

Appendices

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§ 118.011. FEE SCHEDULE. (a) A county clerk shall collect the following fees for services rendered to any person:

- (1) Personal Property Records Filing (\$ 118.012) \$ 2.00
- (2) Real Property Records Filing (\$ 118.013):
 - for the first page \$ 3.00
 - for each additional page or part of a page on which there are visible marks of any kind \$ 2.00
 - for all or part of each 8-1/2" X 14" attachment or rider \$ 2.00
 - for each name in excess of five names that has been indexed in all records in which the document must be indexed \$ 0.25
- (3) Certified Papers (\$ 118.014):
 - for the clerk's certificate \$ 5.00
 - plus a fee for each page or part of a page \$ 1.00
- (4) Noncertified Papers (\$ 118.0145):
 - for each page or part of a page \$ 1.00
- (5) Birth or Death Certificate (\$ 118.015) same as state registrar
- (6) Bond Approval (\$ 118.016) \$ 3.00
- (7) Marriage License (\$ 118.018) \$30.00
- (8) Declaration of Informal Marriage (\$ 118.019) \$25.00
- (9) Brand Registration (\$ 118.020) \$ 5.00
- (10) Oath Administration (\$ 118.021) \$ 1.00

(b) The county clerk may set and collect the following fee from any person:

- (1) Returned Check (\$ 118.0215) not less than \$15 or more than \$30
- (2) Records Management and Preservation Fee (\$ 118.0216) not more than \$5
- (3) Mental Health Background Check for License to Carry a Concealed Weapon (\$ 118.0217) not more than \$2

(c) The clerk shall charge reasonable fees for performing other duties prescribed or authorized by statute for which a fee is not prescribed by this subchapter.

(d) The county clerk may not charge the United States Immigration and Naturalization Service a fee for a copy of any document on file or of record in the clerk's office relating to an individual's criminal history, regardless of whether the document is certified.

(e) A county clerk who provides a copy in a format other than paper of a record maintained by the clerk shall provide the copy and charge a fee in accordance with Sections 552.231 and 552.262, Government Code.

Text of subsecs. (f) and (g) effective until September 1, 2008

(f) The county clerk of a county shall, if the commissioners

court of the county adopts the fee as part of the county's annual budget, collect the following fee from any person:

Records Archive Fee (\$ 118.025) not more than \$5

(g) This subsection and Subsection (f) expire on September 1, 2008.

Acts 1987, 70th Leg., ch. 149, § 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 1, § 18(b), eff. Aug. 28, 1989; Acts 1991, 72nd Leg., ch. 587, § 1, eff. Sept. 1, 1991; Acts 1993, 73rd Leg., ch. 451, § 4, eff.; Acts 1993, 73rd Leg., ch. 554, § 1, eff. Sept. 1, 1993; Acts 1993, 73rd., ch. 465, § 2, eff. Aug. 30, 1993; Sept. 1, 1993; Acts 1999, 76th Leg., ch. 185, § 3, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1400, § 1, eff. June 19, 1999; Acts 2001, 77th Leg., ch. 794, § 2, eff. Sept. 1, 2001; Acts 2001, 77th Leg., ch. 1155, § 2, eff. June 15, 2001; Acts 2003, 78th Leg., ch. 413, § 2, eff. Sept. 1, 2003; Acts 2003, 78th Leg., ch. 974, § 1, eff. Sept. 1, 2003; Acts 2003, 78th Leg., ch. 1275, § 2(106), (106), 3(31), eff. Sept. 1, 2003.

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§ 552.231. RESPONDING TO REQUESTS FOR INFORMATION THAT REQUIRE PROGRAMMING OR MANIPULATION OF DATA. (a) A governmental body shall provide to a requestor the written statement described by Subsection (b) if the governmental body determines:

(1) that responding to a request for public information will require programming or manipulation of data; and

(2) that:

(A) compliance with the request is not feasible or will result in substantial interference with its ongoing operations; or

(B) the information could be made available in the requested form only at a cost that covers the programming and manipulation of data.

(b) The written statement must include:

(1) a statement that the information is not available in the requested form;

(2) a description of the form in which the information is available;

(3) a description of any contract or services that would be required to provide the information in the requested form;

(4) a statement of the estimated cost of providing the information in the requested form, as determined in accordance with the rules established by the General Services Commission under Section 552.262; and

(5) a statement of the anticipated time required to provide the information in the requested form.

(c) The governmental body shall provide the written statement to the requestor within 20 days after the date of the governmental body's receipt of the request. The governmental body has an additional 10 days to provide the statement if the governmental body gives written notice to the requestor, within 20 days after the date of receipt of the request, that the additional time is needed.

(d) On providing the written statement to the requestor as required by this section, the governmental body does not have any further obligation to provide the information in the requested form or in the form in which it is available until the requestor states in writing to the governmental body that the requestor:

(1) wants the governmental body to provide the information in the requested form according to the cost and time parameters set out in the statement or according to other terms to which the requestor and the governmental body agree; or

(2) wants the information in the form in which it is available.

(e) The officer for public information of a governmental body shall establish policies that assure the expeditious and accurate processing of requests for information that require programming or manipulation of data. A governmental body shall maintain a file containing all written statements issued under this section in a readily accessible location.

Added by Acts 1995, 74th Leg., ch. 1035, § 15, eff. Sept. 1, 1995.

§ 552.261. CHARGE FOR PROVIDING COPIES OF PUBLIC INFORMATION. (a) The charge for providing a copy of public information shall be an amount that reasonably includes all costs related to reproducing the public information, including costs of materials, labor, and overhead. If a request is for 50 or fewer pages of paper records, the charge for providing the copy of the public information may not include costs of materials, labor, or overhead, but shall be limited to the charge for each page of the paper record that is photocopied, unless the pages to be photocopied are located in:

(1) two or more separate buildings that are not physically connected with each other; or

(2) a remote storage facility.

(b) If the charge for providing a copy of public information includes costs of labor, the requestor may require the governmental body's officer for public information or the officer's agent to provide the requestor with a written statement as to the amount of time that was required to produce and provide the copy. The statement must be signed by the officer for public information or the officer's agent and the officer's or the agent's name must be typed or legibly printed below the signature. A charge may not be imposed for providing the written statement to the requestor.

(c) For purposes of Subsection (a), a connection of two buildings by a covered or open sidewalk, an elevated or underground passageway, or a similar facility is insufficient to cause the buildings to be considered separate buildings.

(d) Charges for providing a copy of public information are considered to accrue at the time the governmental body advises the requestor that the copy is available on payment of the applicable charges.

Added by Acts 1993, 73rd Leg., ch. 268, § 1, eff. Sept. 1, 1993.
Amended by Acts 1995, 74th Leg., ch. 1035, § 16, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1231, § 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1319, § 14, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 864, § 1, eff. Sept. 1, 2003.

§ 552.2615. REQUIRED ITEMIZED ESTIMATE OF CHARGES. (a) If a request for a copy of public information will result in the imposition of a charge under this subchapter that exceeds \$40, or a request to inspect a paper record will result in the imposition of a charge under Section 552.271 that exceeds \$40, the governmental body shall provide the requestor with a written itemized statement that details all estimated charges that will be imposed, including any allowable charges for labor or personnel costs. If an alternative less costly method of viewing the records is available, the statement must include a notice that the requestor may contact the governmental body regarding the alternative method. The governmental body must inform the

requestor of the duties imposed on the requestor by this section and give the requestor the information needed to respond, including:

(1) that the requestor must provide the governmental body with a mailing, facsimile transmission, or electronic mail address to receive the itemized statement and that it is the requestor's choice which type of address to provide;

(2) that the request is considered automatically withdrawn if the requestor does not respond in writing to the itemized statement and any updated itemized statement in the time and manner required by this section; and

(3) that the requestor may respond to the statement by delivering the written response to the governmental body by mail, in person, by facsimile transmission if the governmental body is capable of receiving documents transmitted in that manner, or by electronic mail if the governmental body has an electronic mail address.

(b) A request described by Subsection (a) is considered to have been withdrawn by the requestor if the requestor does not respond in writing to the itemized statement by informing the governmental body within 10 business days after the date the statement is sent to the requestor that:

(1) the requestor will accept the estimated charges;

(2) the requestor is modifying the request in response to the itemized statement; or

(3) the requestor has sent to the Texas Building and Procurement Commission a complaint alleging that the requestor has been overcharged for being provided with a copy of the public information.

(c) If the governmental body later determines, but before it makes the copy or the paper record available, that the estimated charges will exceed the charges detailed in the written itemized statement by 20 percent or more, the governmental body shall send to the requestor a written updated itemized statement that details all estimated charges that will be imposed, including any allowable charges for labor or personnel costs. If the requestor does not respond in writing to the updated estimate in the time and manner described by Subsection (b), the request is considered to have been withdrawn by the requestor.

(d) If the actual charges that a governmental body imposes for a copy of public information, or for inspecting a paper record under Section 552.271, exceeds \$40, the charges may not exceed:

(1) the amount estimated in the updated itemized statement; or

(2) if an updated itemized statement is not sent to the requestor, an amount that exceeds by 20 percent or more the amount estimated in the itemized statement.

(e) An itemized statement or updated itemized statement is considered to have been sent by the governmental body to the requestor on the date that:

(1) the statement is delivered to the requestor in

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EFFECTIVE DATE: FEBRUARY 11, 2004

TEXAS ADMINISTRATIVE CODE
TITLE 1 ADMINISTRATION
PART 5 TEXAS BUILDING AND PROCUREMENT COMMISSION
CHAPTER 111 EXECUTIVE ADMINISTRATION OFFICE
SUBCHAPTER C COST OF COPIES OF PUBLIC INFORMATION

111.61. Purpose

(a) The Texas Building and Procurement Commission (the "Commission") must:

(1) Adopt rules for use by each governmental body in determining charges under Texas Government Code, Chapter 552 (Public Information) Subchapter F (Charges for Providing Public Information);

(2) Prescribe the methods for computing the charges for copies of public information in paper, electronic, and other kinds of media; and

(3) Establish costs for various components of charges for public information that shall be used by each governmental body in providing copies of public information.

(b) The cost of providing public information is not necessarily synonymous with the charges made for providing public information. Governmental bodies must use the charges established by these rules, unless:

(1) Other law provides for charges for specific kinds of public information;

(2) They are a governmental body other than a state agency, and their charges are within a 25 percent variance above the charges established by the Commission;

(3) They request and receive an exemption because their actual costs are higher; or

(4) In accordance with Chapter 552 of the Texas Government Code (also known as the Public Information Act), the governmental body may grant a waiver or reduction for charges for providing copies of public information pursuant to §552.267 of the Texas Government Code.

(A) A governmental body shall furnish a copy of public information without charge or at a reduced charge if the governmental body determines that waiver or reduction of the fee is in the public interest because furnishing the information primarily benefits the general public; or

(B) If the cost to the governmental body of processing the collection of a charge for a copy of public information will exceed the amount of the charge, the governmental body may waive the charge.

111.62. Definitions

The following words and terms, when used in these sections, shall have the following meanings, unless the context clearly indicates otherwise.

- (1) Actual cost--The sum of all direct costs plus a proportional share of overhead or indirect costs. Actual cost should be determined in accordance with generally accepted methodologies.
- (2) Client/Server System--A combination of two or more computers that serve a particular application through sharing processing, data storage, and end-user interface presentation. PCs located in a LAN environment containing file servers fall into this category as do applications running in an X-window environment where the server is a UNIX based system.
- (3) Commission--The Texas Building and Procurement Commission.
- (4) Governmental Body--As defined by §552.003 of the Texas Government Code.
 - (A) A board, commission, department, committee, institution, agency, or office that is within or is created by the executive or legislative branch of state government and that is directed by one or more elected or appointed members;
 - (B) A county commissioners court in the state;
 - (C) A municipal governing body in the state;
 - (D) A deliberative body that has rulemaking or quasi-judicial power and that is classified as a department, agency, or political subdivision of a county or municipality;
 - (E) A school district board of trustees;
 - (F) A county board of school trustees;
 - (G) A county board of education;
 - (H) The governing board of a special district;
 - (I) The governing body of a nonprofit corporation organized under Chapter 67 that provides a water supply or wastewater service, or both, and is exempt from ad valorem taxation under the Texas Tax Code, Chapter 11, §11.30;
 - (J) The part, section, or portion of an organization, corporation, commission, committee, institution, or agency that spends or that is supported in whole or in part by public funds; (K) A local workforce development board created under §2308.253 of the Texas Government Code;

(L) A nonprofit corporation that is eligible to receive funds under the federal community services block grant program and that is authorized by this state to serve a geographic area of the state; and

(M) Does not include the judiciary.

(5) Mainframe Computer--A computer located in a controlled environment and serving large applications and/or large numbers of users. These machines usually serve an entire organization or some group of organizations. These machines usually require an operating staff. IBM and UNISYS mainframes, and large Digital VAX 9000 and VAX Clusters fall into this category.

(6) Midsize Computer--A computer smaller than a Mainframe Computer that is not necessarily located in a controlled environment. It usually serves a smaller organization or a sub-unit of an organization. IBM AS/400 and Digital VAX/VMS multi-user single-processor systems fall into this category.

(7) Nonstandard copy--Under §§111.61 through 111.71 of this title, a copy of public information that is made available to a requestor in any format other than a standard paper copy. Microfiche, microfilm, diskettes, magnetic tapes, CD-ROM are examples of nonstandard copies. Paper copies larger than 8 1/2 by 14 inches (legal size) are also considered nonstandard copies.

(8) PC--An IBM compatible PC, Macintosh or Power PC based computer system operated without a connection to a network.

(9) Standard paper copy-- Under §§111.61 through 111.71 of this title, a copy of public information that is a printed impression on one side of a piece of paper that measures up to 8 1/2 by 14 inches. Each side of a piece of paper on which information is recorded is counted as a single copy. A piece of paper that has information recorded on both sides is counted as two copies.

(10) Archival box: A carton box measuring approximately 12.5" width x 15.5" length x 10" height, or able to contain approximately 1.5 cubic feet in volume.

111.63. Charges for Providing Copies of Public Information

(a) The charges in this section to recover costs associated with providing copies of public information are based on estimated average costs to governmental bodies across the state. When actual costs are 25% higher than those used in these rules, governmental bodies other than agencies of the state, may request an exemption in accordance with §111.64 of this title (relating to Requesting an Exemption).

(b) Copy charge.

(1) Standard paper copy. The charge for standard paper copies reproduced by means of an office machine copier or a computer printer is \$.10 per page or part of a page. Each side that has recorded information is considered a page.

(2) Nonstandard copy. The charges in this subsection are to cover the materials onto which information is copied and do not reflect any additional charges, including labor, that may be associated with a particular request. The charges for nonstandard copies are:

- (A) Diskette - - \$1.00;
- (B) Magnetic tape - - actual cost
- (C) Data cartridge - - actual cost;
- (D) Tape cartridge - - actual cost;
- (E) Rewritable CD (CD-RW) - - \$1.00;
- (F) Non-rewritable CD (CD-R) - - \$1.00;
- (G) Digital video disc (DVD) - - \$3.00;
- (H) JAZ drive - - actual cost;
- (I) Other electronic media - - actual cost;
- (J) VHS video cassette - - \$2.50;
- (K) Audio cassette - - \$1.00;

(L) Oversize paper copy (e.g.: 11 inches by 17 inches, greenbar, bluebar, not including maps and photographs using specialty paper – See also §111.69, of this title)-- \$.50;

(M) Specialty paper (e.g.: Mylar, blueprint, blueline, map, photographic- - actual cost.

(c) Labor charge for programming. If a particular request requires the services of a programmer in order to execute an existing program or to create a new program so that requested information may be accessed and copied, the governmental body may charge for the programmer's time.

(1) The hourly charge for a programmer is \$28.50 an hour, which includes fringe benefits. Only programming services shall be charged at this hourly rate.

(2) Governmental bodies that do not have in-house programming capabilities shall comply with requests in accordance with §552.231 of the Texas Government Code.

(3) If the charge for providing a copy of public information includes costs of labor, a governmental body shall comply with the requirements of §552.261(b) of the Texas Government Code.

(d) Labor charge for locating, compiling, and reproducing public information.

(1) The charge for labor costs incurred in processing a request for public information is \$15 an hour, which includes fringe benefits. The labor charge includes the actual time to locate, compile, and reproduce the requested information.

(2) A labor charge shall not be billed in connection with complying with requests that are for 50 or fewer pages of paper records, unless the documents to be copied are located in:

(A) Two or more separate buildings that are not physically connected with each other; or

(B) A remote storage facility.

(3) A labor charge shall not be recovered for any time spent by an attorney, legal assistant, or any other person who reviews the requested information:

(A) To determine whether the governmental body will raise any exceptions to disclosure of the requested information under the Texas Government Code, Subchapter C, Chapter 552; or

(B) To research or prepare a request for a ruling by the attorney general's office pursuant to §552.301 of the Texas Government Code.

(4) When confidential information pursuant to a mandatory exception of the Act is mixed with public information in the same page, a labor charge may be recovered for time spent to redact, blackout, or otherwise obscure confidential information in order to release the public information. A labor charge shall not be made for redacting confidential information for requests of 50 or fewer pages, unless the request also qualifies for a labor charge pursuant to Texas Government Code, §552.261(a)(1) or (2).

(5) If the charge for providing a copy of public information includes costs of labor, a governmental body shall comply with the requirements of Texas Government Code, Chapter 552, §552.261(b).

(6) For purposes of subsection (d)(2)A) of this section, two buildings connected by a covered or open sidewalk, an elevated or underground passageway, or a similar facility, are not considered to be separate buildings.

(e) Overhead charge.

(1) Whenever any labor charge is applicable to a request, a governmental body may include in the charges direct and indirect costs, in addition to the specific labor charge. This overhead charge would cover such costs as depreciation of capital assets, rent, maintenance and repair, utilities, and administrative overhead. If a governmental body chooses to recover such costs, a charge shall be made in accordance with the methodology described in paragraph (3) of this

subsection. Although an exact calculation of costs will vary, the use of a standard charge will avoid complication in calculating such costs and will provide uniformity for charges made statewide.

(2) An overhead charge shall not be made for requests for copies of 50 or fewer pages of standard paper records unless the request also qualifies for a labor charge pursuant to Texas Government Code, §552.261(a)(1) or (2).

(3) The overhead charge shall be computed at 20% of the charge made to cover any labor costs associated with a particular request.

Example: if one hour of labor is used for a particular request, the formula would be as follows:

Labor charge for locating, compiling, and reproducing, $\$15.00 \times .20 = \3.00 ; or
Programming labor charge, $\$28.50 \times .20 = \5.70 .

If a request requires one hour of labor charge for locating, compiling, and reproducing information ($\$15.00$ per hour); and one hour of programming labor charge ($\$28.50$ per hour), the combined overhead would be: $\$15.00 + \$28.50 = \$43.50 \times .20 = \8.70 .

(f) Microfiche and microfilm charge.

(1) If a governmental body already has information that exists on microfiche or microfilm and has copies available for sale or distribution, the charge for a copy must not exceed the cost of its reproduction. If no copies of the requested microfiche or microfilm are available and the information on the microfiche or microfilm can be released in its entirety, the governmental body should make a copy of the microfiche or microfilm. The charge for a copy shall not exceed the cost of its reproduction. The Texas State Library and Archives Commission has the capacity to reproduce microfiche and microfilm for governmental bodies. Governmental bodies that do not have in-house capability to reproduce microfiche or microfilm are encouraged to contact the Texas State Library before having the reproduction made commercially.

(2) If only a master copy of information in microform is maintained, the charge is \$.10 per page for standard size paper copies, plus any applicable labor and overhead charge for more than 50 copies.

(g) Remote document retrieval charge.

(1) Due to limited on-site capacity of storage of documents, it is frequently necessary to store information that is not in current use in remote storage locations. Every effort should be made by governmental bodies to store current records on-site. State agencies are encouraged to store inactive or non-current records with the Texas State Library and Archives Commission. To the extent that the retrieval of documents results in a charge to comply with a request, it is permissible to recover costs of such services for requests that qualify for labor charges under current law.

(2) If a governmental body has a contract with a commercial records storage company, whereby the private company charges a fee to locate, retrieve, deliver, and return to storage the needed record(s), no additional labor charge shall be factored in for time spent locating documents

at the storage location by the private company's personnel. If after delivery to the governmental body, the boxes must still be searched for records that are responsive to the request, a labor charge is allowed according to subsection (d)(1) of this section.

(h) Computer resource charge.

(1) The computer resource charge is a utilization charge for computers based on the amortized cost of acquisition, lease, operation, and maintenance of computer resources, which might include, but is not limited to, some or all of the following: central processing units (CPUs), servers, disk drives, local area networks (LANs), printers, tape drives, other peripheral devices, communications devices, software, and system utilities.

(2) These computer resource charges are not intended to substitute for cost recovery methodologies or charges made for purposes other than responding to public information requests.

(3) The charges in this subsection are averages based on a survey of governmental bodies with a broad range of computer capabilities. Each governmental body using this cost recovery charge shall determine which category(ies) of computer system(s) used to fulfill the public information request most closely fits its existing system(s), and set its charge accordingly. Type of System--Rate: Mainframe--\$10 per CPU minute; Midsize--\$1.50 per CPU minute; Client/Server--\$2.20 per clock hour; PC or LAN--\$1.00 per clock hour.

(4) The charge made to recover the computer utilization cost is the actual time the computer takes to execute a particular program times the applicable rate. The CPU charge is not meant to apply to programming or printing time; rather, it is solely to recover costs associated with the actual time required by the computer to execute a program. This time, called CPU time, can be read directly from the CPU clock, and most frequently will be a matter of seconds. If programming is required to comply with a particular request, the appropriate charge that may be recovered for programming time is set forth in subsection (d) of this section. No charge should be made for computer print-out time.

Example: If a mainframe computer is used, and the processing time is 20 seconds, the charges would be as follows: $\$10 / 3 = \3.33 ; or $\$10 / 60 \times 20 = \3.33 .

(5) A governmental body that does not have in-house computer capabilities shall comply with requests in accordance with the §552.231 of the Texas Government Code.

(i) Miscellaneous supplies. The actual cost of miscellaneous supplies, such as labels, boxes, and other supplies used to produce the requested information, may be added to the total charge for public information.

(j) Postal and shipping charges. Governmental bodies may add any related postal or shipping expenses which are necessary to transmit the reproduced information to the requesting party.

(k) Sales tax. Pursuant to Office of the Comptroller of Public Accounts' rules sales tax shall not be added on charges for public information (34, T.A.C., Part 1, Chapter 3, Subchapter O, §3.341 and §3.342).

(l) The commission shall reevaluate and update these charges as necessary.

111.64. Requesting an Exemption

(a) Pursuant to §552.262(c) of the Public Information Act, a governmental body may request that it be exempt from part or all of these rules.

(b) State agencies must request an exemption if their charges to recover costs are higher than those established by these rules.

(c) Governmental bodies, other than agencies of the state, must request an exemption before seeking to recover costs that are more than 25% higher than the charges established by these rules.

(d) An exemption request must be made in writing, and must contain the following elements:

(1) A statement identifying the subsection(s) of these rules for which an exemption is sought;

(2) The reason(s) the exemption is requested;

(3) A copy of the proposed charges;

(4) The methodology and figures used to calculate/compute the proposed charges;

(5) Any supporting documentation, such as invoices, contracts, etc.; and

(6) The name, title, work address, and phone number of a contact person at the governmental body.

(e) The contact person shall provide sufficient information and answer in writing any questions necessary to process the request for exemption.

(f) If there is good cause to grant the exemption, because the request is duly documented, reasonable, and in accordance with generally accepted accounting principles, the exemption shall be granted. The name of the governmental body shall be added to a list to be published annually in the Texas Register.

(g) If the request is not duly documented and/or the charges are beyond cost recovery, the request for exemption shall be denied. The letter of denial shall:

(1) Explain the reason(s) the exemption cannot be granted; and

(2) Whenever possible, propose alternative charges.

(h) All determinations to grant or deny a request for exemption shall be completed promptly, but shall not exceed 90 days from receipt of the request by the Texas Building and Procurement Commission.

111.65. Access to Information Where Copies Are Not Requested

(a) Access to information in standard paper form. A governmental body shall not charge for making available for inspection information maintained in standard paper form. Charges are permitted only where the governmental body is asked to provide, for inspection, information that contains mandatory confidential information and public information. When such is the case, the governmental body may charge to make a copy of the page from which information must be edited. No other charges are allowed except as follows:

(1) The governmental body has 16 or more employees and the information requested takes more than five hours to prepare the public information for inspection; and

(A) Is older than five years; or

(B) Completely fills, or when assembled will completely fill, six or more archival boxes.

(2) The governmental body has 15 or fewer full-time employees and the information requested takes more than two hours to prepare the public information for inspection; and

(A) Is older than three years; or

(B) Completely fills, or when assembled will completely fill, three or more archival boxes.

(3) A governmental body may charge pursuant to paragraphs (1)(A) and (2)(A) of this subsection only for the production of those documents that qualify under those paragraphs.

(b) Access to information in other than standard form. In response to requests for access, for purposes of inspection only, to information that is maintained in other than standard form, a governmental body may not charge the requesting party the cost of preparing and making available such information, unless complying with the request will require programming or manipulation of data.

111.66. Format for Copies of Public Information

- (a) If a requesting party asks that information be provided on a diskette or other computer-compatible media, and the requested information is electronically stored, the governmental body shall provide the information on computer-compatible media.
- (b) The extent to which a requestor can be accommodated will depend largely on the technological capability of the governmental body to which the request is made.
- (c) A governmental body is not required to purchase any hardware, software or programming capabilities that it does not already possess to accommodate a particular kind of request.
- (d) Provision of a copy of public information in the requested medium shall not violate the terms of any copyright agreement between the governmental body and a third party.
- (e) If the governmental body does not have the required technological capabilities to comply with the request in the format preferred by the requestor, the governmental body shall proceed in accordance with §552.228(c) of the Public Information Act.
- (f) If a governmental body receives a request requiring programming or manipulation of data, the governmental body should proceed in accordance with §552.231 of the Public Information Act. Manipulation of data under §552.231 applies only to information stored in electronic format.

111.67. Estimates and Waivers of Public Information Charges

- (a) A governmental body is required to provide a requestor with an itemized statement of estimated charges if charges for copies of public information will exceed \$40, or if a charge in accordance with §111.65 of this title (relating to Access to Information Where Copies Are Not Requested) will exceed \$40 for making public information available for inspection. A governmental body that fails to provide the required statement may not collect more than \$40. The itemized statement must be provided free of charge and must contain the following information:
 - (1) The itemized estimated charges, including any allowable charges for labor, overhead, copies, etc.;
 - (2) Whether a less costly or no-cost way of viewing the information is available;
 - (3) A statement that the requestor must respond in writing by mail, in person, by facsimile if the governmental body is capable of receiving such transmissions, or by electronic mail, if the governmental body has an electronic mail address;
 - (4) A statement that the request will be considered to have been automatically withdrawn by the requestor if a written response from the requestor is not received within ten business days after the date the statement was sent, in which the requestor states that the requestor:

(A) Will accept the estimated charges;

(B) Is modifying the request in response to the itemized statement; or

(C) Has sent to the Texas Building and Procurement Commission a complaint alleging that the requestor has been overcharged for being provided with a copy of the public information.

(b) If after starting the work, but before making the copies available, the governmental body determines that the initial estimated statement will be exceeded by 20% or more, an updated statement must be sent. If the requestor does not respond to the updated statement, the request is considered to have been withdrawn by the requestor.

(c) If the actual charges exceed \$40, the charges may not exceed:

(1) The amount estimated on the updated statement; or

(2) An amount that exceeds by more than 20% the amount in the initial statement, if an updated statement was not sent.

(d) A governmental body that provides a requestor with the statement mentioned in subsection (a) of this section, may require a deposit or bond as follows:

(1) The governmental body has 16 or more full-time employees and the estimated charges are \$100 or more; or

(2) The governmental body has 15 or fewer full-time employees and the estimated charges are \$50 or more.

(e) If a request for the inspection of paper records will qualify for a deposit or a bond as detailed in subsection (d) of this section, a governmental body may request:

(1) A bond for the entire estimated amount; or

(2) A deposit not to exceed 50 percent of the entire estimated amount.

(f) A governmental body may require payment of overdue and unpaid balances before preparing a copy in response to a new request if:

(1) The governmental body provided, and the requestor accepted, the required itemized statements for previous requests that remain unpaid if itemized statements were required by law; and

(2) The aggregated unpaid amount exceed \$100.

(g) A governmental body may not seek payment of said unpaid amounts through any other means.

(h) A governmental body that cannot produce the public information for inspection and/or duplication within 10 business days after the date the written response from the requestor has been received, shall certify to that fact in writing, and set a date and hour within a reasonable time when the information will be available.

111.68. Processing Complaints of Overcharges

(a) Pursuant to §552.269(a) of the Texas Government Code, a requestor who believes he/she has been overcharged for a copy of public information may complain to the Commission.

(b) The complaint must be in writing, and must:

(1) Set forth the reason(s) the person believes the charges are excessive;

(2) Provide a copy of the original request and a copy of any correspondence from the governmental body stating the proposed charges; and

(3) Be received by the Texas Building and Procurement Commission within 10 working days after the person knows of the occurrence of the alleged overcharge.

(c) The Texas Building and Procurement Commission shall address written questions to the governmental body, regarding the methodology and figures used in the calculation of the charges which are the subject of the complaint.

(d) The governmental body shall respond in writing to the questions within 10 business days from receipt of the questions.

(e) The Texas Building and Procurement Commission may use tests, consultations with records managers and technical personnel at TBPC and other agencies, and any other reasonable resources to determine appropriate charges.

(f) If the Texas Building and Procurement Commission determines that the governmental body overcharged for requested public information, the governmental body shall adjust its charges in accordance with the determination, and shall refund the difference between what was charged and what was determined to be appropriate charges.

(g) The Texas Building and Procurement Commission shall send a copy of the determination to the complainant and to the governmental body.

(h) Pursuant to §552.269(b) of the Texas Government Code, a requestor who overpays because a governmental body refuses or fails to follow the charges established by the Commission, is entitled to recover three times the amount of the overcharge if the governmental body did not act in good faith in computing the charges.

(i) The Texas Building and Procurement Commission does not have the authority to determine whether or not a governmental body acted in good faith in computing charges.

111.69. Examples of Charges for Copies of Public Information

The following tables present a few examples of the calculations of charges for information:

(1) TABLE 1 (Fewer than 50 pages of paper records): \$.10 per copy x number of copies (standard-size paper copies);

+ Labor charge (if applicable); + Overhead charge (if applicable); + Document retrieval charge (if applicable); + Postage and shipping (if applicable) = \$ TOTAL CHARGE.

(2) TABLE 2 (More than 50 pages of paper records or nonstandard copies): \$.10 per copy x number of copies (standard-size paper copies), or cost of nonstandard copy (e.g., diskette, oversized paper, etc.); + Labor charge (if applicable); + Overhead charge (if applicable); + Document retrieval charge (if applicable); + Actual cost of miscellaneous supplies (if applicable); + Postage and shipping (if applicable) = \$ TOTAL CHARGE.

(3) TABLE 3 (Information that Requires Programming or Manipulation of Data): Cost of copy (standard or nonstandard, whichever applies); + Labor charge; + Overhead charge; + Computer resource charge; + Programming time (if applicable); + Document retrieval charge (if applicable); + Actual cost of miscellaneous supplies (if applicable); + Postage and shipping (if applicable) = \$ TOTAL CHARGE.

(4) TABLE 4 (Maps): Cost of paper (Cost of Roll/Avg. # of Maps); + Cost of Toner (Black or Color, # of Maps per Toner Cartridge); + Labor charge (if applicable); + Overhead charge (if applicable) + Plotter/Computer resource Charge; + Actual cost of miscellaneous supplies (if applicable); + Postage and shipping (if applicable) = \$ TOTAL CHARGE.

(5) TABLE 5 (Photographs): Cost of Paper (Cost of Sheet of Photographic Paper/Avg. # of Photographs per Sheet); + Developing/Fixing Chemicals (if applicable); + Labor charge (if applicable); + Overhead charge (if applicable); + Postage and shipping (if applicable) = \$ TOTAL CHARGE.

111.70. The Texas Building and Procurement Commission Charge Schedule

The following is a summary of the charges for copies of public information that have been adopted by the Commission.

(1) Standard paper copy--\$.10 per page.

(2) Nonstandard-size copy:

(A) Diskette: \$1.00;

(B) Magnetic tape: actual cost;

(C) Data cartridge: actual cost;

(D) Tape cartridge: actual cost;

(E) Rewritable CD (CD-RW)- - \$1.00;

(F) Non-rewritable CD (CD-R) - - \$1.00;

(G) Digital video disc (DVD)- - \$3.00;

(H) JAZ drive - - actual cost;

(I) Other electronic media - - actual cost;

(J) VHS video cassette--\$2.50;

(K) Audio cassette--\$1.00;

(L) Oversize paper copy (e.g.: 11 inches by 17 inches, greenbar, bluebar, not including maps and photographs using specialty paper) --\$.50;

(M) Specialty paper (e.g.: Mylar, blueprint, blueline, map, photographic) -- actual cost.

(3) Labor charge:

(A) For programming--\$28.50 per hour;

(B) For locating, compiling, and reproducing--\$15 per hour.

(4) Overhead charge—20 % of labor charge.

(5) Microfiche or microfilm charge:

(A) Paper copy--\$.10 per page;

(B) Fiche or film copy--Actual cost.

(6) Remote document retrieval charge--Actual cost.

(7) Computer resource charge:

(A) Mainframe--\$10 per CPU minute;

(B) Midsize--\$1.50 per CPU minute;

(C) Client/Server system--\$2.20 per clock hour;

(D) PC or LAN--\$1.00 per clock hour.

(8) Miscellaneous supplies--Actual cost.

(9) Postage and shipping charge--Actual cost.

(10) Photographs--Actual cost as calculated in accordance with § 111.69(5) of this title.

(11) Maps - - Actual cost as calculated in accordance with § 111.69(4) of this title.

(12) Other costs--Actual cost.

(13) Outsourced/Contracted Services--Actual cost for the copy. May not include development costs.

(14) No Sales Tax--No Sales Tax shall be applied to copies of public information.

111.71. Informing the Public of Basic Rights and Responsibilities under the Public Information Act

(a) Pursuant to Texas Government Code, Chapter 552, Subchapter D, §552.205, an officer for public information shall prominently display a sign in the form prescribed by the Texas Building and Procurement Commission.

(b) The sign shall contain basic information about the rights of requestors and responsibilities of governmental bodies that are subject to Chapter 552, as well as the procedures for inspecting or obtaining a copy of public information under said chapter.

(c) The sign shall have the minimum following characteristics:

(1) Be printed on plain paper.

(2) Be no less than 8 1/2 inches by 14 inches in total size, exclusive of framing.

(3) The sign may be laminated to prevent alterations.

(d) The sign will contain the following wording:

(1) The Public Information Act. Texas Government Code, Chapter 552, gives you the right to access government records; and an officer for public information and the officer's agent may not ask why you want them. All government information is presumed to be available to the public.

Certain exceptions may apply to the disclosure of the information. Governmental bodies shall promptly release requested information that is not confidential by law, either constitutional, statutory, or by judicial decision, or information for which an exception to disclosure has not been sought.

(2) Rights of Requestors. You have the right to:

(A) Prompt access to information that is not confidential or otherwise protected;

(B) Receive treatment equal to all other requestors, including accommodation in accordance with the Americans with Disabilities Act (ADA) requirements;

(C) Receive certain kinds of information without exceptions, like the voting record of public officials, and other information;

(D) Receive a written itemized statement of estimated charges, when charges will exceed \$40, in advance of work being started and opportunity to modify the request in response to the itemized statement;

(E) Choose whether to inspect the requested information (most often at no charge), receive copies of the information, or both;

(F) A waiver or reduction of charges if the governmental body determines that access to the information primarily benefits the general public;

(G) Receive a copy of the communication from the governmental body asking the Office of the Attorney General for a ruling on whether the information can be withheld under one of the accepted exceptions, or if the communication discloses the requested information, a redacted copy;

(H) Lodge a written complaint about overcharges for public information with the Texas Building and Procurement Commission. Complaints of other possible violations may be filed with the county or district attorney of the county where the governmental body, other than a state agency, is located. If the complaint is against the county or district attorney, the complaint must be filed with the Office of the Attorney General.

(3) Responsibilities of Governmental Bodies. All governmental bodies responding to information requests have the responsibility to:

(A) Establish reasonable procedures for inspecting or copying public information and inform requestors of these procedures;

(B) Treat all requestors uniformly and shall give to the requestor all reasonable comfort and facility, including accommodation in accordance with ADA requirements;

(C) Be informed about open records laws and educate employees on the requirements of those laws;

(D) Inform requestors of estimated charges greater than \$40 and any changes in the estimates above 20 percent of the original estimate, and confirm that the requestor accepts the charges, has amended the request, or has sent a complaint of overcharges to the Texas Building and Procurement Commission, in writing before finalizing the request;

(E) Inform requestor if the information cannot be provided promptly and set a date and time to provide it within a reasonable time;

(F) Request a ruling from the Office of the Attorney General regarding any information the governmental body wishes to withhold, and send a copy of the request for ruling, or a redacted copy, to the requestor;

(G) Segregate public information from information that may be withheld and provide that public information promptly;

(H) Make a good faith attempt to inform third parties when their proprietary information is being requested from the governmental body;

(I) Respond in writing to all written communications from the Texas Building and Procurement Commission regarding charges for the information. Respond to the Office of the Attorney General regarding complaints about violations of the Act.

(4) Procedures to Obtain Information.

(A) Submit a request by mail, fax, email or in person, according to a governmental body's reasonable procedures.

(B) Include enough description and detail about the information requested to enable the governmental body to accurately identify and locate the information requested.

(C) Cooperate with the governmental body's reasonable efforts to clarify the type or amount of information requested.

(5) Information to be released.

(A) You may review it promptly, and if it cannot be produced within 10 working days the public information office will notify you in writing of the reasonable date and time when it will be available;

(B) Keep all appointments to inspect records and to pick up copies. Failure to keep appointments may result in losing the opportunity to inspect the information at the time requested;

(C) Cost of Records.

(i) You must respond to any written estimate of charges within 10 business days of the date the governmental body sent it or the request is considered to be automatically withdrawn;

(ii) If estimated costs exceed \$100.00 (or \$50.00 if a governmental body has fewer than 16 full time employees) the governmental body may require a bond, prepayment or deposit;

(iii) You may ask the governmental body to determine whether providing the information primarily benefits the general public, resulting in a waiver or reduction of charges;

(iv) Make timely payment for all mutually agreed charges. A governmental body can demand payment of overdue balances exceeding \$100.00, or obtain a security deposit, before processing additional requests from you.

(6) Information that may be withheld due to an exception.

(A) By the 10th business day after a governmental body receives your written request, a governmental body must:

(i) Request an Attorney General Opinion and state which exceptions apply;

(ii) Notify the requestor of the referral to the Attorney General; and

(iii) Notify third parties if the request involves their proprietary information;

(B) Failure to request an Attorney General opinion and to notify the requestor within 10 business days will result in a presumption that the information is open unless there is a compelling reason to withhold it.

(C) Requestors may send a letter to the Attorney General arguing for release, and may review arguments made by the governmental body. If the arguments disclose the requested information, the requestor may obtain a redacted copy.

(D) The Attorney General must render a decision no later than the 45th working day after the attorney general received the request for a decision. The attorney general may request an additional 10 working days extension.

(E) Governmental bodies may not ask the Attorney General to "reconsider" an opinion.

Appendix A-4

HOW TO CALCULATE CHARGES FOR FORMATTED DATA

- 1) Determine the kind of computer system you will be using. In some cases, more than one system is used in copying the information. If you don't know what kind of system you have, you may use the definitions in the TBPC rules to assist you.
- 2) Once you have determined the system, you can use the cost stated in the TBPC rules for that kind of system. If the costs in the rules plus the 25% variance allowed for local governments is not enough to cover your costs, you may request an exemption.
- 3) To request an exemption you must find your annual cost. Computer systems are usually amortized in five years. Even if your system has been completely amortized, there may be upgrades that were done, which can also be amortized. Additionally, if you have an annual cost for maintenance and software licenses, that can be added.
- 4) Next you must determine what steps are necessary to produce a copy of your data. In some cases, the data can be copied directly from the system into a CD or other electronic media. Sometimes, however, the information must be manipulated before it can be released or downloaded. If manipulation must be done, a log of time should be kept.
- 5) You are also allowed to charge for providing the blank CD, diskette, or other electronic media.
- 6) You are not allowed to charge for collecting the information, or for any manipulation that was done with the information that is not pursuant to the request at hand.
- 7) If you prepare several copies of the same material, charges such as personnel and computer time must be allocated among all the copies, unless you use the total amount of time for every single copy.
- 8) Be fair, do not try to recover every single second of what you did. It will come back to you as goodwill.
- 9) Do not get caught up in the amount of information released. It is irrelevant, and it will only lead to heartburn.
- 10) If all else fails, call me. I'll let you vent. You may also come to my office, where we can go through the process face to face, while enjoying a cup of coffee or tea, and home-baked goods.

EXAMPLES (using a CD as the electronic media used)

(A) Using the charges authorized in the TBPC rules plus the 25% variance for local governmental bodies

Computer time, client-server, 15 minutes
Personnel time, 20 minutes
Overhead, Personnel time x .20
CD, one each

Computer time, 15 minutes @ \$2.20/hr.	\$0.88
Personnel time, 20 minutes @ \$15/hr.	\$5.00
Overhead, \$5 x .20	\$1.00
CD, \$.60/ea.	\$0.60
	<hr/>
Subtotal	\$7.48
25% Variance	\$1.87
TOTAL	\$9.35

(B) Using an exemption granted by TBPC (for computer charges)

Computer time, 15 minutes @ \$12.89/hr.	\$3.22
Client-server, 3 yrs. old, paid \$100,000 ($\$100,000 / 5 / 2,080$) = \$9.62/hr.	
Maintenance agreement, 5 yrs., \$14,000 ($\$14,000 / 5 / 2,080$) = \$1.35/hr.	
License agreements, \$4,000/year ($4,000 / 2,080$) = \$1.92/hr.	
Personnel time, 20 minutes @ \$15/hr.	\$5.00
Overhead, \$5 x .20	\$1.00
CD, \$.60/ea.	\$0.60
	<hr/>
TOTAL	\$9.82

The above totals are per CD, regardless of the amount of information on them.

Appendix B-1



2004 TDHCA Regional Allocation Formula (RAF)

(As approved by the TDHCA Board for the 2004 State Low Income Housing Plan)

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BACKGROUND

Section 2306.111(d) of the Government Code requires TDHCA to use a Regional Allocation Formula (RAF) to allocate its HOME, Housing Trust Fund (HTF), and Housing Tax Credit (HTC) program funding. The resulting RAF, which is based on objective measures of affordable housing need and available resources, determines how this program funding is distributed among the 13 Uniform State Service Regions TDHCA uses for planning purposes (see Appendix A. Uniform State Service Regions).

While the methodology and affordable housing need data are similar, modified versions of the RAF are used for the HOME and HTF/HTC programs because the programs:

- serve different types of households in terms of owner and renter status;
- allow for different eligible activities; and
- have unique geographical eligibility requirements (i.e. 95 percent of HOME funds must serve non-participating jurisdictions).

REGIONAL ALLOCATION FORMULA FUNDING DISTRIBUTION

Housing Tax Credit Regional Allocation Formula

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Portion of Region's Funding Available to Urban/ Exurban Areas	Portion of Region's Funding Available to Rural Areas	% of Region's Funding Available to Urban/ Exurban Areas	% of Region's Funding Available to Rural Areas
1	Lubbock	\$1,620,753	4.3%	\$855,004	\$765,749	52.8%	47.2%
2	Abilene	\$1,067,631	2.8%	\$581,108	\$486,523	54.4%	45.6%
3	Dallas/Fort Worth	\$7,001,362	18.4%	\$6,544,854	\$456,508	93.5%	6.5%
4	Tyler	\$1,851,816	4.9%	\$709,081	\$1,142,735	38.3%	61.7%
5	Beaumont	\$1,485,785	3.9%	\$682,095	\$803,690	45.9%	54.1%
6	Houston	\$9,309,000	24.5%	\$8,458,598	\$850,402	90.9%	9.1%
7	Austin/Round Rock	\$1,936,878	5.1%	\$1,687,375	\$249,503	87.1%	12.9%
8	Waco	\$2,073,169	5.5%	\$1,637,657	\$435,512	79.0%	21.0%
9	San Antonio	\$2,613,520	6.9%	\$2,159,101	\$454,419	82.6%	17.4%
10	Corpus Christi	\$1,644,334	4.3%	\$956,659	\$687,675	58.2%	41.8%
11	Brownsville/Harlingen	\$4,494,121	11.8%	\$2,668,907	\$1,825,214	59.4%	40.6%
12	San Angelo	\$1,065,240	2.8%	\$705,898	\$359,342	66.3%	33.7%
13	El Paso	\$1,836,391	4.8%	\$1,562,049	\$274,342	85.1%	14.9%
	Total	\$38,000,000	100.0%	\$29,208,385	\$8,791,615	76.9%	23.1%

Housing Trust Fund Regional Allocation Formula

Note: Due to the relatively small funding amount available regionally, the decision has been made to allocate the Housing Trust Fund money regionally, but without a specified urban/exurban and rural distribution of funds within each region. The overall statewide urban/exurban and rural distribution of funds will be maintained in awarding the funds.

