Officer Salary Stipends: The 2026-27 GAA, Art. IX, Sec. 3.12(b) doubled the stipend rates agencies must pay their CPOs for the degrees and certifications they achieve, and it removed the prohibition on paying CPOs a stipend for both their education and certification level. However, the GAA did not provide additional funds to agencies with CPOs to cover the increased cost. As such, TABC's stipend costs increased nearly 180% from the 2024-25 biennium to the 2026-27 biennium and will increase further in the 2028-29 biennium. TABC needs additional funds in the 2028-29 GAA to cover its increased stipend costs to avoid significant negative impacts to its public safety operations.

(4) State Law on Commissioned Peace Officer Vehicles: Funding for TABC's ongoing CPO vehicle needs used to be included in the agency's base budget; however, neither the 2024-25 GAA, nor the 2026-27 GAA, included capital items for vehicles in TABC's budget. TABC made exceptional item requests for CPO vehicles in each of the last two sessions, and the Legislature funded them through supplemental appropriations bills: SB 30 (88R) and HB 500 (89R). As such, TABC must now make an exceptional item request to help it maintain a fleet of reliable CPO vehicles necessary for executing the agency's statutory responsibilities.

(5) Agency Rules on Consumable Hemp Products: In September 2025, Governor Abbott issued Executive Order No. GA-56 directing TABC to adopt rules that require alcohol retailers to check a person's ID before selling them a consumable hemp product (CHP) and that prohibit retailers from selling CHPs to minors. GA-56 also directed TABC to help the Texas Department of State Health Services (DSHS) check for businesses' compliance with certain CHP regulations under DSHS's jurisdiction.

From December 2025 through July 2026, TABC's CPOs made more than 1,700 CHP-related education visits to businesses, conducted nearly 300 operations to identify retailers' non-compliance with CHP regulations, issued 13 citations for CHP sales to minors, and issued 6 citations for failing to check ID prior to a CHP sale.

The additional responsibility regarding CHPs highlights the broad range of services TABC provides the state through its mission to address public safety issues connected to the alcoholic beverage industry; and it further highlights the importance of having the necessary salary dollars to recruit and retain experienced, well-trained peace officers, filling vacant CPO positions, and providing CPOs with reliable vehicles so they can effectively perform their duties.

VI. Significant Changes in Provision of Service Fundamental to Budget Request

Change in Agency Efficiency Regarding Digital Evidence: Digital evidence has become the primary type of evidence used in law enforcement due to the increasing rate at which technology is used to violate the law and at which it documents the commission of a law violation. As such, TABC has a rapidly growing volume of digital evidence and this, combined with TABC's current system of storing and transferring this evidence on physical drives, creates several issues: (1) it requires the agency to make expensive emergency hardware purchases to expand its storage capacity as needed; (2) it causes delays in TABC's investigations and cases due to the time it takes to copy and physically transfer digital evidence to the parties involved; and (3) it increases the chances of improper evidence handling and unexplained digital interactions with the evidence, which weakens the evidence's chain of custody and usefulness in cases.

VII. Significant Externalities Fundamental to Budget Request

(1) Change in Technology Regarding Commissioned Peace Officer Radios: TABC's current dual-band radios for its CPOs are incompatible with the new all-band radios now being used by other law enforcement agencies across Texas. This means when TABC engages in a joint operation with other law enforcement entities, its radios may

not communicate with those used by the other peace officers. This creates operational challenges to executing TABC’s public safety mission.

(2) Change in Demand for Agency Services Related to Agency Data: There is growing demand for TABC data and analytics to identify trends in business licensing, alcohol production and wholesales, and violations. This data is used by TABC to better allocate resources and plan operations to assist businesses and protect communities, and it is used by external stakeholders to identify changes in the marketplace, identify business opportunities, and more. TABC needs dedicated staff to create and enforce consistent data governance, management, and analytics protocols so that the agency can produce reliable data and make it readily available to meet this demand.

VIII. Exempt Position

The 2026-27 General Appropriations Act provides TABC with 1 exempt position, which is an Administrator in Salary Group 7 with an annual salary of $230,000. TABC’s Administrator is more commonly known as the Executive Director. These titles are interchangeable.

In March 2026, TABC’s commissioners submitted a request to the LBB to increase the Executive Director’s annual salary to $249,000, as required by Article IX, Section 3.04(c) of the 2026-27 GAA. This amount is within the GAA’s range for Salary Group 7. The new salary went into effect on June 17, 2026.

