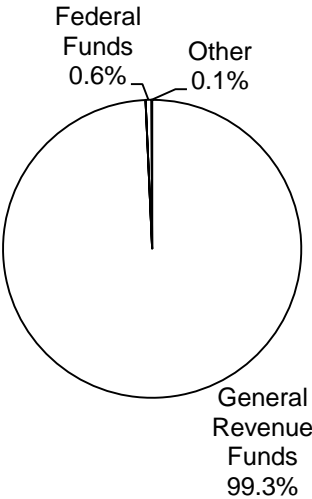


Section 1

| Method of Financing | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change |
|------------------------|-----------------|------------------------|--------------------|-------------|
| General Revenue Funds | \$92,648,026 | \$93,878,161 | \$1,230,135 | 1.3% |
| GR Dedicated Funds | \$0 | \$0 | \$0 | 0.0% |
| Total GR-Related Funds | \$92,648,026 | \$93,878,161 | \$1,230,135 | 1.3% |
| Federal Funds | \$470,488 | \$600,000 | \$129,512 | 27.5% |
| Other | \$127,094 | \$70,000 | (\$57,094) | (44.9%) |
| All Funds | \$93,245,608 | \$94,548,161 | \$1,302,553 | 1.4% |

| | FY 2015 Budgeted | FY 2017 Recommended | Biennial Change | % Change |
|------|---------------------|------------------------|--------------------|-------------|
| FTEs | 646.8 | 615.0 | (31.8) | (4.9%) |

