

2019 SUNSET COMMISSION HEARING

DECEMBER 13, 2018

MR. CHAIRMAN, MEMBERS OF THE SUNSET COMMISSION. THANK YOU FOR THE OPPORTUNITY TO VISIT WITH YOU TODAY ON THE SUNSET REVIEW OF THE TEXAS ALCOHOLIC BEVERAGE COMMISSION. MY NAME IS PAUL BONARRIGO I AM THE VICE PRESIDENT OF THE TEXAS WINE AND GRAPE GROWERS ASSOCIATION AND OWNER AND HEAD WINE MAKER OF THE MESSINAHOF WINERY.

The Texas Wine and Grape Growers would like to applaud the Texas Sunset Commission on its very thorough review of the Texas Alcoholic Beverage Commission. The Texas Wine and Grape Growers appreciate the opportunity to respond to the report and several of the issues under consideration.

The Texas Wine and Grape Growers is an industry trade association representing the winery and grape growing industries in Texas. We represent over 90% of the wine produced and sold in Texas and a similar percentage of the grapes grown in the various grape growing regions of our state.

We wholeheartedly agree with the initial Sunset recommendation on the continuation of the TABC and its efforts to regulate the alcoholic beverage industry. The significant increase in the number of alcoholic beverage industry members and our growing population require the ongoing oversight and regulation of this fast growing and important industry.

There are several specific recommendations in which we would like to comment:

ISSUE 1

Texas has a continuing need for the TABC...

RECOMMENDATION 1.1 Continue TABC for 12 years.

TWGGA wholeheartedly supports this recommendation.

RECOMMENDATION 1.4 Authorize the commission to establish advisory committees by rule.

Rule mandated standing advisory committees may not be the best most effective way to receive input from industry stakeholders. The TABC has consistently over the years held informal stakeholder meetings at the agency headquarters in Austin. While these are often well attended, very little feedback is offered from industry representatives in these formats. To the TABC's credit they have recently held stakeholder meetings around the state. These have been well attended and have produced valuable input. They have also given actual industry members an opportunity to participate and interact with regulators. This would seem to be a much more effective method to receive feedback from the industry.

TWGGA is against this recommendation and would encourage the agency to instead continue its recent efforts to engage industry stakeholders on a regional/local level.

ISSUE 2

TABC Cannot Efficiently Regulate the Alcoholic Beverage Industry without modernizing the State's byzantine licensing system.

RECOMMENDATION 2.1a *Combine primary and subordinate licenses and permits.*

Wineries are currently required to hold a private carrier permit in order to transport their wine. This added layer of permitting and regulation is unnecessary when current law already authorizes a winery to transport.

TWGGA supports this recommendation.

RECOMMENDATION 2.1a *Eliminate agent licenses and permits.*

Even without an agent's permit or license, a winery is responsible for the actions of its employees and representatives. This added layer of permitting and regulation is not necessary.

TWGGA supports this recommendation.

RECOMMENDATION 2.1c *Combine temporary event permits and licenses*

Festivals have become a significant component of a successful winery. We now have a large number of festivals around the state, these events have become key to not only the winery success but they also offer the local community an opportunity to raise funds and encourage local community participation. Many of these festivals have become cornerstone type events for the organizing sponsor.

Unfortunately, the rules and the necessary permits to conduct these events are often confusing, challenging to enforce and at times enforced indiscriminately. The Sunset staff's recommended changes should help alleviate some of these issues.

TWGGA supports the Sunset Staff recommendation to combine temporary event permits and licenses.

ISSUE 3

Over-Regulation of Certain Business Practices Creates Burdens on TABC and the Alcoholic Beverages Industry with Little Public Benefit

RECOMMENDATION 3.1d *Authorize TABC to deny label approval and registration for any product that has received a COLA but still violates Texas laws.*

This recommendation is problematic because it will cause substantial delays in TABC's already slow label approval process. TABC currently takes approximately 30 days to simply process and issue a label registration application. In the past, when TABC had the authority to delay label registration while investigating a suspected violation, many products were significantly delayed in reaching the market.

TWGGA disagrees with this recommendation unless the law is amended to impose strict deadlines on how long TABC may take to conduct an investigation while a label registration application is pending and applicants are given due process rights to seek prompt review of TABC's findings.

Thank you for the opportunity to discuss this review and its impact on the wine industry in Texas. We look forward to continuing to work with the Sunset Commission, its staff and the TABC. If you have any questions regarding our considerations please do not hesitate to contact us.