TABC requests that the Executive Director’s salary in the 2028-29 GAA be updated to $249,000 to reflect the new salary amount; however, the agency does not request an increase to its Indirect Administration appropriations to pay for it. Additionally, TABC does not request changes to the exempt position’s title or salary group number.

IX. Background Checks

When filling vacant commissioned peace officer positions, TABC carefully investigates candidates pursuant to Occupations Code Section 1701.451 and the Texas Commission on Law Enforcement’s rules for their employment history, education records, credit history, criminal history, and other relevant legal records.

When filling vacant civilian positions at TABC, applicants are subject to criminal history checks and a check of previous employment references. Interns, volunteers, and contractors with access to the TABC network are also subject to a criminal history check, as per Government Code Section 411.1405.

When processing applications for an alcoholic beverage license or permit, TABC conducts criminal background checks on individuals named on the application as outlined in Alcoholic Beverage Code Section 109.532. All criminal history information TABC receives as part of these investigations is kept confidential, and all such records are destroyed in accordance with applicable law.

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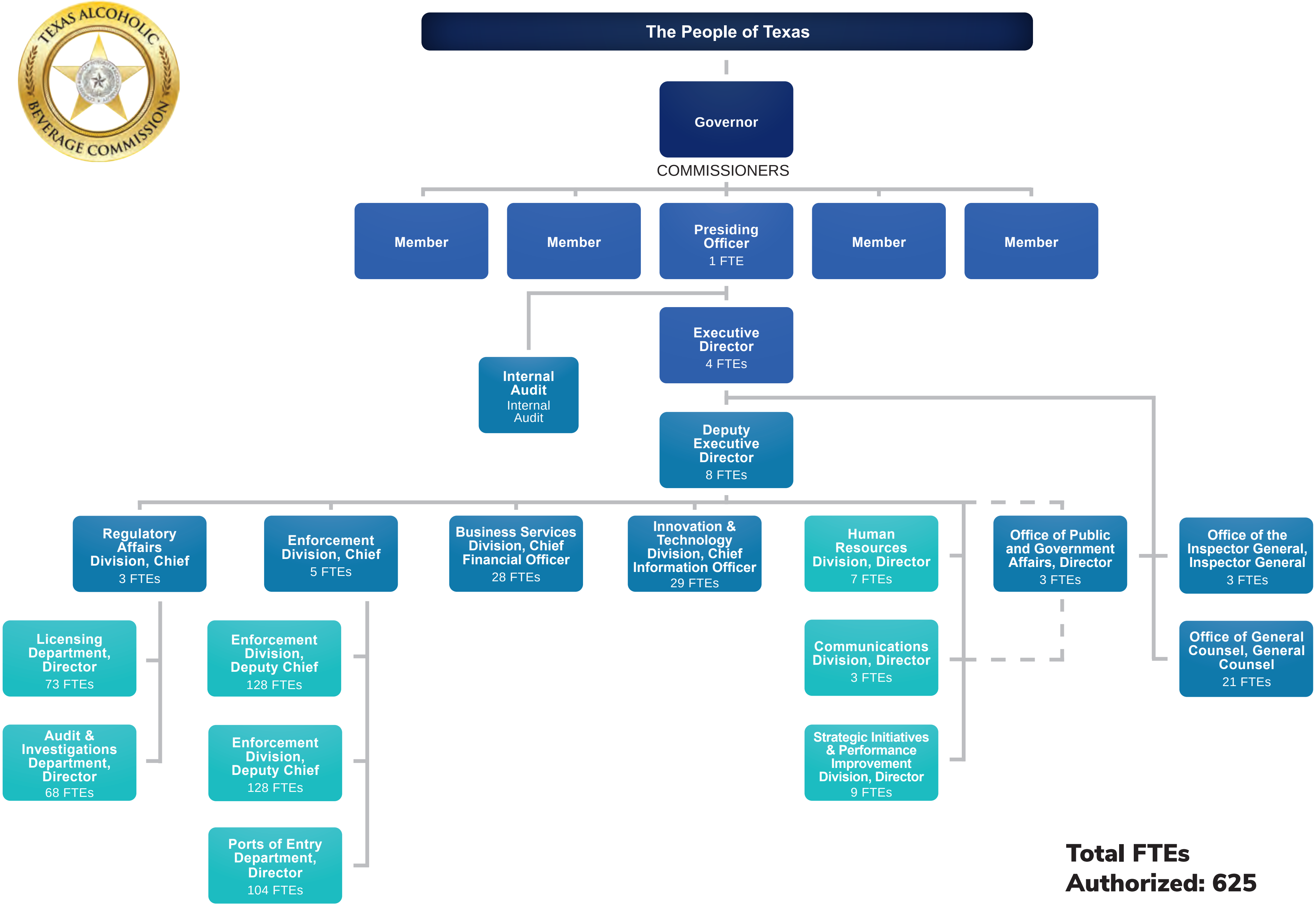
X. Closing Statement