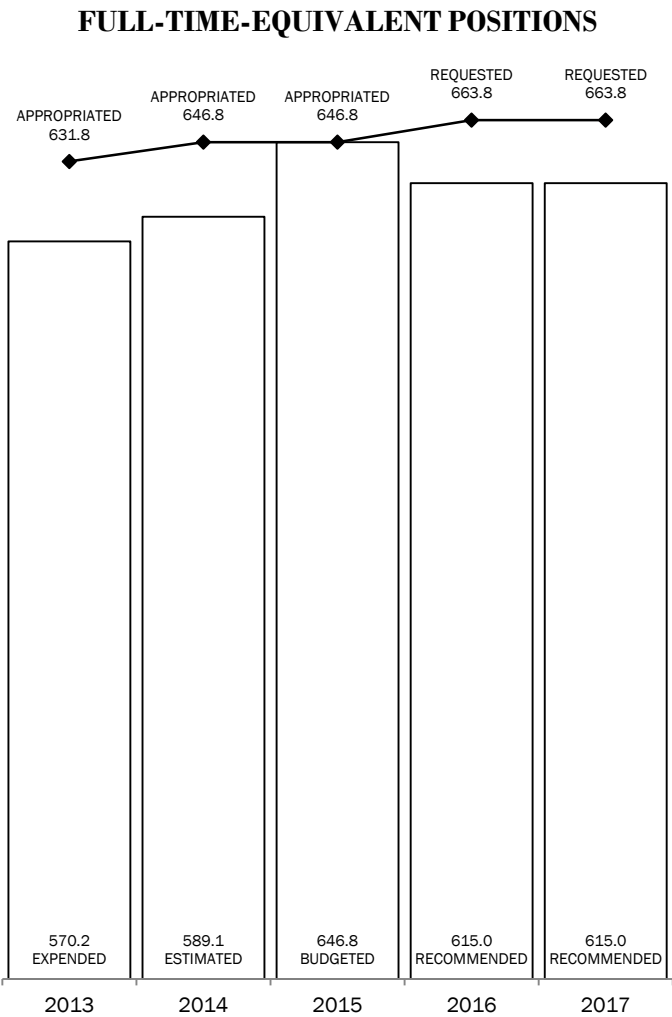
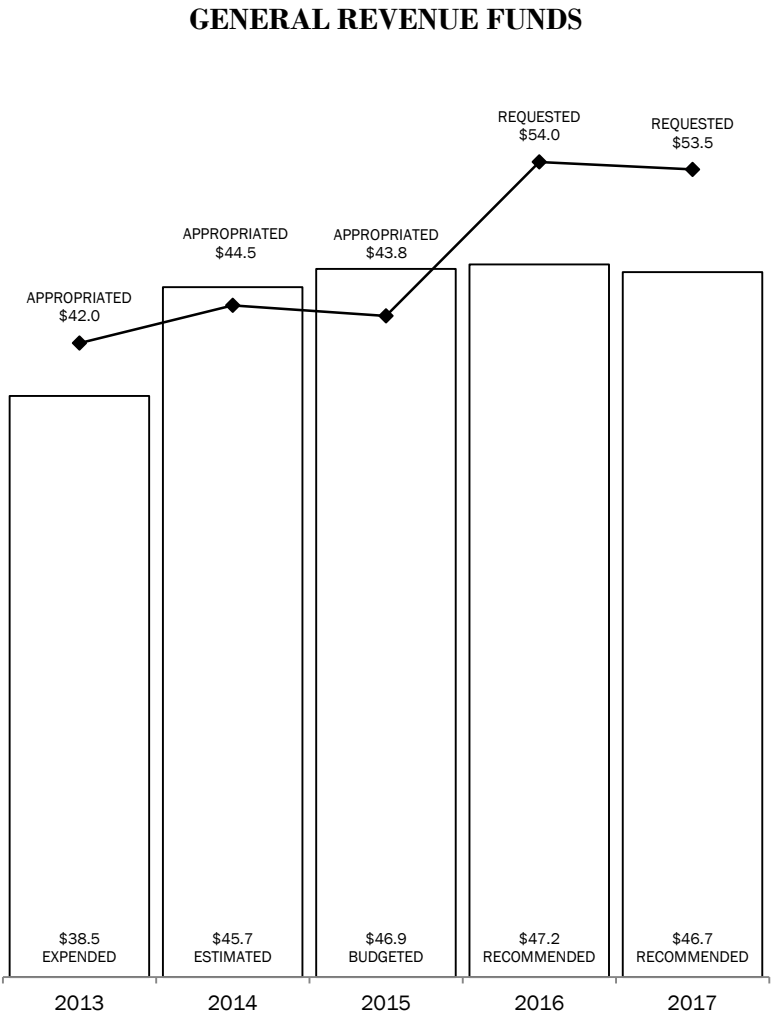
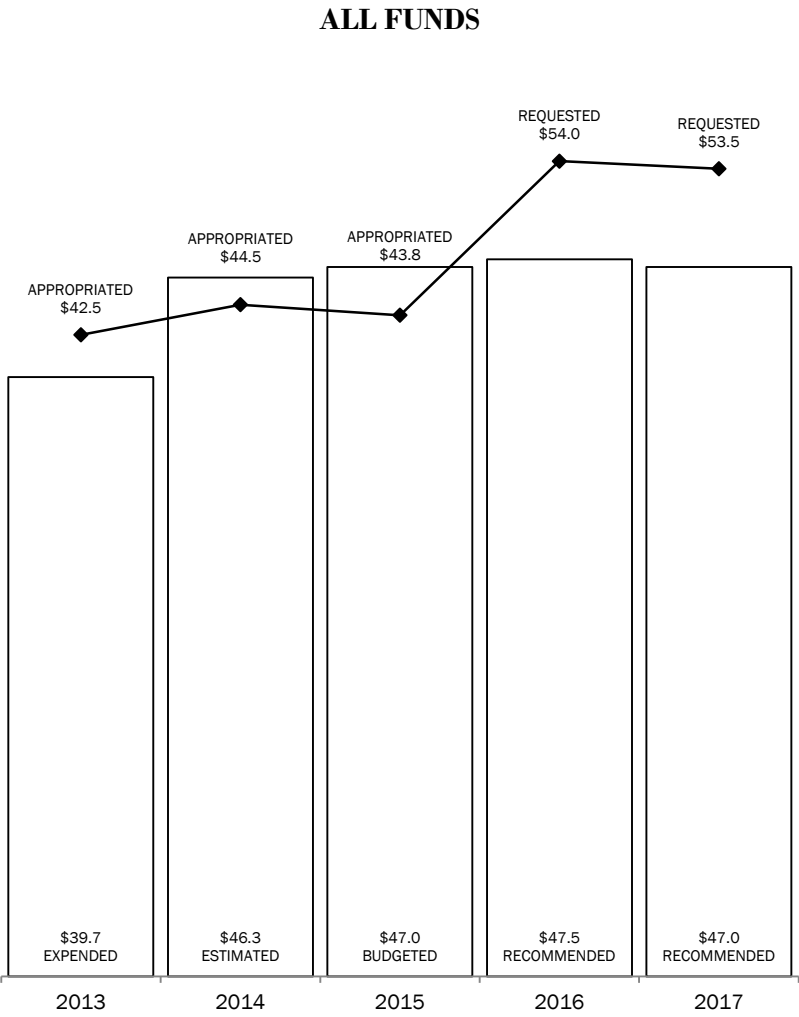
RECOMMENDED FUNDING
BY METHOD OF FINANCING



The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

Section 1
Alcoholic Beverage Commission
2016-2017 BIENNIUM
IN MILLIONS

TOTAL= \$94.5 MILLION



Section 2

Alcoholic Beverage Commission
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

| Strategy/Goal | 2014-15 Base | 2016-17 Recommended | Biennial Change | % Change | Comments |
|---|---------------------|------------------------|--------------------|---------------|--|
| ENFORCEMENT A.1.1 | \$49,656,673 | \$51,238,764 | \$1,582,091 | 3.2% | Recommendations include a \$129,512 Federal Funds increase to reflect current Federal Funds estimates for the 2016-17 biennium. Recommendations also include a \$26,000 Appropriated Receipts increase to reflect agency estimated receipts in the 2016-17 biennium. |
| Total, Goal A, REGULATE DISTRIBUTION | \$49,656,673 | \$51,238,764 | \$1,582,091 | 3.2% | |
| LICENSING AND INVESTIGATION B.1.1 | \$9,052,560 | \$9,102,958 | \$50,398 | 0.6% | |
| Total, Goal B, LICENSING AND INVESTIGATION | \$9,052,560 | \$9,102,958 | \$50,398 | 0.6% | |
| COMPLIANCE MONITORING C.1.1 | \$12,296,267 | \$12,405,321 | \$109,054 | 0.9% | |
| PORTS OF ENTRY C.2.1 | \$10,813,772 | \$10,674,500 | (\$139,272) | (1.3%) | |
| Total, Goal C, COLLECT FEES AND TAXES | \$23,110,039 | \$23,079,821 | (\$30,218) | (0.1%) | |
| CENTRAL ADMINISTRATION D.1.1 | \$5,100,251 | \$5,249,269 | \$149,018 | 2.9% | Recommendations include a \$100,000 General Revenue increase to reflect a one-time appropriation in 2014-15 to the Grayson Community College Viticulture and Enology Program. Recommendations also include a \$4,000 Appropriated Receipts increase to reflect agency estimated receipts in the 2016-17 biennium. |
| INFORMATION RESOURCES D.1.2 | \$5,211,594 | \$4,769,833 | (\$441,761) | (8.5%) | Recommendations include a \$484,435 General Revenue reduction which reflects current Data Center Services estimates from the Department of Information Resources. |
| OTHER SUPPORT SERVICES D.1.3 | \$1,114,491 | \$1,107,516 | (\$6,975) | (0.6%) | |
| Total, Goal D, INDIRECT ADMINISTRATION | \$11,426,336 | \$11,126,618 | (\$299,718) | (2.6%) | |
| Grand Total, All Strategies | \$93,245,608 | \$94,548,161 | \$1,302,553 | 1.4% | Recommendations include a \$314,276 General Revenue increase across the agency's strategies to biennialize the state employee salary increase made by the Eighty-third Legislature. Recommendations also include a \$1,300,294 General Revenue increase across strategies for the Schedule C salary increase made by the Eighty-third Legislature. |

Section 3a

Texas Alcoholic Beverage Commission Selected Fiscal and Policy Issues – Senate

1. **Full-time Equivalent Reduction.** Recommendations reduce the full-time equivalents (FTEs) by 31.8 positions. TABC's FTE cap was 631.8 in fiscal year 2013 and 646.8 in fiscal year 2014. The TABC actual FTE average for fiscal year 2013 was 570.2 and in fiscal year 2014 was 589.1. The agency reported that it was operating well below FTE caps as the result of a shortfall in operating expenses. The FTE reduction in Senate Bill 2, As Introduced serves to right-size the agency's FTE cap with its current operating budget. The agency is requesting an exceptional item for authority for 17 of the 31.8 FTEs. TABC is also requesting funding in salary and operating costs to address the shortfall (see Section 6 for details).
2. **Data Center Services.** Recommendations reduce General Revenue by \$0.5 million to reflect current data center services estimates for fiscal years 2016–17.
3. **Grayson County College Funding.** Recommendations increase General Revenue by \$0.1 million for fiscal years 2016–17 to reinstate TABC funding that was reduced for fiscal years 2014–15 as the result of a one-time reduction in order to fund the Grayson Community College Viticulture and Enology Program. Senate Bill 2, As Introduced, includes 2016–17 appropriations within Article III specifically for the Grayson Community College Viticulture and Enology Program.
4. **Organized Criminal Activity and Financial Criminal Activity Intervention.** Senate Bill 2, As Introduced, includes a new rider that requires TABC to report annually to the Legislative Budget Board involvement and expenditures related to the agency's intervention in organized criminal activity, including human trafficking, and financial criminal activity. In recent years, TABC has become more involved in a variety of criminal activity outside of alcoholic beverage related violations. This represents a significant shift in the agency's mission. Agency staff report that this increased involvement is the result of the prevalence of organized criminal activity and financial criminal activity in the businesses TABC inspects and audits. TABC created two new functions within the agency: the Special Investigations Unit, which focuses on Organized Criminal Activity (human trafficking, drug trafficking), and the Financial Crimes Unit, which focuses on financial criminal activity (fraud, money laundering). Commissioned peace officers, which TABC employs, have statutory authority to arrest (Texas Code of Criminal Procedure, Section 14.03) and the agency has statutory authority in various sections of the Texas Alcoholic Beverage Code to administratively sanction businesses that engage in criminal activity.

Section 3b

Texas Alcoholic Beverage Commission
FTE Highlights - Senate

| Full-Time-Equivalent Positions | Expended 2013 | Estimated 2014 | Budgeted 2015 | Recommended 2016 | Recommended 2017 |
|------------------------------------|------------------|-------------------|------------------|---------------------|---------------------|
| Cap | 631.8 | 646.8 | 646.8 | 615.0 | 615.0 |
| Actual/Budgeted | 570.2 | 589.1 | 646.8 | NA | NA |
| | | | | | |
| Schedule of Exempt Positions (Cap) | | | | | |
| Executive Director, Group 5 | \$122,500 | \$135,000 | \$135,000 | \$135,000 | \$135,000 |

The Presiding Officer of the Alcoholic Beverage Commission is requesting an increase in authority for the agency’s Executive Director Exempt Position from \$135,000 to \$159,018 per fiscal year, but no change in the Classification Group and no additional appropriations. This additional authority would represent a salary increase of \$24,018 (or 17.8 percent). This Exempt Position received a \$12,500 salary increase in the Eighty-third Legislature.

The State Auditor's Office Report, Executive Compensation at State Agencies (Report No. 14-705, August 2014), indicates a market average salary of \$166,399 for the Executive Director position at the Alcoholic Beverage Commission and does not recommend changing the Group 5 classification for the position.

The Presiding Officer is also requesting that the Alcoholic Beverage Commission be added to the list of agencies in Article IX, Section 3.04, which provides authority to increase the Executive Director's salary within the Classification Group with approval from the Governor and the Legislative Budget Board.

