

BILL ANALYSIS

Senate Research Center

S.B. 518
By: Eltife et al.
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Small craft brewers are currently prohibited from making sales directly to consumers and are typically underrepresented in the market as a whole. In the interest of stimulating demand for their products and allowing consumers access to the products, S.B. 518 allows small brewers to devote a small amount of their annual production limit for direct sales to consumers. Sales to consumers will be dedicated for responsible, on-premise consumption and could not exceed 5,000 barrels annually. Such sales will be limited to sales by a manufacturer licensee or the holder of a brewer's permit whose annual production of beer, combined with ale, does not exceed 225,000 barrels. Additionally, S.B. 518 provides the permissible hours for the sale and consumption of ale or malt liquor and beer on the premises of a brewer or manufacturer.

This change in the Alcoholic Beverage Code does not suggest the three-tier system is broken. Rather, it constitutes a minor revision which will make the system more reflective of the changing dynamics of today's market.

S.B. 518 amends current law relating to the authority of certain brewers and manufacturers to sell beer and ale to ultimate consumers.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Sets forth legislative findings regarding the United States Supreme Court decision in *Granholm v. Heald*, 544 U.S. 460 (2005).

SECTION 2. Amends Chapter 12, Alcoholic Beverage Code, by adding Section 12.052, as follows:

Sec. 12.052. SALES BY CERTAIN BREWERS TO CONSUMERS. (a) Authorizes the holder of a brewer's permit whose annual production of ale together with the annual production of beer by the holder of a manufacturer's license at the same premises does not exceed a total of 225,000 barrels, in addition to activities authorized by Section 12.01 (Authorized Activities), to sell ale produced on the brewer's premises under the permit to ultimate consumers on the brewer's premises for responsible consumption on the brewer's premises.

(b) Prohibits the total combined sales of ale to ultimate consumers under this section, together with the sales of beer to ultimate consumers by the holder of a manufacturer's license under Section 62.122 at the same premises, from exceeding 5,000 barrels annually.

SECTION 3. Amends Chapter 62, Alcoholic Beverage Code, by adding Section 62.122, as follows:

Sec. 62.122. SALES BY CERTAIN MANUFACTURERS TO CONSUMERS. (a) Authorizes a manufacturer's licensee whose annual production of beer together with the annual production of ale by the holder of a brewer's permit at the same premises does not exceed 225,000 barrels to sell beer produced on the manufacturer's premises under the license to ultimate consumers on the manufacturer's premises for responsible consumption on the manufacturer's premises.

(b) Prohibits the total combined sales of beer to ultimate consumers under this section, together with the sales of ale to ultimate consumers by the holder of a brewer's permit under Section 12.052 at the same premises, from exceeding 5,000 barrels annually.

SECTION 4. Amends Chapter 105, Alcoholic Beverage Code, by adding Section 105.081, as follows:

Sec. 105.081. HOURS OF SALE AND CONSUMPTION: BREWER OR MANUFACTURER. (a) Authorizes the holder of a brewer's permit to sell, offer for sale, and deliver ale or malt liquor and authorizes a person to consume ale or malt liquor on the brewer's premises:

(1) between 8 a.m. and midnight on any day except Sunday; and

(2) between 10 a.m. and midnight on Sunday.

(b) Authorizes the holder of a manufacture's license to sell, offer for sale, and deliver beer and authorizes a person to consume beer on the manufacturer's premises:

(1) between 8 a.m. and midnight on any day except Sunday; and

(2) between 10 a.m. and midnight on Sunday.

SECTION 5. (a) Effective date, subject to Subsection (b) of this section: upon passage or September 1, 2013.

(b) Provides that the changes in law made by this Act take effect only if each of the following bills is enacted and becomes law:

(1) Senate Bill No. 515, House Bill No. 1763, or another similar bill of the 83rd Legislature, Regular Session, 2013, that allows holders of brewpub licenses to self-distribute beer, malt liquor, or ale produced under the license to retailers;

(2) Senate Bill No. 516, House Bill No. 1764, or another similar bill of the 83rd Legislature, Regular Session, 2013, that allows small brewers to sell ale to retailers;

(3) Senate Bill No. 517, House Bill No. 1765, or another similar bill of the 83rd Legislature, Regular Session, 2013, that allows small beer manufacturers to sell beer to retailers; and

(4) Senate Bill No. 639, House Bill No. 1538, or another similar bill of the 83rd Legislature, Regular Session, 2013, relating to sales of beer by a manufacturer to a distributor and certain agreements between a manufacturer and distributor.