

- SUBJECT:** Freezing surcharges on alcoholic beverage licenses and permits
- COMMITTEE:** Licensing and Administrative Procedures — favorable, without amendment
- VOTE:** 5 ayes — Wilson, Flores, Goolsby, J. Moreno, A. Reyna
0 nays
4 absent — Yarbrough, Haggerty, D. Jones, Wise
- WITNESSES:** For — Doug DuBois, Texas Petroleum Marketers and Convenience Store Association; *Registered but did not testify:* Glen Garey, Texas Restaurant Association; Mike McKinney, Wholesale Distributors of Texas

Against — None

On — *Registered but did not testify:* Randy Yarbrough, Texas Alcoholic Beverage Commission
- BACKGROUND:** Alcoholic Beverage Code, sec. 5.50, allows the Texas Alcoholic Beverage Commission (TABC) to establish fees for its services, including fees above the standard charge for a license or permit. TABC must assess and collect annual surcharges from holders of certificates, permits, and licenses, setting the surcharges at a level such that the total of all fees and surcharges collected in a fiscal year are equal to the commission's appropriation. Fee revenues and surcharges are deposited in general revenue and are not appropriated directly to TABC.

Alcoholic Beverage Code, secs. 11.38 and 61.36 allow cities, towns, and counties to levy local fees of up to one-half the amount of the state fee on permits and licenses issued within their jurisdictions.
- DIGEST:** HB 2771 would prohibit TABC from establishing fees that are incidental to the issuance of alcoholic beverage licenses and permits. It would eliminate TABC authority to assess and collect surcharges from holders of certificates, permits, and licenses. Only fee revenue would continue to be deposited in general revenue.

HB 2771 would take effect September 1, 2001. A surcharge that was in effect on January 1, 2001, would remain in effect, but a city, town, or county commissioners court could not levy or collect a fee based on such a surcharge.

SUPPORTERS
SAY:

HB 2771 would change TABC's current method of finance, which is inefficient and inappropriate. Although the agency must set its fees and surcharges to equal its annual appropriation, revenues from the fees and surcharges are not appropriated directly to the agency but go into general revenue. TABC then must request an appropriation from general revenue. Thus, increasing or decreasing fees and surcharges does not necessarily affect TABC's appropriations.

It makes sense to tie a small licensing agency's appropriations to fees and surcharges it collects if licensing is the agency's main duty. TABC, on the other hand, primarily is a regulatory agency that also conducts licensing. Without continually adding surcharges, TABC cannot always cover both its licensing and regulatory duties.

Increasing surcharges added to TABC's license and permit fees force the businesses regulated by TABC to lower their expenses. Eventually, regulated businesses may not be able to pay for all their licenses and may have to choose not to renew some. For example, a package liquor store normally carries five different alcoholic licenses and permits, but because of rising surcharges, the business may only be able to afford three licenses. This negates the purpose of assessing the surcharges.

Small businesses especially are hurt by the rising costs of alcoholic beverage applications and renewals and may be dissuaded from doing business. HB 2771 would make alcohol licenses easier to afford for small businesses.

HB 2771 would not eliminate surcharges and would not reduce the industry's current payments for licenses and permits. It simply would freeze surcharges at their current level. Those in the industry would know what they could expect to pay from year to year and could budget their costs better. Because the surcharges would remain at their current level, HB 2771 would have no significant fiscal impact.

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OPPONENTS No apparent opposition.
SAY: