

BILL ANALYSIS

Senate Research Center
84R9270 KLA-F

S.B. 881
By: Nelson
Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The economic impact of the Texas wine industry increased dramatically to over \$1.8 billion annually in 2013. Approximately 11,151 people are employed directly by the industry and, year after year, sales data show that, despite the current economy, the Texas wine industry is still growing. In 2013, the industry contributed \$85 million in state and local taxes—a 117 percent increase over 2005.

In 2013, 286 Texas wineries collectively produced over three million gallons of wine. In 2005, S.B. 1370 became one of the cornerstones for the industry's growth. That bill dedicated a specific amount of revenue, raised through wine sales and excise taxes, to a number of key research projects that helped propel the industry to its current status. S.B. 881 renews that legislation and, working closely with the Texas Department of Agriculture, continues to direct a small portion of the wine sales and excise tax revenue to specific viticulture and enology research projects within several of our state universities.

As proposed, S.B. 881 amends current law relating to the dedication of certain wine-related revenue.

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. Amends Section 205.03, Alcoholic Beverage Code, by amending Subsections (b), (c), (d), (e), (j), (n), and (p) and adding Subsection (n-1), as follows:

(b) Requires that the following revenue, notwithstanding Section 205.02 (Disposition of Receipts), be appropriated for each state fiscal year only as specified by this section:

(1) the lesser of:

(A) the amount, if any, by which the amount of revenue derived from excise taxes on wine produced in a state other than Texas and any sales taxes collected from holders of out-of-state winery direct shipper's permits as a result of the passage of Senate Bill No. 877 by the 79th Legislature, Regular Session, 2005, according to the most recent projection, as of the beginning of the fiscal year, by the comptroller of public accounts of the State of Texas (comptroller) for the fiscal year exceeds the amount of revenue from those sources for fiscal year 2014, rather than fiscal year 2004, compounded annually for fiscal years 2015-2025, rather than fiscal years 2005-2015, by the average percentage by which revenue from those sources increased from one fiscal year to the next between September 1, 2005, and August 31, 2013, rather than September 1, 1999, and August 31, 2003; or

(B) \$1 million; and

(2) Makes conforming changes.

(c) Requires that the lesser of \$830,000, rather than \$50,000, out of the amounts available under Subsections (b)(1) and (2) for a fiscal year, or the total amount available under those subdivisions be appropriated only to Texas A&M AgriLife Extension Service, rather than be appropriated only to the Texas Cooperative Extension for extension viticulture operations.

(d) Provides that, if the amount available for a fiscal year under Subsections (b)(1) and (2) exceeds \$830,000, the lesser of \$365,000, or the total amount available under those subdivisions may be appropriated only to the Texas Tech University Viticulture and Enology program. Deletes existing text providing that, if the amount available for a fiscal year under Subsections (b)(1) and (2) exceeds \$50,000, the lesser of \$50,000, or the total amount available under those subdivisions may be appropriated only to the Texas Agricultural Experiment Station for viticulture research.

(e) Requires that, if the amount available for a fiscal year under Subsections (b)(1) and (2) exceeds \$1,195,000, the lesser of the amount remaining under Subsection (b)(2) or \$150,000, be appropriated only to the Texas Wine Marketing Research Institute at Texas Tech University. Deletes existing text requiring that, if the amount available for a fiscal year under Subsections (b)(1) and (2) exceeds \$100,000, the lesser of the amount remaining under Subsection (b)(2) or \$65,000, be appropriated only to the Texas Wine Marketing Research Institute at Texas Tech University.

(j) Requires that, if the amount available for a fiscal year under Subsections (b)(1) and (2) exceeds the maximum amount that may be appropriated under Subsections (c), (d), and (e), rather than Subsections (c)-(g), the lesser of the amount remaining under Subsections (b)(1) and (2) or \$150,000, rather than \$50,000, be appropriated only for distribution to the T. V. Munson Viticulture and Enology Center of the Grayson County Junior College District to fund educational programs at the center, rather than be appropriated for distribution to the T. V. Munson Viticulture and enology Center at Grayson Community College to fund the associate degree program at the center.

