

SUBJECT: Re-dedicating certain wine-related revenue to the Texas wine industry

COMMITTEE: Licensing and Administrative Procedures — favorable, without amendment

VOTE: 8 ayes — Smith, Gutierrez, Geren, Goldman, Guillen, Kuempel, Miles, D. Miller
0 nays
1 absent — S. Thompson

SENATE VOTE: On final passage, April 5 — 30-1 (Burton)

WITNESSES: For — Kyle Frazier, Texas Wine and Grape Growers Association
Against — None
On — Dan Lineberger, Texas A&M Agrilife Extension Service;
(*Registered, but did not testify*: Patrick Dudley, Texas Department of Agriculture)

BACKGROUND: Alcoholic Beverage Code, sec. 205.03 provides for tax revenue allocations and exceptions for certain wine-related revenue.

Secs. 205.03(b)(1) and (2) each fund priorities for research and development of Texas wine at the *lesser* of a specific amount of revenue collected from sales and excise taxes on wine sold in Texas *or* \$1 million for a total of up to \$2 million.

Sec. 205.03(b)(1) provides for the lesser of \$1 million or the revenue derived from excise taxes on wine produced *outside* of Texas and from sales taxes collected from out-of-state winery direct shipper's permit holders.

Sec. 205.03(b)(2) provides for the lesser of \$1 million or the revenue

derived from excise taxes on wine produced *in* Texas and the revenue derived from sales taxes collected from winery permit holders in Texas.

Revenue collected is appropriated to several Texas institutions of higher education and the Department of Agriculture for Texas wine-related research and development.

DIGEST: SB 881 would amend the Alcoholic Beverage Code, sec. 205.03 regarding revenue allocations and exceptions for certain wine-related revenue by extending the date of the exceptions to 2025 and increasing and repealing certain appropriations.

The bill would amend Alcoholic Beverage Code, sec. 205.03(b)(1) and (2) by renewing funding for the Texas wine priorities at the *lesser* of a specific amount of revenue collected from sales and excise taxes on wine sold in Texas *or* \$1,000,000 for a total of up to \$2 million.

The bill would repeal certain allocations of appropriations and would provide for up to \$2 million to be re-allocated by priority in the following succession:

- \$830,000, increased from \$50,000, to Texas A&M Agrilife Extension Service;
- \$365,000, increased from \$50,000, to the Texas Tech University Viticulture and Enology program;
- \$150,000, increased from \$65,000, to the Texas Wine Marketing Research Institute at Texas Tech University;
- \$150,000, increased from \$50,000, to the T.V. Munson Viticulture and Enology Center of the Grayson County Junior College District to fund educational programs.

The bill also would direct any remaining unappropriated revenue derived from sales and excise taxes on wine produced in Texas or \$300,000, whichever was less, to the Department of Agriculture for deposit into the wine industry development fund. The appropriation could be used for the development of technologies, strategies, and practices for mitigating the

effects of frost, pestilence, or infestation on grapevines. The appropriation also could be used for the agency's direct and indirect costs associated with administering programs regarding such development.

The bill would repeal a provision in current law requiring the comptroller to provide the Texas Department of Agriculture information to allow the agency to identify the amount of revenue derived from wine produced in state versus out of state.

The bill would take effect September 1, 2015.

**SUPPORTERS
SAY:**

SB 881 would renew and update revenue dedications to support the Texas wine industry. The economic impact of the Texas wine industry has increased dramatically in recent years. In 2005, the Legislature created the wine industry development fund to develop viticulture, the study of grapes, and enology, study of wine making, education programs and to eliminate natural threats to grape crops. Research and development was funded by the dedication of a specific amount of revenue, raised through wine sales and excise taxes. The initial 10-year authorization expires this year.

Today, the Texas wine industry boasts an annual economic impact of nearly \$2 billion, employs about 11,000 Texans, and attracts about 1.5 million tourists a year. SB 881 would ensure the continued growth of the Texas wine industry by renewing the dedication of a portion of wine sales and excise tax revenue to wine marketing, education, and research programs.

SB 881 would not be creating a government subsidy of a selected market sector. Funding for the education programs is paid by the industry to be reinvested in the industry. Further, most of the program funding is used for agricultural research and development to fight crop disease and to promote more efficient agricultural production, which would have a statewide benefit.

OPPONENTS

SB 881 would extend a government subsidy of a selected market sector.

SAY:

The government should not use sales and excise tax revenue to subsidize the development of selected market sectors. Economic planning by the state government is an inefficient use of our state's finite capital, and this bill would continue preferential treatment to the Texas wine industry at the expense of other industries and Texas taxpayers. This excess tax revenue should be returned to the taxpayers where they could make more efficient use of it in the free market. Research and development of viticulture and enology would be more efficiently achieved if funded by private interests.