

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 31, 2015

TO: Honorable Kevin Eltife, Chair, Senate Committee on Business & Commerce

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB609 by Hancock (Relating to the regulation of package store permit holders.), **As Introduced**

Depending on whether the provisions of the bill lead to an increase in the number of package store permit applications and permit holders, the provisions of the bill could lead to more revenue from permits and surcharges. However, the Comptroller of Public Accounts has indicated that the amount of revenue cannot be determined. Due to the lack of information about the impact of the provisions of the bill on the number of package store permit applications and new permit holders, the fiscal implications of the bill cannot be determined at this time, but could be significant.

The bill would amend certain provisions of the Alcoholic Beverage Code related to the regulation of package store permit holders. Certain interests for persons who hold a package store permit or own an interest in a package store that are currently prohibited would be authorized. The bill would repeal certain provisions relating to limitations on package store interests, consolidation of permits, a separate premises requirement, and a prohibition of ownership by public corporations.

The bill would become effective on September 1, 2015.

The Texas Alcoholic Beverage Commission (TABC) estimates that the bill's provisions could greatly increase investigations into relationships between members of different tiers of the state's three tier system, as well as investigations into other prohibited relationships. These investigations may be long-term and complex as they can involve research with out-of-state corporate entities, bank records, financial records, contracts, intellectual property, and other items.

According to TABC, a substantial portion of the state's 17,550 wine and beer retailer's off-premise permits are held by public corporations. The agency assumed that 50 percent of current wine and beer retailer's off-premise holders would apply for and receive a package store permit, resulting in 8,775 new applications and permits. When TABC used these assumptions to estimate the fiscal impact of the bill, salaries and wages for 12 additional positions and other related costs such as travel and equipment; were estimated by TABC to cost \$1,289,533 in the 2016-17 biennium and \$1,389,176 in the subsequent biennium.

TABC estimated that the bill's provisions would generate \$13,171,275 each biennium through 2020. This figure assumes that permit applicants would apply for the two-year permit in fiscal years 2016, 2018, and 2020 and represents \$8,775,000 in revenue from the permit fee (8,775 x \$1,000) and \$4,396,275 from the surcharge (8,775 x \$501). The Comptroller of Public Accounts' office indicated that the bill's provisions could lead to additional permit revenue but that the

amount could not be estimated. Therefore, it is unclear whether the Comptroller would certify the revenue gain.

The Comptroller of Public Accounts' office also stated that in view of substantial uncertainty regarding the number of additional permit applications and the potential for permit holders to go out of business in the face of new competition, the additional revenue from net new permit issuance pursuant to provisions of the bill cannot be determined with confidence; however it likely will reach \$1,500,000 for the 2016-2017 biennium.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 458 Alcoholic Beverage Commission

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