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Portion of Region's Funding Available to Urban/ Exurban Areas	Portion of Region's Funding Available to Rural Areas	% of Region's Funding Available to Urban/ Exurban Areas	% of Region's Funding Avail. to Rural Areas
1	Lubbock	\$85,302	4.3%				
2	Abilene	\$56,191	2.8%				
3	Dallas/Fort Worth	\$368,493	18.4%				
4	Tyler	\$97,464	4.9%				
5	Beaumont	\$78,199	3.9%				
6	Houston	\$489,947	24.5%				
7	Austin/Round Rock	\$101,941	5.1%				
8	Waco	\$109,114	5.5%				
9	San Antonio	\$137,554	6.9%				
10	Corpus Christi	\$86,544	4.3%				
11	Brownsville/Harlingen	\$236,533	11.8%				
12	San Angelo	\$56,066	2.8%				
13	El Paso	\$96,652	4.8%				
	Total	\$2,000,000	100.0%	\$1,537,284	\$462,716	76.9%	23.1%

HOME Regional Allocation Formula

Region	Reference City	Funding Available to the Region	Overall Regional Funding Distribution	Portion of Region's Funding Available to Urban/ Exurban Areas	Portion of Region's Funding Available to Rural Areas	% of Region's Funding Available to Urban/ Exurban Areas	% of Region's Funding Available to Rural Areas
1	Plainview	\$1,657,420	6.1%	-	\$1,657,420	0.0%	100.0%
2	Brownwood	\$1,350,015	5.0%	\$19,276	\$1,330,739	1.4%	98.6%
3	Carrollton	\$4,742,036	17.4%	\$3,383,959	\$1,358,077	71.4%	28.6%
4	Texarkana	\$3,405,200	12.5%	\$735,077	\$2,670,123	21.6%	78.4%
5	Lufkin	\$1,837,418	6.8%	\$178,057	\$1,659,361	9.7%	90.3%
6	League City	\$1,946,781	7.2%	\$842,468	\$1,104,313	43.3%	56.7%
7	Round Rock	\$1,771,558	6.5%	\$937,840	\$833,718	52.9%	47.1%
8	Temple	\$1,368,186	5.0%	\$630,361	\$737,825	46.1%	53.9%
9	New Braunfels	\$1,540,347	5.7%	\$37,841	\$1,502,506	2.5%	97.5%
10	Victoria	\$2,183,466	8.0%	\$484,132	\$1,699,334	22.2%	77.8%
11	Del Rio	\$3,008,341	11.1%	\$442,700	\$2,565,641	14.7%	85.3%
12	Midland	\$1,500,809	5.5%	\$697,987	\$802,822	46.5%	53.5%
13	Socorro	\$888,423	3.3%	\$367,370	\$521,053	41.4%	58.6%
	Total	\$27,200,000	100%	\$8,757,068	\$18,442,932	32.2%	67.8%

METHODOLOGY

Consideration of Affordable Housing Need (AHN)

The following US Census data measures each region's share of the state's affordable housing need.¹

- **Poverty:** Number of persons in the region who live in poverty.
- **Cost Burden:** Housing units with a monthly gross rent or mortgage payment to monthly household income ratio that exceeds 30 percent.
- **Overcrowding:** Housing units with more than one person per room.
- **Incomplete Kitchen:** Housing units that do not have all of the following: a sink with piped water; a range, or cook top and oven; and a refrigerator.
- **Incomplete Plumbing:** Housing units that do not have all of the following: hot and cold piped water, a flush toilet, and a bathtub or shower.

The table below shows whether owner and/or renter data is included in each program formula.

	HTC & HTF		HOME	
	Renter	Owner	Renter	Owner
Poverty	√	√	√	√
Cost Burden	√		√	√
Overcrowding	√		√	√
Incomplete Plumbing	√		√	√
Incomplete Kitchen	√		√	√

The RAF uses the following steps to assess each region's share of Texas' affordable housing need.

- 1) For each of the above listed AHN factors, the region's total is divided by the state total to determine what percentage of the state's need is in the region.
- 2) The resulting regional AHN factor percentages are then weighted to reflect each factor's relative size and significance in representing affordable housing need. The factor weights are: poverty = 50 percent, cost burden = 35 percent, overcrowding = 5 percent, incomplete kitchen = 5 percent, and incomplete plumbing = 5 percent.
- 3) The weighted AHN factors are combined to create a single AHN percentage that identifies the region's share of the state's affordable housing need.

Consideration of Other Funding Sources

Section 2306.111(d) of the Government Code requires the RAF to consider other available housing resources in the region. The following funding sources are considered by the RAF.

Funding Type	HTC & HTF	HOME ²
HUD Emergency Shelter Grant Funds (TDHCA & PJ)	√	√
HUD HOME Funds (Non-TDHCA)	√	
HUD Housing for Persons with AIDS (HOPWA) Funding	√	
HUD PHA Operating and Capital Funding	√	√
HUD Section 8 Tenant-Based Rental Assistance (TDHCA & PHA)	√	√
Multifamily Housing Tax Credits Associated with Tax-Exempt Bond Financing	√	√
Multifamily Tax-Exempt Bond Financing (Texas Bond Review Board) ³	√	√
Single Family Bond Financing (TDHCA and Housing Finance Corporation)		√

¹ Because 95 percent of HOME funds must be expended in non-participating jurisdictions, only non-participating jurisdiction demographics are included in the HOME formula.

² Only funds in non-participating jurisdictions are considered for the HOME RAF.

³ The value of the bonds has been reduced to 20 percent of the total bond amount. This 20 percent adjustment is an estimate of the value of the bonds over an equivalent market-rate loan that was developed by the TDHCA Real Estate Analysis Division and the TDHCA Center for Housing Research, Planning, and Communications. The HTCs associated with these bonds are valued at their full estimated syndicated value.

United States Department of Agriculture (USDA) Multifamily Development Funding	√	√
USDA Single Family 502 and 504 loans and grants		√
USDA Tenant-Based Rental Assistance	√	√

The following steps adjust the RAF to consider other available housing resources.

- 1) The percentage of Texas' other available funding that was distributed to each region is calculated.
- 2) The difference between each region's AHN percentage and other available funding percentage is calculated.
- 3) Each region's AHN percentage is adjusted based on the resulting size and sign (positive or negative) of the AHN need and other available funding difference relative to the other regions. For example, if a region has five percent of the state's AHN and received only two percent of the other available funding, then that region's AHN percentage will be slightly adjusted upwards. This adjusted AHN percentage determines how much HOME, HTC, or HTF funding the region will receive.

Consideration of Rural and Exurban/Urban Need

Section 2306.111(d) of the Government Code requires the RAF to consider "rural and urban/exurban areas" in its distribution of program funding.⁴ The following steps are used to make this RAF adjustment.

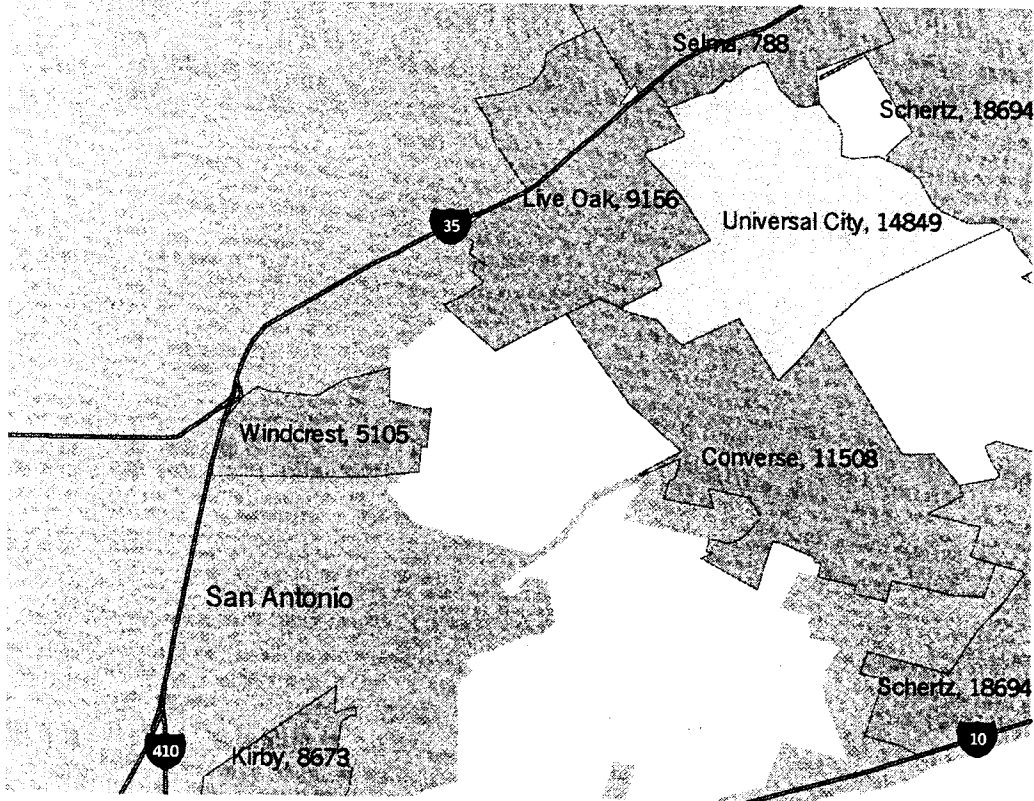
- 1) Each place is identified as being urban/exurban or rural based a slightly modified version of the Housing Tax Credit definition which reflects terms used by the US Census.
 - a) Rural Area - An area that is
 - i) within the boundaries of a *place* as identified by the US Census Bureau and outside the boundaries of a metropolitan statistical area; or
 - ii) within the boundaries of a metropolitan statistical area (MSA), if the *place* has a population of 20,000 or less and does not share a boundary with a *place* that has a population of 20,000 or more.
 - b) Urban/Exurban Areas - All US Census Bureau places that do not meet the "Rural Area" criteria.
- 2) The AHN data is totaled by urban/exurban and rural places for each region to determine how much of the region's affordable housing need is in urban/exurban and rural places.
- 3) The percentage of other available state and federal funding that went to urban/exurban and rural places within each region is calculated.
- 4) The difference between the region's distribution of urban/exurban and rural affordable housing need and the region's distribution of other available funding is calculated. Each region's urban/exurban and rural funding distribution is adjusted based on the resulting size and sign (positive or negative) of this difference.
- 5) This adjusted urban/exurban and rural funding distribution determines the portion of the region's funds that will be available to urban/exurban and rural areas within the region.

"Figure 1. Rural and Urban/Exurban Areas" shows how part "1b." of the "Rural Area" definition is used to determine if places within MSAs are "rural" or "urban/exurban."

- San Antonio is considered "urban/exurban" because it is located within an MSA and its population is > 20,000.
- Live Oak is considered "urban/exurban" as its population is < 20,000, but its boundaries touch San Antonio which has a population > 20,000.
- "Universal City" is considered "rural" since its population is > 20,000 and its boundaries do not touch the boundaries of a place with a population > 20,000.

⁴ TDHCA reads "Urban/Exurban" to be a single category.

Figure 1. Rural and Urban/Exurban Areas



Questions and Comments

For questions and comments on the RAF, contact Stephen Schottman at the TDHCA Center for Housing Research, Planning, and Communications.

Email: sschottm@tdhca.state.tx.us

Phone: (512) 305-9038

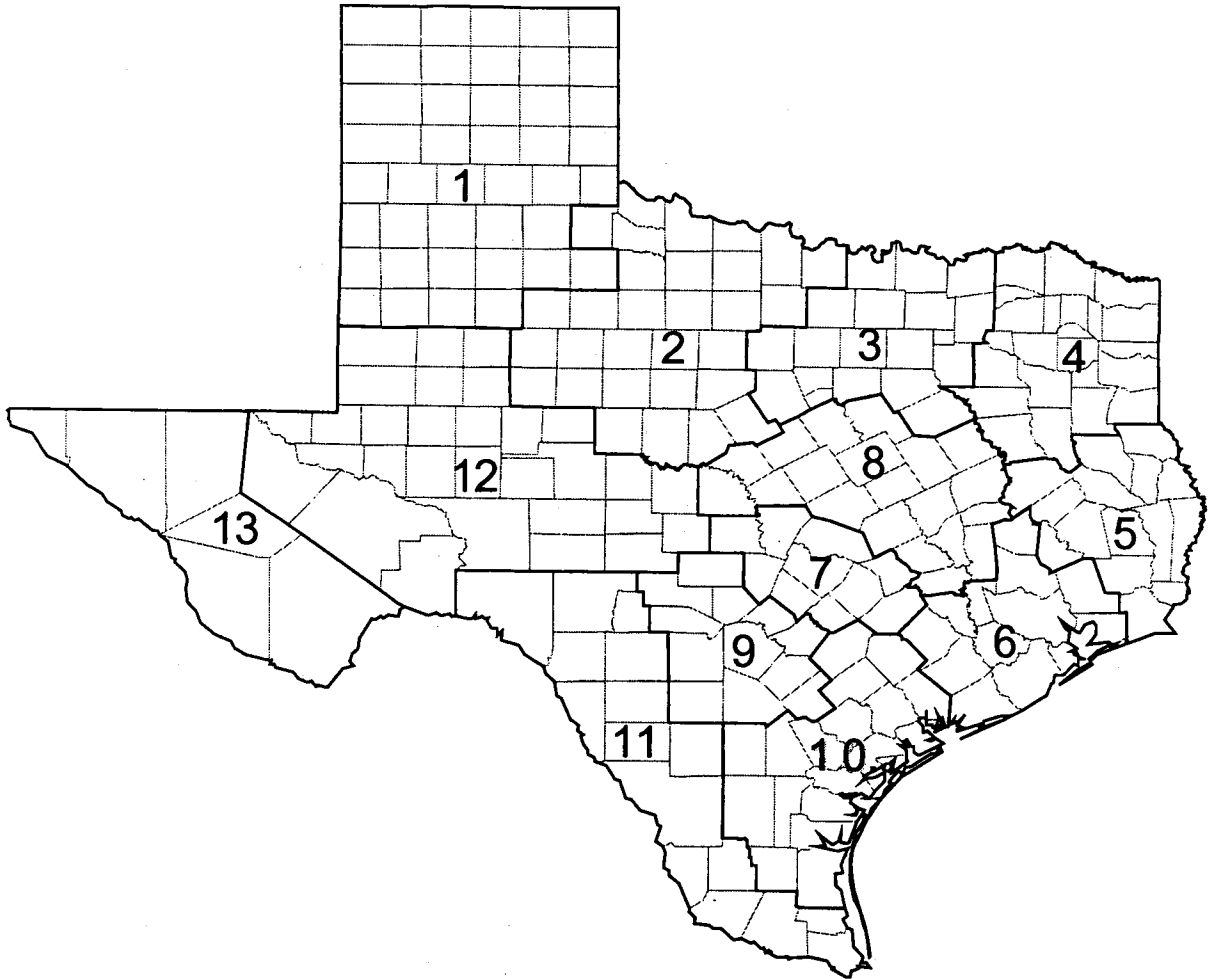
Fax: (512) 475-3746

Mail: TDHCA

PO Box 13941

Austin, TX 78711-3941.

Appendix A. Uniform State Service Regions



Appendix B. Other Available State and Federal Funding Used in the 2004 RAF (HTC & HTF)

Uniform State Service Region 1			% of Region's
Funding Type	Funding Amount		Funding
Multifamily Tax Exempt Bond	\$2,665,109		6.9%
Emergency Shelter Grants	\$397,182		1.0%
HOME	\$2,368,704		6.1%
Housing Tax Credits Associated with Tax Exempt Bond	\$6,498,505		16.8%
PHA Capital Fund	\$895,027		2.3%
PHA Operating Fund	\$1,853,371		4.8%
PHA Operating Subsidy	\$889,624		2.3%
Section 8	\$21,177,107		54.8%
United States Department of Agriculture Multifamily	\$1,921,757		5.0%
Total	\$38,666,386		
Uniform State Service Region 2			% of Region's
Funding Type	Funding Amount		Funding
Emergency Shelter Grants	\$90,040		0.4%
HOME	\$1,226,615		5.4%
PHA Capital Fund	\$4,653,607		20.3%
PHA Operating Fund	\$5,200,676		22.7%
PHA Operating Subsidy	\$1,699,003		7.4%
Section 8	\$9,069,337		39.6%
United States Department of Agriculture Multifamily	\$966,157		4.2%
Total	\$22,905,435		
Uniform State Service Region 3			% of Region's
Funding Type	Funding Amount		Funding
Multifamily Tax Exempt Bond	\$47,283,942		10.3%
Emergency Shelter Grants	\$2,076,646		0.5%
HOME	\$19,832,113		4.3%
Housing Opportunities for Persons with AIDS	\$4,689,000		1.0%
Housing Tax Credits Associated with Tax Exempt Bond	\$106,695,186		23.2%
PHA Capital Fund	\$6,074,610		1.3%
PHA Operating Fund	\$3,700,559		0.8%
PHA Operating Subsidy	\$15,696,850		3.4%
Resident Opportunity and Self-Sufficiency (ROSS) Program	\$140,068		0.0%
Section 8	\$253,401,474		55.1%
Total	\$459,590,448		
Uniform State Service Region 4			% of Region's
Funding Type	Funding Amount		Funding
Multifamily Tax Exempt Bond	\$4,223,365		8.7%
Emergency Shelter Grants	\$239,504		0.5%
HOME	\$1,009,265		2.1%
Housing Tax Credits Associated with Tax Exempt Bond	\$11,155,867		23.1%
PHA Capital Fund	\$2,108,933		4.4%
PHA Operating Fund	\$4,265,215		8.8%
PHA Operating Subsidy	\$2,134,287		4.4%
Section 8	\$23,155,420		47.9%
Total	\$48,291,856		

Uniform State Service Region 5			% of Region's
Funding Type	Funding Amount		Funding
Multifamily Tax Exempt Bond	\$3,675,200		7.1%
Emergency Shelter Grants	\$347,635		0.7%
HOME	\$1,350,383		2.6%
Housing Tax Credits Associated with Tax Exempt Bond	\$9,620,378		18.6%
PHA Capital Fund	\$3,072,797		5.9%
PHA Operating Fund	\$5,822,047		11.3%
PHA Operating Subsidy	\$636,969		1.2%
Resident Opportunity and Self-Sufficiency (ROSS) Program	\$19,229		0.0%
Section 8	\$27,135,445		52.5%
Total	\$51,680,083		

Uniform State Service Region 6			% of Region's
Funding Type	Funding Amount		Funding
Multifamily Tax Exempt Bond	\$19,029,614		8.1%
Emergency Shelter Grants	\$2,311,950		1.0%
HOME	\$21,980,449		9.3%
Housing Opportunities for Persons with AIDS	\$5,069,000		2.1%
Housing Tax Credits Associated with Tax Exempt Bond	\$38,721,071		16.4%
PHA Capital Fund	\$5,654,253		2.4%
PHA Operating Fund	\$3,691,016		1.6%
PHA Operating Subsidy	\$8,924,299		3.8%
Resident Opportunity and Self-Sufficiency (ROSS) Program	\$53,620		0.0%
Section 8	\$130,618,631		55.3%
United States Department of Agriculture Multifamily	\$112,000		0.0%
Total	\$236,165,903		

Uniform State Service Region 7			% of Region's
Funding Type	Funding Amount		Funding
Multifamily Tax Exempt Bond	\$15,449,300		14.3%
Emergency Shelter Grants	\$655,101		0.6%
HOME	\$4,700,178		4.3%
Housing Opportunities for Persons with AIDS	\$988,000		0.9%
Housing Tax Credits Associated with Tax Exempt Bond	\$32,086,057		29.7%
PHA Capital Fund	\$2,870,123		2.7%
PHA Operating Fund	\$7,491,957		6.9%
PHA Operating Subsidy	\$127,395		0.1%
Resident Opportunity and Self-Sufficiency (ROSS) Program	\$118,707		0.1%
Section 8	\$43,700,364		40.4%
Total	\$108,187,182		

Uniform State Service Region 8			% of Region's
Funding Type	Funding Amount		Funding
Emergency Shelter Grants	\$198,400		0.4%
HOME	\$3,442,369		7.6%
PHA Capital Fund	\$3,069,129		6.8%
PHA Operating Fund	\$6,455,505		14.3%
PHA Operating Subsidy	\$362,952		0.8%
Resident Opportunity and Self-Sufficiency (ROSS) Program	\$38,284		0.1%
Section 8	\$31,374,321		69.3%
United States Department of Agriculture Multifamily	\$356,550		0.8%
Total	\$45,297,510		

Uniform State Service Region 9		Funding Amount	% of Region's Funding
Funding Type			
Multifamily Tax Exempt Bond		\$11,730,634	8.4%
Emergency Shelter Grants		\$1,174,524	0.8%
HOME		\$8,052,991	5.8%
Housing Opportunities for Persons with AIDS		\$1,006,000	0.7%
Housing Tax Credits Associated with Tax Exempt Bond		\$26,549,555	19.0%
PHA Capital Fund		\$3,560,218	2.6%
PHA Operating Fund		\$15,632,535	11.2%
PHA Operating Subsidy		\$287,547	0.2%
Section 8		\$71,388,599	51.2%
Total		\$139,382,603	
Uniform State Service Region 10			
Funding Type		Funding Amount	% of Region's Funding
Emergency Shelter Grants		\$485,000	1.8%
HOME		\$1,862,562	6.7%
PHA Capital Fund		\$2,561,183	9.3%
PHA Operating Fund		\$7,698,557	27.8%
PHA Operating Subsidy		\$997,682	3.6%
Resident Opportunity and Self-Sufficiency (ROSS) Program		\$28,861	0.1%
Section 8		\$14,039,320	50.7%
Total		\$27,673,165	
Uniform State Service Region 11			
Funding Type		Funding Amount	% of Region's Funding
Emergency Shelter Grants		\$1,095,041	1.6%
HOME		\$7,080,957	10.3%
PHA Capital Fund		\$7,796,540	11.4%
PHA Operating Fund		\$9,697,290	14.2%
PHA Operating Subsidy		\$825,670	1.2%
Resident Opportunity and Self-Sufficiency (ROSS) Program		\$48,588	0.1%
Section 8		\$41,896,688	61.2%
Total		\$68,440,774	
Uniform State Service Region 12			
Funding Type		Funding Amount	% of Region's Funding
Emergency Shelter Grants		\$143,967	0.8%
HOME		\$1,003,227	5.4%
PHA Capital Fund		\$1,251,158	6.7%
PHA Operating Fund		\$1,617,491	8.6%
PHA Operating Subsidy		\$668,910	3.6%
Section 8		\$14,044,854	75.0%
Total		\$18,729,607	
Uniform State Service Region 13			
Funding Type		Funding Amount	% of Region's Funding
Emergency Shelter Grants		\$662,504	1.6%
HOME		\$4,184,979	10.0%
PHA Capital Fund		\$2,558,840	6.1%
PHA Operating Fund		\$9,945,297	23.8%
PHA Operating Subsidy		\$72,482	0.2%
Resident Opportunity and Self-Sufficiency (ROSS) Program		\$100	0.0%
Section 8		\$22,026,808	52.7%
United States Department of Agriculture Multifamily		\$2,320,000	5.6%
Total		\$41,771,010	
Grand Total		\$1,306,781,962	

Appendix C. Other Available State and Federal Funding Used in the 2004 RAF (HOME)

Uniform State Service Region 1			% of Region's
Funding Type	Funding Amount	Funding	
US Dept. of Agriculture 502/504 Single Family Loans & Grants	\$101,181		1.3%
PHA Capital Fund	\$594,828		7.4%
Emergency Shelter Grants	\$92,330		1.1%
Single Family Bond (HFC)	\$57,545		0.7%
PHA Operating Fund	\$1,089,418		13.5%
PHA Operating Subsidy	\$889,624		11.0%
Section 8	\$3,298,834		40.8%
Single Family Bond (TDHCA)	\$30,569		0.4%
US Dept. of Agriculture Multifamily Loans	\$1,921,757		23.8%
Total	\$8,076,086		
Uniform State Service Region 2			% of Region's
Funding Type	Funding Amount	Funding	
US Dept. of Agriculture 502/504 Single Family Loans & Grants	\$261,575		1.8%
PHA Capital Fund	\$3,650,414		24.8%
Emergency Shelter Grants	\$42,040		0.3%
Single Family Bond (HFC)	\$857,669		5.8%
PHA Operating Fund	\$3,916,813		26.6%
PHA Operating Subsidy	\$1,699,003		11.5%
Section 8	\$3,329,495		22.6%
US Dept. of Agriculture Multifamily Loans	\$966,157		6.6%
Total	\$14,723,166		
Uniform State Service Region 3			% of Region's
Funding Type	Funding Amount	Funding	
US Dept. of Agriculture 502/504 Single Family Loans & Grants	\$121,697		0.2%
Tax Exempt Multifamily Bond	\$4,037,955		8.0%
PHA Capital Fund	\$2,715,180		5.4%
Emergency Shelter Grants	\$50,000		0.1%
Single Family Bond (HFC)	\$7,098,081		14.1%
Housing Tax Credits Associated with Multifamily Tax Exempt Bond	\$7,725,973		15.3%
PHA Operating Fund	\$3,334,768		6.6%
PHA Operating Subsidy	\$1,111,630		2.2%
Section 8	\$22,073,472		43.8%
Single Family Bond (TDHCA)	\$2,165,669		4.3%
Total	\$50,434,425		
Uniform State Service Region 4			% of Region's
Funding Type	Funding Amount	Funding	
US Dept. of Agriculture 502/504 Single Family Loans & Grants	\$531,692		2.1%
PHA Capital Fund	\$2,108,933		8.2%
Emergency Shelter Grants	\$65,000		0.3%
PHA Operating Fund	\$4,265,215		16.5%
PHA Operating Subsidy	\$2,134,287		8.3%
Section 8	\$16,523,488		64.1%
Single Family Bond (TDHCA)	\$157,733		0.6%
Total	\$25,786,348		

Uniform State Service Region 5		Funding Amount	% of Region's Funding
Funding Type			
US Dept. of Agriculture 502/504 Single Family Loans & Grants		\$394,420	1.5%
Tax Exempt Multifamily Bond		\$1,789,200	6.6%
PHA Capital Fund		\$2,206,422	8.2%
Emergency Shelter Grants		\$62,800	0.2%
Single Family Bond (HFC)		\$1,084,267	4.0%
Housing Tax Credits Associated with Multifamily Tax Exempt Bond		\$5,265,462	19.5%
PHA Operating Fund		\$3,572,971	13.2%
PHA Operating Subsidy		\$636,969	2.4%
Section 8		\$11,704,578	43.3%
Single Family Bond (TDHCA)		\$333,742	1.2%
Total		\$27,050,831	
Uniform State Service Region 6		Funding Amount	% of Region's Funding
Funding Type			
US Dept. of Agriculture 502/504 Single Family Loans & Grants		\$102,312	0.7%
PHA Capital Fund		\$609,768	3.9%
Emergency Shelter Grants		\$71,000	0.5%
Single Family Bond (HFC)		\$3,788,691	24.1%
PHA Operating Fund		\$870,896	5.5%
PHA Operating Subsidy		\$580,315	3.7%
Section 8		\$9,587,090	61.0%
Single Family Bond (TDHCA)		\$5,000	0.0%
US Dept. of Agriculture Multifamily Loans		\$112,000	0.7%
Total		\$15,727,072	
Uniform State Service Region 7		Funding Amount	% of Region's Funding
Funding Type			
US Dept. of Agriculture 502/504 Single Family Loans & Grants		\$283,843	0.4%
Tax Exempt Multifamily Bond		\$8,119,300	12.6%
PHA Capital Fund		\$1,702,598	2.6%
Emergency Shelter Grants		\$167,000	0.3%
Single Family Bond (HFC)		\$6,840,511	10.6%
Housing Tax Credits Associated with Multifamily Tax Exempt Bond		\$14,140,605	22.0%
PHA Operating Fund		\$1,587,254	2.5%
PHA Operating Subsidy		\$127,395	0.2%
Section 8		\$8,649,194	13.4%
Single Family Bond (TDHCA)		\$22,714,078	35.3%
Total		\$64,331,778	
Uniform State Service Region 8		Funding Amount	% of Region's Funding
Funding Type			
US Dept. of Agriculture 502/504 Single Family Loans & Grants		\$133,020	0.6%
PHA Capital Fund		\$1,652,710	8.0%
Single Family Bond (HFC)		\$1,256,569	6.1%
PHA Operating Fund		\$2,465,678	12.0%
PHA Operating Subsidy		\$317,829	1.5%
Resident Opportunity and Self-Sufficiency (ROSS) Program		\$13,745	0.1%
Section 8		\$14,236,415	69.1%
Single Family Bond (TDHCA)		\$173,702	0.8%
US Dept. of Agriculture Multifamily Loans		\$356,550	1.7%
Total		\$20,606,218	

Uniform State Service Region 9		Funding Amount	% of Region's Funding
Funding Type			
US Dept. of Agriculture 502/504 Single Family Loans & Grants		\$131,475	0.9%
PHA Capital Fund		\$618,558	4.4%
Emergency Shelter Grants		\$140,000	1.0%
Single Family Bond (HFC)		\$6,526,930	46.2%
PHA Operating Fund		\$1,036,036	7.3%
PHA Operating Subsidy		\$275,955	2.0%
Section 8		\$5,295,869	37.5%
Single Family Bond (TDHCA)		\$99,926	0.7%
Total		\$14,124,749	
Uniform State Service Region 10		Funding Amount	% of Region's Funding
Funding Type			
US Dept. of Agriculture 502/504 Single Family Loans & Grants		\$334,558	1.8%
PHA Capital Fund		\$2,369,040	12.6%
Emergency Shelter Grants		\$45,000	0.2%
Single Family Bond (HFC)		\$1,416,899	7.5%
PHA Operating Fund		\$3,932,668	20.9%
PHA Operating Subsidy		\$997,682	5.3%
Section 8		\$8,505,936	45.2%
Single Family Bond (TDHCA)		\$1,236,361	6.6%
Total		\$18,838,144	
Uniform State Service Region 11		Funding Amount	% of Region's Funding
Funding Type			
US Dept. of Agriculture 502/504 Single Family Loans & Grants		\$806,484	3.8%
PHA Capital Fund		\$2,750,848	13.1%
Emergency Shelter Grants		\$55,000	0.3%
Single Family Bond (HFC)		\$423,977	2.0%
PHA Operating Fund		\$2,969,316	14.1%
PHA Operating Subsidy		\$738,619	3.5%
Section 8		\$11,893,823	56.6%
Single Family Bond (TDHCA)		\$1,358,029	6.5%
Total		\$20,996,096	
Uniform State Service Region 12		Funding Amount	% of Region's Funding
Funding Type			
US Dept. of Agriculture 502/504 Single Family Loans & Grants		\$138,154	1.6%
PHA Capital Fund		\$1,011,629	11.4%
Emergency Shelter Grants		\$85,000	1.0%
Single Family Bond (HFC)		\$184,241	2.1%
PHA Operating Fund		\$1,128,785	12.7%
PHA Operating Subsidy		\$668,910	7.5%
Section 8		\$5,678,725	63.8%
Total		\$8,895,444	
Uniform State Service Region 13		Funding Amount	% of Region's Funding
Funding Type			
US Dept. of Agriculture 502/504 Single Family Loans & Grants		\$88,614	1.5%
PHA Capital Fund		\$371,252	6.4%
Single Family Bond (HFC)		\$63,900	1.1%
PHA Operating Fund		\$409,515	7.0%
PHA Operating Subsidy		\$72,482	1.2%
Section 8		\$978,559	16.8%
Single Family Bond (TDHCA)		\$1,515,541	26.0%
US Dept. of Agriculture Multifamily Loans		\$2,320,000	39.9%
Total		\$5,819,863	
Grand Total		\$295,410,220	

Appendix B-2

Finding 2.2 - The Exurban distinction first used in the 2004 QAP was an important tool in spreading out low-income housing tax credit developments within the several regions, but the department has not completely utilized the benefit of this new definition.

The power of an exurban distinction in statute was created to allow proposed developments located on the outskirts of urban areas to be able to compete against proposed developments located in traditional central urban areas. The Committee saw that there is as much or maybe even more need for affordable housing in these areas outside of the traditional urban areas and sought to allow these two areas to compete with the benefit of an exurban distinction.

Though the department did award 10 points in the 2004 QAP to exurban developments, the majority of those exurban developments that received low-income housing tax credits were granted additional points through special set-asides for at-risk and elderly developments. These exurban developments would not have received tax credits without being placed in the special set-aside designations and department rules are what are blocking the exurban developments from receiving tax credit allocations.

The committee does find that there has been confusion caused by the omission of a working exurban definition in statute. The committee believes that there is a need for exurban to be defined in statute, but was unable to create one during the interim period. If the legislature continues to use this tool during the next session as this interim committee recommends, there should be a definition in statute.

Recommendation

- Clearly define an Exurban city/town in statute and make certain this tool will be used to direct low-income housing tax credit developments to those areas with the most need and reverse the practice of warehousing these developments while making certain the definition does not divert money from rural areas.

Appendix C-1

SURVEY INSTRUMENT



Dear Local Official/Housing or Community Service Professional:

Thank you for completing this survey on local housing and community service issues. It is an opportunity for your community to voice local needs and concerns. Your input is critical in determining how state and federal housing funds will be allocated in your region. The final response deadline is June 2, 2003.

The Texas Department of Housing and Community Affairs (TDHCA) is the State's lead agency responsible for affordable housing and community assistance programs. The information collected through this survey will aid in identifying housing and community assistance needs across Texas and will help shape programs that best address those needs. The information will also serve as a valuable resource for TDHCA and a new network of regional development coordinators in their ongoing policy development and planning work. Specifically, information from the surveys is used as a primary component of the Affordable Housing Needs Score (AHNS). The AHNS is a significant review criterion for awarding HOME, Housing Trust Fund, and Low Income Housing Tax Credit program funding.

The survey contains several ranking questions. Please rank the needs or activities in order of importance to your community. Each number in the ranking categories should be only used once. Contact the Center for Housing Research, Planning, and Communications at (512) 475-3976 should you have any questions regarding the survey. Your assistance with this matter is greatly appreciated.

Sincerely,

Sarah D. Anderson

Sarah D. Anderson, Director
Center for Housing Research, Planning, and Communications

PARTICIPANT INFORMATION

Organization Name: _____ Phone: _____
 Survey Contact Name: _____ Fax: _____
 Mailing Address: _____
 City, State, ZIP: _____ Email: _____

HOUSING ACTIVITIES

The affordable housing problem in my community is (please circle one)

severe	significant	minor	nonexistent	unfamiliar to me
--------	-------------	-------	-------------	------------------

For the following ranking questions, please use each number only once.

Rank the following housing needs in your community. (1 is "Most important" and 2 is "Least important")

- ___ Owner-occupied housing
- ___ Rental housing

Rank the activities within each category of housing need in order of importance.

Owner-Occupied Housing (Use the numbers 1, 2, 3; where 1 is "Most important" and 3 is "Least important")

- ___ New housing development
- ___ Renovation of existing housing
- ___ Purchase assistance (lower interest rate home loans, down payment or closing costs assistance, etc.)

Rental Housing (Use the numbers 1, 2, 3; where 1 is "Most important" and 3 is "Least important")

- New housing development
- Renovation of existing housing
- Rental payment assistance

Are there local nonprofit housing and community development organizations in your community? YES
NO

If NO, please skip the next question.

Rank each of the following capacity building activities for local housing and community development organizations in order of importance. (Use the numbers 1, 2, 3; where 1 is "Most important" and 3 is "Least important")

- Assistance with predevelopment costs (architectural or environmental fees for housing development, etc.)
- Assistance with staffing and operating costs
- Technical assistance (training, organizational development, etc.)
- Other (Please list _____)

Rank your community's need for housing and/or supportive services for the following populations.

(Use the numbers 1, 2, 3; where 1 is "Most important" and 3 is "Least important")

- Extremely low-income population (earning less than 30% of the area median income)
- Low-income elderly persons
- Low-income persons with disabilities (physical, mental, or emotional impairment)
- Other (Please list _____)

Rank the activities within each category in order of importance.

Low- and Moderate-Income People (Use the numbers 1, 2, 3, 4; where 1 is "Most important" and 4 is "Least important")

- Programs for extremely low-income people (earning less than 30% of area median income)
- Programs for very low-income people (earning between 31% and 50% of area median income)
- Programs for low-income people (earning between 51% and 80% of area median income)
- Programs for moderate-income people (earning between 81% and 115% of area median income)

Low-Income Elderly Persons (Use the numbers 1, 2, 3, 4; where 1 is "Most important" and 4 is "Least important")

- Rental assistance for elderly persons
- Development or rehabilitation of housing to create more supply
- Owner-occupied assistance for elderly persons (rehabilitation of existing homes, etc.)
- Supportive services for elderly persons (community care, meal preparation, etc.)

Low-Income Persons with Disabilities (Use the numbers 1, 2, 3, 4; where 1 is "Most important" and 4 is "Least important")

- Rental assistance for persons with disabilities
- Down payment assistance for persons with disabilities
- Funding for structural modifications of housing for persons with disabilities (retrofitting for accessibility, etc.)
- Supportive services for persons with disabilities (community care, meal preparation, etc.)

HOMELESS PROGRAMS AND COMMUNITY ASSISTANCE

The homeless problem in my community is (please circle one)

severe	significant	minor	nonexistent	unfamiliar to me
--------	-------------	-------	-------------	------------------

For the following ranking questions, please use each number only once.

Rank your community's need for the following types of homeless housing assistance.

(Use the numbers 1, 2, 3; where 1 is "Most important" and 3 is "Least important")

- Short-term (emergency) homeless shelters
- Transitional housing facilities (up to 24 months)
- Permanent housing

Rank the following homeless assistance activities in order of importance for your community.

(Use the numbers 1, 2, 3, 4; where 1 is "Most important" and 4 is "Least important")

- New construction of buildings for use as homeless facilities
- Renovation or major rehabilitation of buildings for use as homeless facilities
- Provision of essential support services for homeless persons
- Maintenance, operation, and furnishing costs for homeless facilities

Rank the following homeless support services in order of importance for your community.

(Use the numbers 1, 2, 3, 4, 5; where 1 is "Most important" and 5 is "Least important")

- Emergency housing payment assistance (mortgage, rent, or utility payments)
- Credit and debt counseling services
- Job training and placement services
- Child care and transportation assistance
- Mental and physical health assistance

Rank the following energy assistance and weatherization activities in order of importance for your community.

(Use the numbers 1, 2, 3, 4; where 1 is "Most important" and 4 is "Least important")

- Utility payment assistance
- Educational activities (energy efficiency and conservation)
- Repair and replacement of HVAC equipment
- Weatherization measures to increase energy efficiency

OBSTACLES TO AFFORDABLE HOUSING

Indicate your opinion on each the following statements about affordable housing.

NIMBYism (Not In My Back Yard) is an obstacle to the creation of affordable housing in my community.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Public financial incentives (low-interest loans, tax incentives) are needed to increase the number of affordable homes built locally.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Local land use controls, zoning, and building codes discourage the growth of affordable housing in my community.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
There is a shortage of reasonably-priced mortgage financing available for low-income households in my community.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Environmental concerns (lead-based paint, asbestos) limit the amount of affordable housing initiatives in my community.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Subprime lending is an issue that requires attention in my community.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The lack of homebuyer education and credit counseling services is an obstacle to obtaining affordable housing.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Local market conditions and population demographics work against the creation of affordable housing.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The lack of a local construction industry (materials and builders) impedes affordable housing in my community.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Fair housing compliance and housing discrimination are issues that require attention in my community.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
There is a need for more capacity building activities targeting local housing organizations.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
My community would be interested in a sweat-equity program (participant contributes labor) for affordable housing.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

COMMENTS

Please use the space below if you have any additional comments on any of the items in the survey or related topics not covered (attach additional pages, if necessary).

If you would like to make comments and/or suggestions regarding this survey, please contact us at the Center for Housing Research, Planning, and Communications at (512) 475-3976. Written comments should be submitted to:

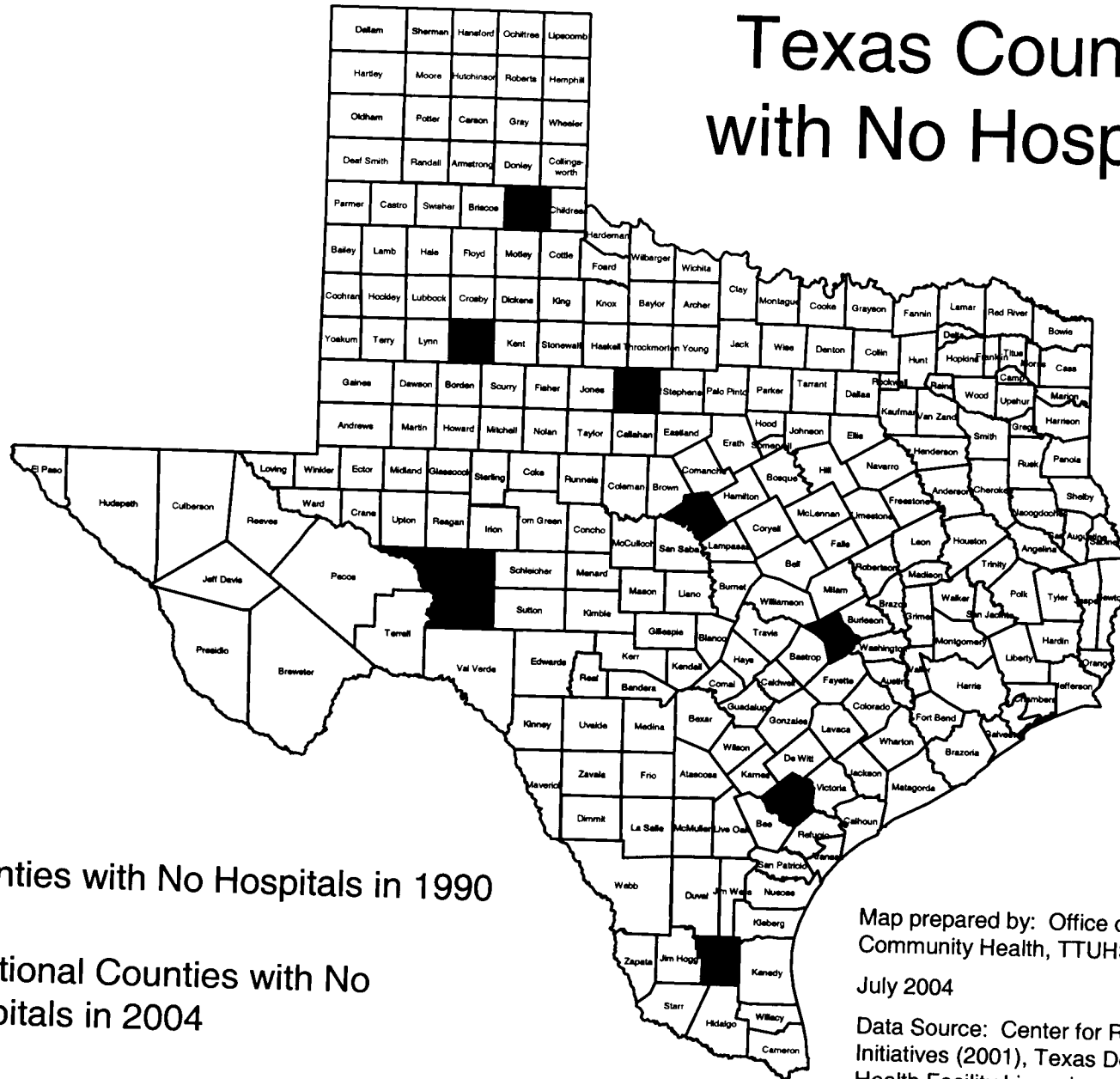
Mail: Texas Department of Housing and Community Affairs
Center for Housing Research, Planning, and Communications
P.O. Box 13941
Austin, TX 78711-3941

Email: info@tdhca.state.tx.us
Fax: (512) 475-3746

Please remove the cover sheet and fold the survey in half so that the "Business Reply Mail" side is showing, tape it closed (please do not staple the survey), and drop it in the mailbox. You may also fax this survey, attn. Housing Center, to (512) 475-3746. Please remember to fax both sides of each sheet. Once again, Thank You for your assistance with this effort.

Appendix C-2

Texas Counties with No Hospitals



 Counties with No Hospitals in 1990

 Additional Counties with No Hospitals in 2004

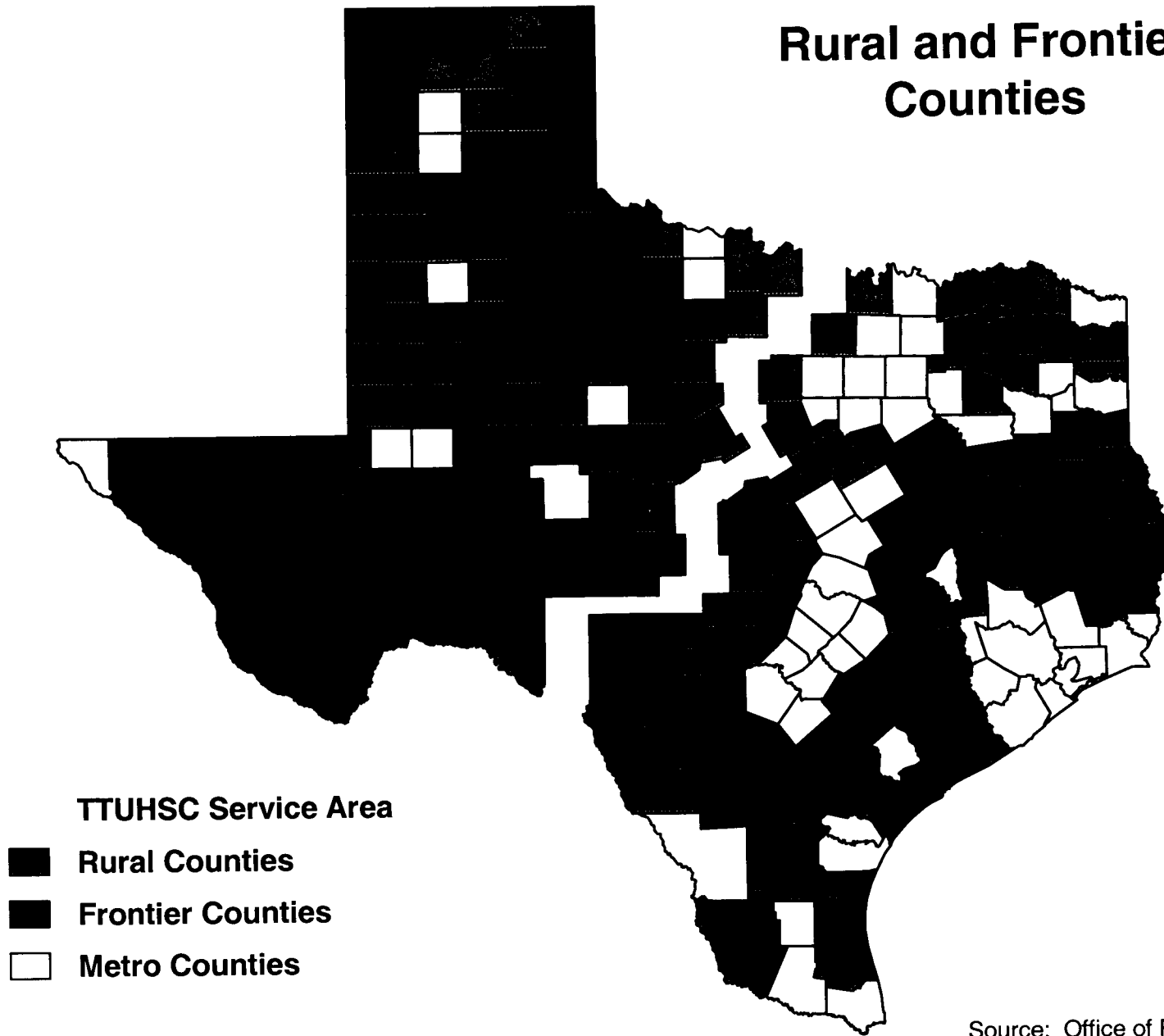
Map prepared by: Office of Rural & Community Health, TTUHSC

July 2004

Data Source: Center for Rural Health Initiatives (2001), Texas Dept of Health, Health Facility Licensing and Compliance Division, 2001

Appendix C-3

Rural and Frontier Counties



Source: Office of Rural Community Affairs, 2003

Appendix C-4

Distance to Primary Care Physicians (PCP)

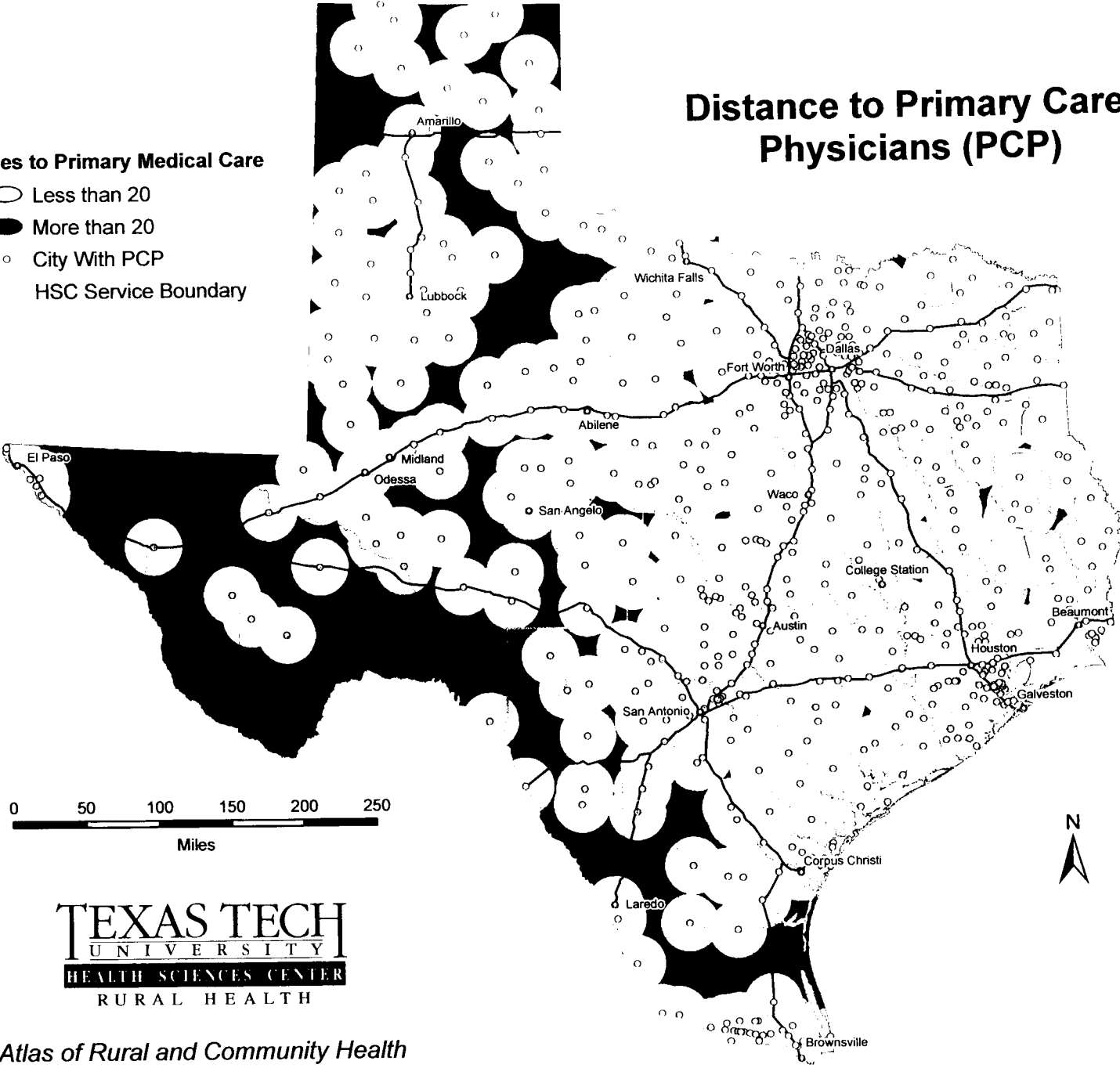
Miles to Primary Medical Care

○ Less than 20

● More than 20

○ City With PCP

HSC Service Boundary



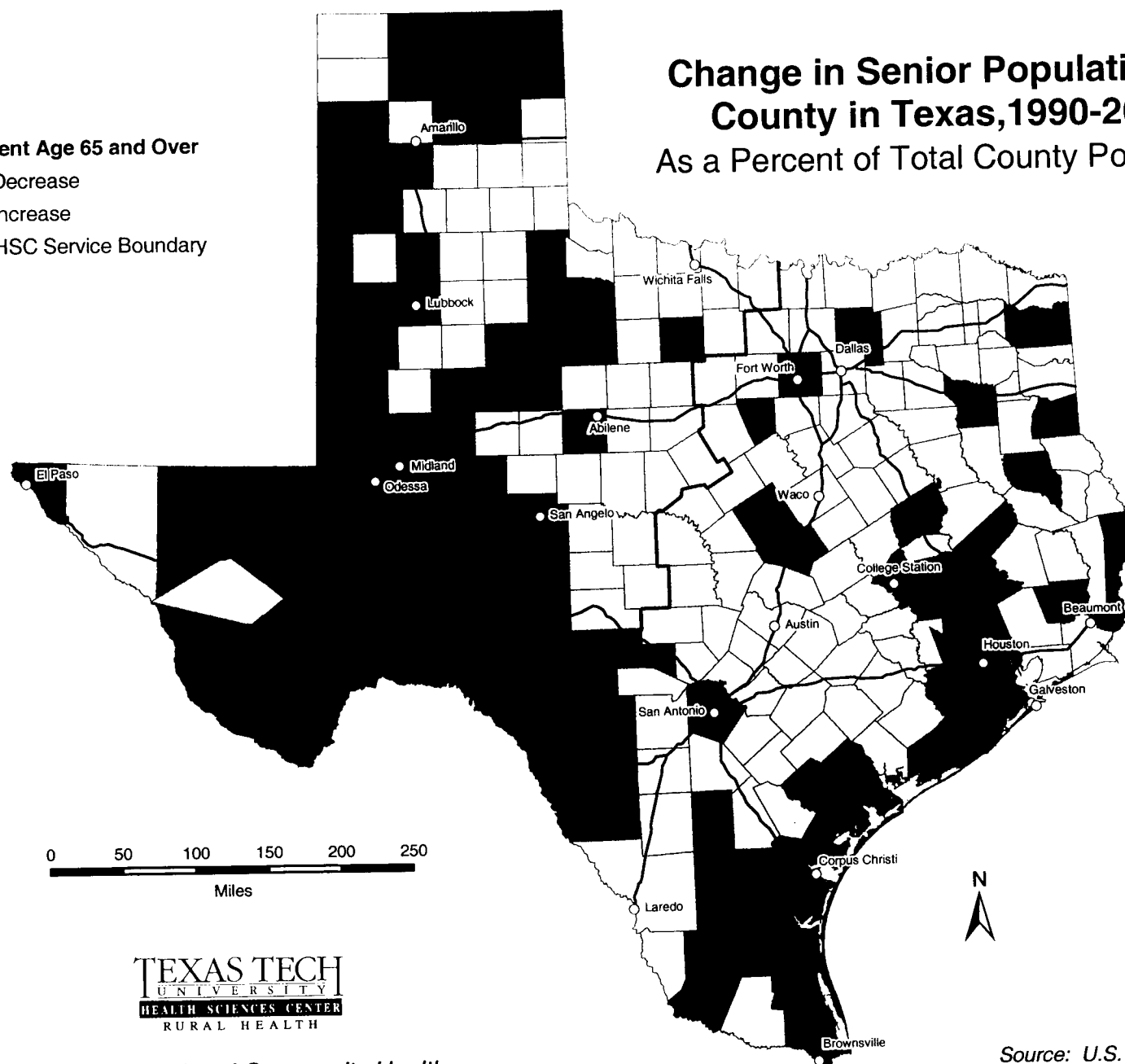
TEXAS TECH
UNIVERSITY
HEALTH SCIENCES CENTER
RURAL HEALTH

Atlas of Rural and Community Health

Appendix C-5

Change in Senior Population by County in Texas, 1990-2000 As a Percent of Total County Population

Percent Age 65 and Over
 □ Decrease
 ■ Increase
 ~ HSC Service Boundary



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Atlas of Rural and Community Health

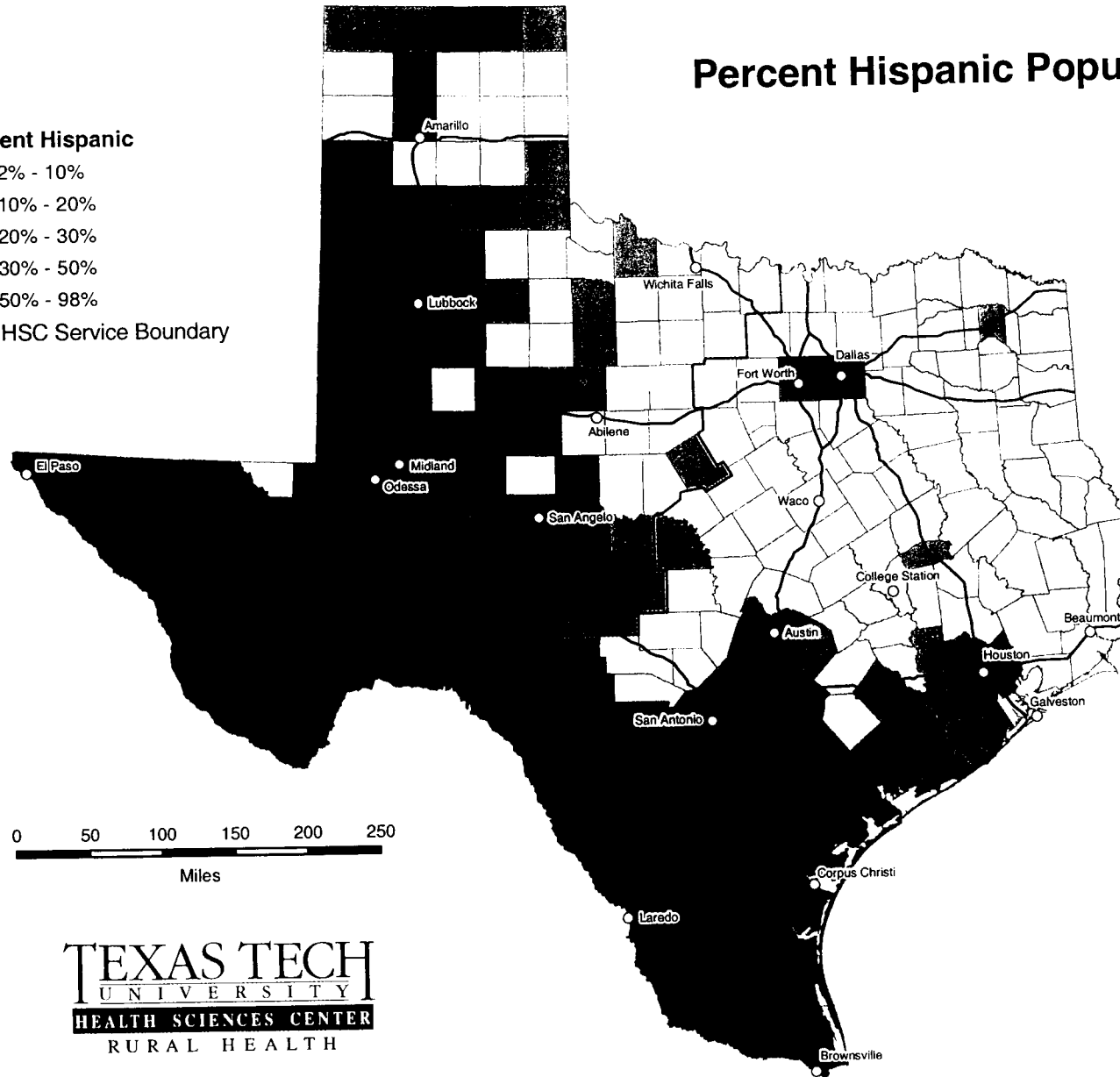
Source: U.S. Census Bureau,
 U.S. Census 2000

Appendix C-6

Percent Hispanic Population

Percent Hispanic

-  2% - 10%
-  10% - 20%
-  20% - 30%
-  30% - 50%
-  50% - 98%
-  HSC Service Boundary

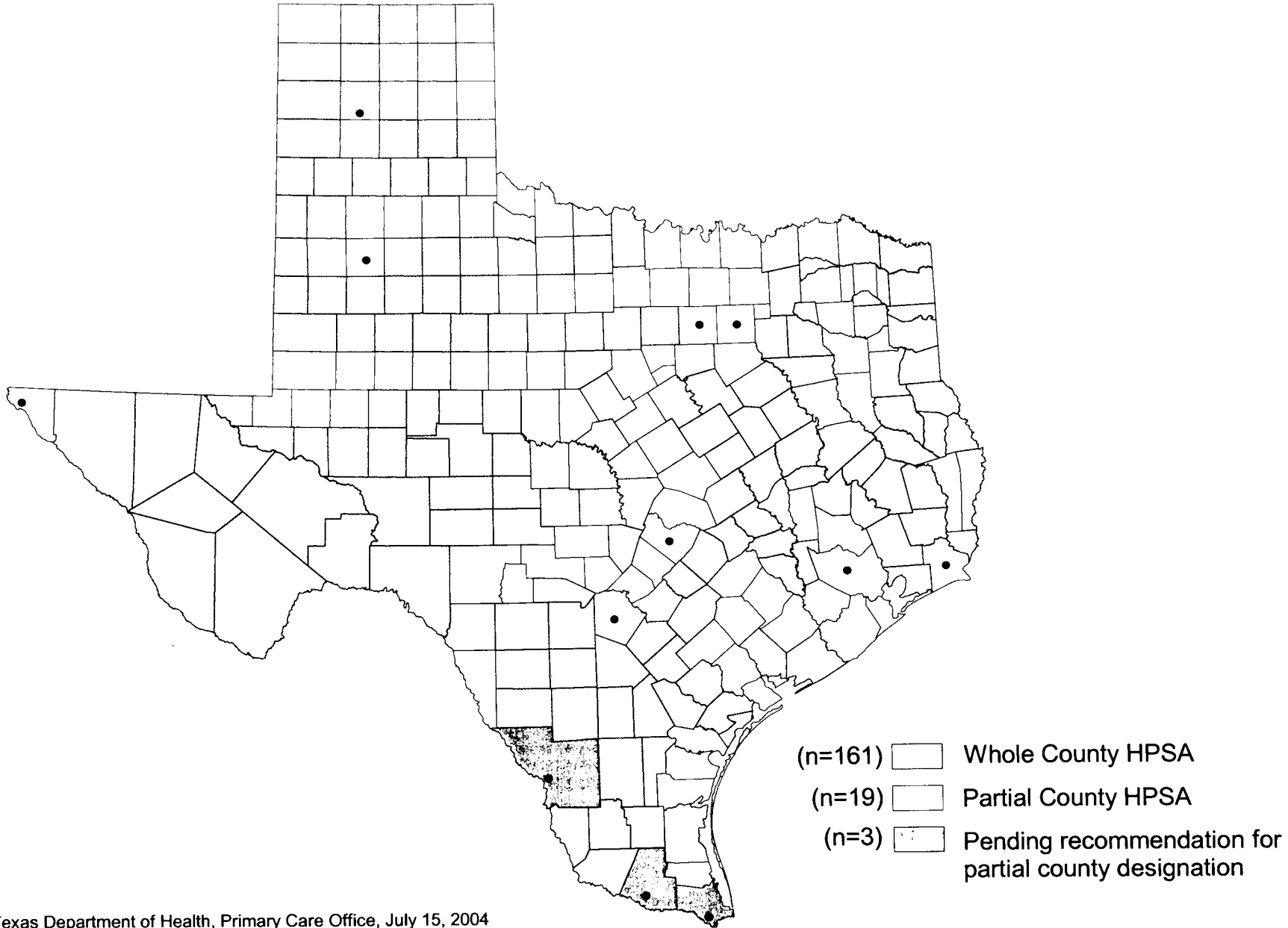


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Appendix C-7

Primary Care Health Professional Shortage Areas

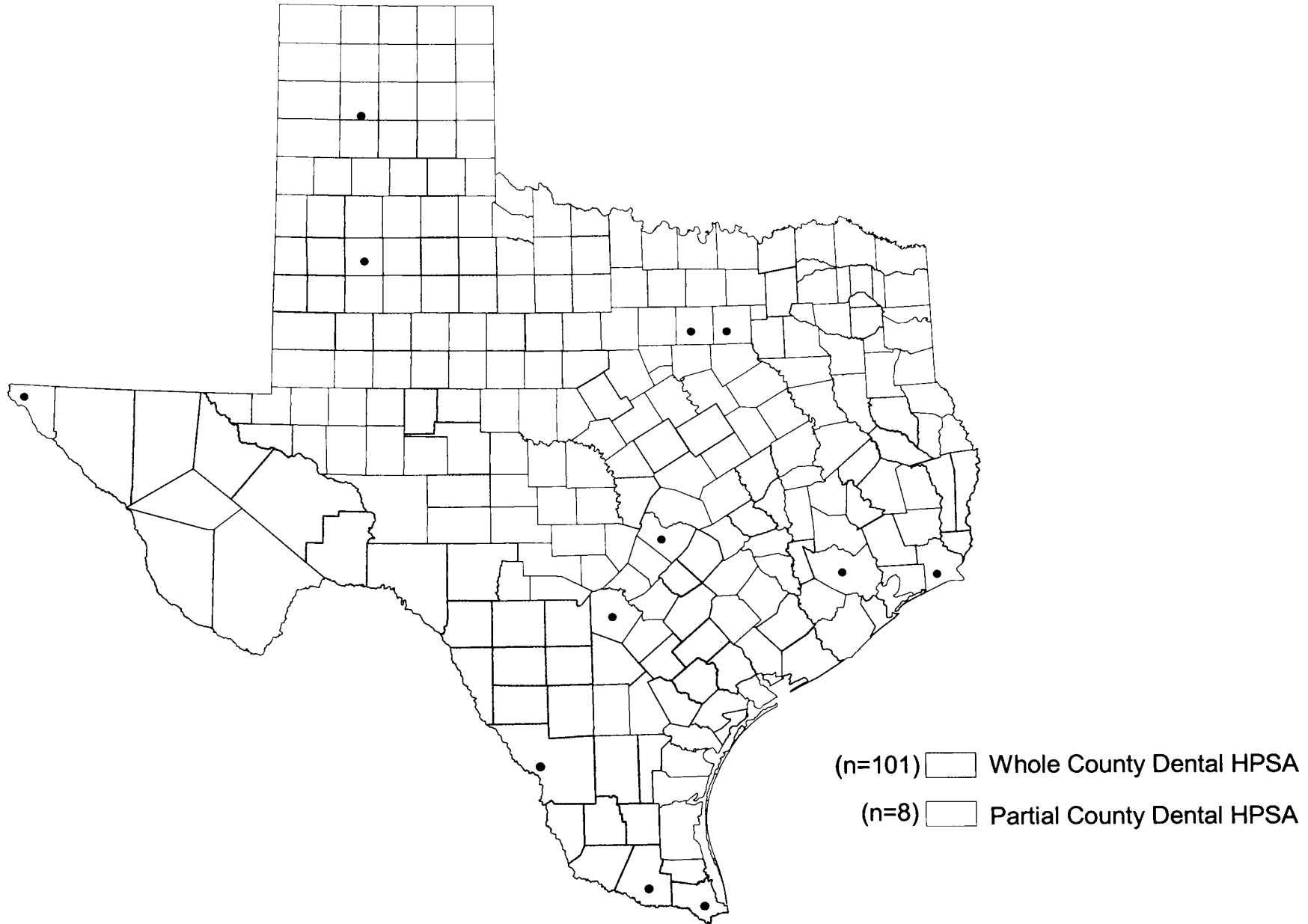


Map created by Texas Department of Health, Primary Care Office, July 15, 2004

Appendix C-8

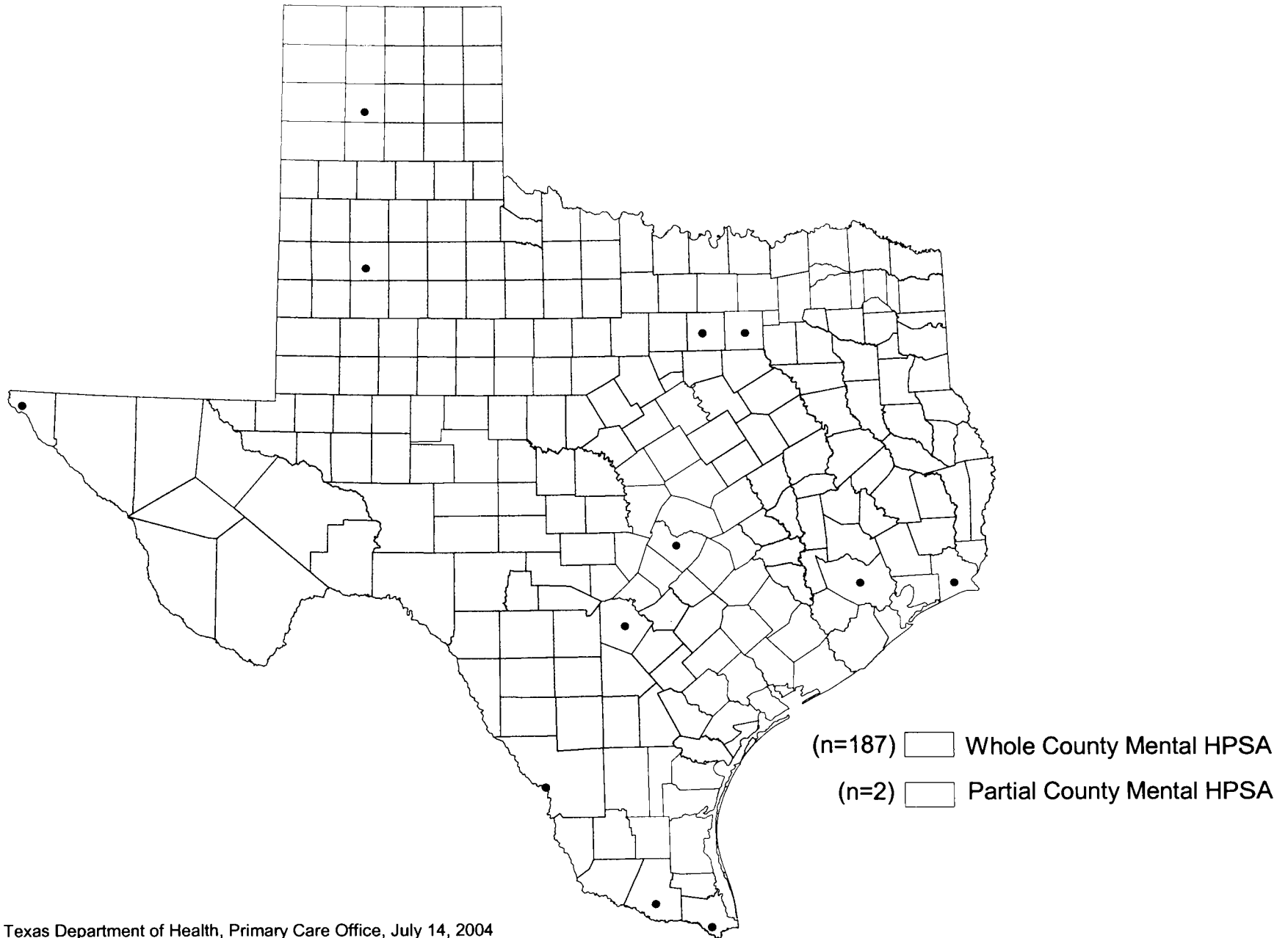
Dental Health Professional Shortage Areas

There are 109 whole and partial county dental shortage areas



Appendix C-9

Mental Health Professional Shortage Areas



Map created by Texas Department of Health, Primary Care Office, July 14, 2004

Appendix C-10

Number of Doctors by County

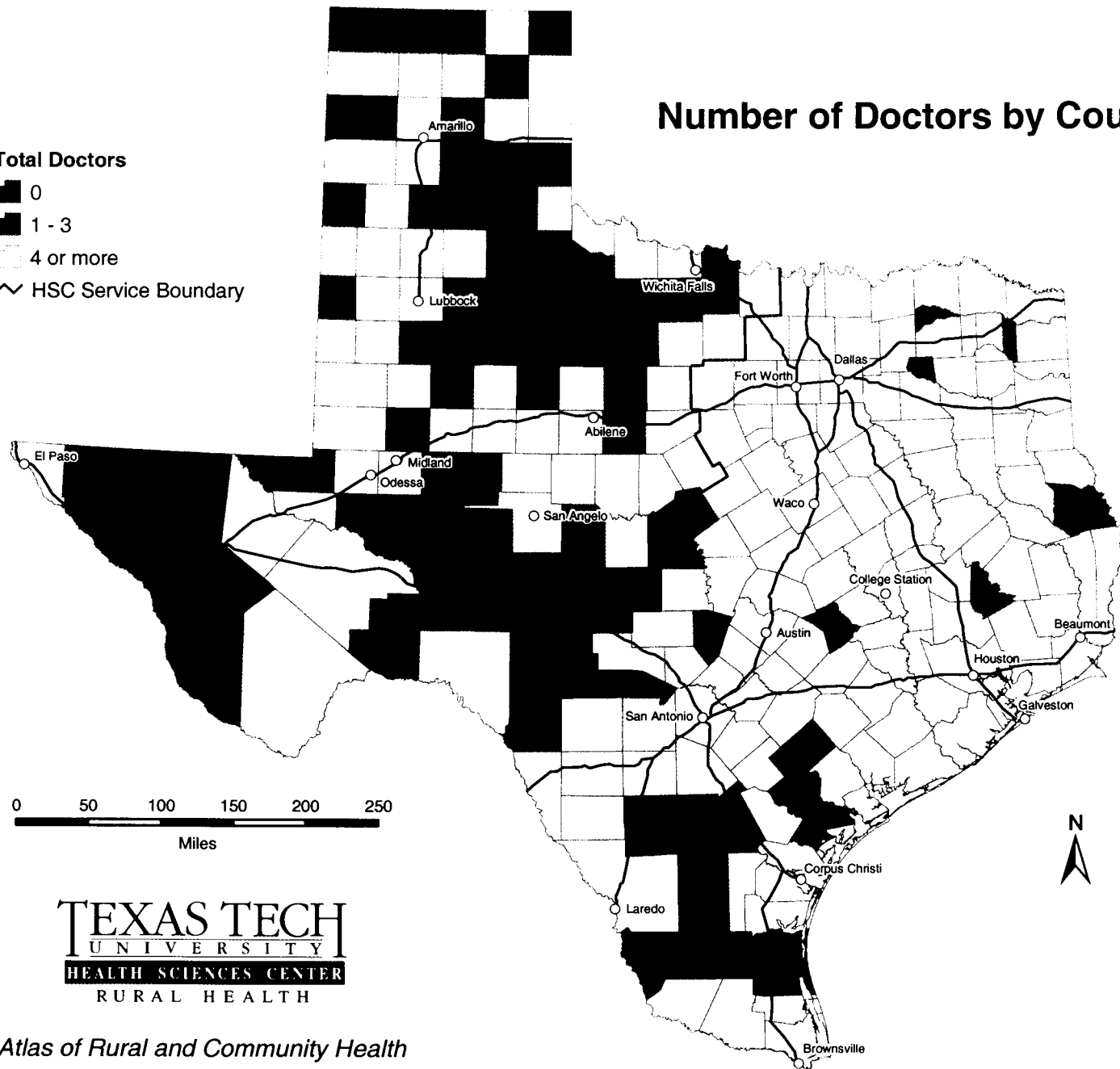
Total Doctors

0

1 - 3

4 or more

~ HSC Service Boundary

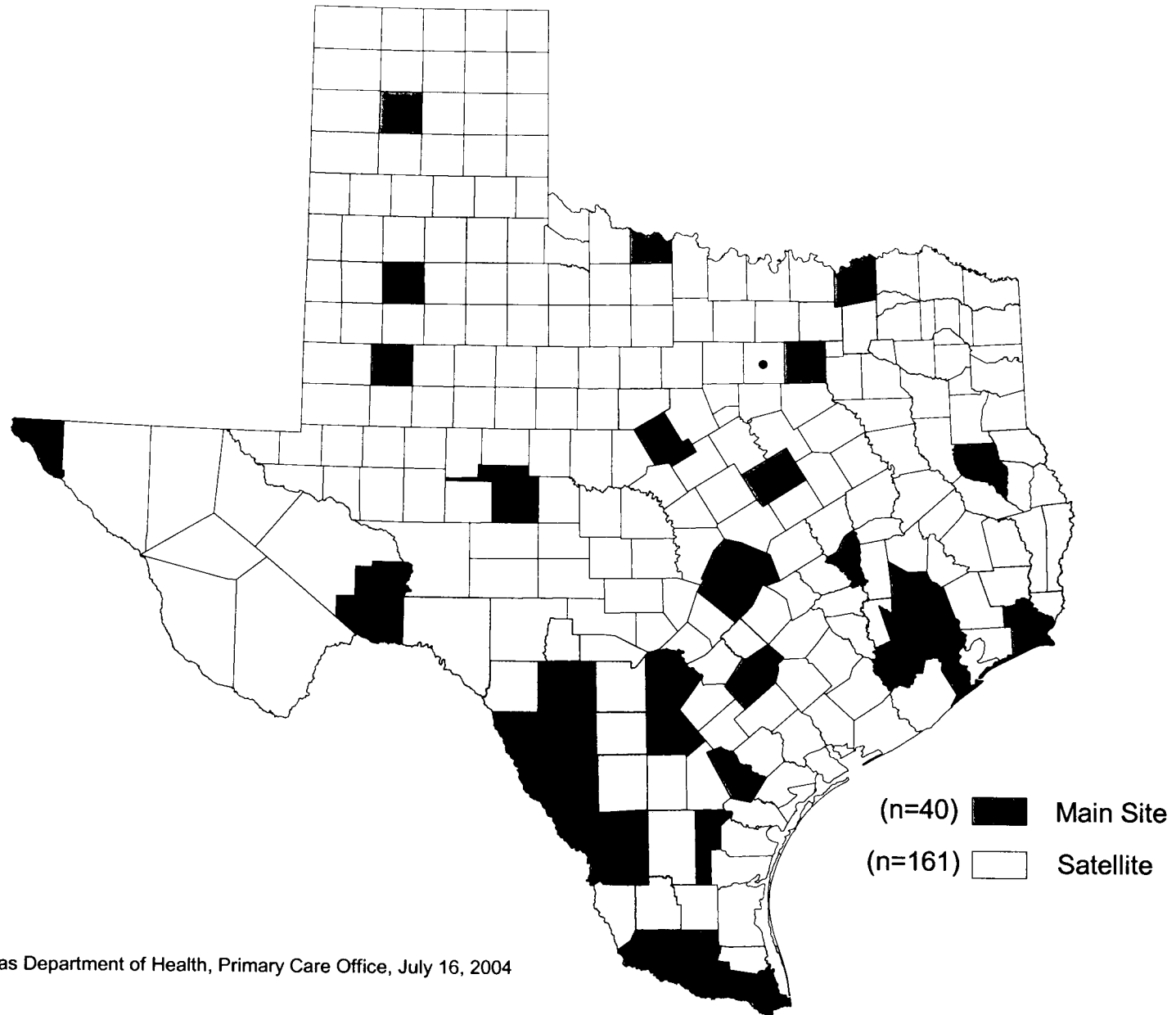


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Appendix C-11

Federally Qualified Health Centers Main Sites and Satellite Clinics

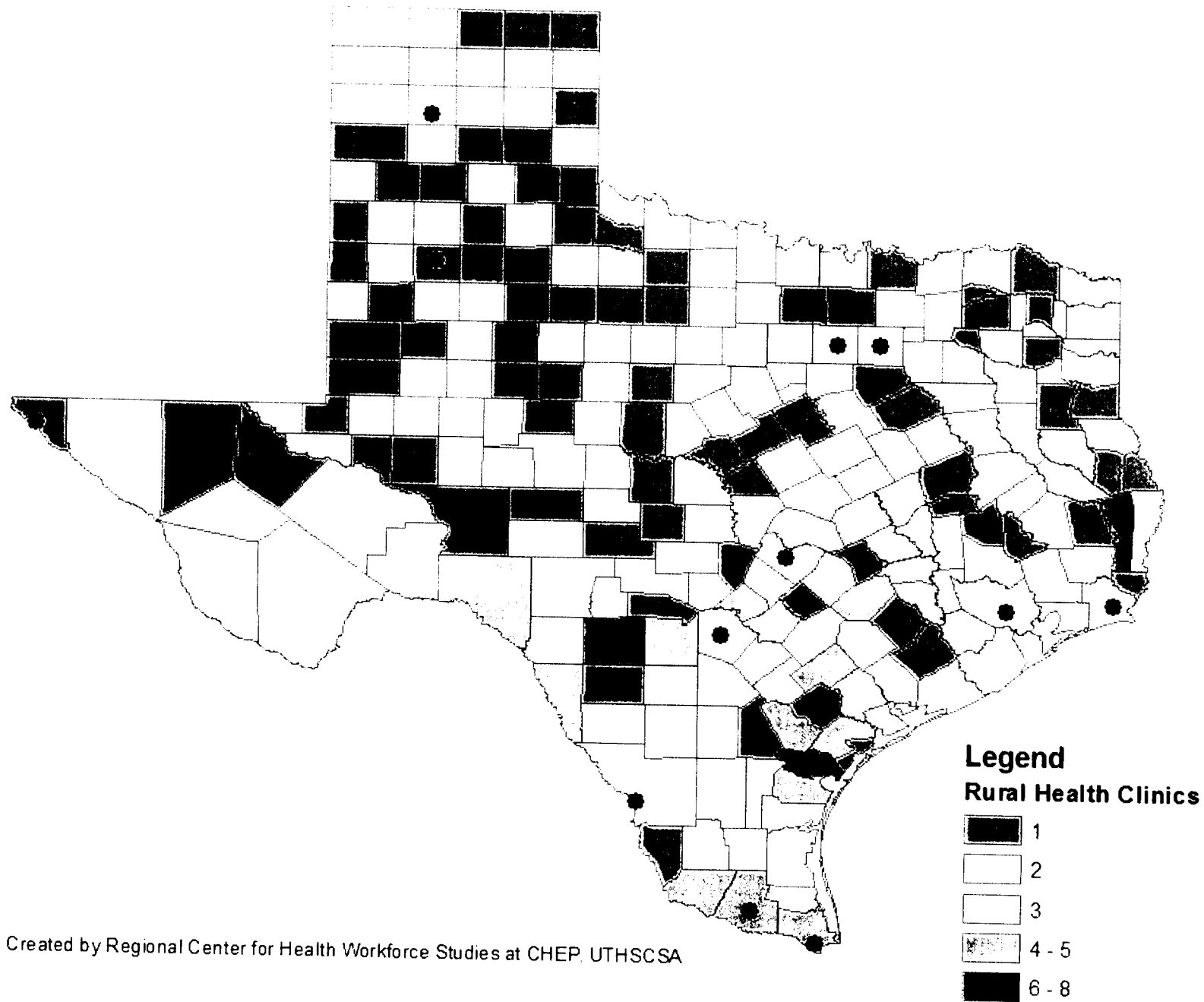


Map created by Texas Department of Health, Primary Care Office, July 16, 2004

Appendix C-12

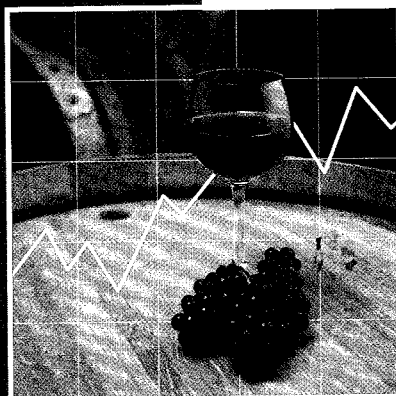
Rural Health Clinics in Texas

338 Rural Health Clinics



Map Created by Regional Center for Health Workforce Studies at CHEP, UTHSCSA

Appendix D-1



MKF RESEARCH ECONOMIC IMPACT OF CALIFORNIA WINE 2004

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WINE INSTITUTE
THE VOICE FOR CALIFORNIA WINE



RESEARCH REPORT

HIGHLIGHTS

FULL ECONOMIC IMPACT* OF WINE ON THE CALIFORNIA ECONOMY
\$ 45.4 Billion

The Number 1 Finished Agricultural Product from California
 (retail value)

CALIFORNIA WINE	ECONOMIC IMPACT
Number of Wineries	1,049
Number of Grape Growers	4,805
Full-time Equivalent Jobs	207,550
Wages Paid	\$7.6 billion
Wine Produced (750ml Bottle equivalents)	3.12 billion
Retail Value of California Wine	\$15.2 billion ¹
Wine Sales Growth Rate (Compound Annual Rate 1998-2002)	5.4 %
Tourism Expenditures	\$1.3 billion
Number of Visitors	14.8 million
Taxes Paid (California / Total)	\$1.9 billion / \$5.6 billion
Charitable Contributions	\$73 million

¹ Excludes exports and on-premise sales.

ECONOMIC IMPACT OF CALIFORNIA WINE - 2004

HIGHLIGHTS

Total Economic Impact (Sum of Total Spending)

<u>Revenue:</u>	<u>California Economic Impact</u>
Winery Sales	\$8,730,000,000
Retail and Restaurant Wine Sales	5,150,000,000
Distributors Sales	2,189,417,000
Wine Grapes Sales	2,365,473,000
Tourism	1,327,833,000
Glass	889,000,000
Tax Revenues	1,922,000,000
Financing Revenues - Debt	1,130,284,000
Vineyard Development - Independent Owner - Overhead/Financing/Property Tax	529,968,000
Vineyard Development - Independent Owner - Materials (excluding vines)	331,953,000
Corks/Capsules/Screwtops	242,000,000
Boxes/Bags-in-a-Box	109,000,000
Wine Labels	139,483,000
Grapevines	42,142,000
Trucking	79,178,000
Charitable Contributions	72,800,000
Cooperage	90,000,000
Stainless Steel Tanks	34,898,000
Wine Labs	9,600,000
Grapevine Assessments	1,200,000
Winery Research	2,733,000
Wine Industry - Indirect (IMPLAN) - from Appendix 4.3	3,446,907,000
Wine Industry - Induced (IMPLAN) - from Appendix 4.3	450,828,000
Other Industry - Indirect (IMPLAN) - from Appendix 4.3	4,317,716,000
Other Industry - Induced (IMPLAN) - from Appendix 4.3	4,220,723,000
Total Revenue	<u>\$37,825,136,000</u>

***ECONOMIC IMPACT
OF CALIFORNIA WINE***

AN MKF RESEARCH REPORT

Sponsored by



WINE INSTITUTE



**CALIFORNIA ASSOCIATION
OF WINE GRAPE GROWERS**

January, 2000

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ECONOMIC IMPACT OF CALIFORNIA WINE

HIGHLIGHTS

FULL ECONOMIC IMPACT* OF WINE ON THE CALIFORNIA ECONOMY **\$ 33 Billion**

The Number 1 Finished Agricultural Product from California
(retail value)

CALIFORNIA WINE	ECONOMIC IMPACT
Number of Wineries	847
Number of Grape Growers	4,400
Full-time Equivalent Jobs	145,000
Wages Paid	\$4.3 billion
Wine Produced (750ml Bottles)	2.6 billion
Retail Value of California Wine	\$12.3 billion
Wine Sales Growth Rate (Compound Annual Rate 1994-1999)	12%
Tourism Expenditures	\$1.2 billion
Number of Visitors	10.7 million
Taxes Paid (California / Total)	\$1 billion / \$3.1 billion
Charitable Contributions	\$62 million

* Sum of total spending

Economic Impact of California Wine

TOTAL Economic Impact

<u>Revenue:</u>	<u>California Economic Impact</u>
Winery Sales	\$7,900,000,000
Retailers and Resturant Wine Sales (in California)	4,425,000,000
Distributors Sales (in California)	3,000,000,000
Wine Grapes (excluding Thompson Seedless)	1,600,000,000
Tourism	1,200,000,000
Glass	1,150,000,000
Tax Revenues	1,002,000,000
Financing Revenues - Debt	886,000,000
Vineyard Development - Independent Grower - Overhead/Financing/Prop Tax	643,000,000
Vineyard Development Materials (excluding vines)	373,000,000
Corks/Capsules/Screwtops	175,000,000
Boxes and Bag-in-a-Box	170,000,000
Wine Labels	106,000,000
Grapevines	81,000,000
Trucking	63,000,000
Charitable Contributions	62,000,000
Cooperage	56,000,000
Financing Revenues - Equity	20,000,000
Stainless Steel Tanks	11,000,000
Wine Labs	4,000,000
Grapevine Assessments	2,000,000
Winery Research	2,000,000
Wine Industry Indirect - IMPLAN - from Appendix 4.3	2,365,000,000
Other Industry Induced - IMPLAN - from Appendix 4.3	1,552,000,000
Other Industry Indirect - IMPLAN - from Appendix 4.3	1,481,000,000
Wine Industry Induced - IMPLAN - from Appendix 4.3	161,000,000
Total Revenue	<u>\$28,490,000,000</u>
<u>Wages:</u>	
Winery Employees	\$641,000,000
Vineyard Employees	597,000,000
Vineyard Development - Contracted Services	397,000,000
Vineyard Development Labor	283,000,000
Tourism Employees (hotel, rest., etc.)	218,000,000
Distributor Employees (wine only)	100,000,000
Glass	70,000,000
Labels	53,000,000
Boxes and Bag-in-a-Box	46,000,000
Grapevine/Nursery Employees	27,000,000
Trucking	26,000,000
Liquor Store/Wine Specific	20,000,000
Cooperage	12,000,000
Corks/Capsules/Screwtops	7,000,000
Stainless Steel Tanks	5,000,000
Education	4,000,000
Wine Labs	2,000,000
Wine Industry Indirect - IMPLAN - from Appendix 4.4	769,000,000
Other Industry Induced - IMPLAN - from Appendix 4.4	480,000,000
Other Industry Indirect -IMPLAN - from Appendix 4.4	466,000,000
Wine Industry Induced - IMPLAN - from Appendix 4.4	58,000,000
Total Wages	<u>4,281,000,000</u>
Total	<u>\$32,771,000,000</u>

Source: MKF Research and IMPLAN

ECONOMIC IMPACT OF THE WASHINGTON STATE WINE AND WINE GRAPE INDUSTRIES

MARCH 2001

 **MKF** RESEARCH REPORT

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EXECUTIVE SUMMARY

The Washington State wine industry has more than doubled in size over the past ten years with more than 24,000 acres of grapevines and 160 state wineries. This growth trend not only ranks Washington State second in total wine production throughout the United States, but also continues to boost the industry's economic impact on the state of Washington.

The full economic impact of the wine industry on the state of Washington is estimated at **2.4 billion dollars** including revenues to the wine industry and allied industries, and direct, indirect, and induced economic benefits. In addition the wine industry **employs more than 11,000 people** throughout the state directly or indirectly.

Its continuous growth trend and large untapped market holds a promising future for the state's wine industry as compared to other agricultural commodities. Since the majority of wine production is vertically integrated, wine adds more value and keeps more of its profit margin within the state economy than many other food products. Furthermore it provides producers greater economic value and a higher return than many other agricultural products.

Washington State wine grape growers focus on higher-margin, higher quality, 100 percent viniferous wines. Growing high quality wine grapes allows the state's wineries to focus production and sales in the premium market segment (wines marketed in 750ml bottles retailing over \$6.00). This segment of table wines is the fastest growing globally, which allows the Washington State wine industry to differentiate itself from leading competitors. Washington State's leading red wine varietals include Merlot, Cabernet Sauvignon, Syrah, Cabernet Franc, and Sangiovese. Leading white wine varietals include Chardonnay, Riesling, Sauvignon Blanc, Semillon, and Viognier.

Indirect effects of the wine business ripple throughout Washington State's economy. In 1999:

- The distribution, retail, and export of wine in Washington State totaled \$892 million in sales revenue, and employed thousands of people.
- Washington State wineries sold 4.9 million 9L cases of wine for revenues of \$288 million.
- Washington State wineries spent approximately \$126.5 million on supplies and services within the state.
- The value of Washington State's wine grape crop was \$64 million.
- Washington State wine grape growers and wineries directly paid \$33.7 million in wages.

Further economic effects of the state's wine industry are felt throughout the state in tourism, marketing and promotion, financial institutions, and in government tax revenues and license fees.

- Wine-related taxes and licensing fees bring government institutions \$73 million in revenue.

As the Washington State wine industry continues to focus on producing premium quality wine products and exploring untapped markets, its economic impact on the state of Washington will continue to flourish.

**FULL ECONOMIC IMPACT OF WINE AND WINE GRAPES
ON THE WASHINGTON STATE ECONOMY
\$ 2.4 Billion**

WASHINGTON STATE WINE AND WINE GRAPES	ECONOMIC IMPACT (1999 DATA)
Number of Wineries	160+
Number of Grape Growers	250+
Full-time Equivalent Wine-Related Jobs	11,250
Wine Produced (750 ml bottles)	58.7 million
Retail Value of Washington State Wine	\$575.9 million
Wine-Related Wages Paid	\$350.2 million
Washington State Winery Revenues	\$288.7 million
Total Value of Washington State Wine Exported Out of State	\$224.8 million
Taxes Paid	\$72.6 million
Value of Washington State Wine Grape Crop	\$63.7 million
Charitable Contributions	\$2.8 million

Appendix D-2

Summary of Prior Legislative Studies

Since 1977, there have been eight prior interim charges resulting in seven legislative reports that included research and recommendations regarding the Texas wine producing industry. These reports were the result of interim studies conducted by Legislative Committees of the Texas House of Representatives between 1977 and 1999 and a study by the Joint Interim Committee on Agriculture Policy mandated by H.B.2 (76R), which was published in November of 2000.

The House Interim Committees reports are available through the Texas Legislative Reference Library's Website: <http://www.lrl.state.tx.us/research/interim/lrlhome.cfm>. Access the webpage and enter "wine" in the "Charge text" field of the "Search Committee Charges". The Joint Interim Agriculture Policy Committee's report to the 77th Legislature can be directly accessed at: [http://www.lrl.state.tx.us/research/interim/chargesDisplay.cfm?s=yes&cmteID=8466&chargeSearched=.](http://www.lrl.state.tx.us/research/interim/chargesDisplay.cfm?s=yes&cmteID=8466&chargeSearched=)

The reports relating to the Texas wine producing industry are as follows:

Report to the 66th House of Representatives, House Committee on Liquor Regulation - 65th Session (1977), October 1978

Interim Report to the 67th /Texas Legislature, House Committee on Liquor Regulation - 66th Session (1979), November 1980

Interim Report to the 68th /Texas Legislature, House Committee on Liquor Regulation - 67th Session (1981), September 1982 (Charge #7)

Interim Report to the 69th Texas Legislature, House Committee on Liquor Regulation - 68th Session (1983), October 1984

Interim Report to the 70th Texas Legislature, House Committee on Liquor Regulation - 69th Session (1985), October 1986

Interim Report to the 71st Texas Legislature, House Committee on Agriculture and Livestock - 70th Session (1987), November 1988

Interim Report to the 75th House of Representatives, House Committee on Agriculture and Livestock - 74th Session (1995), November 1996

Interim Report to the 77th Legislature - House Bill 2, Joint Interim Agriculture Policy Committee - 76th Legislature (1999), November 2000

Summaries of the Committees action follow:

Wine Industry Legislative Report Summaries:

REPORT TO THE 66TH HOUSE OF REPRESENTATIVES, HOUSE COMMITTEE ON LIQUOR REGULATION - 65TH SESSION (1977), OCTOBER 1978 (Charge #2)

“Study the wine-grape industry in Texas, its potential economic impact on the state and the possible conflicts that may arise under the present Texas statutes and regulations.”

Industry Related Requests and Recommendations :

1. Create one winery permit allowing all wineries to produce wine from grapes or other fruits irrespective of the source along with the privilege to sell the wine produced to wholesalers, retailers, and consumers, with the privilege of retail sales limited to the winery premises and one other retail outlet;
2. Allow persons producing wine **in** dry areas the privilege to have a winery permit, except that sales to consumers would not be permitted at the winery premises, or anyplace else in a dry area;
3. Allow local option elections on the question of wine only;
4. Allow Sunday sales of wine on a local option basis;
5. Create a back label designation requirement for certain essentially non-Texas wines produced, bottled or labeled in Texas;
6. Abolish registration requirements for home winemakers; and
7. Impose a one cent per gallon tax on out of state wines sold in Texas for grape growing and winemaking research and for educational and marketing development of Texas grapes and Texas wines.

Committee Conclusions and Findings:

1. The future for the Texas Industry is bright. Although there were risks, wine grapes could, and were being, successfully grown in certain areas of Texas;
2. Grapes to produce bulk and standard table wines and high quality dessert wines could be successfully grown in Texas;
3. It could take several years before the industry would get to the point of producing quality wine in great quantities;
4. Increased demand in the United States for wine, in addition to the high costs of producing wine in California, indicated that Texas can once again be a grape-wine producing area; and
5. New wine labeling regulations put into effect by the United States Treasury Department, Bureau of Alcohol, Tobacco and Firearms were sufficient and that it would be burdensome for any further state legislation to be enacted in regard to labeling of Texas.

Committee Recommendations:

1. That no new state legislation regarding labeling of Texas wine be enacted;
2. That type B permit holders maintain authorization within their own permit to operate one wine tasting room on the premises only where wine is produced and where the grapes are grown; and
3. That state agricultural institutions assist wherever feasible in the research and development of grape vineyards and wineries in Texas.

INTERIM REPORT TO THE 67TH /TEXAS LEGISLATURE, HOUSE COMMITTEE ON LIQUOR REGULATION
– 66TH SESSION (1979), NOVEMBER 1980 (Charge #2)

“Study viniculture in Texas as it relates to recently enacted laws relating to the commercial production of wine.”

Industry Related Requests and Recommendations:

None Noted

Committee Conclusions and Findings:

1. There were seven wineries and wine bottlers permitted in the state of Texas;
2. Large amounts of state funds had been devoted to determining the feasibility of commercial scale viniculture in Texas, particularly by Texas Tech, Texas A&M, and the University of Texas Systems. The Texas Alcoholic Beverage Commission had not altered any of its rules to conform with new federally-mandated labeling requirements;
3. Experts felt that such production would be of definite economic advantage to the state and particularly to some of its institutions;
4. Aside from the fact that the federal rules were generally more restrictive, none of the current Texas rules appeared to directly conflict with federal rules.
5. There was a great sentiment on the part of consumer groups to require ingredient labeling for wine, much like that required for soft drinks;
6. Tasting facilities and on premise sales were essential to the successful operations of wineries in California.
7. Due to the importance of the industry in the state and the tremendous tourist attraction of the wine producing areas - operate extensive hospitality and tasting facilities operate on winery premises;
8. Texas law did not expressly provide for wineries to operate tasting rooms;
9. Retail permits authorizing ordinary retail sales and on premise consumption are not available for wineries because of tied-house prohibitions in the law.

10. the Committee would be called upon by Texas wine producers and out-of-state wineries and shippers address the matter of “wine tasting parties” to obtain public awareness of their products.
11. that it was conceivable to expect that Texas wine producer might request an increase in the excise tax on wine imported into Texas or decrease the tax from Texas produced wine;
12. that the Committee could be asked to consider the exemption of excise taxes entirely for state-owned wine production facilities;
13. Before Texas can become a major wine producing state, individuals considering establishing wineries must carefully weigh the economic considerations involved, as well as marketing options that will be available to them under the s t a t e law.

Committee Recommendations:

1. The 67th Legislature should consider legislation authorizing holders of Texas Winery Permits to dispense small amounts of tax-paid wine, free of charge, on the premises of wineries;
2. The 67th Legislature should carefully review the fiscal implications of any effort to increase or reduce taxes on wine be prior to or during hearings held on legislation introduced along those lines.
3. A great deal of exploration of the economic problems of small, medium and large scale wineries should be evaluated before the state can adequately determine its best interest. Winemakers from Texas and other areas should be consulted to determine the problems confronted by each class of operation and the particular marketing and production processes that are necessary before the winery can realize its profit making goals.

Interim Report to the 68th /Texas Legislature, House Committee on Liquor Regulation – 67th Session (1981), September 1982 (Charge #7)

“Review the production techniques and governmental restraints on wine imposed by other liquor control jurisdictions so that the developing wine industry in Texas may gain the benefit of other states' experience.”

Note: At the time of this writing, there is some confusion regarding the actual charges given to this committee and the actions taken to address those charges. The web pages maintained by the Legislative Reference Library on this committee include three different listings of the charges, none identical to the other. (Lists included in this Appendix) In only one of these lists is the charge above, reflected. There is no mention of the charge in the final committee report.

Legislative Action Impacting the Texas Wine Producing Industry:

During the special session of the 68th Legislature, all excise taxes on alcoholic beverages were raised by 20% across the board.

INTERIM REPORT TO THE 69TH TEXAS LEGISLATURE, HOUSE COMMITTEE ON LIQUOR REGULATION – 68TH SESSION (1983), OCTOBER 1984 (Charge #4)

“In cooperation with the House Committee on State Affairs, study the wine and grape industry in Texas, and how other states have encouraged the development of this industry.”

Industry Related Requests and Recommendations:

None noted

Committee Conclusions and Findings:

1. There were 29 wineries and wine bottlers permitted in the state at the time of the report;
2. the excise taxes on wine in Texas were among the lowest paid and that they do not seem to be a deterrent to the growth of the Texas wine industry;
3. during the First Called Session of the 68th Legislature, all excise taxes on alcoholic beverages were raised by 20% and that this slight increase would not have an effect on the production or sales of wine within the state; (see Appendix ____ for excise tax rates);
4. The new wine grape industry had experienced revolutionary growth since 1970, and significant expansion was expected to continue throughout the 1980's;
5. Vineyard acreage had increased from 90 acres in 1970 to approximately 3,000 in 1982 and had the potential of increasing to 9,000 by the 1990's;
6. expansion of the industry would require both new workers and experienced growers;
7. Texas A&M University, the State Employment Training Council and other groups had identified prime variety-specific areas for viticultural development;
8. The University of Texas had entered into a joint venture with the SRCG Group involving the lease of a 1,000 acre tract of University lands which anticipated the production and marketing of 800,000 bottles of wine with an initial retail sale date of January 1985 with another 2,000 acres being considered for planting;
9. the Texas viniculture industry in Texas was at the point where it would soon be able to tell if it would hold the financial rewards that early studies predicted;
10. Viniculture as an alternative agricultural crop and successful manufacturing business seemed ready to take its place with other industries;
11. the Texas viniculture industry was still in its infant stages and care should be given to provide its continued growth.

Committee Recommendations:

No specific recommendations given.

INTERIM REPORT TO THE 70TH TEXAS LEGISLATURE, HOUSE COMMITTEE ON LIQUOR REGULATION
– 69TH SESSION (1985), OCTOBER 1986 (Charge #3)

“Study the continuing growth of the Texas wine and grape industry in comparison with the industry in California and other state.”

Industry Related Requests and Recommendations:

None Noted

Committee Conclusions and Findings:

1. The Texas wine industry offers the state a new frontier;
2. There were 20 bonded and operating wineries in the state at the time of the report, some rivaling the vineyards of the Napa and Sonoma valleys of California in size and production;
3. viticulture and wine making are attractive and viable agricultural, industrial, and economic alternatives to the traditional sources of state revenue that were suffering dire economic setbacks at that time;
4. 80 percent of the 300 members of the Texas Grape Growers Association were bonafide farmers who had switched from other types of agricultural production to grape growing;
5. grape growing is more economically feasible and profitable than most traditional types of farming and ranching, particularly in the West Texas Plains area which, at that time, was suffering from a significant decrease in the price of oil;
6. there were 3,500 acres of wine grapes in production, with approximately 50 percent of the vineyards being less than four years old;
7. Texas wineries doubled the number of gallons produced every year between 1982 and 1985, with 465,000 gallons being produced in 1985 and an estimate of 600,000 gallons projected for 1986;
8. The retail value of the 1985 wine production was \$14.7 million with the 1986 production value estimated at \$19.2 million;
9. Texas was acknowledged as having the best wine-making conditions in the country outside California with many grape growing factors being superior to those in California; specifically, the amount of land suitable for production, the climate, the topography, the solar conditions which prolong the growing season, and the budding and flowering schedule which occurs a full two months before that in California;
10. Texas ranked ninth in production in the country;

11. Ninety-five percent of the wine produced in Texas was sold in the Texas;
12. Very few cases of Texas wines had been shipped out-of-state;
13. If the Texas wine industry is to flourish, it must achieve out-of-state recognition on a commercial level. It must expand its market, facilitating a wider distribution, greater exposure, and competitive pricing.
14. the Texas wine industry has proven its economic feasibility and the financial rewards inherent in its continued development;
15. Wine production on a far greater scale would benefit the state economically, industrially, agriculturally, and culturally; and
16. the Texas wine industry should, within the next few years, attain sufficient maturity and recognition to compete in national and world markets.

Committee Recommendations:

No specific recommendations given.

INTERIM REPORT TO THE 71ST TEXAS LEGISLATURE, HOUSE COMMITTEE ON AGRICULTURE AND LIVESTOCK – 70TH SESSION (1987), NOVEMBER 1988 (Charge #6)

“Study the Texas wine industry and submit statutory modifications to the 71st Legislature which would promote the growth and marketing of wine produced in Texas.”

Industry Related Requests and Recommendations:

Note: Although the committee report contains text indicating that a public hearing was held and specific suggestions from the Texas Winery Council were considered, there is very little indication of what specific actions, if any, were requested or recommended by the Council or other industry stakeholders. Only the following connections could be gleaned from the report. It can only be assumed that some of the limiting factors listed in the committee findings were brought to the attention of the committee by the Texas Winery Council, other industry stakeholders and participants.

1. The Texas Agricultural Extension Service and the Texas Agricultural Experiment Station both emphasized the need for continued research and education in enology;
2. It was suggested that increased appropriations to the Texas Department of Commerce’s Rural Industrial Loan Fund and Texas Capital Fund would increase the availability of funds to the Texas wine industry;
3. The Winery Council

Committee Conclusions and Findings:

1. Texas currently ranks 6th nationally in wine production;
2. There were approximately 4,500 acres of commercial vineyards in production with an additional 1200 to 1500 acres planned for the near future.
3. There were 25 commercial wineries in operation;
4. Production increased from 50,000 gallons in 1982 to 655,350 gallons in 1986;
5. The state's ability to produce grapes exceeds its ability to make wine;
6. Tank capacity in 1986 was 1.3 million gallons; the projection for 1990 exceeds that capacity;
7. The value of the Texas wine industry was \$19.6 million with a projected value of \$85 million by the year 2000;
8. Research work on grapes had been conducted at Lubbock, El Paso, College station, Junction, Overton, Pecos, and Stephenville;
9. certain areas of technology, harvesting, handling, transportation, and wine processing must be thoroughly studied under Texas conditions to maintain the high quality of Texas wines;
10. Support to the Texas wine industry had been offered the Texas wine industry by the Texas Department of Agriculture, Texas A&M University, Texas Tech University, the University of Texas and the T.V. Munson Memorial Vineyard and Foundation in Denison;
11. There were two programs in the Office of Business Expansion at the Department of Commerce that might be available to potential owners of vineyards and wineries: the Rural Industrial Loan Fund and the Texas Capital Fund.
12. The tremendous growth of the wine and grape industry in Texas could be even better for the state if several limiting factors relating to wine and grape production were resolved; specifically:
 - financial institutions were reluctant to provide financing because of the capital intensive nature of the industry, the time needed to establish a vineyard, and not all wineries had been profitable. In 1986, it cost \$8,000-\$10,000/acre and at least three years to establish a vineyard.
 - Poor vineyard management and coordination with Texas winery capacity was expected to result in an economic loss because of a gross over supply of Texas wine grapes due to insufficient winery tank capacity by 1990.
 - Although some high quality wines were being produced in Texas, the public perception was that Texas wines were inferior to those produced in California and Europe, making Texas wines difficult to market.
 - The Texas Alcoholic Beverage Code contained provisions which prohibited a winery employee or agent from pouring or even touch its winery's product at a

legal public function which made it difficult for the wine industry to promote its product;

- The Texas Alcoholic Beverage Code contained provisions which prohibited wineries from submitting samples of its wine to restaurants and other retailers which made it difficult for wineries to introduce their new vintages into the commercial market;
- The Texas Alcoholic Beverage Code contained provisions which prohibited a winery from providing samples of its wine to consumers at wine tastings, competitions, and evaluations;
- The Texas Alcoholic Beverage Code contained provisions which resulted in cost-prohibitive shipping rates on Texas wines;
- The Texas Alcoholic Beverage Commission's Administrative Rules contained a provision which reduced the desirability of the custom bottling process;
- The Texas Alcoholic Beverage Code contained provisions regarding limits on advertising which made it difficult to produce the most basic advertising tools such as brochures, cocktail napkins, and match books;
- The Texas Alcoholic Beverage Code contained provisions that prevented seven of the state's wineries from selling their wine at the winery for off-premise consumption.

Committee Recommendations

1. Holders of a winery permit may deliver free wine for organized wine evaluations or literary reviews on premises that are not licensed under the Alcoholic Beverage Code with the written consent of the TABC;
2. Establish practices that would allow wineries to ship their wines out-of-state at cost effective rates.
3. Increase the allocation used to furnish certain advertising items provided in Sec. 102.07 (b) B.T.C.A., Alcoholic Beverage Code, to \$1.00.
4. Allow local option elections for the legal sale of wine only on the premises of a holder of a winery permit for off-premise consumption.

Legislative Action:

The committee report included bill drafts for each of the recommendations above

“Review efforts and opportunities to develop value-added industries for Texas agricultural products, including factors which may prevent increased production and marketing of Texas products.”

Note: Several Subcommittees were formed to fulfill the duties of this charge; one of those being the Subcommittee on the Texas Wine Industry.

Industry Related Requests and Recommendations:

Note: Testimony was presented at a committee hearing by representatives of the Texas Wine and Grape Growers Association. At a later date, written information was presented to the committee by members of the Associated Wineries of Texas.

Texas Wine and Grape Growers’ Association (TWGGA) – Membership comprised of 23 wineries and a large number of vineyard owners, and consumers.

1. Wineries in dry counties should be allowed to sell wine from their premises;
2. Provisions should be made to allow the promotion of the wine industry at festivals fairs;
3. The winery permit and the wine bottler’s permit should be combined into one permit;
4. Bonding requirements should be eased if a winery has a history of being in compliance because it is difficult to find bond dealers who sell them;
5. The prohibition against a winery owner leasing land or buildings to restaurants that would serve alcohol is unnecessary;
6. Reporting requirements should be streamlined;
7. Production research should be increased;
8. Research and marketing funding should be increased with funds being raised by a small per gallon tax on wine produced in Texas. The association estimated that a \$0.40 per gall tax on all wine produced in Texas would raise approximately \$400,000; and
9. Adjustments should be made to the ad valorem inventory tax so that wineries are not unduly penalized for holding wine for aging.

The Associated Wineries of Texas (AWT) –comprised of the four largest Texas wineries.

1. AWT cautioned against direct sales to consumers and stated that a legislative agenda largely directed at allowing wineries in wet and dry areas to sell their wine directly to consumers would do little to help the total growth of the Texas wine industry.
2. AWT couldn’t support creation or extension of “Grapevine-like” exception to TABC marketing restrictions that “create unlevel playing fields in Texas and bear little, if any, relation to the overall welfare or long term growth of the Texas wine industry.”

3. AWT did not want to see the Texas wine industry bogged down again over the winery only local option issue.
4. AWT supported the simplification of permits, reports and bonds;
5. AWT supported effective generic Texas wine promotion, cautioning that the method of funding be carefully crafted, and cited the Washington model of initial state funding for promotion and research with subsequent industry independence as being acceptable.
6. AWT supported legislative changes to cure inequities in the areas of sales tax and ad valorem tax treatments of wineries.

Committee Conclusions and Findings:

1. There were 26 wineries in Texas;
2. There were 155 commercial vineyards with about 3,100 acres planted in grapes with 80% of those grapes being grown in the High Plains and West Texas; 10% in North Central Texas and 10% in the Hill Country;
3. The Texas wine industry had a direct and indirect economic impact of \$101.9 million and employed 2,189 people in 1995;
4. Texas vintners made reds, whites, blushes, champagne, and other sparkling and dessert wines;
5. Most of Texas' wineries were small and did not use distributors to sell their wines. By 1994 figures, 12 wineries produced less than 5,000 gallons a year, 3 produced 5,000 to 10,000 gallons, 5 produced 10,000 to 50,000, and 4 produced more than 50,000 gallons; and
6. The four largest wineries produced 80% of the wine in Texas and sold most of their wine through distributors.

Committee Recommendations

1. Seek viable means to expand the Texas wine industry
2. Simplify permits, reports, bonds, and regulations required of wineries by the State of Texas;
3. Cure inequities in the areas of ad valorem and sales taxation treatment of wineries; and
4. Examine effective and fair methods of funding generic Texas wine promotion programs and viticulture research.

“Develop a sound agricultural policy for Texas in the 21st Century by comprehensively studying the condition of agriculture, the state's current programs in support of agriculture, and the role of the state in preserving the agriculture industry. The Committee shall work closely with the Texas Department of Agriculture, the comptroller, the Texas Department of Economic Development, and other agencies and institutions of higher education as determined by the lieutenant governor and the speaker of the house of representatives.”

Note: The Committee’s final hearing on October 9, 2000 was focused on the Texas wine industry and the relationship it shares with Texas agriculture. As with the current interim charge, the focus on the Texas wine industry was prompted because of the results of a study showing the significant economic impact of the wine industry in another state. A study of the California wine industry reported a \$33 billion impact to that state. Recognizing that grapes were an increasingly high value crop with a growing market, the committee sought to determine what impediments existed to the expansion of the grape-growing business and how Texas could benefit from more grape production.

This was the first hearing on the Texas wine industry for which an audio/video archive has been maintained on the Internet. The summary of this committee charge includes a new section that reflects statements by witnesses that provide significant insight into the Texas Wine Industry. The entire committee proceeding can be viewed by accessing the Committee’s October 9, 2000 link at: <http://www.senate.state.tx.us/75r/senate/VidArchives/00.htm>.

Significant Testimony from Audio Archives

Rep. Swinford, Co-Chair, Joint Committee on Agriculture Policy

- California produces 404 times as much wine as Texas. It is the #1 finished product for that state. However, even though there were 10 million more Californians than Texans, Californians only consumed 2.9 times as much wine as Texans.

Susan Combs, Commissioner of Agriculture

- The Texas wine industry is one the most dynamic agriculture sectors in the state;
- Texas has become a leading wine producing state ranking 5th or 6th depending on the type of grape;
- There were 40 wineries in 2000 and the industry continues to grow and thrive along with the population of consumers;
- More and more Texans are drinking wine, with consumption growing 8% from 1998-1999 as compared to the increase in national wine consumption of 2.5%;
- In 1998, Texans consumed \$921 million worth of wine;
- The current value of Texas vineyards was \$38.5 million dollars;

- The Texas wine producing industry employees approximately 1700 people;
- Sales and Excise tax collections on Texas wines equaled almost \$2.7 million in 1999;
- US Dept of Ag has recognized growing importance of Texas wine and has begun grape estimating program in July of 2001
- 1997 15 million lbs of grapes. Pecos county 41st in the country.
- Average return of \$1800 per acre for wine grapes as opposed to \$230/acre for cotton; 615 for oranges; with an average of all \$266 per acre for all crops.
- Startup 10,000- 15,000 / acre. Not counting land costs Vineyard lifespan 20-30 productive with operating cost of \$2,000-3000 per acre.
- Loans programs at the Dept of Ag available
- Water supply for irrigation important. Dept of Ag monitoring all 16 regional water plans to make sure wine industry needs are included
- Pierce disease impacts 2/3rd of the Eastern Texas also has the potential to harm other agricultural crops
- A Pierce's Disease Task Force has been established in Texas and it does need financial
- Program Funding at Texas Tech and Texas A&M have had to be reduced;

Industry Related Requests and Recommendations:

Committee Conclusions and Findings:

1. The annual impact of wine in the California economy was over \$33 billion, where the Texas wine industry had an impact of only \$100 million per year;
2. Although Texas ranked in the top five among the nation's wine producing states, that rank was accomplished with out-of-state-grapes;
3. Texas had about 2200 acres dedicated to grape growing, which was about one-half of the 6,000 acres needed to meet the demand for locally vented wine;
4. Barriers limiting the growth of the industry included:
 - the inability to consistently produce grapes profitably in areas of the state;
 - lack of information available to Texas citizens interested in starting a vineyard;
 - lack of coordinated marketing efforts; and
 - difficulties distributing final product to the consumer.

Committee Recommendations

Note: The committee did not make any industry-specific recommendations for Texas viticulture; but it did recommend the following, which could prove relevant to the Texas wine industry:

1. The state should promote orderly and efficient marketing of agricultural commodities and enhance and expand sales of Texas agricultural products, both raw and processed, in local, national and international markets (Issue #6);
2. The state should maintain a solid foundation of stable and long-term support under the important public activity of food and agricultural research, while improving accountability and gathering public input concerning research, promotion and educational programs involving all segments of agriculture (Issue #8).
3. The state should enhance, protect and encourage rural economic and infrastructure development for the production of food and other agricultural products (Issue #8).
4. The state should promote efforts to increase the value of Texas agricultural products through processing, management practices or other procedures that add consumer benefits to agricultural goods;
5. The Committee recognizes the need for an on-going examination of the state's agricultural policy. Once an agricultural policy is in place, an entity must be designed to ensure that the policy is being adhered to by the state. Thus, the Committee recommends that the 77th Legislature examine the feasibility of creating a Legislative Agriculture Policy Board, consisting of members of the Legislature and the Texas Commissioner of Agriculture. This Board should have the following mandates:
 - Continue the development of Agriculture Policy Guidelines resulting from House Bill 2.
 - Review all relevant legislation as to compliance with Agriculture Policy Guidelines.
 - Review all budget issues for compliance with Agriculture Policy Guidelines, including establishing priorities for agriculture related research. The Committee recommends that the Agriculture Policy Board examine the feasibility of establishing an Agricultural Technology Program for applied research.
 - Review all current statutes for compliance with Agriculture Policy Guidelines.
 - Review all agency rule-making authority for compliance with Agriculture Policy Guidelines.
 - May create a fifteen-member ad-hoc advisory committee.
 - Coordinate with other agricultural related boards.

Appendix D-3

78TH LEGISLATURE, REGULAR SESSION

Jan 14, 2003 - Jun 02, 2003

HB 1264 - *Enrolled 06/20/2003 E Effective on 9/1/03*

Relating to the sale of wine by holders of a winery permit.

HB 2593 - *Enrolled 06/20/2003 E Effective on adoption of const. amendment [HJR85]*

Relating to winery permits.

HB 2899 - *Engrossed 05/07/2003 S Referred to Infrastructure Dev & Security*

Relating to the authority of the Texas Department of Transportation to contract for the erection and maintenance of specific information logo signs, major shopping area guide signs, and major agricultural interest signs.

HJR 85 - *Enrolled 06/03/2003 E Filed with the Secretary of State – Adopted by Election 9/13/2003*

Proposing a constitutional amendment to allow the legislature to authorize and govern the operation of wineries in this state.

Article 16 - Amends §20

Enabling legislation: HB 2593

Proposition 11 - Election date: 09/13/2003 Votes for: 851,809 Votes against: 513,053

A constitutional amendment to allow the legislature to enact laws authorizing and governing the operation of wineries in this state.

SB 770 - *House Committee 05/27/2003 H Placed on Major State Calendar [Companion HB 768]*

Relating to the direct shipment of wine to consumers.

77TH LEGISLATURE, REGULAR SESSION

Jan 09, 2001 - May 28, 2001

HB 627 - *Enrolled 06/14/2001 E Effective on 9/1/01*

Relating to sale of wine by certain holders of a winery permit.

HB 892 - *Enrolled 06/15/2001 E Effective on 9/1/01*

Relating to sale and promotion of certain agricultural products produced by wineries.

HB 1222 - *Enrolled 05/28/2001 E Effective on 9/1/01*

Relating to the sale of wine for off-premises consumption and to certain local option elections to permit those sales.

HB 1948 - *Enrolled 06/15/2001 E Effective on 9/1/01*

Relating to a local option election to allow or prohibit the sale of wine by the holder of a winery permit.

HB 1949 - *Engrossed 05/11/2001 S Referred to Business & Commerce*

Relating to the sale and dispensing of wine by winery permit holders.

HB 2038 - *House Committee 05/08/2001 H Committee report sent to Calendars*

Relating to the transportation of alcoholic beverages by certain permit holders.

HB 2364 - *Introduced 03/05/2001 H Referred to Licensing & Admin. Procedures*

Relating to sale of wine by the holder of a winery permit.

HB 3462 - House Committee 04/11/2001 H Committee report sent to Calendars

Relating to the importation of wine for personal use.

HB 3638 - Introduced 03/27/2001 H Referred to Licensing & Admin. Procedures

Relating to sale and direct shipment of wine to consumers; providing penalties.

HJR 110 - House Committee 05/08/2001 H Committee report sent to Calendars

Proposing a constitutional amendment to enhance agricultural production of grapes and promote tourism in Texas by granting the right to sell and taste wine in a winery.

SB 965 - Enrolled 06/15/2001 E Effective on 9/1/01

Relating to sale of wine by the holder of a winery permit

SJR 34 - Introduced 03/08/2001 S Referred to State Affairs

Proposing a constitutional amendment to enhance agricultural production of grapes and promote tourism in Texas by granting the right to sell and taste wine in a winery.

76TH LEGISLATURE, REGULAR SESSION

Jan 12, 1999 - May 31, 1999

HB 124 - Engrossed 05/14/1999 S Referred to Economic Development

Relating to the promotion of Texas agricultural products and the sale of wine

HB 412 - House Committee 03/24/1999 H Considered in Calendars

Relating to authorized activities of a winery permit holder in certain counties.

HB 1938 - Introduced 03/03/1999 H Referred to Licensing & Admin. Procedures

Relating to the sale or lease of certain property owned by certain alcoholic beverage permit holders.

HB 2458 - House Committee 05/05/1999 H Comm. report sent to Local & Consent Calendar

Relating to certain promotional activities for certain alcoholic beverage permit holders.

HB 2720 - Introduced 03/11/1999 H Referred to Licensing & Admin. Procedures

Relating to certain promotional activities for certain alcoholic beverage permit holders.

SB 1121 - Enrolled 06/18/1999 E Effective on 9/1/99

Relating to certain promotional activities for certain alcoholic beverage permit holders.

SB 1640 - Enrolled 06/18/1999 E Effective on 9/1/99

Relating to transportation of certain alcoholic beverages.

75TH LEGISLATURE, REGULAR SESSION

Jan 14, 1997 - Jun 02, 1997

HB 2011 - House Committee 05/14/1997 H Placed on General State Calendar

Relating to the promotion of Texas agricultural products and the sale of wine; creating a farm winery permit; imposing a tax on the sale of wine; providing penalties.

HB 3176 - *Enrolled 06/18/1997 E Effective on 9/1/97*

Relating to the sampling of wine on the premises of a holder of a winery permit.

SB 1787 - *Enrolled 06/20/1997 E Effective in 90 days -- 9/01/97*

Relating to the restricted sale of wine for off-premises consumption by the holder of a winery permit in certain areas.

74TH LEGISLATURE, REGULAR SESSION

Jan 10, 1995 - May 29, 1995

HB 1100 - Introduced 02/09/1995 H Referred to Licensing & Admin. Procedures

Relating to the restricted sale of wine for off-premises consumption by the holder of a winery permit located in certain dry areas.

HB 1356 - Introduced 03/29/1995 H Left pending in committee

Relating to a local option election to allow or prohibit the sale of wine by the holder of a winery permit for off-premises consumption.

SB 414 - *Enrolled 04/12/1995 E Effective immediately*

Relating to the restricted sale of wine for off-premises consumption by the holder of a winery permit in certain dry areas.

SB 539 - Introduced 02/14/1995 S Referred to State Affairs

Relating to a local option election to allow or prohibit the sale of wine by the holder of a winery permit for off-premises consumption.

SB 1662 - Introduced 04/20/1995 S Referred to State Affairs

Relating to the restricted sale of wine for off-premises consumption by the holder of a winery permit in certain dry areas.

73RD LEGISLATURE, REGULAR SESSION

Jan 12, 1993 - May 31, 1993

HB 72 - 04/14/93 S Recommended for local & uncontested Calendar

Relating to a private wine storage permit.

HB 338 - 02/03/93 H Referred to Licensing & Admin. Procedures

Relating to importation of personal wine collections.

HB 4290 - 4/06/93 H Reported from s/c favorably as substituted

Relating to the sale of wine by the holder of a winery permit.

HB 2084 - 03/15/93 H Referred to Licensing & Admin. Procedures

Relating to the size of print on a wine and beer retailer's permit.

HB 2088 - 06/12/93 E Effective in 90 days -- 8/30/93

Relating to the authority of a winery to give promotional bottles of wine.

66TH LEGISLATURE, REGULAR SESSION

Oct 9, 1979 - May 28, 1979)

HB 2229 -

65TH LEGISLATURE, REGULAR SESSION

Jan 11, 1977 May 30, 1977

HB 815 - Codification of the Texas Liquor Control Act – Effective 9/1/1977

HB 1517 - Texas Farm Winery Act. Effective 8/29/1977

44TH LEGISLATURE, 2ND CALLED SESSION

Oct. 16, 1935 – Nov 14, 1935

HB 77 - Texas Liquor Control Act, Effective

Appendix D-4

Texas Wine and Wine Grape Industry Fact Sheet

Texas Wine Marketing Research Institute • Texas Tech University
Box 41162 • Lubbock, TX 79409-1162 • 806/742-3077

Texas Wine Grape Production Facts

- The major grape varieties in Texas are Chardonnay, Chenin Blanc, Sauvignon Blanc, Cabernet Sauvignon and Merlot.
- Texas wine grape growers are experimenting with grape varieties such as Sangiovese, Viognier and Muscat.
- An estimated 3,000 producing acres were harvested yielding an average of 2.8 tons per acre.
- Texas vineyards and wineries managed to produce 8,500 tons of grapes in the 2003 growing season.
- The total estimated value of the 2003 crop was \$7.7 million with an average value per ton of \$900.

Economic Impact on the Texas Economy

The activities of the Texas Wine and wine grape industry in 2003 had the following estimated economic impacts on the Texas economy.

- Total Economic Impact:
\$170 million
- Employment Impact:
1,600 jobs for Texans
- Direct Excise & Sales Tax Impact:
\$3.5 million
- Indirect and Direct Tax Impacts:
\$9.7 million

Texas Wine Production Facts

The modern development of the Texas wine industry began in the early 1970's. Researchers and investors found that vinifera varieties grew well in the state and by the early 1990's, Texas was the fifth largest wine producing state in the nation. Today there are approximately 3,000 acres of vineyards and 54 wineries that produce over one million gallons of wine. Several new wineries are in various stages of development. While many of the wineries are small producers who concentrate on tourism for the majority of their sales, several of the large wineries have developed state, national and international markets for Texas wines.

A total of 1.26 million gallons of Texas wine was produced in 2003, a significant increase from 2002. Demand for grapes and wine remain strong with no substantial buildup of wine inventory. Although there are approximately 60 winery locations and tasting rooms in Texas, the production activities are reported for the 54 bonded wineries in the state. During the past few years, some Texas wineries have had to import wine from other regions to meet their needs. It is expected that production will exceed two million gallons within the next five years.

Estimated Texas Wine Grape Production, 2002

Color	Variety	Bearing Acreage	Non-Bearing Acreage	Yield Per Acre	Utilized Production	Price Per Ton
		Acres				
White	Chardonnay	550	60	0.6	350	\$ 1,100
	Chenin Blanc	360	20	0.8	300	\$ 600
	Sauvignon Blanc	380	0	2.2	850	\$ 680
Red	Cabernet Sauvign	720	50	1.5	1,100	\$ 1,060
	Merlot	290	20	1.9	550	\$ 1,020
Other	All Other	600	200	2.1	1,250	\$ 800
	Texas Total	2,900	350	1.5	4,400	\$ 880
U.S. Total		953,850	n/a	7.5	7,141,860	\$ 408

Source: Texas Agricultural Statistics Service (TASS)
Funding provided by the Texas Wine Marketing Research Institute

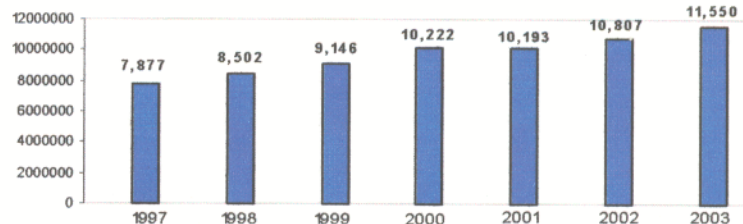
Estimated Texas Wine Production 1983 - 2003

Year	Wine Produced (Gallons)	Number of Wineries
1983	142,000	13
1984	278,000	17
1985	416,000	18
1986	645,000	24
1987	541,000	25
1988	831,000	27
1989	837,000	26
1990	1,079,000	26
1991	1,169,000	26
1992	1,386,000	27
1993	786,000	22
1994	938,000	25
1995	1,010,000	23
1996	1,196,000	26
1997	1,761,000	27
1998	1,315,000	27
1999	1,088,000	34
2000	1,247,000	40
2001	1,445,000	40
2002	745,235	46
2003	1,265,000	54

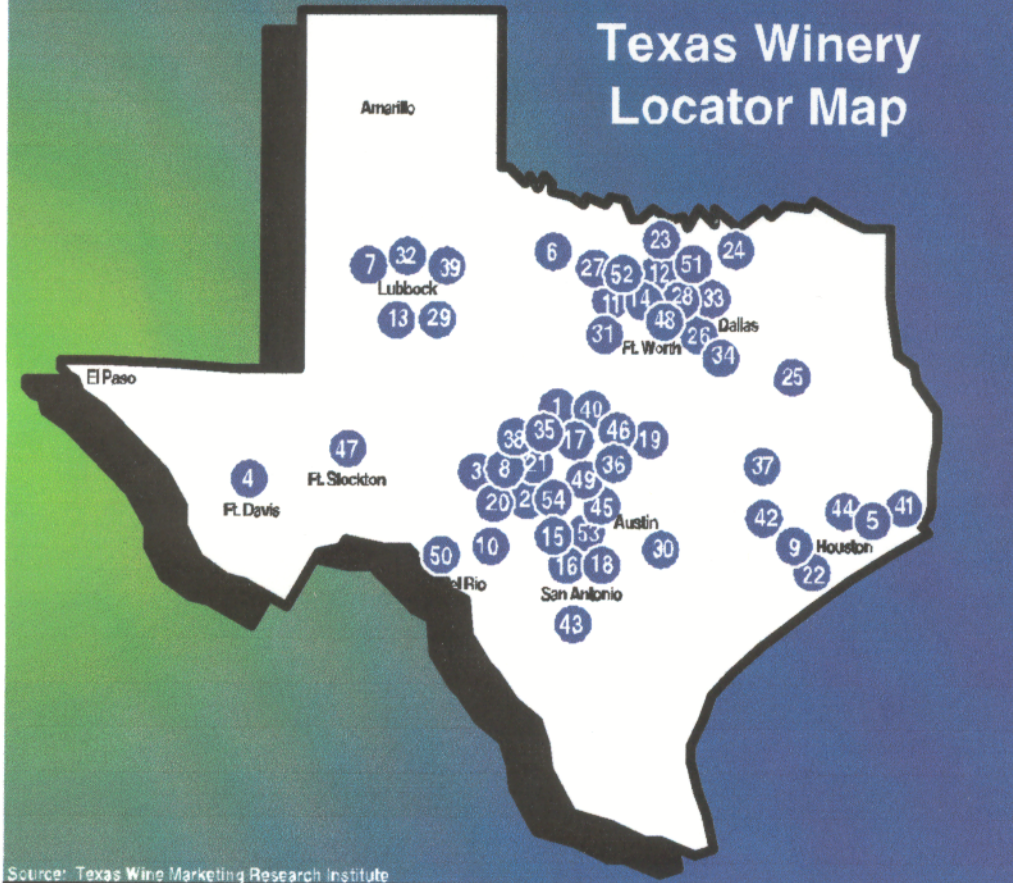
Texas Wine Sales and Consumption

Total consumption of wine in the United States grew for the ninth consecutive year. Total U.S. consumption of wine increased by 6.4 percent compared to 0.8 percent during 2001. In Texas, the total consumption of wine increased by 6 percent compared to a 0.9 percent decrease during the previous years. Total wine consumption was relatively weak compared with the annual growth rates of the prior seven years. Consumer demand for quality varietal wines from around the globe, coupled with reports linking moderate wine consumption to good health, has helped fuel the wine boom of the past eight years.

TABLE WINE CONSUMPTION IN TEXAS
1997-2003 (9-liter cases)



Texas Winery Locator Map



Source: Texas Wine Marketing Research Institute

- 1 **Alamosa Wine Cellars** (Bend) • 677 CR 430 (3 mi W of Bend on Hwy 580) • Bend, TX 76824 • (915) 628-3313 (Tours by appointment only)
- 2 **Becker Vineyards** (Stonewall) • 464 Jenschke Ln, S off Hwy 290 • Stonewall, TX 78671 • (830) 644-2681
- 3 **Bell Mountain Vineyards** (Fredericksburg) • 463 Bell Mountain Rd • Fredericksburg, TX 78624 • (830) 685-3297
- 4 **Blue Mountain Vineyard** (Fort Davis) • 7 mi W on Hwy 166 • Fort Davis, TX 79734 • (915) 426-3763
- 5 **Bruno & George Wines** (Sour Lake) • 406 Messina Road • Sour Lake, TX 77659 • (432) 898-2829
- 6 **Brushy Creek Vineyards** (Alvord) • 572 CR 2798 • Alvord, TX 76225 • (940) 427-4747
- 7 **Cap*Rock Winery** (Lubbock) • .5 mi E of Hwy 87 on Woodrow Rd • Lubbock, TX 79423 • (806) 863-2704
****Tasting Room** • 409 S Main St • Grapevine, TX 76051 • (817) 329-9463
- 8 **Chisholm Trail Winery** (Fredericksburg) • 2367 Usener Rd • Fredericksburg, TX 78624 • (830) 990-2675
- 9 **Circle S Vineyards** (Sugar Land) • PO Box 791 • Sugar Land, TX 77487 • (281) 433-8956
- 10 **Comfort Cellars** (Comfort) • 723 Front St • Comfort, TX 78013 • (830) 995-3274
- 11 **Cross Timbers Winery** (Grapevine) • 805 N Main St • Grapevine, TX 76051 • (817) 488-6789
- 12 **Crossroads Vineyards & Winery** (Aubrey) • 8400 Fish Trap Rd • Aubrey, TX 76227 • (940) 440-9522
- 13 **Delaney Vineyards #1** (Lamesa) • 1 mi N of Lamesa on Hwy 137 • Lamesa, TX 79331 • (806) 872-3177
- 14 **Delaney Vineyards #2** (Grapevine) • 2000 Champagne Blvd • Grapevine, TX 76051 • (817) 481-5668
- 15 **Driftwood Vineyards** (Driftwood) • 21550 RR 12 • Driftwood, TX 78619 • (512) 858-4508
- 16 **Dry Comal Creek Vineyards** (New Braunfels) • 1741 Herbelin Rd • New Braunfels, TX 78132 • (830) 885-4121
- 17 **Fall Creek Vineyards** (Tow) • 1820 CR 222 • Tow, TX 78672 • (915) 379-5361
- 18 **Fawn Crest Vineyards** (Katy) • 22743 Cascade Springs • Katy, TX 77494 • (281) 392-3645
- 19 **Fiat Creek Estate Vineyard & Winery** (Lago Vista) • 24912 E Singleton Bend #1 • Lago Vista, TX 78654 • (512) 267-6310 (Tours by appointment only)
- 20 **Fredericksburg Winery** (Fredericksburg) • 247 W Main St • Fredericksburg, TX 78624 • (830) 990-8747
- 21 **Grape Creek Vineyard** (Stonewall) • 4 mi W of Stonewall on Hwy 290 • Stonewall, TX 78671 • (830) 644-2710
- 22 **Haak Vineyards & Winery** (Santa Fe) • 6310 Ave T • Santa Fe, TX 77510 • (409) 925-1401
- 23 **Hidden Springs Winery** (Pilot Point) • 256 Hwy 377 N • Pilot Point, TX 76258 • (940) 686-2782
- 24 **Homestead Vineyards & Winery** (Ivanhoe) • .25 mi NW of Ivanhoe • Ivanhoe, TX 75447 • (903) 583-4281 (Tours by appointment only)
****Tasting Room** • 220 W Main • Denison, TX 75020 • (903) 464-0030
****Tasting Room** • 211 E Worth • Grapevine, TX 76051 • (817) 251-9463
- 25 **Kiepersol Estates Vineyards** (Tyler) • 21081 CR 113 • Tyler, TX 75703 • (903) 894-8995
- 26 **La Bodega Winery** (DFW Airport) • Terminal A, Gate A 15 • DFW Airport, TX 75261 • (972) 574-6208
- 27 **La Buena Vida Vineyards #1** (Springtown) • 650 Vineyard Ln • Springtown, TX 76082 • (817) 220-4366
- 28 **La Buena Vida Vineyards #2** (Grapevine) • 416 E College St • Grapevine, TX 76051 • (817) 481-9463
- 29 **La Diosa Cellars** (Lubbock) • 901 17th St • Lubbock, TX 79401 • (806) 744-3600
- 30 **Lehm Berg Winery** (Giddings) • 1266 CR 208 • Giddings, TX 78942 • (979) 542-3536
- 31 **Lightcatcher Winery** (Ft. Worth) • 6435 Nine Mile Bridge Rd • Ft. Worth, TX 76135 • (817) 237-0137
- 32 **Llano Estacado Winery** (Lubbock) • 3.2 mi E of Hwy 87 on FM 1585 • Lubbock, TX 79452 • (806) 745-2258
- 33 **Lone Oak Vineyards** (Valley View) • 4781 E Lone Oak Rd • Valley View, TX 76272 • (940) 637-2222
- 34 **Los Pinos Ranch Vineyards** (Pittsburg) • 658 CR 1334 • Pittsburg, TX 75686 • (903) 855-1769
- 35 **Lost Creek Vineyard** (Sunrise Beach) • 1129 RR 2233 • Sunrise Beach, TX 78643 • (325) 388-3753
- 36 **McReynolds Winery** (Cypress Mill) • 706 Shovel Mountain Rd • Cypress Mill, TX 78654 • (830) 825-3544
- 37 **Messina Hof Wine Cellars** (Bryan) • 4545 Old Reliance Rd • Bryan, TX 77808 • (979) 778-9463
- 38 **Oberhof Wine Cellars** (Fredericksburg) • 1406 South US 87 • Fredericksburg, TX 78624 • (830) 997-8969
- 39 **Pheasant Ridge Winery** (Lubbock) • 2 mi E & 1 mi S of New Deal, TX) • Lubbock, TX 79401 • (806) 746-6033
- 40 **Pillar Bluff Vineyards** (Lampasas) • 300 Burnet CR 111 • Lampasas, TX 76550 • (512) 556-4078 (Tours by appointment only)
- 41 **Piney Woods Country Wines** (Orange) • 3408 Willow Dr • Orange, TX 77632 • (409) 883-5408
- 42 **Pleasant Hill Winery** (Brenham) • 1441 Salem Rd • Brenham, TX 77833 • (979) 830-8463
- 43 **Poteet Country Winery** (Poteet) • 400 Tankhollow Rd • Poteet, TX 78065 • (830) 276-8085
- 44 **Red River Winery** (Spring) • 421 Gentry #204 • Spring, TX 77373 • (281) 288-9463
- 45 **Sister Creek Vineyards** (Sisterdale) • 1142 Sisterdale Rd (on FM 1376) • Sisterdale, TX 78006 • (830) 324-6704
- 46 **Spicewood Vineyards** (Spicewood) • 1419 Burnet CR 409 • Spicewood, TX 78669 • (830) 693-5328
- 47 **Ste. Genevieve Wines** (Ft. Stockton) • 25 mi E on IH-10 • Ft. Stockton, TX 79735 • (915) 395-2417
- 48 **Su Vino Winery** (Grapevine) • 120 S Main St 40 • Grapevine, TX 76051 • (817) 424-0123
- 49 **Texas Hills Vineyard** (Johnson City) • 1 mi E of Johnson City on RR 2766 • Johnson City, TX 78636 • (830) 868-2321
- 50 **Val Verde Winery** (Del Rio) • 100 Qualia Dr • Del Rio, TX 78840 • (830) 775-9714
- 51 **Wales Manor** (McKinney) • 4488 County Road 408 • McKinney, TX 75069 • (972) 542-0417
- 52 **Wichita Falls Vineyards & Winery** (Iowa Park) • 3399 Peterson Road South • Iowa Park, TX 76367 • (940) 855-2093
- 53 **Wimberley Valley Winery** (Driftwood) • 2825 Lone Man Mountain Rd • Driftwood, TX 78619 • (512) 847-2592 (Winery not open to the public, see tasting room location)
****Tasting Room** • 206 Main St • Spring, TX 77373 • (281) 350-8801
- 54 **Woodrose Winery** (Stonewall) • 662 Woodrose Ln • Stonewall, TX 78671 • (830) 644-2111

For more information, please contact: Dr. Tim Dodd, Director ~ E-mail: tim.dodd@ttu.edu ~ Web site: www.hs.ttu.edu/texaswine

Appendix D-5

LICENSED WINERIES IN TEXAS
AS OF 11/17/04
SORTED BY TRADENAME

	<u>Tradename</u>	<u>City</u>	<u>County</u>	<u>Year Licensed</u>
1.	Alamosa Wine Cellars Inc.	Bend	San Saba	1999
2.	Becker Farms Inc.	Fredericksburg	Gillespie	1995
3.	Bell Mountain Vineyards Inc.	Fredericksburg	Gillespie	1982
4.	Bella Vista Ranch*The	Wimberley	Hays	2004
5.	Blue Mountain Vineyard Inc.	Fort Davis	Jeff Davis	1994
6.	Bluff Dale Vineyards	Bluff Dale	Erath	2004
7.	Blum Street Cellars	San Antonio	Bexar	1993
8.	Bruno & George Wines Inc.	Sour Lake	Hardin	2001
9.	Brushy Creek Vineyards	Alvord	Wise	2002
10.	Caprock Winery Mcpherson Cellars La	Lubbock	Lubbock	2001
11.	Chisholm Trail Winery	Fredericksburg	Gillespie	1999
12.	Circle S Vineyards L.L.C.	Sugar Land	Fort Bend	2004
13.	Colony Cellars	Waller	Waller	2004
14.	Comal Creek Vineyards	New Braunfels	Comal	1999
15.	Comfort Cellars	Comfort	Kendall	1999
16.	Cross Roads Winery	Frisco	Denton	2004
17.	Cross Timbers Winery	Grapevine	Tarrant	2000
18.	Delaney Vineyards	Lamesa	Dawson	1994
19.	Delaney Vineyards Inc.	Grapevine	Tarrant	1997
20.	Dobler Wines	Morse	Hutchinson	2004
21.	Driftwood Vineyards	Driftwood	Hays	2002
22.	Dvine Wine Of North Texas	Grapevine	Tarrant	2004
23.	Dvine Wine Of Texas	Fort Worth	Tarrant	2004
24.	Fall Creek Vineyards	Tow	Llano	1979
25.	Fawn Crest Vineyard Inc.	Canyon Lake	Comal	2003
26.	Flat Creek Estate	Marble Falls	Travis	2001
27.	Frascone Winery	Oak Island	Chambers	2004
28.	Fredericksburg Winery	Fredericksburg	Gillespie	1996
29.	Gourd Dog Winery	Granbury	Hood	2002
30.	Grape Creek Vineyard Inc.	Stonewall	Gillespie	1989
31.	Grayson Hills Winery	Whitewright	Grayson	2004
32.	Haak Vineyards & Winery Inc.	Santa Fe	Galveston	2000
33.	Hidden Springs Winery	Pilot Point	Denton	1996
34.	Homestead Vineyards & Winery Inc.	Ivanhoe	Fannin	1992
35.	Homestead Vineyards & Winery Inc.	Denison	Grayson	1998
36.	Homestead Winery At Grapevine	Grapevine	Tarrant	1998
37.	Kiepersol Estates Vineyards	Tyler	Smith	2000
38.	La Bodega Winery Company	Grapevine	Tarrant	1997
39.	La Buena Vida Vineyards	Springtown	Parker	1978

40.	La Buena Vida Vineyards	Grapevine	Tarrant	1994
41.	La Cruz De Comal Wines Ltd.	Startzville	Comal	2004
42.	La Diosa Cellars	Lubbock	Lubbock	2004
43.	Lehm Berg Winery	Giddings	Lee	2002
44.	Lightcatcher Winery	Fort Worth	Tarrant	2002
45.	Llano Estacado Winery Inc./Staked	Lubbock	Lubbock	1982
46.	Lone Oak Vineyards Corp.	Valley View	Cooke	1999
47.	Lone Star Wine Cellars	Mckinney	Collin	2004
48.	Los Pinos Ranch Vineyards	Pittsburg	Camp	2002
49.	Lost Creek Vineyard	Llano	Llano	2002
50.	Maydelle Country Wines	Rusk	Cherokee	2004
51.	Mcreynolds Winery	Cypress Mill	Blanco	1999
52.	Messina Hof Wine Cellars Inc.	Bryan	Brazos	1993
53.	Nashwood Winery Inc.	Dallas	Dallas	2004
54.	Oberhof Wine Cellars	Fredericksburg	Gillespie	2002
55.	Oberhof Wine Cellars #2	Fredericksburg	Gillespie	2004
56.	Pheasant Ridge Wines	Lubbock	Lubbock	1997
57.	Pillar Bluff Vineyards	Lampasas	Burnet	1999
58.	Piney Woods Country Wines	Orange	Orange	1986
59.	Pleasant Hill Winery	Brenham	Washington	1996
60.	Poteet Country Winery	Poteet	Atascosa	1998
61.	Red River Winery	Spring	Harris	1999
62.	Rockhouse Vineyards L.L.C.	Comanche	Comanche	2004
63.	San Martino Winery & Vineyards	Rockwall	Collin	2004
64.	Sandstone Cellars Winery	Mason	Mason	2004
65.	Singing Water Vineyards	Comfort	Kendall	2003
66.	Sister Creek Vineyards	Sisterdale	Kendall	1989
67.	Specialty Blends Incorporated	Ingram	Kerr	1999
68.	Spicewood Vineyards Inc.	Spicewood	Burnet	1995
69.	Ste. Genevieve Ste Genevieve Winery	Bakersfield	Pecos	1987
70.	Su Vino Winery	Grapevine	Tarrant	2003
71.	Texas Hills Vineyard Inc.	Johnson City	Blanco	1999
72.	Toddy Blends	Houston	Harris	2002
73.	Torre Di Pietra Vineyards L.P.	Fredericksburg	Gillespie	2004
74.	Triple R Ranch & Winery	Whitesboro	Cooke	2002
75.	Val Verde Winery	Del Rio	Val Verde	1973
76.	Vasquez Vineyard & Winery	San Diego	Duval	2004
77.	Wales Manor	Mckinney	Collin	2003
78.	Water 2 Wine	Castle Hills	Bexar	2003
79.	Wichita Falls Vineyards & Winery	Iowa Park	Wichita	2003
80.	Wimberley Valley Winery	Driftwood	Hays	1987
81.	Wimberley Valley Winery Tasting	Spring	Harris	1990
82.	Windy Hill Winery	Brenham	Washington	2004
83.	Woodrose Winery	Stonewall	Harris	2002
84.	Zin Valle Vineyards	Canutillo	El Paso	2004

LICENSED WINERIES IN TEXAS
AS OF 11/17/04
SORTED BY YEAR OF LICENSURE

	<u>Tradename</u>	<u>City</u>	<u>County</u>	<u>Year Licensed</u>
1.	Val Verde Winery	Del Rio	Val Verde	1973
2.	La Buena Vida Vineyards	Springtown	Parker	1978
3.	Fall Creek Vineyards	Tow	Llano	1979
4.	Bell Mountain Vineyards Inc.	Fredericksburg	Gillespie	1982
5.	Llano Estacado Winery Inc./Staked	Lubbock	Lubbock	1982
6.	Piney Woods Country Wines	Orange	Orange	1986
7.	Ste. Genevieve Ste Genevieve Winery	Bakersfield	Pecos	1987
8.	Wimberley Valley Winery	Driftwood	Hays	1987
9.	Grape Creek Vineyard Inc.	Stonewall	Gillespie	1989
10.	Sister Creek Vineyards	Sisterdale	Kendall	1989
11.	Wimberley Valley Winery Tasting	Spring	Harris	1990
12.	Homestead Vineyards & Winery Inc.	Ivanhoe	Fannin	1992
13.	Blum Street Cellars	San Antonio	Bexar	1993
14.	Messina Hof Wine Cellars Inc.	Bryan	Brazos	1993
15.	Blue Mountain Vineyard Inc.	Fort Davis	Jeff Davis	1994
16.	Delaney Vineyards	Lamesa	Dawson	1994
17.	La Buena Vida Vineyards	Grapevine	Tarrant	1994
18.	Becker Farms Inc.	Fredericksburg	Gillespie	1995
19.	Spicewood Vineyards Inc.	Spicewood	Burnet	1995
20.	Fredericksburg Winery	Fredericksburg	Gillespie	1996
21.	Hidden Springs Winery	Pilot Point	Denton	1996
22.	Pleasant Hill Winery	Brenham	Washington	1996
23.	Delaney Vineyards Inc.	Grapevine	Tarrant	1997
24.	La Bodega Winery Company	Grapevine	Tarrant	1997
25.	Pheasant Ridge Wines	Lubbock	Lubbock	1997
26.	Homestead Vineyards & Winery Inc.	Denison	Grayson	1998
27.	Homestead Winery At Grapevine	Grapevine	Tarrant	1998
28.	Poteet Country Winery	Poteet	Atascosa	1998
29.	Alamosa Wine Cellars Inc.	Bend	San Saba	1999
30.	Chisholm Trail Winery	Fredericksburg	Gillespie	1999
31.	Comal Creek Vineyards	New Braunfels	Comal	1999
32.	Comfort Cellars	Comfort	Kendall	1999
33.	Lone Oak Vineyards Corp.	Valley View	Cooke	1999
34.	McCreynolds Winery	Cypress Mill	Blanco	1999
35.	Pillar Bluff Vineyards	Lampasas	Burnet	1999
36.	Red River Winery	Spring	Harris	1999
37.	Specialty Blends Incorporated	Ingram	Kerr	1999
38.	Texas Hills Vineyard Inc.	Johnson City	Blanco	1999
39.	Cross Timbers Winery	Grapevine	Tarrant	2000

40.	Haak Vineyards & Winery Inc.	Santa Fe	Galveston	2000
41.	Kiepersol Estates Vineyards	Tyler	Smith	2000
42.	Bruno & George Wines Inc.	Sour Lake	Hardin	2001
43.	Caprock Winery Mcpherson Cellars La	Lubbock	Lubbock	2001
44.	Flat Creek Estate	Marble Falls	Travis	2001
45.	Brushy Creek Vineyards	Alvord	Wise	2002
46.	Driftwood Vineyards	Driftwood	Hays	2002
47.	Gourd Dog Winery	Granbury	Hood	2002
48.	Lehm Berg Winery	Giddings	Lee	2002
49.	Lightcatcher Winery	Fort Worth	Tarrant	2002
50.	Los Pinos Ranch Vineyards	Pittsburg	Camp	2002
51.	Lost Creek Vineyard	Llano	Llano	2002
52.	Oberhof Wine Cellars	Fredericksburg	Gillespie	2002
53.	Toddy Blends	Houston	Harris	2002
54.	Triple R Ranch & Winery	Whitesboro	Cooke	2002
55.	Woodrose Winery	Stonewall	Harris	2002
56.	Fawn Crest Vineyard Inc.	Canyon Lake	Comal	2003
57.	Singing Water Vineyards	Comfort	Kendall	2003
58.	Su Vino Winery	Grapevine	Tarrant	2003
59.	Wales Manor	Mckinney	Collin	2003
60.	Water 2 Wine	Castle Hills	Bexar	2003
61.	Wichita Falls Vineyards & Winery	Iowa Park	Wichita	2003
62.	Bella Vista Ranch*The	Wimberley	Hays	2004
63.	Bluff Dale Vineyards	Bluff Dale	Erath	2004
64.	Circle S Vineyards L.L.C.	Sugar Land	Fort Bend	2004
65.	Colony Cellars	Waller	Waller	2004
66.	Cross Roads Winery	Frisco	Denton	2004
67.	Dobler Wines	Morse	Hutchinson	2004
68.	Dvine Wine Of North Texas	Grapevine	Tarrant	2004
69.	Dvine Wine Of Texas	Fort Worth	Tarrant	2004
70.	Frascone Winery	Oak Island	Chambers	2004
71.	Grayson Hills Winery	Whitewright	Grayson	2004
72.	La Cruz De Comal Wines Ltd.	Startzvile	Comal	2004
73.	La Diosa Cellars	Lubbock	Lubbock	2004
74.	Lone Star Wine Cellars	Mckinney	Collin	2004
75.	Maydelle Country Wines	Rusk	Cherokee	2004
76.	Nashwood Winery Inc.	Dallas	Dallas	2004
77.	Oberhof Wine Cellars #2	Fredericksburg	Gillespie	2004
78.	Rockhouse Vineyards L.L.C.	Comanche	Comanche	2004
79.	San Martino Winery & Vineyards	Rockwall	Collin	2004
80.	Sandstone Cellars Winery	Mason	Mason	2004
81.	Torre Di Pietra Vineyards L.P.	Fredericksburg	Gillespie	2004
82.	Vasquez Vineyard & Winery	San Diego	Duval	2004
83.	Windy Hill Winery	Brenham	Washington	2004
84.	Zin Valle Vineyards	Canutillo	El Paso	2004

Appendix D-6



TEXAS SENATE COMMITTEE ON INTERGOVERNMENTAL RELATIONS

Senator Frank Madla
CHAIRMAN

Members:

SENATOR KIM BRIMER, VICE CHAIR
SENATOR BOB DEUELL
SENATOR MARIO GALLEGOS
SENATOR JEFF WENTWORTH

DATE: July 23, 2004

TO: Vineyard/Winery Owners

FROM: Frank Madla, Chair

As you know the Senate Committee on Intergovernmental Relations is gathering data and studying the Texas wine producing industry in order to develop recommendations to the 79th Legislature for increasing the economic impact of the wine producing industry in Texas.

In order for the committee to develop a clearer picture of this industry, it is vital for us to gather as much information as possible from those of you who are engaged in the wine and grape business in this state. The committee is hopeful that you will complete the enclosed questionnaire with as much detail as possible and return it to us by August 8th. We apologize, in advance, for the length of the document, however we wanted to give you the greatest opportunity to provide information for the incoming Legislature and those in the future.

Please don't hesitate to add additional pages or information that you feel will prove useful to the committee's task. You can also feel free to skip questions that you prefer not to answer. Of course, the more information we have, the better.

The questionnaire is divided into four sections. In the first section we are looking for contact and general information regarding your interest in the Texas Wine Producing Industry. The second section is tailored to gather data about the production, use, and sale of Texas grapes. In the third section, we are seeking information about the production and distribution of Texas wines. From the information provided in the fourth section, we hope to get a clearer picture of the economic impact and potential of the industry. Mr. David Scotch, a San Antonio CPA, Master's Candidate at Bordeaux University, and TWGGA member has volunteered to help the committee compile the data submitted to the committee.

Although the committee has contact information for all the Texas wineries that are currently licensed and a number of Texas grape growers, our list of industry stakeholders is not complete. In keeping, we are hopeful that you will share a blank copy of the questionnaire with your colleagues or have them contact my Chief of Staff, Sherry Muller, for a copy.

As always, please don't hesitate to contact Sherry or me should you have any questions or require more information.



TEXAS SENATE COMMITTEE ON INTERGOVERNMENTAL RELATIONS

Questionnaire For: Vineyard & Winery Owners

Charge 4 Texas Wine Producing Industries

Name: Phone: Mailing Address: Fax: City, State, Zip: Cell: County: Other: Email Address: Website:

Interest: (Please check all that apply)

Vineyard owner: Winery owner: Tasting Room: Investor: Other:

Table with 5 columns: Type of Interest, Name, Town/Community, County/Other State, Viticultural Area

Please list any wine and grape industry associations, societies, or professional organizations of which you are a member.

Blank lines for listing associations

Comments: Blank lines for providing comments

Please return your completed survey via one of the methods below by August 8, 2004

Email: sherry.muller@senate.state.tx.us Fax: (210) 922-9521

Office of Senator Frank Madla Attn: Sherry Muller 1313 S.E. Military Dr., Suite 101 San Antonio, Texas 78214-2850

SECTION 2: Vineyard Owners (Including those who own wineries)

1. What year did you first plant grapes in Texas? a) _____ b) How many acres did you plant? _____
2. Did you have any previous experience growing grapes? a) Yes / No b) If so, where? _____
3. How many total years experience do you have in: a) General agriculture? _____ b) Viticulture? _____
4. What is the # of your: a) Mature acres? _____ b) Acres in development? _____ c) Unplanted acres? _____
5. Do you have an overall maximum number of acres you intend plant in grapes? a) Yes / No b) How many? _____
6. What are your most important varieties? Production in Tons

<u>Varietal</u>	<u>Location</u>	<u>Acreage</u>	2003	Est. 2004	Est. 2005
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

7. Do you plan to introduce additional varieties within the next five years? Yes / No
8. If so, which? _____
9. What % of your total commercial acreage is planted in grapes? a) _____% b) On how many tracts of land? _____
10. Do you plan to increase your grape acreage over the next five years? a) Yes / No b) If so, by how much? _____
11. What % of your grapes is sold under: a) long term _____% b) short term _____% c) spot _____% contracts?
12. During the next 12 months, do you plan to do any of the following regarding grape production?
 - a) Buy new acres? Yes / No
 - b) Lease new acres? Yes / No
 - c) Sell grape acreage? Yes / No
 - d) Convert grape acreage to another crop? Yes / No
13. If you plan to sell or convert acres that are currently in grape production, why? _____

14. How are your grapes harvested: a) mechanically _____ b) by hand _____ c) both _____?
15. Have you ever paid to have wine made from your grapes? Yes / No
16. Do you own a winery? a) Yes / No b) If not, do you plan to? Yes / No c) If so, when? _____
17. Do you sell your grapes or the juice from your grapes to entities in other states or countries? Yes / No
18. If so, what percentage of your grapes is sold to entities: a) In other states? _____% b) In other countries? _____%
19. If you do not sell your grapes outside the state, why not? (Check all that apply)
 - a) Sufficient Texas market _____%
 - b) Undeveloped market outside of Texas _____%
 - c) Lack of demand _____%
 - d) Insufficient profitability _____%
 - e) Other _____%
20. Do you think that the formation of a cooperative would help you sell your grapes? Yes / No

SECTION 3: Winery Owners

1. a) When did you open your winery in Texas? _____ b) How many cases of wine did you produce? _____
2. Did you have any previous winery experience? a) Yes / No b) If so, from where? _____
3. How many total years of experience do you have in the wine industry?
4. How many varieties of wine did you produce in your first year of operation in Texas?.....
5. How many cases of Texas wine did you produce in: a) 2003?_____ b) Est. 2004? _____ c) Est. 2009? _____
6. Do you currently plan to increase your production of Texas wine?Yes / No
7. What is your goal for production? a)_____ b) How many different Texas wines do you currently produce? _____
8. In which new grape varieties do you see growth in Texas? _____

9. Sales: Estimated % of your case sales by primary variety

Grape Variety	Estimated % of Case sales by primary variety		Estimated % of Case sales by volume in the following price points		
	2003	2009	\$ Per 750 ml	2003	Est. 2009
_____	_____	_____	< \$3	_____	_____
_____	_____	_____	\$3 - \$7	_____	_____
_____	_____	_____	\$7 - \$10	_____	_____
_____	_____	_____	\$10 - \$14	_____	_____
_____	_____	_____	\$14 - \$24	_____	_____
_____	_____	_____	\$25 ++	_____	_____

10. a) Do you have your own vineyard(s)? Yes / No b) If not, do you plan to ? Yes / No c) When? _____
11. a) Do you have your own bottling line? Yes / No b) If not, do you plan to? Yes / No c) When? _____
12. Please provide an estimated percentage of the source of the grapes used in your wine?
 - a) Your grapes _____%
 - b) Other Texas Grapes _____%
 - c) Grapes/juice from other states _____%
13. Would you purchase more Texas grapes if they were available? Yes / No
14. Compared to 2003, how will FOB case prices change in 2004 ? Increase _____ Decrease _____ N/C _____
15. What percentage of your wine is available for sale to the public? _____% What % is from non-wine items _____%
16. Approximately what percentage of your wine is Sold:

a) from your winery or tasting rooms? _____%	e) for marketing purposes _____%
b) through a distributor? _____%	f) for charitable causes _____%
c) at wine festivals or other events? _____%	
d) from a package store to fill a winery order? _____%	
e) from a package store, restaurant, or other retailer where you or your employees delivered the wine _____%	
17. From the sales at your winery, what percentage of your wine is sold to:
 - a) Texas residents _____%
 - b) People from other states _____%
 - c) People from other countries _____%
18. If your wine is not currently marketed through the distribution network, why? (Check all that apply)
 - a) Lack of access to a distributor _____
 - b) Don't want to....._____
 - c) production volume makes use cost prohibitive _____
 - d) Other: _____
19. Is it your plan to use a distributor in the future?Yes / No
20. Have you been able to ship wine to other states since our direct shipping laws were declared unconstitutional? ..Yes / No
21. If so, approximately how many cases of wine have you shipped?

SECTION 4: Vineyard and Winery Owners

1. Is your vineyard/winery open to the public? Yes / No
 - a) For tours? Yes / No
 - b) Tastings and sales of wine? Yes / No
 - c) Sales of wine Yes / No
 - d) Sales of other merchandise? Yes / No
 - e) Dining, catering, or other food services? Yes / No
 - f) Weddings, meetings, and special events? Yes / No
 - g) As a Bed & Breakfast or other lodging? Yes / No
 - h) Other: _____ Yes / No
2. How many visitors do you have to your vineyard/winery each year..... _____
3. What % of your sales to these visitors is from wine? a) _____% b) From other merchandise? _____%
4. a) Were you profitable in 2003? _____ b) Do you expect to be more profitable in 2004? Yes / No
5. Do you currently draw income from your winery/vineyards? Yes / No
6. Is your winery/vineyard(s) your sole source of income? Yes / No
7. If not, do you plan for it to become your sole source of income in the future?..... Yes / No
8. Please provide the number and average monthly compensation of the following types of employees at your winery/vineyard(s). Please do not include yourself.
 - a) permanent, full-time? # _____ \$ _____
 - b) permanent, part-time ? # _____ \$ _____
 - c) seasonal employees in 2003? # _____ \$ _____
 - d) seasonal employees in 2004? # _____ \$ _____
9. What tax revenues were generated by your winery/vineyard for FY2003?
 - a) State Excise Tax: \$ _____
 - b) State Sales Tax: \$ _____
 - c) State Franchise Tax: \$ _____
 - d) Federal Excise Tax: \$ _____
 - e) Local Taxes: \$ _____
 - f) Other : _____ \$ _____
10. At this time, what are the greatest barriers to the development of the Texas Wine and Grape Industries. Please rate each item on a 1 - 4 scale, with 1 being greatest. (Feel free to add additional items on extra pages if necessary)

a) No centralized entity to coordinate the development of the Texas Wine and Grape Industries	1	2	3	4
b) Lack of access to a full time enologist	1	2	3	4
c) Insufficient entomology support and expertise	1	2	3	4
d) Insufficient viticulture support and expertise	1	2	3	4
e) Lack of appropriate viticulture education programs in the state	1	2	3	4
f) Lack of appropriate enology education programs in the state	1	2	3	4
g) Lack of a four-year degree program in the state	1	2	3	4
h) Inability to ship your product directly to consumers in other states.	1	2	3	4
i) Requirement/perception that telephone or internet sales to Texas residents must be shipped through a package store.	1	2	3	4
j) Lack of an official, central resource indicatin g wet/dry areas of Texas.	1	2	3	4
k) Hesitancy of common carriers to deliver your product because of inadequate wet/dry data	1	2	3	4
l) Other: _____	1	2	3	4
m) Other: _____	1	2	3	4
o) Other: _____	1	2	3	4
11. What % of your supplies and equipment are purchased from the following?
 - a) Texas Vendors? _____ %
 - b) Out-of-State Vendors? _____%
 - c) International Vendors? _____%
12. What is the main reason you buy from out-of-state or international vendors?
 - a) Lack of local availability _____
 - b) Cost of local products _____
 - c) Quality of local products _____
13. Do you believe that the ability of Texas wineries to ship their product directly to their customers within the State of Texas and to other states and countries is fundamental to the growth and ultimate success of the Texas Wine and Grape Industries?..... Yes / No

SECTION 4: Vineyard and Winery Owners (Continued)

14. What are the greatest assets available to the Texas Wine and Grape Industries at this time. Please rate on a 1 - 4 scale, with 1 being greatest. (Feel free to add additional assets)

- | | | | | |
|---|---|---|---|---|
| a) Marketing efforts of the TDA's Texas Wine Marketing Assistance Program. | 1 | 2 | 3 | 4 |
| b) Loans, grants, and assistance from other divisions of the Texas Department of Agriculture. | 1 | 2 | 3 | 4 |
| c) Technical advice and assistance from the Texas A&M Extension Service. | 1 | 2 | 3 | 4 |
| d) Ability to ship wine to Texas consumers that visit your winery. | 1 | 2 | 3 | 4 |
| e) Ability to ship wine to Texas consumers in dry areas. | 1 | 2 | 3 | 4 |
| f) Court ruling nullifying Texas' prohibition against the direct shipment of wine to consumers. | 1 | 2 | 3 | 4 |
| g) Other: _____ | 1 | 2 | 3 | 4 |
| h) Other: _____ | 1 | 2 | 3 | 4 |
| i) Other: _____ | 1 | 2 | 3 | 4 |

15. Please list any current state or federal statutes, rules, regulations, or policies that are particularly problematic to or not effective for the production, distribution, sale, and promotion of your wine and/or grapes. (Please feel free to attach additional sheets if necessary)

16. What are the top three changes needed over the next five years to help your industry reach its full potential?

- a) _____
- b) _____
- c) _____

17. What are your suggestions for acquiring additional funding for research, development, technical assistance, marketing, and education programs to assist the Texas Wine and Grape Industries? (Please feel free to add additional sheets)

18. Please provide an estimate of how much you expended on the following to produce your wine and or grapes last year.

- | | | | | | |
|--------------------------|---------|----------------|---------|----------------------|---------|
| a) Seed & Rootstock | \$_____ | g) Marketing | \$_____ | m) Property Taxes | \$_____ |
| b) Fertilizer & Lime | \$_____ | h) Electricity | \$_____ | n) Motor Vehicles | \$_____ |
| c) Transportation | \$_____ | i) Pesticides | \$_____ | o) Capital Dwellings | \$_____ |
| d) Repair / Maintenance | \$_____ | j) Storage | \$_____ | q) Machine Hire | \$_____ |
| e) Employee Compensation | \$_____ | k) Fuel & Oil | \$_____ | r) Interest Expenses | \$_____ |
| f) Contract Labor | \$_____ | l) Equipment | \$_____ | s) Net Rents | \$_____ |



**THE TEXAS WINE INDUSTRY:
BARRIERS TO AND ASSETS OF WINEMAKING IN
TEXAS**

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David A. Scotch

Master of Business Administration

Bordeaux Business School

2004

I, David A Scotch, declare that this dissertation is my own original work, and I give permission that it may be photocopied and made available for inter-library loan.

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THE TEXAS WINE INDUSTRY: BARRIERS TO AND ASSETS FOR GROWTH

ABSTRACT

The history of Texas winemaking spans three centuries, but the growth of the industry has been lethargic in the last decade. The primary objective of this thesis is to assess the potential for future growth. Demographics of Texas vineyards and wineries were appraised and barriers and assets were reviewed. In conjunction with the Texas Senate Committee on Intergovernmental Relations, a self-administered questionnaire was sent to Texas vineyards and wineries and the responses tabulated.

The majority of the survey respondents have been in business fewer than 10 years, have no prior experience, and are small producers. However, the industry is dominated by a few large producers. Most of the wine is made from Texas grapes and sold in Texas.

A law designed to prohibit out-of-state wineries from shipping directly to Texas consumers which, in turn prevented Texas wineries from shipping to those states was declared unconstitutional, but confusion still exists who can ship where.. The regulations of "wet" and "dry" counties add to the confusion.

The Texas Wine Marketing Assistance Program has had a positive impact. There still is a lack of enology support and education. Legal requirements for the ownership of wineries are perceived as barrier to capital investment. Pierce's Disease is another challenge faced by grape growers.

Sixty percent of new wineries established between 1979 and 1989 failed, but the future looks brighter. Texas wines showed a 15% increase in sales for the 52-week period ending March 31, 2004.

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

The adult per capita consumption of wine in the United States is at an all-time high. Between 2000 and 2003, there was a gain of 32% in the core wine drinking population. Further, there is evidence that the current generation of young adults has a strong inclination toward wine as part of their lifestyle, suggesting they will be entering the category of core wine drinkers (Wine Market Council). This trend holds promise for the wine market of the future.

In general, public consciousness of the United States wine industry has traditionally been synonymous with wines of Northern California. More recently, the wines of Washington, Oregon, and New York have gained widespread notice. The opening of the Pointe of View vineyard in North Dakota in July 2002 gave all fifty states operating wineries (Frost, 2003). However, most state wines, produced outside of California, Oregon, and Washington are sold locally and have little national exposure (DeBord 2002).

Viticulture and winemaking in Texas actually predate California winemaking by a century (Ciesla). Spanish missionaries came to Texas in the late 1650's, bringing vines from Europe. From the beginning, winemaking in the territory that would become Texas has been challenging. Early grape-growing settlers had to stave off attacks from various marauders, as well as contend with the climatic extremes of the region. Common weather problems of the area include too much rain, too little rain, either of these extremes of precipitation at the wrong time, and high humidity. Infestations of insects were rampant. More recently, religious and political agendas have added to the difficulty by placing constant hurdles in the way of the Texas winemaker.

In the early nineties, Texas was poised to become a major wine-producing state. Oregon, now the fourth-largest producing state, was at a similar juncture. Today Oregon

Texas Wine Industry

produces over one million cases of wine per year (Oregon Wine Board), while Texas produces only 530,000 cases (Dodd 2003, see Appendix 1, Table 9). The Texas wine industry is growing, but the pace has been lethargic. Meanwhile, Oregon wine production has surged to a much higher level.

1.2 RESEARCH PROBLEM AND RESEARCH QUESTIONS

The objective of this thesis is to explore the growth potential of the Texas wine industry. Current trends in the market for Texas wines will be described. The assets and barriers that affect the industry's growth in the state will be outlined. Perceptions and attitudes of the members of the Texas grape-growing and wine-making industry toward the current situation will be presented.

Specifically the following questions will be addressed:

- 1) What are the current demographic trends in the Texas wine industry?
- 2) What barriers are perceived by the Texas wine industry to producing and selling Texas wine?
- 3) What assets are perceived by the Texas wine industry related to producing and selling Texas wine?
- 4) What is the perception of Texas wineries and grape growers of the current situation and potential for growth in their industry?

CHAPTER 2: BACKGROUND

2.1 WINEMAKING IN AMERICA

The Norse explorer, Lief Ericson, named America “Vineland.” Historians now think what he called grapes were probably squash berries. The New World was, in fact, covered in vines bearing thick-skinned, strong-flavored grapes. The earliest colonists, however, were not captivated by the taste of these native grapes. They struggled to make wine as they had in Europe, trying to grow the grape varieties that succeeded in their native countries (Airey 2003). The harsh climate and the prevalence of vineyard diseases led to consistent failure in growing European type grapes on the newly settled continent. For three centuries, early Americans struggled to grow grapes from their native soils before recognizing that only the native grape varieties could survive (Pinney, 1989).

In the mid-1850’s, settlers migrated to the west coast of the North American continent. It became apparent to those colonizing what is now California that the European grape types could thrive there. At approximately the same time, newly-developed hybrid grapes and technical advances were permitting winemaking across the United States. In fact, Ohio led the United States in wine production in 1860 (Ciesla). At least forty-three of what would become the contiguous forty-eight states had made some sort of an attempt at grape growing and winemaking before the end of the nineteenth century. By the turn of the twentieth century, grape growing and winemaking had become a significant economic activity (Pinney, 1989).

Then, just when three hundred years of winemaking effort was paying off, a national prohibition of alcohol in 1920 threatened to end the American winemaking story.

2.2 PROHIBITION

The Eighteenth Amendment to the Constitution of the United States made all trade in alcoholic beverages illegal. This “noble experiment” of the prohibition of alcohol was undertaken with the goals of reducing crime, solving social problems, improving health and hygiene, emptying the prisons, and decreasing taxes (Thornton, 1991). This was all to be accomplished by a legally enforced abstinence to alcohol.

As we now know, Prohibition only added to the evils that it was created to solve. After an initial drop, per capita consumption of alcohol actually increased. Prohibition did not improve health and hygiene. Prisons soon filled to capacity with an increased homicide rate and the advent of organized crime. Ultimately, it took the repeal of prohibition to reduce crime, especially organized crime and corruption (Thornton, 1991).

The intent of Prohibition to eliminate the production and sale of alcoholic beverages had success with respect to the wine trade. According to Pinney, “all that most wineries in the country could do was quietly go out of business.” And most of them did exactly that (Pinney, 1989). Production of wine in the United States in 1919 was over 55 million gallons. In 1920, it sank to 20 million; in 1922, it was just over 6 million. By 1925, production reached a low of 3.6 million gallons. In California, approximately 700 wineries existed in 1920; when prohibition was repealed, only 130 to 160 wineries had survived (Weekendwinery.com). These wineries survived only by virtue of special provisions in the law that allowed the production of unfermented grape juice or for wine to be made for specific purposes. The specific purposes included religious use, medical reasons, as a food additive, and limited home manufacture of wine for personal use (Pinney, 1989).

The American wine industry was in shambles after Prohibition. There had been a huge decline in grape acreage. In addition, the grape varieties that remained were of inferior quality for making wine. The situation is described in a quote from Leon Adams’ book, *The Wines of America*:

The once proud American Wine Industry, which before 1900 had exported its wines around the world and won prizes ... was reborn in ruins. It was making the wrong kinds of wines for the

wrong kind of consumer in a whisky-drinking nation with guilt feelings about imbibing in general and a confused attitude toward wine in particular. (English,1989)

As a result, until the early 1960's in California, there were barely over 2,000 acres of Cabernet Sauvignon, Pinot Noir, Riesling, and Chardonnay combined, of a total of approximately 425,000 acres of vines, left planted. (Pinney,1989). In the late 1960's, there was a rebirth of interest in winemaking throughout the nation (Ciesla).

The repeal of Prohibition had given individual states the power to legislate control over the manufacture, distribution, and sale of alcohol within their borders. This decision predictably allowed for the creation of a chaotic patchwork of inconsistent state law. Texas may well have one of the most complicated set of such laws. This has had no small impact on the development of the Texas wine industry, as will be elaborated below.

2.3 HISTORY OF WINEMAKING IN TEXAS

An intricate set of factors has determined the shape of the development of the Texas wine industry. From the beginning, conflicts between man and nature and between cultures have been fundamental to the advancement and regression of grape propagation in the Lone Star State (Ciesla).