As Chairman of the Texas Alcoholic Beverage Commission, I fully support TABC's Legislative Appropriations Request for the 2028-29 biennium. My fellow commissioners and I have worked with agency staff to develop a Strategic Plan and Legislative Appropriations Request that ensure TABC operates efficiently and effectively and provides the best service possible to the industry it regulates and the Texas communities it is bound to protect. I ask for the Legislature’s favorable consideration of this request.

Robert A. Eckels

Chairman, Texas Alcoholic Beverage Commission



Total FTEs Authorized: 625

TABC Organizational Chart
as of August 10, 2026

Division Descriptions

Audit and Investigations — Conducts investigations and financial reviews; oversees the collection and reconciliation of the state's excise taxes; conducts inspections during the initial phases of the licensing process; and assists agents in various types of investigations.

Business Services — Responsible for all fiscal operations of the agency, including revenue processing, accounts payable, payroll, time and leave accounting, maintenance of the general ledger, and research and planning, as well as preparation and oversight of the agency's legislative appropriations request, annual financial reports, and all performance reporting.

Executive — Leads the agency and establishes the strategy for achieving TABC's mission; implements Commission directives; manages day-to-day operations; leads clear communication and engagement efforts; and sets staff training standards.

General Counsel — Provides legal services for the agency, including representing TABC in administrative hearings, drafting rules, responding to open records requests, managing litigation involving the agency, and providing legal advice to agency leadership and staff.

Human Resources — Manages employment-related activities including recruitment, selection, benefits and compensation, employee relations, classification, risk management, and implementation of TABC's equal employment opportunity program.

Innovation and Technology — Develops and maintains the core technology applications and infrastructure that supports agency operations and applies innovative technology solutions to make the agency more efficient, improve customer service, and solve business problems.

Inspector General — Oversees or conducts all internal investigations concerning the conduct of agency employees.

Law Enforcement — Protects Texans through public safety investigations and operations; investigates allegations of violations of the Alcoholic Beverage Code and other laws at TABC-licensed businesses; and, through the Special Investigations, investigates financial crimes, combats organized crime and other major criminal activity, and traces the source of alcohol after alcohol-related emergencies resulting in serious injury or death.

Licensing — Processes, reviews and grants licenses and permits to qualified applicants in accordance with the Alcoholic Beverage Code; provides customer service to applicants to assist businesses and support regulatory compliance; carries out a consistent, predictable, and timely licensing and permitting process; and oversees the agency's product registration process (labeling).

Marketing Practices — Oversees laws and rules regulating promotion of alcoholic beverage products.

Ports of Entry — Enforces personal importation laws and collects taxes and fees on alcoholic beverages and cigarettes brought into Texas from other countries through the state's ports of entry.

Public and Government Affairs — Establishes and oversees TABC's relationship and communications with government officials and their staff, TABC's engagement with the alcoholic beverage industry, and executes the agency's internal and external communications plan.

Strategic Planning and Performance Improvement — Implements legislation and audit recommendations; strategic planning and performance measures reporting; and management of the rulemaking process and policy program, as well as evaluation of structures, processes, and programs for efficiency and effectiveness.

Training — Develops innovative initiatives and maintaining inclusive training for staff, law enforcement, and TABC-licensed businesses.

CERTIFICATE

Agency Name **Texas Alcoholic Beverage Commission**

This is to certify that the information contained in the agency Legislative Appropriations Request filed with the Legislative Budget Board (LBB) and the Governor's Office Budget Division (Governor's Office) is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's Office will be notified in writing in accordance with Senate Bill 1, Article IX, Section 7.01, Eighty-ninth Legislature, Regular Session 2025.

Chief Executive Officer or Presiding Judge

Signature

Thomas W. Graham

Printed Name

Executive Director

Title

Date

Board or Commission Chair

Signature

Robert A. Eckels

Printed Name

Presiding Officer

Title

Date

Chief Financial Officer

Signature

Jay Koltermann

Printed Name

Chief Financial Officer

Title

Date