Section 3c

Texas Alcoholic Beverage Commission
Performance Measure Highlights - Senate

| | Expended 2013 | Estimated 2014 | Budgeted 2015 | Recommended 2016 | Recommended 2017 |
|---|------------------|-------------------|------------------|---------------------|---------------------|
| <ul style="list-style-type: none">Percentage of Licensed Establishments Inspected Annually | 86.08% | 78.36% | 80% | 80% | 80% |
| Measure Explanation: Measures the percentage of licensed establishments inspected annually. Relatively steady performance. | | | | | |
| <ul style="list-style-type: none">Number of Inspections Conducted by Enforcement Agents | 74,305 | 88,033 | 75,200 | 80,000 | 80,000 |
| Measure Explanation: Measures the number of inspections conducted on businesses that serve alcohol each fiscal year. Increase in 2014 reflects increase in number of enforcement agents due to the agency opening a new training academy and an increase in inspections of "at risk" retailers. | | | | | |
| <ul style="list-style-type: none">Number of Licenses/Permits Issued | 60,988 | 74,282 | 61,396 | 74,282 | 60,580 |
| Measure Explanation: Measures the number of licenses or permits Issued to businesses that sell or distribute alcoholic beverages. Number fluctuates each fiscal year due to renewal requirements. | | | | | |
| <ul style="list-style-type: none">Number of Audits Conducted by Field Auditors | 1,641 | 1,492 | 1,450 | 1,500 | 1,500 |
| Measure Explanation: The number of audits and other analyses conducted by Field Auditors each fiscal year. Higher than targeted performance in 2013 and 2014. Recommendations increase targets for 2016 and 2017. | | | | | |

Section 4

Texas Alcoholic Beverage Commission
Performance Review and Policy Report Highlights - Senate

| Reports & Recommendations | Savings/ (Cost) | Gain/ (Loss) | Fund Type | Included in Introduced Bill | Action Required During Session |
|---------------------------|--------------------|-----------------|--------------|--------------------------------|--------------------------------|
|---------------------------|--------------------|-----------------|--------------|--------------------------------|--------------------------------|

NO RELATED RECOMMENDATIONS

Section 5

Alcoholic Beverage Commission Rider Highlights - Senate

12. (revised) **Texas Wine Marketing Assistance Program.** Recommendations amend this rider to clarify that the statutorily required fund transfer from TABC to the Texas Department of Agriculture will be made through an Interagency Contract.
13. (delete) **Capital Budget Expenditures from Federal and Other Funding Sources.** Recommendations delete this rider which provides an exemption to capital budget limitations as specified in Article IX of the General Appropriations Act.
13. (new) **Organized Criminal Activity and Financial Criminal Activity Intervention.** Recommendations include a new rider requiring the agency to report expenditures related to organized criminal activity and financial criminal activity.
14. (delete) **Informational and Educational Purposes.** Recommendations delete this rider as the agency has statutory authority for this activity and the rider is unnecessary.

Section 6

Alcoholic Beverage Commission
Items not Included in Recommendations - Senate

| | 2016-17 Biennial Total | |
|---|------------------------|--------------|
| | GR & GR-Dedicated | All Funds |
| Agency Exceptional Items - In Agency Priority Order | | |
| 1. Civilian Employee Hiring / Retention Plan - Salary increases for non-supervisory positions in Classified Positions Schedules A and B, to address employee turnover and retention. Provides for an average 10% increase in fiscal year 2016, with the applied increases sustained in fiscal year 2017. | \$ 3,503,232 | \$ 3,503,232 |
| 2. Increase authority for 17 additional FTEs related to Senate Bill 2 reduction. | \$ - | \$ - |
| 3. Funding to address the agency reported operational shortfall that creates an inability to fill positions as salary funding is instead used for operating expenses. | \$ 1,721,670 | \$ 1,721,670 |
| 4. Economic Programs (breakdown of the \$948,647 is noted below): a) \$282,199 for 3 Field Auditors for the agency's Marketing Investigation Unit; b) \$81,448 for 1 administrative support staff for the agency's Label Approval function; and c) \$585,000 for automation of the agency's paper-based excise tax processing system. | \$ 948,647 | \$ 948,647 |
| 5. Public Safety Programs (breakdown of the \$2,305,606 is noted below): a) \$336,474 for 2 Field Enforcement Agents for the agency's Enforcement function; b) \$1,489,132 for 183 mobile radios to replace outdated radio equipment for law enforcement personnel and to meet new Federal Communications Commission requirements and standards; and c) \$480,000 for 20 replacement vehicles. | \$ 2,305,606 | \$ 2,305,606 |
| 6. Organized Criminal Activity -- 6 Field Special Investigation Agents. | \$ 1,184,618 | \$ 1,184,618 |
| 7. Information Technology Improvements (breakdown of the \$633,758 is noted below): a) \$144,758 for 1 Security Specialist; and b) \$489,000 for security improvements to maintain confidential data and reduce cybersecurity threats. | \$ 633,758 | \$ 633,758 |
| 8. Centralized Accounting and Payroll/Personnel System (CAPPS) -- Migration to the Comptroller's accounting system. Includes one FTE for migration functions. After the migration, the FTE would be used for information technology maintenance. | \$ 238,244 | \$ 238,244 |

