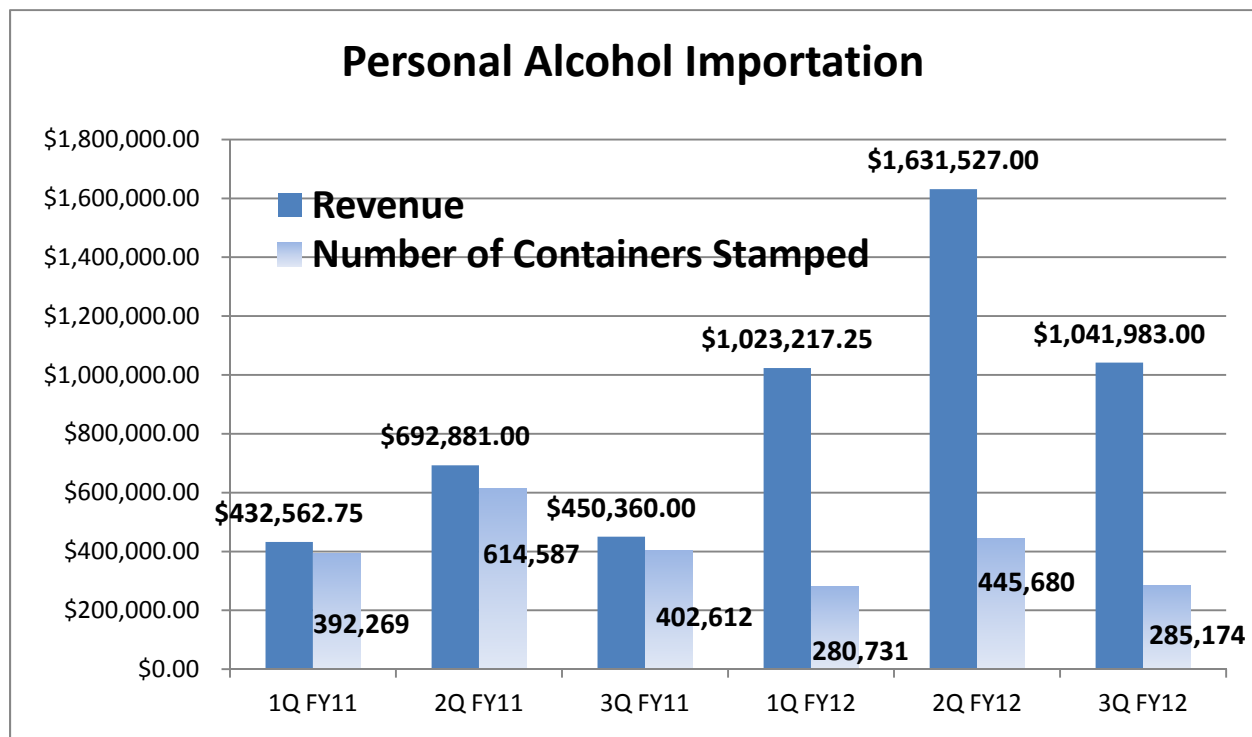


Texas Alcoholic Beverage Commission
Quarterly Update to the Senate Business and Commerce Committee
July 9, 2012

IMPLEMENTATION OF SIGNIFICANT LEGISLATION

TABC has implemented, without problems or concerns, all legislation that went into effect following the 82nd Legislative Session. The most significant bills are as follows:

HB1936 by Gutierrez relating to importation and shipment of alcoholic beverages for personal consumption. TABC implemented the new importation limits and fees on September 1st. There were a few complaints about the increased fee, but not many as the agency had begun posting notices and handing out fliers about the changes earlier in the summer. We have noted an increase in half gallon containers being imported and a decrease in miniature bottles being imported. Following is a comparison of alcoholic beverage importations from the first three quarters of FY 2012 to the same time periods of FY 2011.