The state of Texas covers 275,416 square miles and contains a wide range of physical microenvironments. The Gulf of Mexico, which is the southeastern border of the state, is a major force in generating climate patterns and, therefore, the development of the varied plant life across the state. Of approximately 26 species of grapes in the world, represented by more than 2,000 varieties, more than one-half of them are indigenous to Texas (English, 1989). The Native Americans and the Siberians who came to the area apparently ate the native grapes, but there is no record of either of them producing wine. In the 1680's, The Spaniards settled the area around what is today El Paso, planting the Spanish Black grape they brought with them. This variety of grape came to be known as the El Paso or "Mission" grape. These Spanish settlers produced most of the sacramental wines for the region stretching from Chihuahua, Mexico to New Mexico (Ciesla). These extensive vineyards vanished by the end of the nineteenth century due to nature and economics, and the area never regained its viticultural importance.

Texas became the Republic of Texas in 1836. France was the first European power to recognize the geographically large, but economically fledgling, new country. Apparently, the French government was somewhat threatened by the Texas wine industry (English 1989). A. Dubois de Saligny, the first diplomat sent to Texas, reviewed the republic's tariff policy and concluded that there was a very high tax on all imported goods from France, including French wine. He took steps to protect his country's imports. In correspondence, dated February 4, 1980, De Saligny wrote:

There was a duty of twenty-five cents per gallon on all our wines without distinction of quality except for champagne which was taxed two dollars each dozen bottles.... I have protested incessantly and have the satisfaction of reporting that I was completely successful in my efforts.... and all duties

on French wines imported directly from France have been abolished. (English 1989)

In the mid-eighteenth century, European immigrants began to arrive in Texas. They gave viticulture and winemaking a boost by producing a drinkable wine from the native Mustang grapes. Around 1875, there was an influx of Italian immigrants, who, of course, had a culture of winemaking, into northern Texas. By the early 1900's, small wineries were being opened in all parts of the state

No history of the Texas wine industry would be complete without mention of the work of Thomas Volney (T.V.) Munson. Munson moved to Northern Texas in April 1876 from Kentucky. He developed a reputation as the authority on wild grapes in North America and created one of the most well known vineyards in the South. His greatest contribution to viticulture resulted from his grafting of a phylloxera-resistant rootstock onto a European vinifera. When phylloxera destroyed six million of acres of grapes in Europe, France requested the rootstock from Munson. It was this Texas rootstock that saved the French wine industry (Ciesla). Thus, the most delicate and appreciated wines of the world can attribute their being to this man from Texas (Renfro).

From 1900 to the beginning of Prohibition in 1920, there were approximately 30 Texas wineries. These vineyards covered 2,900 acres, had 1.3 million vines, and produced over 100,000 gallons per year. The decades that followed Prohibition reduced the Texas industry to one winery in Val Verde County that produced 5,000 gallons from 20 acres of grapes (Michaud, Segarra, and Dodd 1998). In 1982, Texas produced about 70,000 gallons of wine and by 1986 production had reached about 650,000 gallons. Production numbers from 2003 indicate that Texas is currently producing 1,265,000 gallons of wine from 2900 acres. (See Appendix2, Table 9.) This constitutes a twelve-fold increase in production over that of the early 1900's from the same size of planted acreage.

2.4 TEXAS WINEMAKING TODAY

In 1992, the Texas wine industry was ready to be one of the next big stories in American wine. Production had increased by 1000% since 1979. The number of wineries had risen from five to 27. The development of the Texas wine industry appeared to be off and running (Dodd, 2003).

According to Matthew DeBord in the November 30, 2002 issue of the *Wine Spectator*, good wine is being made everywhere in the United States including the Texas Hill Country. However, American regional winemaking (that is other than California, Oregon, Washington, and Long Island, N.Y.) is at a crossroads. Regional winemakers, like those found in Texas, for the most part only sell their wine “at the cellar door” or in a small area around the winery. The ongoing marketing questions are: Is it possible to escape from this provincial pothole? And, if so, how? Clearly, if the right decisions are not made, the results can be disastrous.

The Texas Wine Marketing Research Institute at Texas Tech University in Lubbock, Texas, headed by Dr. Tim Dodd, has collected and distributed information that profiles the Texas wine and grape industry since 1988. The mission of the Institute is to “foster the economic development and growth of the Texas wine and wine grape industry.” The Institute works to achieve their mission “through education, research, and service, and works in cooperation with a variety of individuals and organizations including the private sector, other educational organizations, and government officials.”

The Institute also publishes “A Profile of The Texas Wine and Wine Grape Industry.” Highlights of recent profiles are presented below. The Executive Summary of the 2003 Profile states that Texas is the fifth largest wine producing state in the nation with 1.26 million gallons produced annually. This places Texas after the states of California, New York, Washington, and Oregon. At the end of 2003, there were approximately 3,000 acres of vineyards, which constituted a decrease in wine grape acreage of approximately 10% from 2001. There were 54 established wineries and several new wineries in various stages of completion. As of August 24, 2004, the Texas Wine and Grape Growers Association (TWGGA) reports the number of wineries as 56.

Thirty-two of these wineries, (about 60%) produce less than 5000 gallons (2,100 nine liter cases) and concentrate on tourism for their sales. Of the total estimated 170 million dollar direct and indirect impact that the Texas wine and wine grape industry on the state, almost 16% (about 27 million dollars) is related to tourism. The growth of the impact from tourism has slowed over the last few years. The indirect impact of the wine industry has nearly doubled from over 48 million dollars in 2001 to almost 93 million dollars in 2003. According to Dodd, the indirect growth came from two sources. Increased production in the amount of wine produced led to an increase in the direct impact, which then led to growth in the indirect. In addition, there was a modest price increase from the previous year that also impacted the indirect portion.

Executive Summaries from the last three years mention weather and or pests as “typically” hampering or curtailing Texas grape production. For example, in 2002, weather factors affected the St. Genevieve vineyard, whose production normally constitutes at least 50% of the total production for the state. As a result, the 1.26 million gallons produced in 2003 were a 70% increase (500, 000 gallons) over the 2002 production.

Texas is the sixth largest agricultural state by dollar volume with 4.44 billion dollars in crop value in 2003. This is 4.1% of the U.S. total. The contribution of wine grapes to Texas agriculture is small, providing only 7.7 million dollars of this total (Dodd, see Appendix 2, Table 1). Table 1 below from the Wine Institute summarizes the top ten American Viticultural Areas by size in descending order. Effective dates and acreage are also provided. The largest area is the Ohio River Valley. The Texas Hill Country, an area north of San Antonio and east of Austin, is next in size. It spans an area of 15,000 square miles and is larger in size than the states of New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, Hawaii, New Jersey, Delaware, or Maryland. The Trans-Pecos Region in Far West Texas and the Texas High Plains Viticultural Area on the South Plains each contribute approximately 40% each of the state’s wine grape acreage (Combs).

Table 1
Ten Largest Viticultural Areas in the United States

Ohio River Valley [IN,KY,OH,WV]	16640000	2/27/87
Texas Hill Country	9600000	12/30/91
Puget Sound	5536000	10/4/95
Mississippi Delta [LA,MS,TN]	3840000	10/1/84
Ozark Mountain [AR,MO,OK]	3520000	8/1/86
Willamette Valley	3300000	1/3/84
North Coast	3008000	10/21/83
Arkansas Mountain	2880000	10/27/86
Sierra Foothills	2600000	12/18/87
Shenandoah Valley [VA,WV]	2400000	2/27/87
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Production in the Texas wine industry is dominated by a few large wineries. Ste. Genevieve, located in west Texas, and Llano Estacado are two examples. Ste. Genevieve, Texas' largest winery, is actually a joint venture between the University of Texas and *Cordier* of France. Ste. Genevieve's production generally amounts to more than 50% of the entire production in the state. However, there is a concentration of the Texas wineries in the Texas Hill Country, and three of the state's viticultural appellations are located there (Dodd, see Appendix 2, Figure 3).

As shown in Appendix 2, Table 9, Texas wine production hit an all-time high in 2001 (Dodd). Bad weather, disease, and problems with pests took it to a fifteen-year low a year later. This was primarily caused by weather conditions at the St. Genevieve vineyard. Production bounced back in 2003 to a more representative level, but, as is typical in Texas, growers in some regions did well while others had significant weather problems. Actually, a criticism of the Texas wine industry is a high yield per acre. Such growth can produce saleable wine, but not necessarily great wines with specific grape uniqueness from a particular place (Koplan, Smith, & Weiss, 2002).

There are approximately 3,000 acres of vineyards grown by 250 wine grape growers and 55 wineries producing wine as of July 2004 in Texas. Several of the large producers have developed markets for their wine in Texas, the U.S., and countries around the world. Many of the small producers generate their sales primarily from tourism. Over

Texas Wine Industry

60% of the wine produced in Texas is bottled as varietals and the remainder as non-varietal wine (Dodd, 2003).

Other data from The Texas Wine Marketing Institute's profile is included in Appendix 2.

2.5 THE TEXAS THREE-TIER ALCOHOL DISTRIBUTION SYSTEM

In 1935, the Texas legislature enacted the Texas Alcoholic Beverage Code (TABC) following the repeal of Prohibition, which returned to the states the power to regulate the distribution and sale of alcoholic beverages within their borders. The TABC (this paper refers to the code and the Commission created to enforce it synonymously) was first enacted and amended since that time for the purpose of protecting the “welfare, health, peace, temperance and safety of the people of the state” (Texas Alcoholic Beverage Code). The Commission was also given the authority to collect all appropriate taxes relating to the manufacture and sale of alcoholic beverages in the state of Texas. The Code was enacted in its present form in 1963.

Before the Prohibition Amendment was made law in 1919, manufacturers of alcoholic beverages were permitted to distribute directly to Texas retailers. The TABC prohibited this by creating a three-tier system, similar to the laws in many other states. This system prohibits, except for rare exceptions, the vertical integration of the manufacture, distribution, and retail sale of alcoholic beverages. A spokesman for Glazer’s Family of Companies, one of the largest distributors of wine and spirits in the U.S., said the presumption was that the three-tier system would eliminate the “tremendous pressure to maximize sales in Texas, which ultimately leads to the indiscriminate promotion of alcohol, and would create checks and balances within the system” (Glazer’s Family of Companies).

Another complicated aspect of Texas alcoholic beverage landscape is the regulation of “wet” and “dry” areas within the state. In a wet area, alcoholic beverages may be sold; in dry areas, sales of alcoholic beverages are ordinarily not allowed. To further confuse matters, there are also partially dry areas where, within the boundary of a county, another political subdivision has the option to vote the area wet (Texas Alcoholic Beverage Code).

Local option laws dealing with wet/dry options were offered by the Constitution of the Republic of Texas in 1876. This resulted in the establishment of a fragmented and bewildering system, much of which survives today (English, 1989). As of August 31,

2001, there are 52 completely dry counties in Texas and 37 that are completely wet. The remainder of the 254 counties are either partially dry or partially wet. (See Appendix.3.)

The new code also established strict requirements for permits to sell alcoholic beverages. To be granted a permit, an applicant must prove residency in Texas for at least a year. In addition, if a permit is to be granted to a corporation, 51% or more of the ownership must be held by a Texas resident. The only exceptions to this apply to certain retail establishments. The code also required a strict separation of ownership in any of the three tiers (Texas Alcoholic Beverage Code). Another restriction placed on Texas residents is that they may not import into Texas more than three gallons of wine for their own personal use without holding a permit (Texas Alcoholic Beverage Code).

2.6 MAJOR LEGISLATIVE CHANGES TO THE TEXAS ALCOHOLIC BEVERAGE CODE SINCE 2001

A number of significant changes have been made in Texas law since 2000 that relate to the sale and distribution of wine in the state. These have been aimed at increasing the production and marketing of wine in Texas. The important changes are outlined below.

The 77th Legislature passed HB 892 into law effective September 1, 2001. In this bill, Chapter 110 of the Texas Alcoholic Beverage Code (TABC) was added and is titled “The Texas Wine Marketing Assistance Program in the Department of Agriculture” (TWMAP). This program was established “to assist the Texas wine industry in promoting and marketing Texas wines and educating the public about the Texas wine industry” (HB 892). The Texas Senate Research Center, which is the official public policy and legislative analyst for the Texas Senate, explains the rationale of this program as follows:

The growth of the Texas wine industry has had a positive impact on the Texas economy. California produces many times the amount of wine Texas produces, but consumes only a fraction more than Texas consumes. Texas is a significant consumer of wine, but demand is not being supplied by Texas wineries. The Texas Wine Marketing Assistance Program allows Texas wineries increased access to the Texas market and provides consumers with better access to Texas wines.

The Commissioner of the Department of Agriculture, along with an Advisory Committee created by the act to assist the Commissioner, was given the charge to establish and implement the program. The funding for this program was set at \$250,000 annually. The promotion, marketing, and education objectives of the program are summarized below:

- ◆ To organize a network of package stores to receive and deliver wines produced in Texas for a consumer who is physically present at the winery or who is not present but places an order from the winery

- ◆ To develop and maintain a database of wineries and package stores in Texas that allows the program's staff to identify where the wines are made
- ◆ To operate a toll-free telephone number to receive inquiries from consumers who wish to buy Texas wine, to provide information about the wineries and package stores in the program, and to inform consumers how to purchase and receive the wine
- ◆ To use market research to develop a wine industry marketing program to increase consumption of and access to Texas wine
- ◆ To promote and market wineries and package stores that participate in this program and to educate consumers about the wines produced in this state

(Participation in this program by a package store is voluntary, but if after twelve months the Commissioner determines that not enough package stores in the state are participating, he may request the TABC to require all package stores in the state to participate.)

This bill permitted direct shipment of wine to someone who had visited a winery and purchased wine and wanted the wine shipped directly to their residence. The bill also allowed for limited wine shipping to consumers in dry areas of Texas through participating package stores in wet areas.

An amendment to the Texas Constitution was passed in September 2003 that gave the Texas Legislature the authority to set policies for Texas wineries. As a result, there were additional changes made that affected how the TABC regulates Texas wineries.

For example, the 78th Texas Legislature in House Bill 1199 allowed for wine sales from tasting rooms in dry areas, even if there had been an error in certifying the location of the winery as being in a wet area when it was not. This certification may not be changed until after a local option election was held. During the same legislative session, a number of bills were passed related to the sale of wine for off premise consumption and local option elections to permit these sales.

Also in September of 2003, House Bill 2593 amended TABC Chapter 16.01(a) that deals with winery permits. The changes included increasing the amount a winery could sell directly to “ultimate consumers” either for consumption on the winery premises or for off-premise consumption from 25,000 to 35,000 gallons annually. The bill also allows wineries in dry counties to operate in a dry county in Texas if they produce wine that is at least 75% by volume fermented juice of grapes or other fruit grown in Texas. In addition, the bill permitted wine sales and free samples to visitors to their wineries and from tasting rooms in dry areas. Also in this bill, the Legislature voted to allow the selling and buying of wine in Texas from permit-holders authorized to purchase and sell wine. This change made it possible for wineries to sell directly to other wineries, and, more importantly, directly to restaurants and retailers.

In summary, the Texas Legislature has made changes in the laws relating to wines marketing and sales since 2000. These have begun to remedy some of the more onerous restrictions on the industry and have demonstrated a legislative desire to promote the wine industry in Texas.

2.7 RECENT COURT DECISIONS AFFECTING THE TEXAS WINE INDUSTRY

The changes described above to the law relating to the sale and shipping of wine have predictably raised questions about the shipment of all wine in and into Texas. These questions have begun to be addressed through the courts.

In April of 1999, three oenophiles from Houston filed suit against the Administrator of the TABC in United States District Court. They sought to have wine shipped directly to their homes from a Louisiana winery. Under the law, out-of-state wineries are prohibited from selling and shipping directly to Texas consumers. The Louisiana winery did not have a wholesaler willing to distribute its products into Texas because of its small size. This made the wine unavailable in Texas because of the three-tier system.

The Court found that the practice of denying shipment of more than three gallons of wine from an out-of-state winery into the state while allowing up to, at the time, 25,000 gallons of wine from a Texas winery to be shipped within the state, violated Federal law, including the U.S. Constitution, and was in opposition to many previous U.S. Supreme Court decisions. The statutes at issue in this case dealt with exceptions to Texas three-tier system.

The U.S. District Court concluded:

The Court finds that there is no temperance goal served by the statute, since Texas residents can become as drunk on local wines or on wines of large out-of-state suppliers able to pass into that state through its distribution system, and available in unrestricted quantities, as those that, because of their sellers' size or Texas wholesalers or retailers' constraints, are in practical effect kept out of state by the statute. (Judge Melinda Harmon, February 11, 2000 United States District Court, S.D. Texas, Houston Division, No CIV.A. H-99-1247)

Judge Harmon granted summary judgment for the Houston residents, stating "Because legislating is not the proper role of the Court, in the final judgment it will

enjoin the State of Texas from enforcing these statutes and defer to action by the legislature to repair the Alcoholic Beverage Code” (TABC Today, Fall 2002).

The court gave the TABC the opportunity to file objections, which the agency did. The court remained firm with respect to most of its original conclusions. In addition, the court found that the Texas legislature had changed Texas law relating to the purchase and shipment of wine directly to Texas residents by enacting the Texas Wine Marketing Assistance Program. One example of the law change is the exemption that allows Texas wineries to directly sell and ship wine to Texas consumers through package stores (H.B. No. 892). At the same time, out-of-state wineries were prohibited under threat of criminal penalties from shipping wine directly to anyone residing in Texas (TABC Ann. Section 107.07(f)).

The plaintiffs were permitted to amend their complaint to challenge the new act as “economically protectionist” and the Court issued a new summary judgment again in favor of the plaintiffs. The Court found that the Legislature, rather than correcting any discriminatory treatment of out-of-state wineries, had “‘dug in its heels’ and made economic protectionism of its own wine industry ... an explicit state policy.” The Judge went on to say that the “plaintiffs have performed a valuable service in challenging, pursuing, and prevailing against the resulting economic discrimination.”

The TABC appealed this decision to the United States Court of Appeals, Fifth Circuit, and this court affirmed the District Courts opinion on June 26, 2003. In the Courts’ opinion, the judge refers, as did the lower court, to violations of the Commerce Clause. This clause is the section of the U.S. Constitution that empowers Congress “[t]o regulate Commerce ... among the Several States”(U.S. Constitution Article I, Section 8 Clauses 3). The position that the Supreme Court has taken in its opinions since the early nineteenth century, as a response to this language, is that if Congress has the power to regulate commerce between the states, then the states should not be able to hinder commerce between the states with their own laws. As recently as 1988, the Supreme Court Stated that this “negative aspect” of the Commerce Clause, commonly known as the “dormant Commerce Clause” doctrine, “prohibits economic protectionism-that is, regulatory measures designed to benefit in-state economic interests by burdening out-of-state competitors” (Wyoming v. Oklahoma, 502 U.S. 437,454(1992) (quoting New

Energy Co. Of Indiana v. Limbach, 486 U.S. 269,273-274). This court also pointed out that any out-of-state winery that is permitted to export their wines into Texas still must deliver their products to a licensed Texas wholesaler.

The Appeals Court came to the same conclusion as the District Court that without an identical limitation on Texas wineries, the fact that the state does not allow out-of-state wineries to sell and ship directly to Texas consumers was unconstitutional. As a result, the court concluded that the Texas legislature achieved specifically what it set out to do, make only Texas wines more available for purchase

The U.S. Supreme Court has agreed to hear two cases that will potentially decide direct shipping in the United States. Depending on the outcome, the Texas Legislature may have to put in place legislation that complies with the high court's decision. This could greatly impact the wine industry in Texas.

2.8 CHAPTER SUMMARY

Texas has over a three-hundred-year history of winemaking. It has survived natural threats from weather and pestilence, the man-made threats of local option and Prohibition, and post-Prohibition state laws. This inconsistent patchwork of laws was designed to serve religious, moralistic, and economic protectionist interests. These laws are slowly being addressed and revised through the Texas Legislature and the Federal judicial systems.

CHAPTER 3: METHODS

3.1 INTRODUCTION

Despite its long history of wine production, Texas is still struggling to establish an identity as a wine producing state. In the early nineties, Texas was poised become a major wine state. Oregon, now the fourth largest producing state, was at a similar juncture then. Oregon now produces over one million cases of wine (Oregon Wine Board), while Texas produces only 530,000 cases (Dodd, 2003). The Texas wine industry has grown at lethargic pace in comparison to Oregon. This research project has been designed to explore the past and current obstacles to the success of the Texas wine industry.

3.2 RESEARCH OBJECTIVE AND RESEARCH QUESTIONS

The primary goal of this thesis is to assess the growth potential of the Texas wine industry. Specifically, this thesis will explore the demographic trends in the Texas wine industry and seek to understand barriers to and assets related to growing, producing, and selling wine in Texas. Also, this paper will explore the perception Texas grape growers and winemakers have of these barriers and assets. The following specific research questions will be addressed:

RESEARCH QUESTION I

What are the current demographic trends in the Texas wine industry?

RESEARCH QUESTION II

What barriers are perceived by the Texas wine industry to producing and selling Texas wine?

RESEARCH QUESTION III

What assets are perceived by the Texas wine industry related to producing and selling Texas wine?

RESEARCH QUESTION IV

What is the perception of Texas grape-growers and wineries of the current situation of and potential for growth in their industry?

3.3 RESEARCH JUSTIFICATION

As detailed in Chapter 2, there has been a great deal written about the Texas wine industry's past and present struggles with climate and the environment. The Texas Wine Marketing Institute has for more than ten years been gathering, "Statistical information about Texas wine grape and wine production, wine sales and consumption in the state and the estimated economic impacts on the Texas economy." Also the Texas Department of Agriculture has researched the benefits and pitfalls of growing grapes in Texas..

However, there has not been targeted research on how the Texas wine industry has been affected by specific barriers and assets to growing grapes and producing wine in Texas. In addition, no one has explored what impact Texas grape-growers and vineyard owners perceive these barriers and assets having on their business, and what changes they would see as promoting growth. This research is relevant given the apparent potential of the Texas Wine Industry.

3.4 RESEARCH METHODOLOGY

An exploratory study using a self-administered questionnaire was undertaken in order to understand the barriers to and assets related to the growth of the Texas wine industry. This method was chosen to further define in a quantitative fashion the factors that influence the growth of the industry, to understand of how the wine industry views the attempts to stimulate growth, and to elicit opinions as to what interventions would foster success.

3. 5 RESEARCH QUESTIONNAIRE

A self-administered questionnaire was designed to elicit answers to the research questions and obtain demographic data about Texas wineries and vineyards (see Appendix 1, Questionnaire). This questionnaire was designed with reference to existing surveys used in California in association with University of California Davis Graduate School. The Davis questionnaire was modified with information derived from extensive background research into legislative and legal issues and demographics pertaining to the Texas wine industry (See Chapter 2). As a result of an email received from the Texas Senate Committee on Intergovernmental Relations, it was discovered that this committee had been given the task by the Texas legislature to obtain similar information relating to the grape-growing and wine-making industry. Therefore, the actual development of the questionnaire used was a collaboration between Ms. Sherry Muller, the Chief of Staff of the office of Senator Frank Madla, Texas State Senate District 19, Democrat, and this researcher. Senator Madla is a member of the Texas Senate Committee on Intergovernmental Relations.

The questionnaire was created to gather as much information as possible about individual businesses, without being overwhelming with the number of questions. The goal was to obtain an accurate and concise snapshot of the industry. To the best of the knowledge of both parties, this was the first time that a questionnaire to the Texas wine industry sought to 1) elicit opinion regarding the perceived barriers to and assets for their growth, or 2) give individual grape-growers and vineyard owners the opportunity to provide feedback directly to the legislative committee charged to benefit the industry.

The questions were structured to elicit the demographics of the vineyards and wineries and to provide the recipients opportunity to reveal relevant information about their businesses. Combinations of both open and closed ended questions were used. The open-ended questions were formulated to allow the owners to respond in their own words. This type of a written reply gives a richer, fuller perspective to the research questions asked. The closed-ended questions provide a number of alternative replies. The response to these questions used both dichotomous terms and graded alternatives, multiple choices with three to five alternative answers.

The questions were sequenced with the demographic sections in the beginning and the specific research questions following. The final layout was approved by this researcher and Senator Madla's staff.

The questionnaire was designed to elicit information in four different areas:

1. Current trends and demographics in the Texas grape-growing and winemaking industry.
2. Viticultural, entomologic, legal, and legislative barriers to producing and selling wine in Texas.
3. Legal and legislative assets relevant to producing and selling wine in Texas.
4. Perception of the wineries and grape-growers as to the current state of and potential growth of their industry.

The questionnaire was divided into four different sections relevant to this research.

Section 1. Requested the owners name, address, contact information, and type of interest (i.e., vineyard or winery owner, tasting room, investor, or other). This was an attempt to capture data from anyone operating within the industry. Other information included the location of the interest, including county and American Viticultural Area (A.V.A.), if applicable; and any associations or organizations in which the respondent-owner had membership. There was also a space provided for comments and instructions as to where to send responses.

Section 2. Requested demographic data from vineyard owners.

Section 3. Requested demographic data from vineyard and winery owners.

Section 4. Requested additional demographic data that applied to both groups, as well as opinions on both barriers and assets to the development of the Texas wine and grape industry. The last three questions requested perceptions as to any current federal or state regulations that were creating problems, changes needed over the next five years to help the industry meet its potential, and any suggestions on acquisition of funding to help the maintenance and growth of the industry.

A letter of introduction and instructions for completing the questionnaires were prepared and distributed by Senator Madla's office. The cover letter described the

purpose of the questionnaire, a date for its return, and the involvement of this researcher (see Appendix 1, Questionnaire Cover Letter). There was also a request to the recipients to provide this questionnaire to any other members of the industry that may have not received it directly from this distribution. The questionnaire was sent to the subjects by e-mail and mail. A return envelope was sent in the mail packets. The questionnaire was sent on July 24, 2004.

3.6 SAMPLE SIZE

The sample size for the questionnaire for this study was 55 wineries (the number licensed as of July 24, 2004), and 74 vineyards. The number of vineyards was limited to the membership list provided by TWGGA as of the same date. There were 15 responses from wineries and 28 from vineyards, including 14 wineries that have their own vineyards. Not every reporting entity responded to every question.

3.7 RESEARCH ANALYSIS

The surveys were returned to the office of Senator Madla, who provided copies to this researcher. As the questionnaires were returned, they were logged in, checked for usability, and assigned an identification number. Useable information was obtained from each of the surveys.

This researcher analyzed the opened-ended questions and data from closed-ended questions were entered into a Microsoft Excel program. Not every question was answered by each respondent. As a result, some questions have different response rates. The open-ended questions were analyzed by highlighting relevant information and then sorting the responses into look/alike piles. The number of participants giving each response was tabulated. The closed-ended questions were answered on a 1-4 scale; the responses to each part of the questions were independent and not interrelated. A weighted response approach was used to analyze these questions. Giving an answer one counted for four points, answer two for three points, answer three for two points, and answer four counted one point. The points were tabulated and overall rankings of these questions were given. Dichotomous answers, yes or no questions, were tabulated.

CHAPTER 4: RESULTS

4.1 INTRODUCTION

This thesis chapter reports the results of the data collected from the questionnaire. The chapter is subdivided into sections based on the research questions developed in Chapter 3. The sections of this chapter state the research questions and then report results of each question with some observations for clarification. A discussion of the results and conclusions will be presented in Chapter 5.

4.2 RESEARCH QUESTION I

What are the current demographic trends in the Texas wine industry?

This section presents data that is relevant to Question 1. There were twenty-nine respondents to this section but not every respondent answered every question. The answer N/A was counted as a response if otherwise valid data was offered. The responses are shown in the same order as in the questionnaire. Due to its length, the responses to the demographic data are given in Appendix 1, Answers to Sections 2, 3, & 4.

4.3 RESEARCH QUESTION II

What barriers are perceived by the Texas wine industry to producing and selling Texas wine?

This section presents data that is relevant to Question 2. Both vineyards and wineries answered these questions. There were two sources of information: responses to closed- ended questions from Section 4, question 10, items a thru k, and open-ended responses to the same question.

The closed-ended questions had a 1-4 scale and the responses to each part of the question were independent and not interrelated. The closed-ended questions had 24 valid respondents but not every respondent replied to all sections of every question. The results of the questions are shown below using a weighted response method of analysis with answer one counting for four points, two for three, etc. The overall rankings are shown from 1 to 11.

Question 10. At this time, what are the greatest barriers to the development of the Texas Wine and Grape Industries? Please rate each item on a 1 - 4 scale, with 1 being greatest. (Feel free to add additional items on extra pages if necessary)

a) No centralized entity to coordinate the development of the Texas Wine and Grape Industries.

Scale

1 2 3 4 NA

Number of responses

9 4 7 3 3

Weighted average 69

Rank 4

b) Lack of access to a full time enologist

Scale

1 2 3 4 NA

Number of responses

7 5 6 6 2

Weighted average 61

Rank 10

c) *Insufficient entomology support and expertise*

Scale

1 2 3 4 NA

Number of responses

4 8 5 6 3

Weighted average 55

Rank 11

d) *Insufficient viticulture support and expertise*

Scale

1 2 3 4 NA

Number of responses

2 13 5 3 3

Weighted average 62

Rank 9

e) *Lack of appropriate viticulture education programs in the state*

Scale

1 2 3 4 NA

Number of responses

7 9 4 3 3

Weighted average 67

Rank 6

f) *Lack of appropriate enology education programs in the state*

Scale

1 2 3 4 NA

Number of responses

9 9 2 4 2

Weighted average 69

Rank 3

g) *Lack of a four-year degree program in the state*

Scale

Texas Wine Industry

1 2 3 4 NA
Number of responses
10 3 5 5 3
Weighted average 64
Rank 8

h) Inability to ship your product directly to consumers in other states.

Scale
1 2 3 4 NA
Number of responses
11 5 6 1 3
Weighted average 77
Rank 1

i) Requirement/perception that telephone or internet sales to Texas residents must be shipped through a package store.

Scale
1 2 3 4 NA
Number of responses
13 3 3 5 2
Weighted average 70
Rank 2

j) Lack of an official, central resource indicating wet/dry areas of Texas.

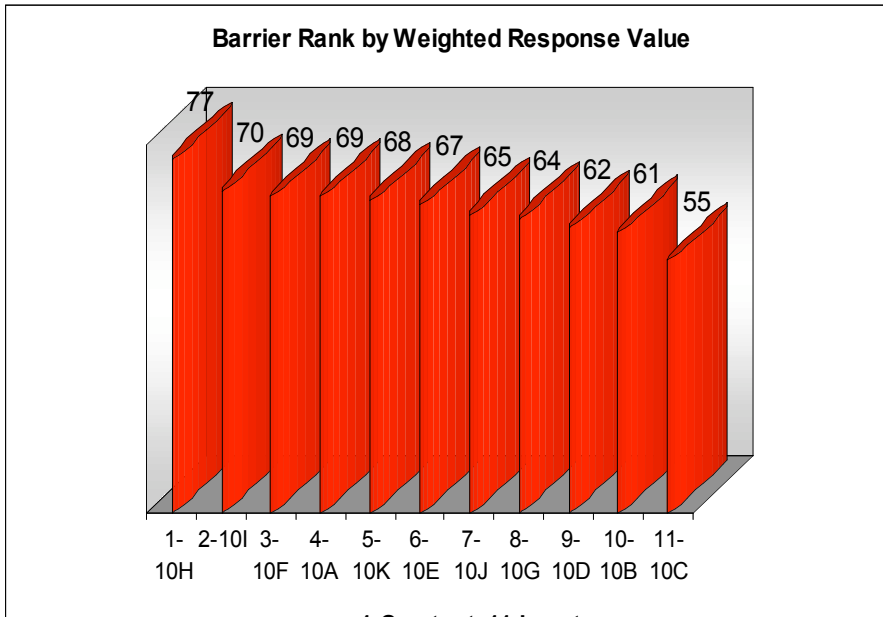
Scale
1 2 3 4 NA
Number of responses
11 2 5 5 3
Weighted average 65
Rank 7

k) Hesitancy of common carriers to deliver your product because of inadequate wet/dry data

Scale

1	2	3	4	NA
Number of responses				
8	7	5	3	3
Weighted average 59				
Rank 5				

Figure 2



This section presents the opened-ended data that are relevant to Research Question 2. These data are from the open-ended part of section 4, question 10, “*At this time, what are the greatest barriers to the development of the Texas Wine and Grape Industries?*” There were twenty open-ended responses from 13 vineyard and winery owners. In this section the respondents had an opportunity to write in as many barriers as they felt were important. Not every respondent replied to every question. The following are the responses given and the number of respondents that gave similar answers.

- Three responses indicate the law requiring wineries to be owned at least 51% by a Texas resident needs to be changed
- Two responses mentioned lack of growers or grape supply.
- Two responses mentioned public perception of Texas wines to be inferior.
- Two responses mentioned Pierce’s Disease research.

Texas Wine Industry

- Two responses mentioned viticultural research.
- One response mentioned each of the following:
 - Lack of acknowledgement of a centralized Texas grape and wine organization
 - Lack of funding of TWGGA
 - Elimination of the 75/25 rule for wineries in dry counties
 - Lack of good suppliers
 - No laboratory services available
 - No reciprocity with other states for shipping
 - Lack of research on the best grape varieties to grow
 - Use of the chemical 24D

4.4 RESEARCH QUESTION III

What assets are perceived by the Texas wine industry to producing and selling Texas wine?

This section presents data that is relevant to Question 3. Both vineyards and wineries answered these questions. There were two sources of information: responses to closed-ended questions from Section 4, question 14, items a thru f, and open-ended responses to the same question, shown in the adjacent section.

The closed-ended question used a 1-4 scale and the responses to each part of the question were independent and not interrelated. This part of the question had twenty-two valid respondents but they did not all answer all parts of every question. The results of the questions are shown below used a weighted response method with answer one counting for four points, two for three, etc. The overall rankings are shown from 1 to 11.

Question 14. What are the greatest assets available to the Texas Wine and Grape Industries at this time? Please rate on a 1 - 4 scale, with 1 being greatest. (Feel free to add additional assets)

a) Marketing efforts of the TDA's Texas Wine Marketing Assistance Program.

Scale

1 2 3 4 NA

Number of responses

8 5 4 5 4

Weighted average 59

Rank 1

b) Loans, grants, and assistance from other divisions of the Texas Department of Agriculture.

Scale

1 2 3 4 NA

Number of responses

4 4 7 6 5

Weighted average 49

Rank 5

c) Technical advice and assistance from the Texas A&M Extension Service.

Scale

1 2 3 4 NA

Number of responses

4 5 7 5 5

Weighted average 52

Rank 4

d) Ability to ship wine to Texas consumers that visit your winery.

Scale

1 2 3 4 NA

Number of responses

5 6 2 5 8

Weighted average 44

Rank 6

e) Ability to ship wine to Texas consumers in dry areas.

Scale

1 2 3 4 NA

Number of responses

9 4 3 3 7

Weighted average 57

Rank 2

f) Court ruling nullifying Texas' prohibition against the direct shipment of wine to consumers.

Scale

1 2 3 4 NA

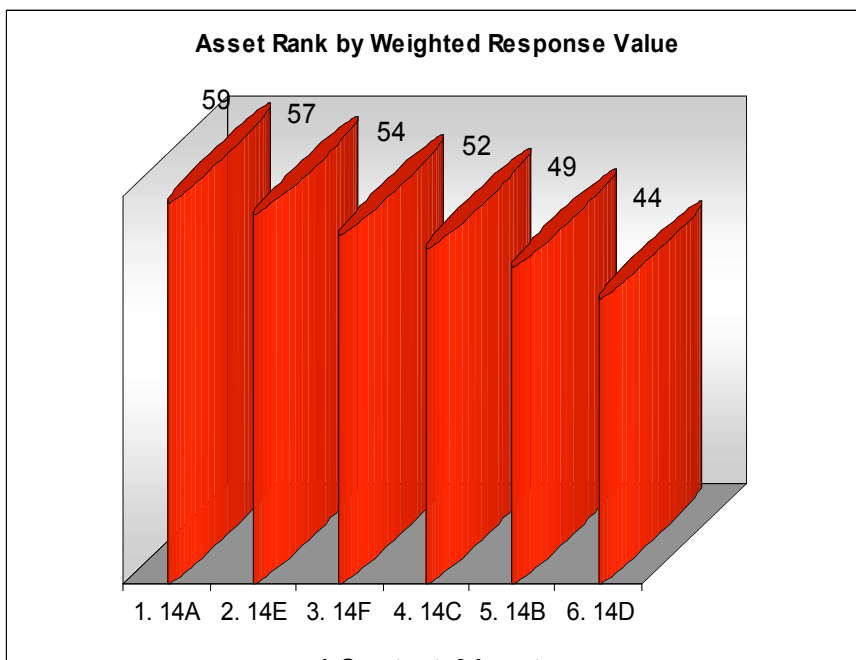
Number of responses

12 0 2 3 9

Weighted average 54

Rank 3

Figure 3



The following data is from the write-in part of question 14. The respondents had an opportunity to write in responses indicating as many assets relating to growing grapes, producing, and selling wine in Texas as they felt were important to them. Not every respondent replied to this part of question. This part of the questionnaire had three valid responses from three winery owners. The sources of information were the open-ended responses to question 10, “*What are the greatest assets available to the Texas Wine and Grape Industries at this time?*” The three responses were as follows:

- The Texan identity; i.e. Texans will tend to choose what is made in Texas
- Large consumer demand for Texas wines
- Legislators who support the industry

4.5 RESEARCH QUESTION IV

What is the perception of the Texas grape growers and wineries of the current situation of and potential for growth in their industry?

This section presents data that is relevant to Question 4. Vineyards and wineries could respond to these questions. The respondents had an opportunity to write in responses indicating as many perceptions as they felt were important to them. Not every respondent replied to this part of the questionnaire. The sources of information were the open-ended responses to questions 15, 16, and 17 found in Section 4. The answers to questions 15 and 16 were combined, since the questions addressed the same areas of concern. The respondents to all questions could supply as many answers as they preferred.

The responses to questions 15 and 16 were combined to supply 59 suggestions to these open-ended questions. There were 10 respondents to question 15 and 17 respondents to question 16.

15. Please list any current state or federal statutes, rules, regulations, or policies that are particularly problematic to or not effective for the production, distribution, sale, and promotion of your wine and/or grapes. (Please feel free to attach additional sheets if necessary)

16. What are the top three changes needed over the next five years to help your industry reach its full potential?

- Nine responses mentioned the ability to be able to ship directly from the winery to any customer that orders wine. Three responses expressed the opinion that Texas should have reciprocity with any state where it is now legal to ship.
- Five responses that indicated that a full-time enology specialist should be available in the state.

- Four responses replied that the 51% rule for ownership by a Texas resident was hindering the growth of the industry.
- Three responses wanted the restriction on a winery selling to a private club eliminated.
- Two mentioned elimination statewide of the wet/dry controversy by making the entire state of Texas “wet.”
- Two wanted additional Pierce’s disease funding and research.
- Two suggested review of the TABC code as it deals with inter- and intra-state shipment of wines.
- Two responses suggested elimination of the 75/25% rule requiring wine in dry counties to consist of at least 75% Texas grapes.
- One response suggested each of the following:

Expanded viticulture support

Additional extension viticulturalist

Allow off-premise tasting rooms

Removal of restrictions on advertising

Additional funding to TASS for accurate data collection

Education of lenders to make loans to the wine business more available.

Viable, coordinated marketing program

Additional large growers who grow the grape types the wineries want and the provision of more economical conditions for purchasing grapes

Larger travel budget for existing state enologists

Labels that make it easier for the consumer to determine where the grapes in a bottle of wine originate

Self-funding by wineries

Creation of a Texas Wine Quality Alliance

More money for TWGGA

Getting rid of “bad laws”

No more restrictive changes involving the use of Texas grapes as it hurts large growers

Change three-tier system

Improve quality of Texas Wine

Relax the use of distributor rules

There are no remedies through TABC when distributor pays winery beyond terms like the rest of the alcohol industry in Texas

Federal label proposals

Remove label submission to TABC as it duplicates the process done with TTB

Wineries should be able to touch and pout their own wines at any tasting or event such as festivals, etc

Remove restriction on having a restaurant on winery premises and not being able to sell their own wine

Allow coupons for discounts on the purchase of wines

Additional federal label proposals will be burden to wineries especially smalls

Elimination of restriction of not be able to state on winery web-site where wine can be purchased

Assistance with marketing for wineries

17. What are your suggestions for acquiring additional funding for research, development, technical assistance, marketing, and education programs to assist the Texas Wine and Grape Industries?

There were 13 respondents to question 17. They provided 14 responses.

- Ten responses suggested new or additional taxes and levies on all wines sold in Texas
- Three suggested appropriation of general revenue
- One suggested specialty license plates

CHAPTER 5 DISCUSSIONS AND CONCLUSIONS

5.1 INTRODUCTION

The first part of this chapter discusses the results presented in Chapter 4 and draws conclusions from the findings. The last part of this chapter reflects upon limitations of the research and makes recommendations for future research.

Responses were categorized as coming from a vineyard or a winery, as not all of the questions applied to the vineyards. There is an overlap in categories of ownership interest, i.e., vineyard, winery, tasting room, and investor. The majority of the wineries own vineyards and grow a large portion of the grapes used in their production. There were 29 total responses: 15 wineries and 14 vineyards.

The overall response rate from the wineries was 27.3 % and the response rate of the vineyards 19%. In addition, the vineyard data from 14 wineries that have vineyards and that responded to that section of the questionnaire are included in those results.

In general, there did not appear to be significant differences, other than on questions relating to sale and use of grapes, based on whether the respondent was a vineyard (grower) or winery-vineyard.

To review, the primary objective of this thesis is to explore the growth potential of the Texas wine industry. Is there truly a bright future for a large expansion of the Texas Wine Industry?

Specifically this thesis will focus on the trends as well as the legislative and legal assets and barriers that currently appear to exist in Texas that would directly affect this growth.

5.2 RESEARCH QUESTION I

What are the current demographic trends in the Texas wine industry?

This section presents data that is relevant to Question 1. The responses to the questions are grouped by the Sections of the questionnaire. This Section of the questionnaire had 29 respondents. Not every question was answered to by every respondent. The significant information that can be drawn from the responses follows:

QUESTIONNAIRE Section 2. Vineyard Owners including those who own wineries.

The responses to the questionnaire show that the Texas grape-growing industry is largely made up of small growers who are relatively new to the industry. The exception to this is the larger wineries that grow their own grapes. Only 21% of the respondents had experience prior to starting their own vineyard.

The responses showed that 56% of growers harvest their grapes by hand. However, the larger growers who tend also to own wineries use mechanical harvesters.

Half of the small new growers are planning new wineries.

All of the grapes grown in Texas are used in Texas wine.

Sixty-five percent of growers do not believe a cooperative would be of any benefit in selling their grapes.

There are many different varieties being grown in Texas. Responding vineyards listed 32 different varieties of grapes grown. The statistics, including data from two large vineyards operated by wineries, show a dominance of four grapes. Therefore, there is large percentage of growers growing the same grapes. The grape varieties with the largest acreage are cabernet sauvignon, chardonnay, sauvignon blanc, and chenin blanc. Except for three growers, there are no dominant grape varieties for growers of less than 80 acres among those who responded to variety by acreage.

According to the survey, no significant expansions of existing vineyards are currently being planned in Texas. Therefore, little or no growth in grape acreage will come from existing wineries. In terms of overall acreage, there is little additional planting being planned over the next five years. It appears there will continue to be an unfulfilled

demand for Texas grapes which could seriously impact the existence of and growth of new wineries subject to the 75/25% laws.

QUESTIONNAIRE Section 3 Winery Owners

Twelve of the 15 respondents to this part of the question started their wineries in the last ten years. Eleven of those produced less than 2000 cases of wine from six or fewer varieties of grapes in the first year of operation.

The average winery operator has an average 12.3 years' experience in the wine business. Seventy-three percent had no previous winery experience when they went into business. As of 2004, 10 of 16 respondents still have less than 10 years' experience. Eleven of 15 respondents produced less than 10,000 cases of wine in 2003 and expect to do the same in 2004. Twelve of the 15 respondents plan to produce more Texas wine, but only two plan to increase their production to more than 10,000 cases by 2009.

Ten of the wineries make more than five different kinds of wine and seven of the 15 see future growth in the syrah grape.

Ten wineries responded to sales by variety: six listed cabernet sauvignon; three listed chardonnay, viognier, syrah, sangiovese, merlot, orange muscat, blanc du bois, and cabernet franc. Sauvignon blanc was mentioned twice. Ten other varieties were listed one time. There was no significant data that could be extracted from sales by percentage of volume.

