LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION
Revision 1

March 22, 2005

TO: Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **SB1137** by Madla (Relating to the development of the wine industry in this state.), **As Introduced**

While the overall fiscal impact to specific state agencies would be insignificant, the enactment of the bill could result in a loss of federal highway funds to the state in an amount of approximately $199.4 million each year.

If enacted, the bill would require the Texas Wine Marketing Research Institute at Texas Tech University (TTU) to provide data to the Commissioner of Agriculture concerning the grape and wine industry in Texas. TTU estimates a cost of approximately $50,000 per fiscal year for one full-time-equivalent position to collect this data. However, this cost can be absorbed within existing resources.

The bill would also allow the Commissioner of Agriculture to establish a voluntary registry for vineyards and other fruit growers to facilitate communication between producers and those adding value to the fruit for winemaking and to assess a fee to cover the costs of administering this registry. Any new fees collected would be deposited into a new General Revenue-Dedicated Account (the Vineyards and Fruit Growers Registry Account) created by the bill and used by the Texas Department of Agriculture (TDA) to administer the registry. TDA estimates the cost to administer the registry to be $23,500 per fiscal year, and also estimates that these costs would be offset by new fees from registry sales (125 registries at $190 each). Given these circumstances, the bill if enacted, would have no significant fiscal impact on TDA.

The bill would amend the Alcoholic Beverage Code to allow wineries to list in their advertising where their wines can be purchased and to establish winery cooperatives. Neither of these provisions would have a significant fiscal impact on the Texas Alcoholic Beverage Commission.

Based on the analysis of the Texas Department of Transportation (TxDOT), certain provisions of the bill related to the tourist-oriented directional sign program would not conform to federal transportation guidelines for the placement of highway signs established in the national Manual on Uniform Traffic Control Devices (MUTCD). The MUTCD is adopted by reference in accordance with Title 23, United States Code, Section 109(d) and Title 23, Code of Federal Regulations, Part 655.603, and is approved as the national standard for designing, applying, and planning traffic control devices.

The federal provisions allow for the withholding of federal highway funds from states by an amount determined by the Secretary of Transportation for not maintaining compliance, which could result in the loss of federal highway funds. Based on other penalties established under the Transportation Equity Act, it is assumed that a penalty of 10 percent of certain funds apportioned under that Act would be withheld. According to information received by TxDOT, the state is expected to receive approximately $3.7 billion total in fiscal year 2006 and $3.2 billion total in fiscal year 2007 in all federal highway funds. Assuming that up to 10 percent of certain federal highway funds apportioned under the Transportation Equity Act could be withheld, it is estimated Texas could lose approximately $199.4 million in future highway funds each year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 458 Alcoholic Beverage Commission, 551 Department of Agriculture, 601 Department of Transportation, 733 Texas Tech University

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