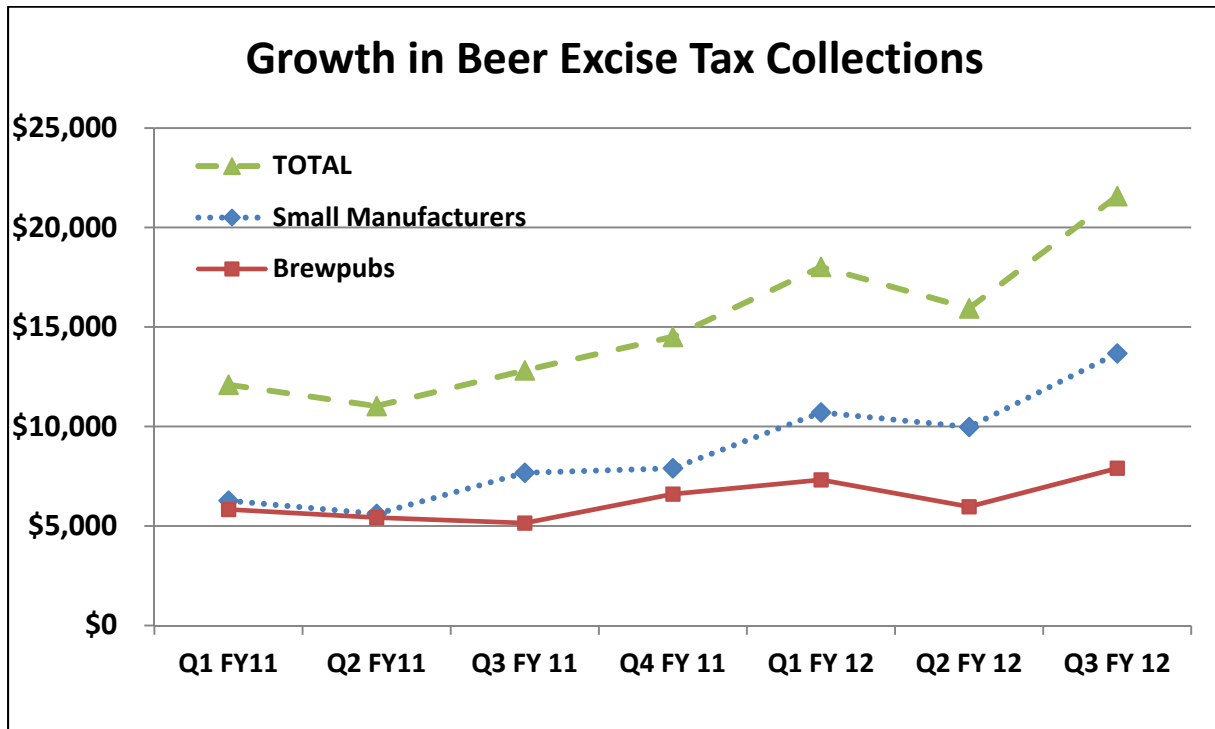
SB1331 by Watson (and HB3474 by Gallego) relating to criminal offenses regarding the possession or consumption of alcoholic beverages by a minor and providing alcoholic beverages to a minor. The 911 Lifeline Legislation went into effect on September 1, 2011. TABC has been working with the non-profit association Aware Awake Alive to educate the public about the danger of alcohol poisoning and about the 911 Lifeline Legislation. Correspondence was sent to 75 public and private universities in Texas notifying university board chairs, presidents and police chiefs of

the new law and offering assistance to educate faculty, staff, police departments and students. Several universities contacted TABC for such assistance. TABC has used the social media outlets Facebook and Twitter to educate the public.

The agency recently released two PSAs that focus on the tragic consequences of alcohol poisoning. The two new PSAs titled "Door" and "Marker" highlight two young adults' choices during a night of partying. These videos show that it only takes one decision for someone to go from "drunk" to suffering from alcohol poisoning. TABC's new YouTube channel hosts these two PSAs along with several others from the agency's Education and Prevention Division.

TABC continues to produce educational materials related to alcohol poisoning and the 911 Lifeline Legislation.

