

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 27, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1198 by Eltife (Relating to intra-industry relationships between alcoholic beverage manufacturers, wholesalers, and retailers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1198, As Introduced: a negative impact of (\$1,066,010) through the biennium ending August 31, 2017.
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General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$552,019)
2017	(\$513,991)
2018	(\$513,991)
2019	(\$513,991)
2020	(\$513,991)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2016	(\$552,019)
2017	(\$513,991)
2018	(\$513,991)
2019	(\$513,991)
2020	(\$513,991)

Fiscal Year	Change in Number of State Employees from FY 2015
2016	6.0
2017	6.0
2018	6.0
2019	6.0
2020	6.0

Fiscal Analysis

The bill would amend the Alcoholic Beverage Code to add a section providing exceptions to certain prohibitions on "tied house" interests. Exceptions would apply if a person or affiliate directly or indirectly owned 5 percent or less of the other license or permit holder's business, assets, property, or equity; or, if the person or affiliate owned more than 5 percent of the other license or permit holder's business, assets, property, or equity and certain other conditions were met. The bill would also repeal a section of the Alcoholic Beverage Code that prohibits certain interests of manufacturers and wholesalers.

The bill would become effective on September 1, 2015.

Methodology

According to the Texas Alcoholic Beverage Commission (TABC), business structures and entities have evolved and are constantly developing into multiple layers of ownership and multiple entity structures within ownerships. The TABC assumes that complicated business structures will continue and would become more complex under the provisions of the bill. The agency's analysis concluded that due to the complexity of organizational structures, the bill's provisions would require 6 License and Permit Specialist V FTEs and visual analytical tools to outline and verify tied house interests among tier members of the alcoholic beverage industry.

Technology

According to TABC, the visual analytical tools would help in the review and analysis of complex business structures to determine whether entities are in compliance with the bill's provisions. TABC stated that the visual tools would help support business rules or logic to assist in determining ownership to the degree required; publishing results for required documentation purposes; and would exploring underlying data seen in visual form without the need to access data through another source. TABC estimates the visual analytics software solution will have a recurring cost of \$12,222 per year for 6 users and 2 developer licenses. The agency anticipates a one-time programming cost of \$25,164 would be incurred initially to implement the program.

Local Government Impact

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

Source Agencies: 458 Alcoholic Beverage Commission

LBB Staff: UP, CL, AI, JHa, JN