

BILL ANALYSIS

Senate Research Center
82R5211 MCK-F

S.B. 411
By: Estes
Business & Commerce
3/11/2011
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The economic impact of the Texas wine industry increased 26 percent between 2007 and 2009, from \$1.35 billion annually to \$1.7 billion annually. Approximately 10,700 people are employed directly by the industry and, year after year, sales data show that, despite the current economy, the Texas wine industry is still growing. In 2009, the industry contributed \$78.5 million in state and local taxes—a 24 percent increase over 2007.

Around the nation, and Texas is no exception, consumers are seeking out and purchasing local products. None of the states with more developed wine industries than Texas limit tasting room sales. Prior to 2003, the cap was 25,000 gallons. At that time, Texas wineries were producing an estimated 1.26 million gallons of wine annually. During the 2003 legislative session, the cap was raised to 35,000 gallons. In 2009, 188 Texas wineries collectively produced 2.6 million gallons of wine.

Several wineries are approaching the 35,000-gallon limit for off-premises tasting room sales. This will harm further development of these wineries and result in tasting rooms being unable to meet the needs of Texas consumers. The cap will also discourage future investment in large-scale winery and tasting room operations across the state, seriously hindering the growth of Texas wine and grape industry over the next 10 years.

This bill would increase the limit for Texas winery off-premise tasting room sales from 35,000 gallons to 55,000 gallons. It is anticipated that an increase to 55,000 gallons will allow the industry to continue growing at its current rate.

As proposed, S.B. 411 amends current law relating to the amount of wine certain wineries may sell directly to consumers.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 16.01(a), Alcoholic Beverage Code, as follows:

- (a) Authorizes the holder of a winery permit, except as provided by Section 16.011 (Premises In Dry Area), to sell wine to ultimate consumers in unbroken packages for off-premises consumption in an amount not to exceed 55,000 gallons annually, rather than 35,000 gallons annually.

SECTION 2. Amends Section 54.02, Alcoholic Beverage Code, as follows:

Sec. 54.02. PROHIBITED ACTIVITIES. Prohibits the holder of an out-of-state winery direct shipper's permit from selling to ultimate consumers more than 55,000 gallons of wine annually, rather than 35,000 gallons of wine annually.

SECTION 3. Effective date: September 1, 2011.