HB2582 by Murphy relating to the repeal of the partial tax exemption for certain beer. Effective September 1, 2011, HB2582 repealed the 25% excise tax exemption previously given to Texas beer manufacturers and brewpubs whose annual production of beer in this state does not exceed 75,000 barrels. In addition to increasing excise taxes gathered from small manufacturers and brewpubs, HB2582 may have reduced the chance of potential litigation.



OTHER SIGNIFICANT EVENTS

TABC Commissioners appoint new Administrator.

On June 28th, the Commission board selected TABC Assistant Administrator Sherry Cook to lead the Agency as its new Administrator. Sherry joined TABC in 2006 as the Information Technology Director and Information Resources Manager. In 2008, Cook was promoted to Assistant Administrator for Regulatory and Business Operations. As the Assistant Administrator, her responsibilities included oversight of Business Services, Marketing Practices, Licensing, Human Resources, Information Resources, Tax, Ports of Entry and Education and Prevention. After joining the agency she has played a key role in the modernization of business practices leveraging technology.

TABC Administrator and Chief of Field Operations retired.

After 26 years in state government, TABC Administrator Alan Steen retired on June 1st. He has accepted the position of Executive Director of the National Cutting Horse Association (NCHA), an organization based in Fort Worth, Texas, with over 20,000 members around the world. Steen has served as TABC Administrator since 2003. Joel Moreno, Chief of Field Operations also retired at the end of May. Joel was employed by TABC for 27 years. He began his career at TABC as an agent in 1985 and worked his way up through the ranks, becoming Chief of Field Operations in 2008.

Strategic Plan for Fiscal Years 2013-2017 completed.

TABC has completed the agency Strategic Plan for Fiscal Years 2013-2017. In March 2012, division directors and key staff met with industry and community stakeholders to develop operational goals and strategies related to how the agency serves those customers. The following goals were based on issues raised in those conversations with our stakeholders in the community and alcoholic beverage industry.

External Operational Management Goals

1. Identify and gather information collected outside TABC that is an indicator of high-risk business behavior or an unstable marketplace.
2. Continue to improve communication with industry to facilitate education and voluntary compliance.
3. Work with stakeholders to continue prevention and education programs, including prevention of underage drinking and over-service of alcohol.
4. Continue to accelerate the licensing process to put good actors in business while setting up controls to keep bad actors out.
5. Invest in technology to better to serve the industry and the public.
6. Explore ways to reward voluntary compliance in addition to penalties for non-compliance.

Technology Initiatives

TABC has started development on a Case Management and Risk Management Project. This project will employ SharePoint to extend functionality of the current internal Agency Reporting & Tracking System (ARTS). New features will include automatic notifications and alerts and dashboard displays that will allow employees to easily track application

approvals, status updates, actions required and final outcomes. Summary statistics can be generated using multiple criteria, including priority, status, location, assigned individual and by open date/aging. Based on the information within the Case Management System, the Risk Management system will help to better predict future violations based on past performance and will enhance current priority reporting capabilities.

Additionally, TABC began the Ports of Entry Tax Compliance System (POETCS) Upgrade Project. This project's goal is to allow credit and debit card payments for Ports of Entry tax stamps. Upgrades to hardware are required to include a debit card reader that will work with current hand held technology. Software upgrades will provide the ability to process payments via an interface to the Texas.gov portal. Some enhanced reporting will also be included.

TABC involved in multi-agency criminal investigation involving Austin bars.

TABC is seeking cancellation of nine permits held by Hussein Ali "Mike" Yassine in July 2012 in a hearing held before an administrative law judge at the State Office of Administrative Hearings (SOAH). TABC has been involved in a multi-agency state and federal criminal investigation involving these TABC-licensed establishments since 2011.

UPDATE: On May 29th, a prehearing conference was held and all nine permit cancellation hearings were consolidated into one date of July 31st. The hearing is scheduled to take place at the Austin SOAH office located in the William P. Clements Building. This date is subject to change and can be confirmed on the SOAH website. <http://www.soah.state.tx.us/Docket/general.asp>