

- SUBJECT:** Revising alcoholic beverage replacement accounts for private clubs
- COMMITTEE:** Licensing and Administrative Procedures — favorable, without amendment
- VOTE:** 8 ayes — Wilson, Yarbrough, Flores, Goolsby, Haggerty, D. Jones, Moreno, Wise
0 nays
1 absent — A. Reyna
- WITNESSES:** For — Glen Garey, Texas Restaurant Association; *Registered but did not testify:* John B. Burgin, Brinker International, Inc.
Against — None
- BACKGROUND:** Alcoholic Beverage Code, ch. 32 sets forth guidelines for private clubs in Texas. Private clubs may store alcohol either in a locker system, under which paying members rent lockers to store alcoholic beverages for their personal consumption, or in a pool system, under which all charter members of a private club contribute equally to the initial purchase of alcoholic beverages for the club, then pay for ongoing use through an alcoholic beverages replacement account.
- DIGEST:** HB 1794 would amend Alcoholic Beverage Code, sec. 32.06 relating to the alcoholic beverage replacement accounts of private clubs. It would authorize the original purchase of alcoholic beverages for a private club to be funded by cash contributions from each member or by a loan from a third party who was related or unrelated to the club. The loan would be guaranteed by all members of the club, and the club would be authorized to repay the loan from its replacement account.

HB 1794 would permit a private club to combine the replacement account with any other account into a master account as long as records were maintained according to acceptable accounting practices and statements could be generated that showed allocations to the individual component accounts. A private club could combine its master account with another club's master account if both clubs were managed by the same party. The

managing party of the combined account would have to be able to generate statements showing allocations to the individual component accounts.

The bill would take effect September 1, 2001.

**SUPPORTERS
SAY:**

HB 1794 is necessary because current law in this area is outdated. It was instituted before the advent of computers, when managing a general account was difficult. Sophisticated accounting software now allows businesses to manage a master account efficiently. The alcoholic beverage replacement account, among the other accounts of the club, would be protected from improper use by tracking the funds in each component account. The bill would allow for general ledger accounting, which could improve the efficiency of the accounting of the private club. Consolidating accounts would minimize the operating costs of the club.

HB 1794 would help alleviate the financial burden of starting a private club. The initial purchase of alcoholic beverage stock can be expensive, and the charter members now must pay for it all up front. New members are not subjected to these costs. This creates barriers to establishing private clubs because the cost of charter membership is so high. The bill would allow a third party to make a loan to the private club, thus alleviating part of the financial burden.

**OPPONENTS
SAY:**

The alcoholic beverage replacement account should be protected from improper use. The only way to ensure that these funds were used for their specific purpose would be to maintain separate bank accounts.

NOTES:

The companion bill, SB 1234 by Cain, was referred to the Business and Commerce Committee on March 12.