Section 6

Alcoholic Beverage Commission
Items not Included in Recommendations - Senate

| | 2016-17 Biennial Total | |
|---|------------------------|---------------|
| | GR & GR-Dedicated | All Funds |
| 9. Executive Director Compensation -- The Presiding Officer of TABC is requesting an increase in authority for the agency's Executive Director Exempt Position from \$135,000 to \$159,018 per fiscal year, but no change in the Classification Group and no additional appropriations. The Presiding Officer is also requesting that TABC be added to the list of agencies in Article IX, Section 3.04, which provides authority to increase the Executive Director's salary within the Classification Group with approval from the Governor and the Legislative Budget Board. | \$ - | \$ - |
| Total, Items Not Included in the Recommendations | \$ 10,535,775 | \$ 10,535,775 |

Section 7

Alcoholic Beverage Commission
Summary of 10 Percent Biennial Base Reduction Options - Senate

| Biennial Reduction Amounts | | | | | | | | |
|------------------------------|--|--|---------------------|-------------|------|------------------------|---|-------------------------|
| Priority | Item | Description/Impact | GR and GR-Dedicated | All Funds | FTEs | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Included in Intro Bill? |
| 1 | Reduction of Staff and Office Closures (5 percent) | This level of funding would require closure of ten offices primarily in the eastern half of the state, resulting in a decrease in customer service and longer commutes for consumers. The number of inspections conducted by enforcement agents and auditors would decline from a combined total of 103,200 to 94,166. The number of audits and analyses conducted by field auditors would also drop from approximately 1,500 to 1,266. This reduction would force the agency to curtail all educational programs except those targeting police officers, agency licensees, and civic groups. Estimated program attendance would drop from 85,300 persons to 74,650. | \$4,404,754 | \$4,404,754 | 39.0 | \$0 | 5% | No |
| 2 | Reduction of Staff (2.5 percent) | This action would create significant staffing shortages, reduce the number of agent and auditor inspections to 88,476, reduce the number of audits conducted by agency personnel auditors to 1,125 and reduce the outputs associated with the agency's public education programs by 20 percent. The loss of additional auditor positions would force agents to assume a greater portion of the regulatory enforcement duties. | \$2,202,376 | \$2,202,376 | 24.0 | \$0 | 3% | No |
| 3 | Reduction of Staff (2.5 percent) | Approximately 40-50 percent of the agency's field auditors would be eliminated and the number of TABC enforcement agents would be reduced by 35 positions. Agency personnel would be able to perform 83,178 inspections and 896 audits. The agency's ability to develop and deliver educational programs to the public, its licensees and permittees, and police officers and local officials would be reduced to approximately 58,800 persons. | \$2,202,376 | \$2,202,376 | 25.0 | \$0 | 3% | No |
| TOTAL, 10% Reduction Options | | | \$8,809,506 | \$8,809,506 | 88.0 | \$0 | | |

Alcoholic Beverage Commission
Summary of 10 Percent Biennial Base Reduction Options - Senate

Agency 10% Reduction Options by Category of Reduction