(n) Requires that, if revenue derived under Subsection (b)(2) is not otherwise appropriated under this section, the lesser of that remaining revenue or \$300,000 be appropriated only:

(1) for the development of technologies, strategies, and practices for mitigating or eliminating the effects of frost, pestilence, or infestation on grapevines for which money donated from private sources under Chapter 50B (Texas Wine Industry Development Act), Agriculture Code, is also spent; and

(2) in an amount that does not exceed the amount of the donated money described by Subdivision (1) that is spent for the same purposes.

Deletes existing text requiring that revenue derived under Subsection (b)(2) and not otherwise appropriated under Subsections (c)-(k) be appropriated only for the purposes of increasing the economic impact of the Texas wine producing industry on the state.

(n-1) Requires that any revenue available for a fiscal year under Subsection (b) that is not otherwise appropriated as authorized by this section be appropriated only to the Texas Department of Agriculture (TDA) for:

(1) the development of technologies, strategies, and practices for mitigating or eliminating the effects of frost, pestilence, or infestation on grapevines; and

(2) TDA's direct and indirect costs associated with administering programs under Subsection (n) or Subdivision (1) of this subsection.

(p) Provides that this section expires September 1, 2025, rather than September 1, 2015.

SECTION 2. Repealer: Section 205.03(a) (defines "institution of higher education" in this section), Alcoholic Beverage Code.

Repealer: Section 205.03(f) (authorizing, if the amount available for a fiscal year under Subsections (b)(1) and (2) exceeds the amounts that may be appropriated under Subsections (c), (d), and (e), the lesser of the amount remaining under Subsections (b)(1) and (2) or \$280,000 to be appropriated only to TDA for distribution as provided by Subsections (g), (h), and (i)), Alcoholic Beverage Code.

Repealer: Section 205.03(g) (authorizing money appropriated to TDA under Subsection (f), except as provided by Subsections (h) and (i), to be distributed for certain purposes), Alcoholic Beverage Code.

Repealer: Section 205.03(h) (authorizing the commissioner of agriculture (commissioner) to deposit the lesser amount into the wine industry development fund to be used for a purpose described by Subsection (l), if the maximum amount that may be distributed for a purpose provided by Subsection (g) is not available and the commissioner determines that the amount available for that purpose is insufficient to achieve that purpose), Alcoholic Beverage Code.

Repealer: Section 205.03(i) (requiring that money appropriated under Subsection (f) derived from Subsection (b)(1) be used only for a purpose described by Subsection (m)), Alcoholic Beverage Code.

Repealer: Section 205.03(k) (requiring that, if the amount available for a fiscal year under Subsections (b)(1) and (2) exceeds the amount that may be appropriated under Subsections (c)-(j), if the lesser of the amount remaining under Subsection (b)(2) or \$250,000 may be appropriated only to TABC and requiring TABC to reduce the amount of the surcharge imposed during the following fiscal year under Section 5.55 on permit and license holders who are not authorized to sell wine by an amount that will reduce the total amount collected under that section by the amount appropriated to TABC under Subdivision (1)), Alcoholic Beverage Code.

Repealer: Section 205.03(l) (requiring that the remaining amount, if the amount available for a fiscal year under Subsections (b)(1) and (2) exceeds the amounts that may be appropriated under Subsections (c)-(k), be deposited in the general revenue fund to the credit of the wine industry development fund and may be appropriated only to TDA), Alcoholic Beverage Code.

Repealer: Section 205.03(m) (requiring that revenue derived under Subsection (b)(1) and not otherwise appropriated under Subsections (c)-(k) to be appropriated only for certain purposes), Alcoholic Beverage Code.

Repealer: Section 205.03(o) (requiring the comptroller to provide TDA information necessary to allow TDA to identify the amount of revenue appropriated to TDA that is derived under Subsection (b)(1) and the amount of that revenue that is derived under Subsection (b)(2) so that TDA may distribute the revenue in accordance with this section), Alcoholic Beverage Code.

SECTION 3. Effective date: September 1, 2015.