Thirteen of the wineries responded to sales by price point:

< \$3	0
\$3 - \$7	2
\$7 - \$10	5
\$10 - \$14	8
\$14 - \$24	10
\$25 ++	3

Thirteen of the 15 wineries have their own vineyards. The two that do not have plans to plant.

Twelve of the 15 have bottling lines, and the three that do not have no plans to purchase bottling lines.

Five of the 15 wineries used 76% or more of their own grapes. The majority of the balance of the remaining 10 (other than the state's largest winery which did not submit any data on this question) used Texas grapes to make over 90% of their wine. Fourteen of 15 wineries said that they would purchase more Texas grapes if they were available.

Eleven of the 14 respondents generate 10% or less of their sales from non-wine items.

Only one of the 14 respondents sells less than 90% of their wine to Texas residents.

Nine of the respondents do not use a distributor. Reasons given for this are cost, lack of access, or no desire to use a distributor. Six of the nine plan to use a distributor in the future.

Ten of 15 respondents say they have shipped wine directly to other states since the Texas direct shipping laws were declared unconstitutional. However, only 11 91 cases have been shipped.

Seven respondents to this questionnaire have been established in the last 10 years, but only one of the new wineries expects to produce 30,000 or more cases by 2009. The 15 respondents expect to increase their total production of Texas wine by 15% from 2003 to 2004. All but two new wineries expect to stay at a production level of less than 10,000 cases by 2009.

In summary, the majority of the wineries in Texas have been recently established, are owned and run by individuals with no prior experience in the wine industry, grow their own grapes, and produce 2000 or fewer cases of wine. The majority of the wine is made from Texas grapes and sold in Texas. If there were more Texas grapes being grown, they would purchase them.

In 2003, eight of the wineries priced most of their wines (per 750 ml) at prices between \$10 and \$24. Three wineries priced a portion of their wine at \$25 or more. Eight of the thirteen respondents said they would not change their pricing for 2004. No winery planned any price decreases.

There were not enough respondents to draw any conclusions on pricing from this part of the group. However, it is of interest that the largest winery in the state prices all of its products between \$3 and \$7 per bottle.

QUESTIONNAIRE SECTION 4: Vineyard and Winery Owners

There were 26 respondents to this part of questionnaire, but not every respondent answered every question or all parts of every question.

None of the vineyards, other than those owned at the winery location, are open to the public. As a result, the only respondents to this question were the 15 wineries.

All but one of the wineries, 14 of 15 that are open to the public, responded to the questionnaire.

Ninety three percent are open for tours; tasting and sale of wine; sales of other merchandise; and dining, catering, or other food services. Seven are open for special events; seven are not. The same number operate a bed and breakfast or other lodging. There was one “no response” to this section.

Seven respondents have 10,000 or fewer visitors a year. One of the larger wineries located in the Hill Country has 50,000 visitors a year. For ten of the wineries, wine sales to visitors constitute 90% or more of sales to the visitors; merchandise accounts for the remainder.

With respect to profitability, 38% (10 respondents) said they were profitable in 2003, while 35% (9 respondents) said they were not. There were seven who did not reply. However, 58% (15 respondents) said they expected to be more profitable in 2004. Twenty-three percent (6 respondents) said they would not be. Five did not reply.

Income is being drawn by 58% of respondents or 6 respondents more than said they were profitable in 2003. Only 15% of the respondents indicated their wine business was their sole source of income. However, 54% expect it to be in the future.

Eleven or more of the respondents purchase 50% or more of their supplies and equipment from Texas vendors. Nine respondents said they purchased 70% or more from out-of-state vendors. As to the reasons given for purchasing from out-of-state, 21 of the 29 replies from the 26 respondents indicated lack of availability in Texas for these products

Sixty-nine percent of the respondents said direct shipping was fundamental to the growth and ultimate success of the Texas wine and grape industry. While there were seven respondents that did not reply to this question, there was only one no response; that was from a large winery (80,000 cases) that sells the majority of its wines through a distributor.

5.3 RESEARCH QUESTION II

What barriers are perceived by the Texas wine industry to producing and selling wine in Texas?

This section presents data that is relevant to Question 2.

The main source of information for the answer to Question 2 is found on page four, question 10 of the survey. The first part of the question is closed-ended. The responses from the closed-ended type questions are summarized below:

Using the weighted average results approach, direct shipping question parts (h) and (i) ranked one and two. These two parts of the question also received the most single responses as the first choice. Delivery, related to the shipping part of the question also had a significant number; eight of first choice responses.

Lack of enology and a four-year program received nine and ten first ranking responses.

The open-ended part of the question had responses from 13 out of the total of 26 overall respondents. The most common responses were the 51% ownership requirement by a Texas resident; the poor perception of Texas wines by the public; the lack of overall research to benefit the Texas Wine and grape industry; and not enough larger, knowledgeable, competitively priced growers. One response referred to the 75/25 rule that relates to production of wine in dry counties.

The respondents to this questionnaire state that the shipping laws, which they believe do not permit them to ship directly to a consumer, either in or out of state, are the greatest barriers to the growth of the Texas wine industry.

The direct shipping laws and the interpretation of the TABC laws by the TABC itself and by the wineries are a constant source of confusion. Current interpretation by the law according to a letter written by Lou Bright, General Counsel TABC on December 5, 2003, states, "A consequence of this understanding of the law is that, like out of state suppliers, Texas wineries may ship their wine directly to consumers through the agency of permitted carrier. Accordingly, permitted carriers may deliver wine anywhere in the state." A reference on the TABC website that is not dated refers to the legality of direct shipping. There is still a great deal of confusion among the industry, as 13 of the

respondents still perceive or believe that there is a requirement that a winery can ship only to a package store. As shown in Section 3, question 20, wineries have directly shipped very few cases.

The reasons for this could be poor communication or lack of understanding. Also in a phone call to a winery about shipping a case to a home address, they thought their distributor would not like it if they did.

It is currently not possible for out-of-state investment to come to Texas and be able to control the ownership of a winery without the primary owner establishing residency in Texas. The establishment of the largest winery in Texas was as a result of an out-of-state (French) resident becoming a Texas resident. Not many others have made that move.

A continuing issue in Texas is wet/dry counties and even smaller municipalities within counties. This limitation on the sale or manufacture of alcohol is as a result of post-prohibition era laws. Many of the counties and municipalities are calling elections and voting in the ability to make sales and shipments from and to these areas, but they are not clearly defined and simple to determine.

5.4 RESEARCH QUESTION III

What assets are perceived by the Texas wine industry to producing and selling Texas wine?

This section presents data that is relevant to Question 3.

There were two sources of information: responses to closed-ended questions Section 4, question 14 items a thru f; and open-ended responses to the same question, shown in the following section.

The results in Chapter 3 show that the respondents felt that the marketing efforts of the TWMAP were their biggest asset on a weighted basis, even though only 8 respondents answered 1 to this section of the question. There was no significant difference between the answers of vineyards and wineries.

In September 2001, the Texas legislature passed House Bill 892, which created and initially funded the Texas Wine Marketing Assistance Program, along with other changes in the TABC. (See history of legislation in Section 2.6.)

The Legislature had been convinced of the benefits of promoting the wine industry for the state by the success other states have had generating revenue from the industry, both directly and indirectly. In an attempt to help grow the Texas industry, lawmakers allowed a form of “direct shipment” from the wineries through package stores and a promotional boost from marketing by the Department of Agriculture. The Texas Wine Marketing Assistance Program was established to help boost the industry.

The response to an email sent to Commissioner of the Texas Department of Agriculture is presented in Appendix 4. Conclusions in research sanctioned by the State of Texas on the effectiveness of this program disclose that 67% of the wineries saw an increase in sales since the launch of TWMAP. The research showed an additional \$5.9 million in annual impact to the Texas economy. The research concludes that 40% of their increased exposure was due to TWMAP; therefore \$2.36 million of the increase can be attributed to this program. (The Texas Wine Marketing Assistance Program Economic Impact 2003, The Texas Department of Agriculture, received August 23, 2004)

The second and third highest-ranking assets according to the responses both deal with shipping. Those assets are the ability to ship to Texas consumers in a dry area and

the court ruling nullifying Texas's prohibition against the direct shipment of wine to consumers. However, the ability to ship to winery visitors is not very important, as the weighted average response to this part of the question was ranked last among the six choices. The changing of the old laws and the court decisions cited above have enabled wineries to sell more of their wine outside of the winery and without the help of a distributor. Nine of the wineries at this time do not use distributors.

Technical advice and assistance only ranked four out of six and consequently is not considered to be a great asset by most of the respondents.

Financial assistance from the Texas Department of Agriculture was ranked fifth and does not appear to be perceived as a valuable asset by the industry.

5.5 RESEARCH QUESTION IV

What is the perception of the Texas grape growers and wineries of the current situation of and potential for growth in their industry?

This section presents data that is relevant to Question 4.

The main sources of information for the answer to Question 4 are the replies to the open-ended questions 15 and 16 in Section 4 of the questionnaire.

Please list any current state or federal statutes, rules, regulations, or policies that are particularly problematic to or not effective for the production, distribution, sale, and promotion of your wine and/or grapes. (Please feel free to attach additional sheets if necessary)

What are the top three changes needed over the next five years to help your industry reach its full potential?

The results in Chapter 4 show 59 suggestions for changes and problems that the people who make up the Texas wine industry believe are affecting the operation of their businesses and the way in which they are able to sell their wine.

Thirty of the responses in one manner or another indicated desired changes in the law (TABC) or interpretations of the code. Fourteen respondents again addressed the ability to be able to ship wine directly from the winery anywhere in Texas or into anywhere else it would be legal to ship. This aspiration continues to be repeated over and over throughout this questionnaire. Lifting of the restriction against shipping to private clubs, wet/dry restrictions and elimination of the 75/25% rule for dry counties all are changes that concern some of the wineries.

Additional enology and viticultural support and Pierce's Disease funding and research also have been a constant theme. A coordinated marketing program was suggested by two respondents, even with the apparent success of the TWMPA.

Two respondents mentioned improving the quality of Texas wine.

The requirement for Texas residency of the controlling ownership has also been listed as a barrier twice and twice in these responses.

5.6 CONCLUSIONS

Texas is the fifth largest-producing wine state. The growth in the Texas wine industry has been slow to evolve. As has been observed at a number of occasions in the winemaking history of Texas, the industry had appeared positioned for a growth spurt. There are many opinions and explanations given as to why the Texas wine industry has not gone forward more consistently. Sixty percent of 29 wineries established from 1979 through 1989 were unable to survive (Ciesla). The question is whether the Texas wine industry can attain its potential.

The majority of the wineries in Texas have been established late in the twentieth century or early in the current century. They are owned and run by individuals who had no prior experience in the wine industry, who grow their own grapes, and produce 2000 or fewer cases of wine. The majority of the wine is made from Texas grapes and sold in Texas. Wineries in Texas are currently the only major segment of the alcoholic beverage industry in Texas in which the manufacturer of an alcoholic product can sell directly to the end consumer, as well as to a wholesaler or retailer. There is therefore, a two-tier system of wine of the manufacture and sale of wine.

The production and sales dominance of the Texas wine industry by a small number of larger wineries is similar to the situation of the industry as a whole in the United States. According to the Texas Wine Marketing Research Institute 2003 Profile, approximately 70% of Texas wine is produced by only four of the 54 producers. Similarly, in the U.S. in 2002, 87% of the wine was produced by a little less than 2.5% of the wineries, in according to Wine America statistics. (See Appendix 5.)

Clearly, there are actual and perceived barriers to the growth of the Texas wine industry that involve investment in the industry, growing grapes, wine production, and wine sales. The law requiring 51% ownership by a Texas resident winery limits the willingness of out-of-state investors to risk substantial investment in the Texas winemaking industry. The most noteworthy exception to that was nearly twenty years ago by a large France based cooperative. According to the results of this questionnaire and general observations of the Texas industry, the growth in the number of wineries is

largely by wineries with small production goals. This may be as a result of a lack of venture capital.

Despite being mentioned by a small number of the respondents, Pierce's Disease remains a huge problem in certain portions of Texas. According to an article in the San Antonio Express-News on August 22, 2004 (Allen), 25% of the Texas vineyards have been destroyed by Pierce's Disease. However, Dr. George Ray McEachern, Texas A&M University horticulturalist says that West Texas from Plainview to South Midland is an excellent place to grow grapes in Texas because of the climate, soil, water, and lack of disease(McEachern).

There is an apparent lack of enology support and education in Texas. Many of the new winery owners have little or no experience. Advice and assistance from the state is limited and resources are in very short supply. Only a two-year program in enology and viticulture exists at a community college.

Many of the respondents have suggested that additional taxes on all wine sales be levied in Texas to be used to help fund additional entomology, viticultural, and enology research and support.

TWMAP has had positive impacts in the experience of the state's wineries, especially the smaller ones, who were the primary respondents to a survey done by the Texas Department of Agriculture (TDA). The respondents were all aware of the program and 90% indicated that, since the program was begun in 2001, the marketing and educational aspects of the program had a positive impact on their sales (Combs, 2003).

However there are some aspects of the program called for in the legislation that are yet to be consummated, have not had the desired effect, or favorable results have not been announced. One of the objectives of the program is to use market research to develop a marketing plan to increase consumption. The TDA does not acknowledge any progress on this important part of the plan. This part of the program should be initiated.

Another objective of the program is to allow the shipment of Texas wines from an order placed by a consumer, without differentiation as to whether the consumer is physically present or not at the winery. These shipments would be made to a network of package stores around the state. This has not had the intended impact on sales from the winery. According to the TABC, the agency which maintains this data, from the outset of

the program, September 1, 2001 through June 30, 2004, there have been 1,150 bottles delivered to package stores. This demonstrates that this part of the program has not had the desired effect of increasing Texas wine sales.

There could be several reasons for the apparent lack of interest in this part of the program by the Texas consumer. One possibility might be the cost inefficiencies of delivering small quantities of wine from winery to package store. Another explanation could be the court decision that struck down the ban on direct shipment of wines from out of state and the subsequent interpretation by some wineries that they could ship directly to the consumer. Availability of some of the same wines at local retail outlets also diminishes interest by a Texas consumer.

Shipping is clearly the most prevalent issue on the Texas wine industry's mind. Some of the larger wineries are already shipping direct to customers who do not visit their winery. However, the majority of wineries, especially the smaller producers that make up the majority of the Texas industry, perceive shipping as additional exposure to customers in markets that many of them may never be able to reach without a distributor. For many of them it may not be cost efficient. Reaching the right customers on a limited budget is a major challenge.

Since 2001, the Texas Legislature has passed the legislation reviewed in Section 2.6 with the intention of supporting the wine industry and stimulating the growth of the Texas wine market. This legislation is still being debated and interpreted in the Federal courts. Texas wineries and growers have not been informed and are generally confused about the legislation. The impact of these changes has yet to be evaluated.

But there may be good news. According to information from TWGGA announced at their June marketing conference, Texas wines have shown a 15% increase in sales for the 52-week period ending March 31, 2004. Wine sales in Texas increased for that period by 28.5 million dollars and Texas wines represented a little over 11.5% of that total. This was the third highest region of sales for the state. For the same period, even though 60% of the top one hundred wine brands in Texas had sales declines, 80% of the Texas wineries had sales increases.

The recommendations that are identified by this research include simplification and clarification of all sections of the TABC code, especially in light of the impending

U.S. Supreme Court decision on shipping. The TWMAP should initiate the market research called for by House Bill 892 and put more emphasis on “Brand Texas.” A four-year viticulture and enology program should be created at a state supported University in Texas. More research on the Pierce’s Disease in Texas should be undertaken.

Encouragement and support should be given for growth of new Texas vineyards and for Texas vendors to supply the Texas wine industry. Texas vendors would help supply the development and expansion of wineries. There also need to be a strong centralized entity to administer all of the above. Research to study the feasibility of adding an additional tax on all wine sales in Texas to fund the recommendations above should be considered.

5.7 LIMITATIONS OF THE RESEARCH

This type of questionnaire has a limited generalizability of findings. The questionnaire that was used was reviewed by TWGGA membership but was not pretested. Completion rates tend to be low on self-administered questionnaires but there were very limited resources available. As of August 26, 2004, there has been no follow-up mailing due to a conflict with the grape harvest schedule in Texas.

Not all of the respondents answered all questions or even all parts of a particular question. The results of that survey were somewhat limited by the number of responses. However, the feedback from the respondents was very informative. A complete list of contact information for all of the vineyards in Texas could not be provided.

5.8 FUTURE RESEARCH

This research raises several important questions relevant to the growth potential of the Texas wine industry.

More research needs to be conducted on the consumer perception of Texas wine. The question of what consumers know or think about Texas wines needs to be answered.

Wineries have expressed that they would buy more Texas grapes if they were available. This raises the question as to whether a larger supply of quality Texas grapes can be economically produced. Alternately, will any large growth in production have to come from out-of-state grapes and juices?

The majority of wine made in Texas is consumed in Texas. As the industry grows, will Texas consumers support a large growth in that market? Will Texas wineries need to be able to export a greater portion of their production and have the right product and marketing savvy to be successful?

If the requirement for 51% ownership were to be relaxed, would more out-of-state investment enter the Texas market?

Can the Texas wine industry market to our large and growing population of Hispanic consumers?

It is expected that there will be follow-up mailings and contacts to gather more responses to the questionnaire. This will provide more complete information for the Committee and the Texas Legislature. There is an open hearing on the Texas wine industry scheduled in Austin on October 6, 2004.

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TEXAS SENATE COMMITTEE ON INTERGOVERNMENTAL RELATIONS

Senator Frank Madla
CHAIRMAN

Members:

SENATOR KIM BRIMER, VICE CHAIR
SENATOR BOB DEUELL
SENATOR MARIO GALLEGOS
SENATOR JEFF WENTWORTH

DATE: July 23, 2004
TO: Vineyard/Winery Owners
FROM: Frank Madla, Chair

As you know the Senate Committee on Intergovernmental Relations is gathering data and studying the Texas wine producing industry in order to develop recommendations to the 79th Legislature for increasing the economic impact of the wine producing industry in Texas.

In order for the committee to develop a clearer picture of this industry, it is vital for us to gather as much information as possible from those of you who are engaged in the wine and grape business in this state. The committee is hopeful that you will complete the enclosed questionnaire with as much detail as possible and return it to us by August 8th. We apologize, in advance, for the length of the document, however we wanted to give you the greatest opportunity to provide information for the incoming Legislature and those in the future.

Please don't hesitate to add additional pages or information that you feel will prove useful to the committee's task. You can also feel free to skip questions that you prefer not to answer. Of course, the more information we have, the better.

The questionnaire is divided into four sections. In the first section we are looking for contact and general information regarding your interest in the Texas Wine Producing Industry. The second section is tailored to gather data about the production, use, and sale of Texas grapes. In the third section, we are seeking information about the production and distribution of Texas wines. From the information provided in the fourth section, we hope to get a clearer picture of the economic impact and potential of the industry. Mr. David Scotch, a San Antonio CPA, Master's Candidate at Bordeaux University, and TWGGA member has volunteered to help the committee compile the data submitted to the committee.

Although the committee has contact information for all the Texas wineries that are currently licensed and a number of Texas grape growers, our list of industry stakeholders is not complete. In keeping, we are hopeful that you will share a blank copy of the questionnaire with your colleagues or have them contact my Chief of Staff, Sherry Muller, for a copy.

As always, please don't hesitate to contact Sherry or me should you have any questions or require more information.

Appendix 1 – Questionnaire

P. O. Box 12068, Austin, Texas 78711 TEL: (512) 463-2527 FAX: (512) 463-2858

**Texas Senate Committee on
Intergovernmental Relations**

**Questionnaire
For: Vineyard & Winery Owners**

**Charge 4
Texas Wine Producing Industries**

Name: _____	Phone: _____
Mailing Address: _____	Fax: _____
City, State, Zip: _____	Cell: _____
County: _____	Other: _____
Email Address: _____	Website: _____

Interest: (Please check all that apply)

Vineyard owner: ___ Winery owner: ___ Tasting Room: ___ Investor: ___ Other: ___

<u>Type of Interest</u>	<u>Name</u>	<u>Town/Community</u>	<u>County/Other State</u>	<u>Viticultural Area</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Please list any wine and grape industry associations, societies, or professional organizations of which you are a member.

_____	_____
_____	_____
_____	_____

Comments:

Please return your completed survey via one of the methods below by August 8, 2004

Email: sherry.muller@senate.state.tx.us

Office of Senator Frank Madla

Texas Wine Industry

Fax: (210) 922-9521

**Attn: Sherry Muller
1313 S.E. Military Dr., Suite 101
San Antonio, Texas 78214-2850**

SECTION 2: Vineyard Owners (Including those who own wineries)

1. What year did you first plant grapes in Texas? a) ____ b) How many acres did you plant? ____
2. Did you have any previous experience growing grapes? a) Yes /No b) If so, where? _____
3. How many total years experience do you have in: a) General agriculture? ____ b) Viticulture? ____
4. What is the # of your: a) Mature acres? ____ b) Acres in development? ____ c) Unplanted acres? ____
5. Do you have an overall maximum number of acres you intend plant in grapes? a) Yes / No b) How many?__
6. What are your most important varieties? _____

<u>Varietal</u>	<u>Location</u>	<u>Acreage</u>	<u>Production in Tons</u>		
			2003	Est. 2004	Est. 2005
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

7. Do you plan to introduce additional varieties within the next five years? Yes / No
 8. If so, which? _____
 9. What % of your total commercial acreage is planted in grapes? a) __% b) On how many tracts of land? ____
 10. Do you plan to increase your grape acreage over the next five years? a) Yes / No b) If so, by how much?
 11. What % of your grapes is sold under: a) long term __% b) short term __% c) spot __% contracts?
 12. During the next 12 months, do you plan to do any of the following regarding grape production?
 - a) Buy new acres? Yes / No
 - b) Lease new acres? Yes / No
 - c) Sell grape acreage? Yes / No
 - d) Convert grape acreage to another crop? Yes / No
 13. If you plan to sell or convert acres that are currently in grape production, why? _____
-
14. How are your grapes harvested: a) mechanically ____ b) by hand ____ c) both ____?
 15. Have you ever paid to have wine made from your grapes? Yes /No
 16. Do you own a winery? a) Yes/No b) If not, do you plan to? Yes/No c) If so, when? ____
 17. Do you sell your grapes or the juice from your grapes to entities in other states or countries? Yes /No
 18. If so, what percentage of your grapes is sold to entities: a) In other states? __% b) In other countries?
 19. If you do not sell your grapes outside the state, why not? (Check all that apply)
 - a) Sufficient Texas market _____%
 - b) Undeveloped market outside of Texas _____%
 - c) Lack of demand _____%
 - d) Insufficient profitability _____%
 20. Do you think that the formation of a cooperative would help you sell your grapes? Yes / No

SECTION 3: Winery Owners

- 1 a) When did you open your winery in Texas? ___ b) How many cases of wine did you produce? ___
2. Did you have any previous winery experience? a) Yes / No b) If so, from where? _____
3. How many total years of experience do you have in the wine industry? _____
4. How many varieties of wine did you produce in your first year of operation in Texas? _____
5. How many cases of Texas wine did you produce in: a) 2003? ___ b) Est. 2004? ___ c) Est. 2009? ___
6. Do you currently plan to increase your production of Texas wine? Yes / No
7. What is your goal for production? a) ___ b) How many different Texas wines do you currently produce? ___
8. In which new grape varieties do you see growth in Texas? _____

9. Sales: Estimated % of your case sales by primary variety

Grape Variety	2003	2009	Estimated % of Case sales by volume in the following price points	
			\$ Per 750 ml	2003 Est. 2009
_____	_____	_____	< \$3	_____
_____	_____	_____	\$3 - \$7	_____
_____	_____	_____	\$7 - \$10	_____
_____	_____	_____	\$10 - \$14	_____
_____	_____	_____	\$14 - \$24	_____
_____	_____	_____	\$25 ++	_____

10. a) Do you have your own vineyard(s)? Yes / No b) If not, do you plan to ? Yes / No c) When? ___
11. a) Do you have your own bottling line? Yes/No b) If not, do you plan to? Yes/No c) When? ___
12. Please provide an estimated percentage of the source of the grapes used in your wine?
 - a) Your grapes ___% b) Other Texas Grapes ___% c) Grapes/juice from other states ___%
13. Would you purchase more Texas grapes if they were available? Yes/No
14. Compared to 2003, how will FOB case prices change in 2004 ? Increase ___ Decrease ___ N/C ___
15. What percentage of your wine is available for sale to the public? ___% What % is from non-wine items ___%
16. Approximately what percentage of your wine is Sold:

a) from your winery or tasting rooms?	e) for marketing purposes
b) through a distributor?	f) for charitable causes
c) at wine festivals or other events? _____%	
d) from a package store to fill a winery order?	
e) from a package store, restaurant, or other retailer where you or your employees delivered the wine _____%	
17. From the sales at your winery, what percentage of your wine is sold to:
 - a) Texas residents ___% b) People from other states ___% c) People from other countries ___%
18. If your wine is not currently marketed through the distribution network, why? (Check all that apply)
 - a) Lack of access to a distributor _____ c) production volume makes use cost prohibitive _____
 - b) Don't want to _____ d) Other: _____
19. Is it your plan to use a distributor in the future? Yes / No
20. Have you been able to ship wine to other states since our direct shipping laws were declared unconstitutional? Yes/No
21. If so, approximately how many cases of wine have you shipped? _____

SECTION 4: Vineyard and Winery Owners

1. Is your vineyard/winery open to the public? Yes/No
- a) For tours? Yes/No e) Dining, catering, or other food services? Yes/No
- b) Tastings and sales of wine? Yes/No f) Weddings, meetings, and special events? Yes/No
- c) Sales of wine Yes/No g) As a Bed & Breakfast or other lodging? Yes/No
- d) Sales of other merchandise? Yes/No h) Other: _____ Yes/No
2. How many visitors do you have to your vineyard/winery each year _____
3. What % of your sales to these visitors is from wine? a) _____% b) From other merchandise? _____%
4. a) Were you profitable in 2003? _____ b) Do you expect to be more profitable in 2004? Yes/No
5. Do you currently draw income from your winery/vineyards? Yes/No
6. Is your winery/vineyard(s) your sole source of income? Yes/No
7. If not, do you plan for it to become your sole source of income in the future? Yes/No
8. Please provide the number and average monthly compensation of the following types of employees at your winery/vineyard(s). Please do not include yourself.
- a) permanent, full-time? # _____ \$ _____ c) seasonal employees in 2003? # _____ \$ _____
- b) permanent, part-time? # _____ \$ _____ d) seasonal employees in 2004? # _____ \$ _____
9. What tax revenues were generated by your winery/vineyard for FY2003?
- a) State Excise Tax: \$ _____ d) Federal Excise Tax: \$ _____
- b) State Sales Tax: \$ _____ e) Local Taxes :\$ _____
- c) State Franchise Tax: \$ _____ f) Other : _____ \$ _____
10. At this time, what are the greatest barriers to the development of the Texas Wine and Grape Industries. Please rate each item on a 1 - 4 scale, with 1 being greatest. (Feel free to add additional items on extra pages if necessary)
- | | | | | |
|--|---|---|---|---|
| a) No centralized entity to coordinate the development of the Texas Wine and Grape Industries | 1 | 2 | 3 | 4 |
| b) Lack of access to a full time enologist | 1 | 2 | 3 | 4 |
| c) Insufficient entomology support and expertise | 1 | 2 | 3 | 4 |
| d) Insufficient viticulture support and expertise | 1 | 2 | 3 | 4 |
| e) Lack of appropriate viticulture education programs in the state | 1 | 2 | 3 | 4 |
| f) Lack of appropriate enology education programs in the state | 1 | 2 | 3 | 4 |
| g) Lack of a four-year degree program in the state | 1 | 2 | 3 | 4 |
| h) Inability to ship your product directly to consumers in other states | 1 | 2 | 3 | 4 |
| i) Requirement/perception that telephone or internet sales to Texas residents must be shipped through a package store. | 1 | 2 | 3 | 4 |
| j) Lack of an official, central resource indicating wet/dry areas of Texas. | 1 | 2 | 3 | 4 |
| k) Hesitancy of common carriers to deliver your product because of inadequate wet/dry data | 1 | 2 | 3 | 4 |
| l) Other _____ | 1 | 2 | 3 | 4 |
| m) Other _____ | 1 | 2 | 3 | 4 |
11. What % of your supplies and equipment are purchased from the following?
- a) Texas Vendors? _____% b) Out-of-State Vendors? _____% c) International Vendors? _____%
12. What is the main reason you buy from out-of-state or international vendors?
- a) Lack of local availability _____ b) Cost of local products _____ c) Quality of local products _____
13. Do you believe that the ability of Texas wineries to ship their product directly within the State of Texas and to other states and countries is fundamental to the growth and ultimate success of the Texas Wine and Grape Industries? Yes/No

SECTION 4: Vineyard and Winery Owners (Continued)

14. What are the greatest assets available to the Texas Wine and Grape Industries at this time. Please rate on a 1 - 4 scale, with 1 being greatest. (Feel free to add additional assets)

- | | | | | |
|---|---|---|---|---|
| a) Marketing efforts of the TDA's Texas Wine Marketing Assistance Program. | 1 | 2 | 3 | 4 |
| b) Loans, grants, and assistance from other divisions of the Texas Department of Agriculture. | 1 | 2 | 3 | 4 |
| c) Technical advice and assistance from the Texas A&M Extension Service. | 1 | 2 | 3 | 4 |
| d) Ability to ship wine to Texas consumers that visit your winery. | 1 | 2 | 3 | 4 |
| e) Ability to ship wine to Texas consumers in dry areas. | 1 | 2 | 3 | 4 |
| f) Court ruling nullifying Texas' prohibition against the direct shipment of wine to consumers. | 1 | 2 | 3 | 4 |
| g) Other: _____ | 1 | 2 | 3 | 4 |
| h) Other: _____ | 1 | 2 | 3 | 4 |

15. Please list any current state or federal statutes, rules, regulations, or policies that are particularly problematic to or not effective for the production, distribution, sale, and promotion of your wine and/or grapes. (Please feel free to attach additional sheets if necessary)

16. What are the top three changes needed over the next five years to help your industry reach its full potential?

- a) _____

- b) _____

- c) _____

17. What are your suggestions for acquiring additional funding for research, development, technical assistance, marketing, and education programs to assist the Texas Wine and Grape Industries? (Please feel free to add additional sheets)

Texas Wine Industry

18. Please provide an estimate of how much you expended on the following to produce your wine and or grapes last year

- | | | | | | |
|--------------------------|---------|----------------|---------|----------------------|---------|
| a) Seed & Rootstock | \$ ____ | g) Marketing | \$ ____ | m) Property Taxes | \$ ____ |
| b) Fertilizer & Lime | \$ ____ | h) Electricity | \$ ____ | n) Motor Vehicles | \$ ____ |
| c) Transportation | \$ ____ | i) Pesticides | \$ ____ | o) Capital Dwellings | \$ ____ |
| d) Repair/Maintenance | \$ ____ | j) Storage | \$ ____ | q) Machine Hire | \$ ____ |
| e) Employee Compensation | \$ ____ | k) Fuel & Oil | \$ ____ | r) Interest Expenses | \$ ____ |
| f) Contract Labor | \$ ____ | l) Equipment | \$ ____ | s) Net Rents | \$ ____ |

SECTION 2: Vineyard Owners (Including those who own wineries)

1. What year did you first plant grapes in Texas?

a) Year _____

Year Started	Count
1976	1
1979	1
1981	1
1983	1
1991	1
1992	2
1995	2
1996	3
1998	4
1999	1
2000	3
2001	2
2002	1
2003	2
2004	2
NA	2

b) How many acres did you plant? _____

Range in acres	Count
0 -20	25
21 - 40	1
41 - 60	0
61- 80	0
81 - 100	0
101 - 120	0
121 - 140	0
141 - 20000	1
NA	2

2. Did you have any previous experience growing grapes?

a) Yes/ No

Responses	Count
Yes	6
No	21
NA	2

b) If so, where? _____

Responses	Count
California	3
Texas	2
France	1

3. How many total years experience do you have in:

a) General agriculture? _____

b) Viticulture? _____

Range in years	Count
0 - 5	14
6 - 10	4
11 - 15	0
16 - 20	0
21 - 25	1
26 - 30	4
31 - 9999	1
NA	5

Range in years	Count
0 - 5	11
6 - 10	9
11 - 15	4
16 - 20	0
21 - 25	1
26 - 30	1
31 - 9999	1
NA	2

4. What is the # of your:

a) Mature acres? _____

b) Acres in development? _____

c) Unplanted acres? _____

Range in acres	Count
0 - 5	15
6 - 10	4
11 - 15	1
16 - 20	2
21 - 25	1
26 - 30	0
31 - 9999	4
NA	2

Range in acres	Count
0 - 5	21
6 - 10	3
11 - 15	0
16 - 20	0
21 - 25	0
26 - 30	0
31 - 9999	3
NA	2

Range in acres	Count
0 - 5	12
6 - 10	3
11 - 15	3
16 - 20	1
21 - 25	2
26 - 30	2
31 - 9999	4
NA	2

5. Do you have an overall maximum number of acres you intend plant in grapes?

a) Yes / No _____

b) How many? _____

Response	Count
Yes	24
No	3
NA	2

Range in acres	Count
0 - 5	6
6 - 10	3
11 - 15	1
16 - 20	2
21 - 25	2
26 - 30	3
31 - 9999	5
NA	7

10. Do you plan to increase your grape acreage over the next five years? _____

a) Yes / No _____ b) If so, by how much? _____

Response	Count	Range in acres	Count
Yes	15	0 - 5	5
No	12	6 - 10	2
NA	2	11 - 15	1
		16 - 20	1
		21 - 25	1
		26 - 30	0
		31 - 9999	1
		NA	18

11. What % of your grapes is sold under:

a) long term contracts? _____% b) short term contracts? _____% c) spot contracts? _____%

Range	Count	Range	Count	Range	Count
0% - 9%	6	0% - 9%	6	0% - 9%	9
10% - 19%	0	10% - 19%	0	10% - 19%	0
20% - 29%	0	20% - 29%	0	20% - 29%	1
30% - 39%	0	30% - 39%	0	30% - 39%	0
40% - 49%	0	40% - 49%	0	40% - 49%	0
50% - 59%	0	50% - 59%	0	50% - 59%	0
60% - 69%	0	60% - 69%	0	60% - 69%	0
70% - 79%	0	70% - 79%	0	70% - 79%	0
80% - 89%	1	80% - 89%	0	80% - 89%	0
90% - 100%	4	90% - 100%	5	90% - 100%	1
NA	18	NA	18	NA	18

12. During the next 12 months, do you plan to do any of the following regarding grape production?

a) Buy new acres? Yes /No _____		b) Lease new acres? Yes/No _____		c) Sell grape acreage? Yes/No _____		d) Convert grape acreage to another crop? _____	
Response	Count	Response	Count	Response	Count	Response	Count
Yes	1	Yes	1	Yes	0	Yes	0
No	26	No	26	No	27	No	26
NA	2	NA	2	NA	2	NA	3

13. If you plan to sell or convert acres that are currently in grape production, why?

Response	Count
No	27
NA	2

14. How are your grapes harvested?

a) mechanically _____		b) by hand _____		c) both _____?	
Response	Count	Response	Count	Response	Count
Yes	4	Yes	16	Yes	16
No	22	No	10	No	10
NA	3	NA	3	NA	3

15. Have you ever paid to have wine made from your grapes?

Yes / No _____	
Response	Count
Yes	1
No	26
NA	2

16. Do you own a winery?

a) Yes / No _____		b) If not, do you plan to? Y/ N		c) If so, when? _____	
Response	Count	Response	Count	Response	Count
Yes	7	Yes	7		
No	6	No	6		
UNK	1	UNK	1		

17. Do you sell your grapes or the juice from your grapes to entities in other states or countries?

Yes/No _____	
Response	Count
No	27
NA	2

18. If so, what percentage of your grapes is sold to entities: a) In other states? _____% b) In other countries?

NA

Texas Wine Industry

19. If you do not sell your grapes outside the state, why not? (Check all that apply)

- a) Sufficient Texas market _____%
- b) Undeveloped market outside of Texas _____%
- c) Lack of demand _____%
- d) Insufficient profitability _____%
- e) Use in your own winery _____ **100%** _____%

20. Do you think that the formation of a cooperative would help you sell your grapes?

Yes / No _____

Response	Count
Yes	6
No	19
UNK	2
NA	2

SECTION 3: Winery Owner

There were 15 respondents to this section.

1. a) When did you open your winery in Texas?

a) Year _____

Year	Count
1975	1
1981	1
1984	1
1995	2
1999	2
2000	1
2002	3
2003	1
2004	3

b) How many cases of wine did you produce? _____

Range in cases	Count
0 - 0	1
1 - 1000	3
1001 - 2000	7
2001 - 3000	0
3001 - 4000	1
4001 - 5000	0
5001 - 6000	0
6001 - 20000	1
NA	1
UNK	1

2. 2. Did you have any previous winery experience?

Yes / No _____

Response	Count
Yes	4
No	11

3. How many total years of experience do you have in the wine industry?

Years _____

Range in years	Count
0	0
1 - 5	6
6 - 10	3
11 - 15	2
16 - 25	1
26 - 35	3
Average	12.3

4. How many varieties of wine did you produce in your first year of operation in Texas?

# of Varieties	Count
1	0
2	2
3	2
4	1
5	2
6	2
7	0
8	0
9	0
10	2
NA	3
UNK	1

5. How many cases of Texas wine did you produce in:

2003? _____		Est 2004? _____		Est 2009? _____	
Range in cases	Count	Range in cases	Count	Range in cases	Count
0	4	0	0	0	0
1 - 10000	8	1 - 10000	12	1 - 10000	8
10001 - 20000	0	10001 - 20000	0	10001 - 20000	1
20001 - 30000	1	20001 - 30000	1	20001 - 30000	2
30001 - 40000	0	30001 - 40000	0	30001 - 40000	0
40001 - 50000	0	40001 - 50000	0	40001 - 50000	0
50001 - 60000	0	50001 - 60000	0	50001 - 60000	0
60001 - 70000	0	60001 - 70000	0	60001 - 70000	0
70001 - 80000	1	70001 - 80000	0	70001 - 80000	0
80001 - 1000000	1	80001 - 1000000	2	80001 - 1000000	1

6. Do you currently plan to increase your production of Texas wine?

Yes / No _____

Response	Count
Yes	12
No	2
NA	1

7. What is your goal for production? a) _____ b) How many different Texas wines do you currently produce? _____

a) Production goal? _____

b) Different wines? _____

Range in cases	Count	Range in types	Count
1 - 10000	9	1 - 5	3
10001 - 20000	1	6 - 10	5
20001 - 30000	2	11 - 15	4
30001 - 40000	0	16 - 20	1
40001 - 50000	0	21 - 9999	0
50001 - 60000	0	NA	1
60001 - 70000	0	UNK	1
70001 - 80000	0		
80001 - 1000000	1		
NA	2		

8. In which new grape varieties do you see growth in Texas?

Six wineries responded with syrah; five said tempranillo; three answered viognier; two answered mouvedre and sangiovese; and seven other mentioned other varieties.

9. Sales: Ten wineries responded to sales by variety:

Six listed cabernet sauvignon; three listed chardonnay and viognier; and syrah, sangiovese, merlot, orange muscat, blanc du bois, cabernet franc, and sauvignon blanc were mentioned twice. Ten other varieties were each listed one time. There was no significant data that could be extracted from sales by percentage of volume.

Thirteen of the wineries responded to sales by price point :

< \$3	0
\$3 - \$7	2
\$7 - \$10	5
\$10 - \$14	8
\$14 - \$24	10
\$25 ++	3

Texas Wine Industry

10. a) Do you have your own vineyard(s)? Yes / No

Response	Count
Yes	13
No	2

b) If not, do you plan to ? Yes / No

Yes 1

c) When? _____

Unknown 1

11.a) Do you have your own bottling line?

a) Yes / No _____

Response	Count
Yes	12
No	3

b) If not, do you plan to? Yes / No

No 3

c) When? _____

NA

12. Please provide an estimated percentage of the source of the grapes used in your wine?

a) Your grapes _____%

b) Other Texas Grapes
_____%

c) Grapes/juice from other
states _____%

Range in percent	Count	Range in percent	Count	Range in percent	Count
0%	3	0%	2	0%	8
1% - 15%	2	1% - 15%	1	1% - 15%	2
16% - 30%	1	16% - 30%	3	16% - 30%	3
31% - 45%	1	31% - 45%	0	31% - 45%	0
46% - 60%	1	46% - 60%	1	46% - 60%	0
61% - 75%	1	61% - 75%	3	61% - 75%	0
76% - 80%	2	76% - 80%	1	76% - 80%	0
81% - 99%	2	81% - 99%	1	81% - 99%	0
100%	1	100%	1	100%	0
NA	1	UNK	1	UNK	2
		NA	1		

13. Would you purchase more Texas grapes if they were available?

Response	Count
Yes	13
No	1
Possibly	1

14. Compared to 2003, how will FOB case prices change in 2004 ? Increase _____

Decrease _____ N/C _____

Response	Count
Increase	5
Decrease	0
No Change	8
No Answer	2

15. a) What percentage of your wine is available for sale to the public? _____ %

Percentage	Count
0	1
100	14

b) What % is from non-wine items? _____ %

Range in percent	Count
0%	2
1% - 15%	8
16% - 30%	3
31% - 45%	0
46% - 60%	0
61% - 75%	0
76% - 80%	0
81% - 99%	0
100%	0
UNK	1
NA	1

16. Approximately what percentage of your wine is sold:

- a) from your winery or tasting rooms? _____% b) through a distributor? _____% c) at wine festivals or other events? _____% d) from a package store to fill a winery order? _____% e) from a package store, restaurant, or other retailer where you or your employees delivered the wine _____%

Range in percent	Count	Range in percent	Count	Range in percent	Count	Range in percent	Count	Range in percent	Count
0%	1	0%	9	0%	9	0%	11	0%	3
1% - 15%	2	1% - 15%	1	1% - 15%	5	1% - 15%	3	1% - 15%	10
16% - 30%	2	16% - 30%	0	16% - 30%	0	16% - 30%	0	16% - 30%	0
31% - 45%	1	31% - 45%	0	31% - 45%	0	31% - 45%	0	31% - 45%	1
46% - 60%	0	46% - 60%	0	46% - 60%	0	46% - 60%	0	46% - 60%	0
61% - 75%	2	61% - 75%	1	61% - 75%	0	61% - 75%	0	61% - 75%	0
76% - 80%	1	76% - 80%	1	76% - 80%	0	76% - 80%	0	76% - 80%	0
81% - 99%	3	81% - 99%	1	81% - 99%	0	81% - 99%	0	81% - 99%	0
100%	2	100%	1	100%	0	100%	0	100%	0
NA	1	NA	1	NA	1	NA	1	NA	1

Approximately what percentage of your wine is given away:

- e) for marketing purposes? _____%

Range in percent	Count
0%	3
1% - 15%	10
16% - 30%	0
31% - 45%	0
46% - 60%	0
61% - 75%	0
76% - 80%	0
81% - 99%	0
100%	0
NA	2

- f) for charitable causes? _____%

NA

17. From the sales at your winery, what percentage of your wine is sold to:

a) Texas residents _____%		b) People from other states _____%		c) People from other countries _____%	
Range in percent	Count	Range in percent	Count	Range in percent	Count
0%	0	0%	3	0%	3
1% - 15%	0	1% - 15%	10	1% - 15%	10
16% - 30%	0	16% - 30%	0	16% - 30%	0
31% - 45%	0	31% - 45%	1	31% - 45%	1
46% - 60%	1	46% - 60%	0	46% - 60%	0
61% - 75%	0	61% - 75%	0	61% - 75%	0
76% - 80%	0	76% - 80%	0	76% - 80%	0
81% - 99%	10	81% - 99%	0	81% - 99%	0
100%	3	100%	0	100%	0
NA	1	NA	1	NA	1

18. If your wine is not currently marketed through the distribution network, why?

Reason	Count
Lack of Access	4
Don't Want To	5
Volume Prohibits	4
Other	3
NA	6

19. Is it your plan to use a distributor in the future? Yes / No

Response	Count
Yes	6
No	4
NA	5

20. Have you been able to ship wine to other states since our direct shipping laws were declared unconstitutional?

Yes / No _____

Response	Count
Yes	11
No	4

21. If so, approximately how many cases of wine have you shipped?

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SECTION 4: Vineyard and Winery Owners

1. Is your vineyard/winery open to the public? Yes/No

Yes / No		a) For tours?		b) Tastings and sales of wine?	
Response	Count	Response	Count	Response	Count
Yes	14	Yes	14	Yes	14
No	1	No	0	No	0
		NA	1	NA	1

c) Sales of wine		d) Sales of other merchandise?		e) Dining, catering, or other food services?	
Response	Response	Response	Response	Response	Count
Yes	Yes	Yes	Yes	Yes	7
No	No	No	No	No	7
NA	NA	NA	NA	NA	1

f) Weddings, meetings, and special events?		g) As a Bed & Breakfast or other lodging?		h) Other _____ Yes/No	
Response	Count	Response	Count	Response	Count
Yes	7	Yes	7	Yes	2
No	7	No	7	No	13
NA	1	NA	1		

2. How many visitors do you have to your vineyard/winery each year? _____

Range in visitors	Count
1 - 5000	6
5001 - 10000	1
15001 - 30000	2
30001 - 40000	0
40001 - 50000	1
50001 - 60000	0
UNK	3
NA	2

3. What % of your sales to these visitors is:

a) from wine? _____%

b) from other merchandise? _____%

Range in percent	Count	Range in percent	Count
0% - 9%	1	0% - 9%	8
10% - 19%	0	10% - 19%	4
20% - 29%	0	20% - 29%	2
30% - 39%	0	30% - 100%	1
40% - 49%	0		
50% - 59%	0		
60% - 69%	0		
70% - 79%	2		
80% - 89%	2		
90% - 100%	10		

4.a) Were you profitable in 2003? _____
profitable in 2004? Yes / No

b) Do you expect to be more profitable in 2004?

a) Were you profitable in 2003?

