HOUSE
RESEARCH
ORGANIZATION bill analysis | 4/6/2011 | HB 510 Deshotel, D. Howard

SUBJECT: Increasing maximum capacity of wine containers sold to retailers

COMMITTEE: Licensing and Administrative Procedures — favorable, without amendment

VOTE: 8 ayes — Hamilton, Quintanilla, Driver, Geren, Gutierrez, Harless, Kuempel, Thompson

0 nays

1 absent — Menendez

WITNESSES: For — (*Registered, but did not testify:* Stanley Elliott; Alan Gray, Licensed Beverage Distributors; Lance Lively, Texas Package Stores Association; Ralph Townes, Licensed Beverage Distributors)

Against — None

On — (*Registered, but did not testify*: Carolyn Beck, Texas Alcoholic Beverage Commission)

BACKGROUND: Current law limits the amount of wine sold to a retailer to 4.9 gallons per container.

DIGEST: HB 510 would increase the maximum container capacity to 8 gallons for wine sold to retailers.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2011, and would apply only to offenses committed on or after the effective date.

SUPPORTERS SAY: As the wine industry in Texas continues to develop and flourish, HB 510 would create an additional revenue stream for Texas through increased collection of tax revenue. Allowing manufacturers and distributors to sell wine kegs would enhance their services to retailers, who then could better serve consumers. As a result, more wine would be purchased in Texas.

Retailers could participate in a growing trend across the country to serve fine wines to customers from kegs. As restaurants and other establishments increasingly are designed to accommodate wine kegs, HB 510 would allow businesses in Texas to supply larger amounts of fine wines to consumers while reducing retailers' costs. Since kegs are pressurized and allow wine to stay fresh longer, retailers could use the kegs to offer more fine wines by the glass rather than by the bottle, which could increase overall sales.

Dealers would reduce business costs and exercise environmental responsibility while taking advantage of technological advances. Constructed of a lightweight, 100-percent recyclable material, wine kegs reduce waste. The reusable containers eliminate the production costs of bottle labels, corks, and seals related to large wine orders. The transport of lighter containers would result in less gas usage and, ultimately, lower delivery costs. The use of the larger containers also would reduce the amount of storage space needed in warehouses, distribution centers, and retail locations. Additionally, the pressurized containers could preserve wine for up to six months, thereby minimizing spoilage and waste.

Manufacturers, distributors, and retailers would reap additional economic benefits from HB 510. Workplace safety would be enhanced because glass breakage would occur much less frequently, thereby reducing costs related to employee injury. The use of large wine kegs also would lessen inventory shrinkage by preventing employee theft.

OPPONENTS SAY:

HB 510 would not necessarily result in additional state tax revenue. Retailers could simply substitute the amount in smaller bottles normally purchased with the equivalent amount of wine contained in kegs. Since wine is taxed per gallon, there would be no significant increase in tax revenue. Furthermore, there is no way to guarantee that consumers will purchase more wine due to increased availability.

NOTES:

The companion bill, SB 351 by Williams, passed the Senate by 31-0 on the Local and Uncontested Calendar on March 24 and has been referred to the House Licensing and Administrative Procedures Committee.

The Legislative Budget Board estimated that HB 510 would not have a significant fiscal impact.