Response	Count
Yes	10
No	9
NA	7

b) Do you expect to be more profitable in 2004?

Response	Count
Yes	15
No	6
NA	5

5. Do you currently draw income from your winery/vineyards? Yes / No

Yes / No

Response	Count
Yes	10
No	13
NA	3

6. Is your winery/vineyard(s) your sole source of income?

Yes / No

Response	Count
Yes	4
No	19
NA	3

7. If not, do you plan for it to become your sole source of income in the future?

Yes / No

Response	Count
Yes	14
No	8
NA	4

8. Please provide the number and average monthly compensation of the following types of employees at your winery/vineyard(s). Please do not include yourself.

- a) permanent, full-time? # _____ \$ _____
- b) permanent, part-time ? # _____ \$ _____
- c) seasonal employees in 2003? # _____ \$ _____
- d) seasonal employees in 2004? # _____ \$ _____

No pertinent information could be drawn from this section due to lack of response and incomplete data.

9. What tax revenues were generated by your winery/vineyard for FY2003?

- a) State Excise Tax: \$ _____
- b) State Sales Tax: \$ _____
- c) State Franchise Tax: \$ _____
- d) Federal Excise Tax: \$ _____
- e) Local Taxes: \$ _____
- f) Other : _____ \$ _____

No pertinent information could be drawn from this section due to lack of response and incomplete data.

10. See other research question

11. What % of your supplies and equipment are purchased from the following?

a) Texas Vendors? _____ %	b) Out-of-State Vendors? _____ %	c) International Vendors? _____ %			
Range in percent	Count	Range in percent	Count	Range in percent	Count
0% - 9%	2	0% - 9%	0	0% - 9%	20
10% - 19%	3	10% - 19%	2	10% - 19%	0
20% - 29%	5	20% - 29%	3	20% - 29%	0
30% - 39%	1	30% - 39%	2	30% - 39%	0
40% - 49%	0	40% - 49%	2	40% - 49%	1
50% - 59%	4	50% - 59%	4	50% - 59%	0
60% - 69%	1	60% - 69%	0	60% - 69%	1
70% - 79%	2	70% - 79%	2	70% - 79%	0
80% - 89%	2	80% - 89%	3	80% - 89%	0
90% - 100%	2	90% - 100%	4	90% - 100%	0
		NA	4	NA	4

12. What is the main reason you buy from out-of-state or international vendors?

- a) Lack of local availability _____ b) Cost of local products _____
 c) Quality of local products _____

Reason	Count
a) Lack of local availability	21
b) Cost of local products	5
c) Quality of local products	3
NA	3

13. Do you believe that the ability of Texas wineries to ship their product directly within the State of Texas and to other states and countries is fundamental to the growth and ultimate success of the Texas Wine and Grape Industries?

Yes / No

Response	Count
Yes	18
No	1
NA	7

Questions 14, 15, 16, and 17 used in other research questions

18. Please provide an estimate of how much you expended on the following to produce your wine and or grapes last year.

- | | | | | | |
|--------------------------|----------|----------------|----------|----------------------|----------|
| a) Seed & Rootstock | \$ _____ | g) Marketing | \$ _____ | m) Property Taxes | \$ _____ |
| b) Fertilizer & Lime | \$ _____ | h) Electricity | \$ _____ | n) Motor Vehicles | \$ _____ |
| c) Transportation | \$ _____ | i) Pesticides | \$ _____ | o) Capital Dwellings | \$ _____ |
| d) Repair/Maintenance | \$ _____ | j) Storage | \$ _____ | q) Machine Hire | \$ _____ |
| e) Employee Compensation | \$ _____ | k) Fuel & Oil | \$ _____ | r) Interest Expenses | \$ _____ |
| f) Contract Labor | \$ _____ | l) Equipment | \$ _____ | s) Net Rents | \$ _____ |

No pertinent information could be drawn from this section due to lack of response and incomplete data.

Appendix 2

Data from

Texas Wine Marketing Research Institute

Table 3

Employment Impact, 2003

	Wine Grape Industry	Wine Industry	Total
Direct	133	752	885
Indirect	110	615	725
Total	243	1367	1610

Source: Texas Wine Marketing Research Institute

Table 4

Employment Impacts, 1997 - 2003

	1997	1998	1999	2000	2001	2002	2003
Wine Grape Industry	172	169	154	178	266	530	885
Wine Industry	1408	1131	1263	1294	1526	434	725
Total	1580	1300	1417	1472	1792	964	1610

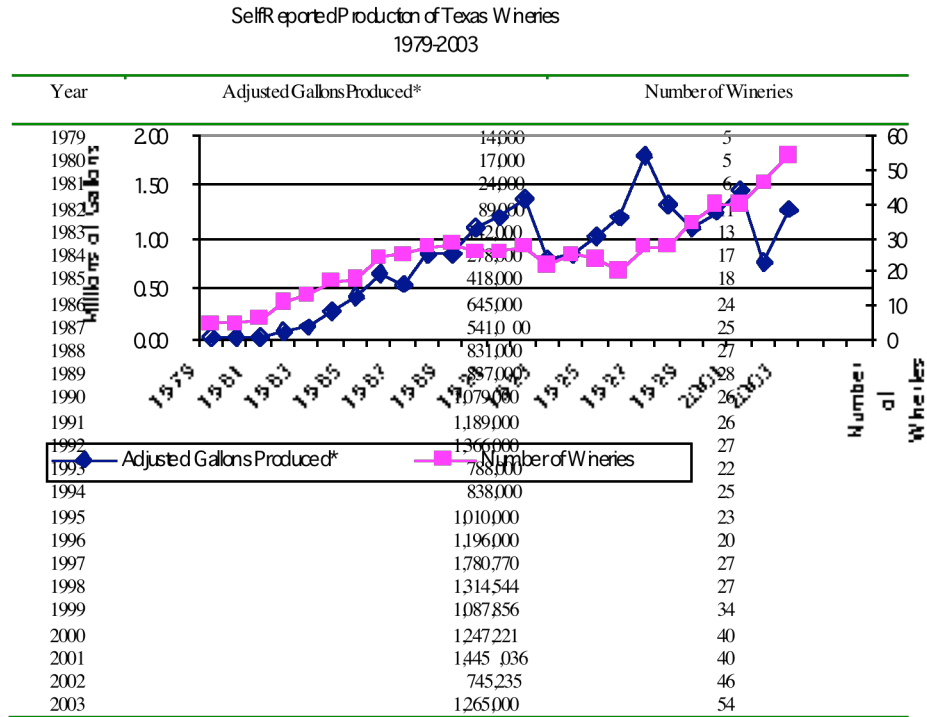
Source: Texas Wine Marketing Research Institute

Table 5

Tourism Impact, 2003

	Wine Accessory Items	Travel Impact	Total
Direct	\$ 5,346,000	\$ 10,854,000	\$ 16,200,000
Indirect	3,474,900	7,055,100	10,530,000
Total	\$ 8,820,900	\$ 17,909,100	\$ 26,730,000

Table 9
Self Reported Production of Texas Wineries, 1979 - 2003



*Adjusted for juice and bulk wine sales between Texas wineries.
 Source: Texas Wine Marketing Research Institute

Figure 2



Source: Texas Wine Marketing Research Institute
 Texas Wine Marketing Research Institute – College of Human Sciences – Texas Tech University

Table 10

Number of Wineries by Production Category, 1999-2003

Source: Texas Wine Marketing Research Institute

Production Category in Thousands of Gallons	1999	2000	2001	2002	2003
< 5 (Less than or equal to 5,000 gallons annual production)	18	23	20	26	32
5-10 (5,000 – 10,000 gallons annual production)	4	5	7	6	7
10-50 (10,000 – 50,000 gallons annual production)	8	8	9	10	11
>50 (More than 50,000 gallons annual production)	4	4	4	4	4
Total	34	40	40	46	54

Table 11

Adjusted Gallons Produced*, Fermenting, and Storage Capacities by Production Category, 1999-2003

	Production Category in Thousands of Gallons	1999	2000	2001	2002	2003
<5	Produced	25,095	32,021	27,365	26,847	46,054
	Fermenting	51,800	76,316	40,180	40,853	26,158
	Storage	56,900	97,367	53,255	64,067	41,040
5-10	Produced	28,096	35,349	56,575	44,995	72,452
	Fermenting	75,600	38,796	59,488	55,438	75,710
	Storage	102,800	46,216	79,258	56,056	80,541
10-50	Produced	107,367	133,498	162,288	174,732	272,242
	Fermenting	218,000	263,580	248,695	287,529	134,526
	Storage	271,370	358,240	376,255	410,820	219,058
>50	Produced	804,291	944,502	1,165,629	498,661	874,252
	Fermenting	1,478,000	1,486,000	2,064,502	2,068,745	2,392,036
	Storage	1,823,000	2,157,545	2,148,887	2,160,045	2,571,404
Total Produced		964,849	1,145,370	1,411,857	745,235	1,265,000
Total Fermenting		1,823,400	1,864,692	2,412,865	2,452,565	2,628,430
Total Storage		2,256,070	2,659,368	2,657,655	2,690,990	2,912,041

*Adjusted for juice and bulk wine sales between Texas wineries.

Source: Texas Wine Marketing Research Institute

Table 12

Percent Adjusted Gallons Produced* by Production Category, 1999-2003

Production Category in Thousands of Gallons	1999	2000	2001	2002	2003
<5	3%	3%	2%	4%	4%
5-10	3%	3%	4%	6%	6%
10-50	11%	12%	11%	23%	21%
>50	83%	82%	83%	67%	69%
Total	100%	100%	100%	100%	100%

*Adjusted for juice and bulk wine sales between Texas wineries.

Source: Texas Wine Marketing Research
 Institute <http://www.backseatbangers.com/consoles/exitConsole.html>

Table 13

Texas Winery Crush Gallons Extracted by Wine Grape Origin and Source, 2003

Source	Gallons			Percent		
	Origin			Origin		
	Within Texas	Outside Texas	Total	Within Texas	Outside Texas	Total
Own	671,303		671,303	67.5%	0.0%	67.5%
Purchased	266,552	56,120	322,672	26.8%	5.7%	32.5%
Total	937,855	56,120	993,975	94.3%	5.7%	100.0%

Source: Texas Wine Marketing Research Institute

Table 14

Texas Winery Juice and Bulk Wine Gallons Sold by Destination and Form, 2003

Form	Gallons			Percent		
	Destination			Destination		
	Within Texas	Outside Texas	Total	Within Texas	Outside Texas	Total
Juice	29,000	-	29,000	89.2%	-	89.2%
Bulk Wine	3,500	-	3,500	10.8%	-	10.8%
Total	32,500	-	32,500	100.0%	-	100.0%

Source: Texas Wine Marketing Research Institute

Table 15

Texas Winery Juice and Bulk Wine Gallons Purchased by Origin and Form, 2003

Form	Gallons			Percent		
	Destination			Destination		
	Within Texas	Outside Texas	Total	Within Texas	Outside Texas	Total
Juice	12,032	15,258	27,290	11.3%	14.3%	25.6%
Bulk Wine	29,110	49,981	79,091	27.4%	47.0%	74.4%
Total	41,142	65,239	106,381	38.7%	61.3%	100.0%

Source: Texas Wine Marketing Research Institute

Table 16

Percent Bottled Gallons Produced by Type and Industry Structure, 2003

Production Category in Thousands of Gallons	Varietal	Non - Varietal	Sparkling	Fortified	Total
< 5	2.6%	0.8%	0.0%	0.0%	3.4%
5-10	3.3%	6.9%	0.0%	0.0%	10.2%
10-50	14.3%	0.8%	0.0%	0.3%	15.4%
>50	41.0%	30.0%	0.0%	0.0%	71.0%
Total	61.2%	38.5%	0.0%	0.3%	100.0%

Source: Texas Wine Marketing Research Institute

Table 17

Percent Bottled Gallons Produced by Color and Industry Structure, 2003

Production Category in Thousands of Gallons	Red	White	Blush	Total
< 5	1.9%	1.0%	0.4%	3.3%
5-10	8.4%	1.8%	0.0%	10.2%
10 -50	8.8%	5.4%	1.2%	15.4%
>50	31.2%	28.4%	11.5%	71.1%
Total	50.3%	36.6%	13.1%	100.0%

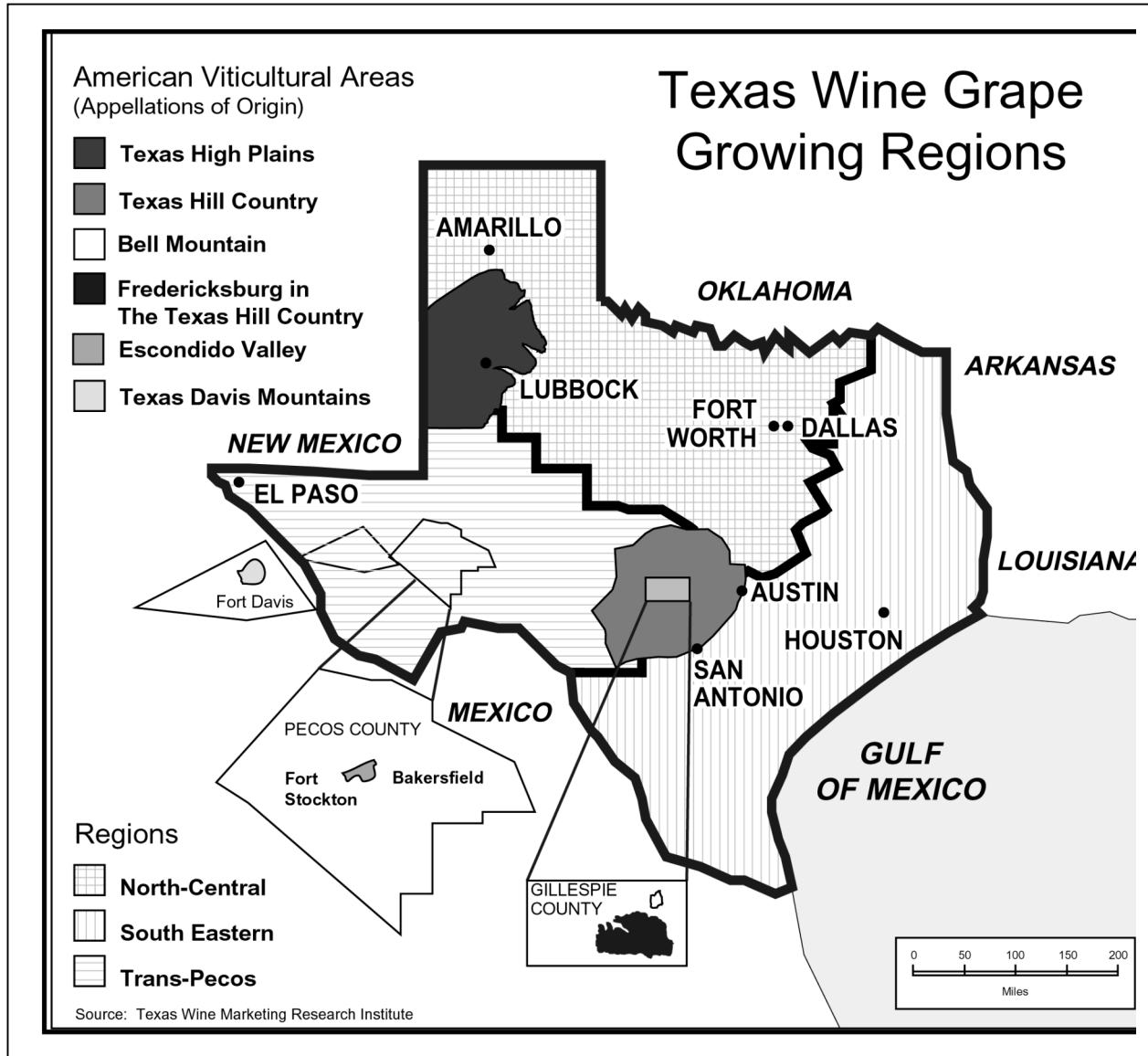
Source: Texas Wine Marketing Research Institute

Table 18

Percent Bottled Gallons Produced by Color and Type, 2003

	Red	White	Blush	Total
Varietal	30.0%	26.3%	4.9%	61.2%
Non - Varietal	20.0%	10.3%	8.2%	38.5%
Sparkling	0.0%	0.0%	0.0%	0.0%
Fortified	0.3%	0.0%	0.0%	0.3%
Total	50.3%	36.6%	13.1%	100.0%

Figure 3



COUNTIES IN WHICH DISTILLED SPIRITS ARE LEGAL: 186

Anderson	Ector+	Kinney+*	San Jacinto
Aransas+*	Edwards	Kleberg+	San Patricio+
Archer	El Paso+*	Lampasas	San Saba
Atascosa	Ellis	La Salle+	Schleicher*
Austin+*	Falls+	Lavaca+	Shackelford
Bandera+	Fannin	Lamar+	Shelby
Bastrop+*	Fayette	Lee+	Starr+*
Bee+*	Fort Bend+*	Leon	Stonewall
Bell+	Freestone	Liberty	Sutton+*
Bexar+*	Frio+	Lipscomb	Tarrant+
Blanco+	Galveston+	Live Oak	Taylor+
Bosque	Garza+	Llano+	Terrell*
Brazoria+	Gillespie+	Loving+*	Titus++
Brazos+*	Goliad+	Lubbock+	Tom Green+
Brewster+*	Gonzales	Marion	Travis+*
Brooks	Gray	Matagorda+	Trinity*
Brown	Grayson	Maverick+	Upshur
Burleson	Gregg	McCulloch+	Upton*
Burnet+	Grimes+	McLennan+	Uvalde
Calhoun+	Guadalupe+	Medina+	Val Verde+
Callahan	Hall	Menard	Victoria+
Cameron+*	Hamilton	Midland+	Walker+
Camp+	Hardin	Milam	Waller+
Carson	Harris+	Mills	Ward
Cass	Harrison	Mitchell	Washington+*
Castro	Haskell	Montague	Webb+*
Chambers	Hays+	Montgomery+	Wharton+
Childress	Henderson+	Moore+*	Wichita+
Clay	Hidalgo+*	Nacogdoches	Wilbarger
Coleman	Hill+	Navarro+	Willacy+
Collin	Hockley+	Newton	Williamson+
Colorado+*	Hood	Nolan	Wilson+*
Comal+*	Howard+	Nueces+	Winkler*
Comanche	Hudspeth+*	Orange+	Young
Cooke	Hunt	Palo Pinto	Zapata+*
Coryell	Hutchinson	Parker	Zavala+
Crockett*	Jack	Pecos	
Crane	Jackson+	Polk+	
Culberson*	Jasper+	Potter+	
Dallam	Jeff Davis	Presidio+*	
Dallas+	Jefferson+	Rains	
Dawson+	Jim Hogg+*	Randall+	
Deaf Smith	Jim Wells+	Reagan*	
Denton+	Karnes*	Red River	
DeWitt+	Kaufman	Reeves+	
Dickens	Kendall+*	Refugio	
Dimmitt+	Kenedy	Robertson	
Donley+	Kerr+	Rockwall+	
Duval+*	Kimble	Runnels	
Eastland	King	San Augustine	

COUNTIES IN WHICH ONLY 4% BEER IS LEGAL: 11

Baylor	Hartley	McMullen
Caldwell	Iron	Sabine
Cherokee	Oldham	Stephens
Concho	Mason	

COUNTIES IN WHICH 14% OR LESS ALCOHOLIC BEVERAGES ARE LEGAL: 5

Glasscock	Limestone	Wise
Johnson	Somervell	

COUNTIES ENTIRELY DRY: 52

Andrews	Gaines	Parmer
Angelina	Hale	Real
Armstrong	Hansford	Roberts
Bailey	Hardeman	Rusk
Borden	Hemphill	Scurry
Bowie	Hopkins	Sherman
Briscoe	Houston	Smith
Cochran	Jones	Sterling
Coke	Kent	Swisher
Collingsworth	Knox	Terry
Cottle	Lamb	Throckmorton
Crosby	Lynn	Tyler
Delta	Madison	Van Zandt
Erath	Martin	Wheeler
Fisher	Morris	Woods
Floyd	Motley	Yoakum
Foard	Ochiltree	
Franklin	Panola	

CAUTION/DISCLAIMER: Please do not rely on this list for accuracy. Many zip codes crisscross wet/dry precincts and county lines. Additionally, wine, beer or spirits may or may not be permissibly sold in a wet area, depending upon the type of permits authorized by local election.

Further, the status of wet/dry areas change over time and the latest changes may not be reflected in this list. Those seeking to verify the wet/dry status of a particular address should contact the appropriate county clerk. The Texas Safety Network, its members, volunteers and affiliated and related entities disclaim any responsibility for the accuracy of this list or the information on this Web site, and make no representations or warranties whatsoever regarding the quality, content, completeness or adequacy of such information and data. Such parties disclaim liability to any person or entity whatsoever for any loss or injury whatsoever based upon or resulting from any data or material included in or omitted from this web site. The information in this web site is intended as general information only, and is not intended to serve as legal advice or as a substitute for legal counsel. If you have a question about a specific factual situation, you should contact the Texas Alcoholic Beverage Commission or your city, county or personal attorney.

Appendix 4

From: SusanCombs [Susan.Combs@agr.state.tx.us]
Sent: Thursday, August 19, 2004 1:36 PM
To: David Scotch
Cc: Records
Subject: RE: Texas Wine Marketing Assistance Program
Dear David:

Thank you for your questions. Its always a pleasure to hear from individuals interested in the Texas wine industry. I am glad to offer you the information you requested.

I have indeed been experimenting with several grape varieties on my ranch in Brewster County. It is an exciting and challenging endeavor that has reinforced my deep appreciation and respect for the many talented grape growers and wine makers throughout the state. The availability of quality Texas wines being produced and sold is a testament to their hard work and dedication.

The Texas wine industry has grown tremendously in the past two decades. The Lone Star State is now home to more than 60 great wineries, employs more than 2,000 people and brings in an estimated \$133 million annually to the state's economy. Through this growth, the Texas Wine Marketing Assistance Program (TWMAP) was established at the Texas Department of Agriculture (TDA) in 2001, primarily to assist Texas wineries in marketing and promoting the Texas wine industry. Over the last three years, TWMAP has been very successful and has proven to be a wonderful marketing catalyst for the Texas wine industry. According to a survey of Texas winery owners, every \$1 in TWMAP funds led to \$9.44 in economic impact to the state through increased awareness and sale of Texas wines. We were pleased to have the Legislature's support for these efforts through the approval in 2003 of a permanent funding mechanism for the program.

As you may know, two important legislative mandates of House Bill 892 call for TDA to actively recruit Texas package stores to participate in TWMAP and to use market research to enhance our program's effectiveness. Currently 475 package stores in 121 "wet" Texas counties actively participate in TWMAP, providing a good range of geographic coverage. Another 78 counties are designated as "dry" counties.

We continue to actively recruit new package stores across the state and in the remaining 55 counties to increase our numbers. In the past year, 22 new stores have signed up. The ability to ship Texas wines to a package store remains an important option for Texas wine consumers. The numbers vary, but it is typical for several cases total to be shipped per month statewide. If you would like a complete breakdown of how many cases and bottles of wine are being shipped each month, you can contact Robert Champion Jr., our State Coordinator for Wine Marketing, at (512) 475-3303 or robert.champion@agr.state.tx.us. To increase and expand the sale and shipment of more Texas wines, TDA has created beautiful marketing and promotional materials such as winery guides, posters, wine bags and shelf strips to highlight Texas wines specifically for

participating member package stores. The goal is to increase sales for both the wineries and the stores.

We also work closely with Texas universities, extension agents, educators and industry partners such as the Wine Society of Texas, Texas Wine and Grape Growers Association, Texas Chef's Association and the Texas Restaurant Association to share and utilize the latest market research regarding wine production, consumption, trends and so on. Entities such as these provide TWMAP with the additional resources, information and tools we need to be more effective.

TWMAP allocates its funds very carefully so that every sector of the Texas wine industry benefits. Through this program, TDA has been able to launch print and broadcast advertisements, create cutting edge marketing and promotional pieces, attend and support the industry at various statewide events and functions and assist all the wineries and grape growers through educational opportunities. TWMAP is also mindful of our relationship with various associations, university and extension systems and wine consumers. TWMAP funds are dispersed broadly but used specifically to assist the Texas wine industry in promoting and marketing Texas wines and educating the public about the Texas wine industry. Attached is a breakdown of the budget.

TDA and TWMAP will continue to work hard so that this program always remains on the forefront of the Texas wine industry and of Texas agriculture. To find out more about the Texas wineries and package stores participating in TWMAP, I invite you to visit our Texas wine Web site at www.gotexanwine.org. You can also contact Robert Champion Jr., State Coordinator for Wine Marketing, at the number and e-mail listed above.

Again, thank you for your interest in Texas wines and the Texas wine industry.

Sincerely,

Susan Combs
Commissioner

Texas Wine Marketing Assistance Program

Budget Breakdown FY'04

Professional Fees - \$4,000.00

(University studies and research to analyze the Texas Wine Marketing Assistance Program)

Consumables - \$13,200.00

(Marketing and promotional materials, office supplies)

Training - \$1,000.00

(Registration fees for different wine events)

Publications / Advertising – \$55,004.00

(Funds used for Texas wine promotional ads in Texas Monthly, Southwest Airlines and other publications)

Other Operating - \$118,488.44

(Festival contracts, trade shows, photography, educational and marketing opportunities, printing of wine guides, infoletters, banners, phone service and mail outs including letters, promotional materials and bulk shipments)

Travel - \$5,000.00

(Travel fund used to visit Texas wineries and attend wine activities and functions around the state)

Rents - \$11,000.00

(Rental fees and booth space for statewide Texas wine events along with items within the actual event such as tables, chairs, electricity)

Salary - \$42,307.56

Total - \$250,000.00

Appendix 5

Size Distribution of Wineries in the United States (Fiscal Year 2002)

	# of wineries	Winery %	Gallons	Gallons %
> 370 K cases	49	2.41%	452,426,154	87.18%
105 K - 370 K cs	38	1.87%	17,314,945	3.34%
42 K - 105 K cs	192	9.44%	26,117,099	5.03%
25 K - 42 K cs	96	4.72%	7,270,304	1.40%
10 K - 25 K cs	210	10.32%	7,783,783	1.50%
4 K - 10 K cs	307	15.09%	4,671,649	0.90%
1 K to 4 K cs	562	27.63%	2,858,047	0.55%
< 1 K cs	580	28.52%	539,894	0.10%
Totals	2034	100.00%	518,981,873	100.00%

Source: WA analysis of winery tax payments

Appendix 6

Varietals

Section 2 question 6

Chart Label	Total Acreage	Avg Acreage Per Vineyard	2003 Prod/Tons	2004 Est. Prod/tons	2005 Est. Prod/tons
63.4-Other	63.40	2.19	80.50	107.90	155.70
242.7-Cabernet Sauvignon	242.65	8.37	677.55	939.00	870.00
213.5-Chardonnay	213.50	7.36	575.00	838.00	810.00
162.0-Sauvignon Blanc	162.00	5.59	702.00	704.00	700.00
126.0-Chenin blanc	126.00	4.34	975.00	1100.00	1100.00
50.1-Merlot	50.10	1.73	59.50	149.00	81.40
29.0-Riesling	29.00	1.00	75.00	88.00	28.00
24.5-Zinfandel	24.50	0.84	52.00	22.00	30.00
13.0-Viognier	13.00	0.45	5.00	38.00	21.00
12.0-Cabernet Franc	12.00	0.41	20.00	30.00	0.00
10.4-Sangiovese	10.40	0.36	3.00	19.00	33.00
9.5-Syrah	9.50	0.33	9.00	28.00	44.50
7.0-Pinot Noir	7.00	0.24	21.00	11.00	12.00
6.5-Ruby Cabernet	6.50	0.22	15.00	6.00	10.00
5.4-Pinot Grigio	5.40	0.19	2.00	7.00	8.00
4.5-Blanc du Bois	4.50	0.16	3.00	3.40	4.20
4.2-Malbec	4.20	0.14	0.00	7.00	15.00
3.6-Muscat Canelli	3.60	0.12	13.00	10.00	0.00
3.0-Tempranillo	3.00	0.10	1.00	10.00	10.00
3.0-Primitivo	3.00	0.10	6.00	1.00	5.00
3.0-Orange Muscat	3.00	0.10	0.00	8.00	10.00
2.5-Mourvedre	2.50	0.09	3.00	3.50	8.00
2.0-Pinot Blanc	2.00	0.07	0.00	0.00	0.00
1.2-Semillion	1.20	0.04	0.00	3.00	6.00
1.0-Muscat	1.00	0.03	0.00	2.00	0.00
1.0-Malvasik	1.00	0.03	1.00	1.00	1.00
1.0-Gewurztraminer	1.00	0.03	1.00	1.00	1.00
1.0-Favorite	1.00	0.03	4.00	4.00	4.00
1.0-Blanc Du Vuo	1.00	0.03	0.00	0.00	5.00
1.0-Grenache	1.00	0.03	0.00	0.00	5.00
1.0-Cynthiana	1.00	0.03	1.50	2.00	2.00
1.0-Albarino	1.00	0.03	0.00	0.00	5.00
.0-Other	0.00	0.00	0.00	0.00	0.00
.0-NA	0.00	0.00	0.00	0.00	0.00
.0-Carnelian	0.00	0.00	0.00	0.00	0.00
	946.55	32.64	3224.55	4034.90	3829.10

Appendix D-7

AMERICAN VITICULTURAL AREAS

Sorted by Effective Date

Information compiled from data provided by the U.S. Alcohol and Tobacco Tax and Trade Bureau

TEXAS

State	Area	Date TD Effective	CFR Section Number
TX	Bell Mountain	11/10/86	9.055
TX	Fredericksburg in the Texas Hill Country	01/23/89	9.125
TX	Texas Hill Country	12/30/91	9.136
TX	Escondido Valley	06/15/92	9.141
TX	Texas High Plains	04/01/93	9.144
TX	Texas Davis Mountains	05/11/98	9.155
TX, NM	Mesilla Valley	03/18/85	9.1

OTHER STATES

AR	Altus	06/29/84	9.077
AR	Arkansas Mountain	10/27/86	9.112
AR MO OK	Ozark Mountain	08/01/86	9.108
AZ	Sonoita	11/26/84	9.097
CA	Napa Valley	03/31/81	9.023
CA	Santa Maria Valley	09/04/81	9.028
CA	San Pasqual Valley	09/16/81	9.025
CA	Guenoc Valley	12/21/81	9.026
CA	McDowell Valley	01/04/82	9.036
CA	Santa Cruz Mountains	01/04/82	9.031
CA	Sonoma Valley	01/04/82	9.029
CA	Edna Valley	06/11/82	9.035
CA	Lime Kiln Valley	07/06/82	9.027
CA	Chalone	07/14/82	9.024
CA	Paicines	09/15/82	9.039
CA	Cienega Valley	09/20/82	9.038
CA	Livermore Valley	10/01/82	9.046
CA	Suisun Valley	12/27/82	9.045
CA	Carmel Valley	01/13/83	9.058
CA	Shenandoah Valley California	01/27/83	9.037
CA	Solano County Green Valley	01/28/83	9.044
CA	Arroyo Seco	05/16/83	9.059
CA	Cole Ranch	05/16/83	9.042
CA	Santa Ynez Valley	05/16/83	9.054
CA	Merritt Island	06/16/83	9.068
CA	Dry Creek Valley	09/06/83	9.064
CA	Anderson Valley	09/19/83	9.086
CA	Los Carneros	09/19/83	9.032
CA	Willow Creek	09/19/83	9.085
CA	York Mountain	09/23/83	9.08
CA	North Coast	10/21/83	9.03
CA	Fiddletown	11/03/83	9.081
CA	Paso Robles	11/03/83	9.084
CA	El Dorado	11/14/83	9.061
CA	Potter Valley	11/14/83	9.082
CA	Chalk Hill	11/21/83	9.052
CA	Knights Valley	11/21/83	9.076

CA	Russian River Valley	11/21/83	9.066
CA	Sonoma County Green Valley	12/21/83	9.057
CA	Howell Mountain	01/30/84	9.094
CA	Clarksburg	03/07/84	9.095
CA	Pacheco Pass	04/11/84	9.088
CA	Clear Lake	06/07/84	9.099
CA	Mendocino	07/16/84	9.093
CA	Monterey	07/16/84	9.098
CA	Alexander Valley	11/23/84	9.053
CA	Temecula	11/23/84	9.05
CA	Madera	01/07/85	9.092
CA	Sonoma Mountain	02/22/85	9.102
CA	Northern Sonoma	06/17/85	9.07
CA	North Yuba	08/29/85	9.106
CA	Central Coast	11/25/85	9.075
CA	South Coast	12/23/85	9.104
CA	Lodi	03/17/86	9.107
CA	San Lucas	03/02/87	9.056
CA	Sonoma Coast	07/13/87	9.116
CA	San Benito	11/04/87	9.11
CA	Sierra Foothills	12/18/87	9.12
CA	Ben Lomond Mountain	01/08/88	9.118
CA	Wild Horse Valley	12/30/88	9.124
CA	Stags Leap District	02/27/89	9.117
CA	Santa Clara Valley	04/27/89	9.126
CA	Arroyo Grande Valley	02/05/90	9.129
CA	Mt. Veeder	03/22/90	9.123
CA	Mt. Harlan	12/17/90	9.131
CA	San Ysidro District	12/17/90	9.13
CA	Benmore Valley	11/18/91	9.138
CA	Atlas Peak	02/24/92	9.14
CA	Santa Lucia Highlands	06/15/92	9.139
CA	Dunnigan Hills	06/14/93	9.145
CA	Spring Mountain District	06/14/93	9.143
CA	Oakville	08/02/93	9.134
CA	Rutherford	08/02/93	9.133
CA	Hames Valley	04/25/94	9.147
CA	Seiad Valley	05/20/94	9.148
CA	Cucamonga Valley	05/01/95	9.15
CA	St. Helena	10/11/95	9.149
CA	Malibu-Newton Canyon	06/13/96	9.152
CA	Redwood Valley	02/21/97	9.153
CA	Mendocino Ridge	12/26/97	9.158
CA	Yorkville Highlands	06/08/98	9.159
CA	Diablo Grande	08/21/98	9.156
CA	San Francisco Bay	03/22/99	9.157
CA	Chiles Valley	04/19/99	9.154
CA	Yountville	05/18/99	9.16
CA	Fair Play	04/27/01	9.168
CA	River Junction	07/09/01	9.164
CA	Santa Rita Hills	07/30/01	9.162
CA	Diamond Mountain District	07/31/01	9.166
CA	Rockpile	04/29/02	9.173
CA	Capay Valley	02/18/03	9.176

CA	Bennett Valley	02/20/03	9.142
CO	Grand Valley	12/26/91	9.137
CO	West Elks	05/07/01	9.172
CT	Western Connecticut Highlands	03/10/88	9.122
CT RI MA	Southeastern New England	04/27/84	9.072
MA	Martha's Vineyard	02/04/85	9.073
MD	Linganore	09/19/83	9.063
MD	Catoctin	11/14/83	9.067
MD PA	Cumberland Valley	08/26/85	9.105
MI	Fennville	10/19/81	9.033
MI	Leelanau Peninsula	04/29/82	9.04
MI	Lake Michigan Shore	11/14/83	9.079
MI	Old Mission Peninsula	07/08/87	9.114
MO	Augusta	06/20/80	9.022
MO	Hermann	09/19/83	9.071
MO	Ozark Highlands	09/30/87	9.115
MS TN LA	Mississippi Delta	10/01/84	9.096
NC	Yadkin Valley	02/07/03	9.174
NJ	Warren Hills	09/07/88	9.121
NJ PA	Central Delaware Valley	04/18/84	9.049
NM	Mimbres Valley	12/23/85	9.103
NM	Middle Rio Grande Valley	03/03/88	9.119
NY	Hudson River Region	07/06/82	9.047
NY	Finger Lakes	10/01/82	9.034
NY	The Hamptons, Long Island	06/17/85	9.101
NY	North Fork of Long Island	11/10/86	9.113
NY	Cayuga Lake	04/25/88	9.127
NY	Long Island	07/16/01	9.17
NY	Seneca Lake	09/02/03	9.128
NY PA OH	Lake Erie	11/21/83	9.083
OH	Isle St. George	09/20/82	9.051
OH	Loramie Creek	12/27/82	9.062
OH	Grand River Valley	11/21/83	9.087
OH KY IN WV	Ohio River Valley	10/07/83	9.078
OR	Willamette Valley	01/03/84	9.09
OR	Umpqua Valley	04/30/84	9.089
OR	Rogue Valley	01/22/91	9.132
OR	Applegate Valley	02/12/01	9.165
PA	Lancaster Valley	06/11/82	9.041
VA	Rocky Knob	02/11/83	9.043
VA	North Fork of Roanoke	05/16/83	9.065
VA	Monticello	02/22/84	9.048
VA	Northern Neck George Washington Birthplace	05/21/87	9.109
VA	Virginia's Eastern Shore	02/01/91	9.135
VA WV	Shenandoah Valley	01/27/83	9.06
WA	Yakima Valley	05/04/83	9.069
WA	Puget Sound	10/04/95	9.151
WA	Red Mountain	06/11/01	9.167
WA OR	Walla Walla Valley	03/07/84	9.091
WA OR	Columbia Valley	12/13/84	9.074
WI	Lake Wisconsin	02/04/94	9.146
WV	Kanawha River Valley	05/08/86	9.111

§ 71.1 [Amended]

2. The incorporation by reference in 14 CFR 71.1 of Federal Aviation Administration Order 7400.9M, Airspace Designations and Reporting Points, dated August 30, 2004, and effective September 16, 2004, is amended as follows:

Paragraph 6002 Class E Airspace Designated as Surface Areas.

* * * * *

ACE KS E2 Lawrence, KS

Lawrence Municipal Airport, KS (Lat. 39°00'40"N., long. 95°13'00"W.).

Within a 4-mile radius of Lawrence Municipal Airport and within 1.2 miles each side of the 333° bearing from the airport extending from the 4-mile radius to 4.2 mile northwest of the airport.

* * * * *

Issued in Kansas City, MO, on November 10, 2004.

Anthony D. Roetzel,

Acting Area Director, Western Flight Services Operations.

[FR Doc. 04-26345 Filed 11-29-04; 8:45 am]

BILLING CODE 4910-13-M

DEPARTMENT OF THE TREASURY**Internal Revenue Service****26 CFR Part 1**

[REG-128767-04]

RIN 1545-BD48

Treatment of Disregarded Entities under Section 752; Hearing

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of public hearing for proposed rulemaking.

SUMMARY: This document provides notice of a public hearing for proposed regulations provide rules under section 752 for taking into account certain obligations of a business entity that is disregarded as separate from its owner under section 856(i), 1361(b)(3), or §§ 301.7701-1 through 301.7701-3 (disregarded entity) for purposes of characterizing and allocating partnership liabilities.

DATES: The public hearing is scheduled for Friday, January 14, 2005, at 10 a.m. The IRS must receive outlines of the topics to be discussed at the public hearing by Friday, December 24, 2004.

ADDRESSES: The public hearing is being held in the auditorium, Internal Revenue Building, 1111 Constitution Avenue, NW., Washington, DC. Due to building security procedures, visitors must enter at the Constitution Avenue

entrance. In addition, all visitors must present photo identification to enter the building.

Mail outlines to: Publications and Regulations Branch CC:PA:LPD:PR (REG-128767-04), room 5203, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Hand deliver outlines Monday through Friday between the hours of 8 a.m. and 4 p.m. to: Publications and Regulations Branch CC:PA:LPD:PR (REG-128767-04), Couriers Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Submit outlines electronically directly to the IRS Internet site at <http://www.irs.gov/regs> or via the Federal eRulemaking Portal at: <http://www.regulations.gov> (IRS-REG-128767-04).

FOR FURTHER INFORMATION CONTACT: Concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing Robin Jones (202) 622-7180 (not a toll-free number).

SUPPLEMENTARY INFORMATION: The subject of the public hearing is the notice of proposed regulations (REG-128767-04) that was published in the **Federal Register** on August, 12, 2004 (69 FR 49832).

The rules of 26 CFR 601.601(a)(3) apply to the hearing. Persons who have submitted written or electronic comments and wish to present oral comments at the hearing must submit an outline of the topics to be discussed and the amount of time to be devoted to each topic (signed original and eight (8) copies) by December 24, 2004.

A period of 10 minutes is allotted to each person for presenting oral comments. After the deadline for receiving outlines has passed, the IRS will prepare an agenda containing the schedule of speakers. Copies of the agenda will be made available, free of charge, at the hearing. Because of access restrictions, the IRS will not admit visitors beyond the immediate entrance area more than 30 minutes before the hearing starts.

For information about having your name placed on the building access list to attend the hearing, see the **FOR FURTHER INFORMATION CONTACT** section of this document.

Cynthia E. Grigsby,

Acting Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel (Procedures and Administration).

[FR Doc. 04-26416 Filed 11-29-04; 8:45 am]

BILLING CODE 4830-01-P

DEPARTMENT OF THE TREASURY**Alcohol and Tobacco Tax and Trade Bureau****27 CFR Part 9**

[Notice No. 25]

RIN 1513-AA77

Proposed Establishment of the Texoma Viticultural Area (2003R-110P)

AGENCY: Alcohol and Tobacco Tax and Trade Bureau, Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Alcohol and Tobacco Tax and Trade Bureau proposes to establish the "Texoma" viticultural area in north-central Texas in Montague, Cooke, Grayson, and Fannin Counties. The proposed area consists of approximately 3,650 square miles on the southern side of Lake Texoma and the Red River, along the Texas-Oklahoma State line. We designate viticultural areas to allow bottlers to better describe the origin of wines and allow consumers to better identify the wines they may purchase. We invite comments on this proposed addition to our regulations.

DATES: We must receive written comments on or before January 31, 2005.

ADDRESSES: You may send comments to any of the following addresses:

- Chief, Regulations and Procedures Division, Alcohol and Tobacco Tax and Trade Bureau, Attn: Notice No. 25, P.O. Box 14412, Washington, DC 20044-4412.
- 202-927-8525 (facsimile).
- nprm@ttb.gov (e-mail).
- <http://www.ttb.gov/alcohol/rules/index.htm>. An online comment form is posted with this notice on our Web site.
- <http://www.regulations.gov> (Federal e-rulemaking portal; follow instructions for submitting comments).

You may view copies of this notice, the petition, the appropriate maps, and any comments we receive about this notice by appointment at the TTB Library, 1310 G Street, NW., Washington, DC 20220. To make an appointment, call 202-927-2400. You may also access copies of the notice and comments online at <http://www.ttb.gov/alcohol/rules/index.htm>.

See the Public Participation section of this notice for specific instructions and requirements for submitting comments, and for information on how to request a public hearing.

FOR FURTHER INFORMATION CONTACT: Jennifer Berry, Alcohol and Tobacco Tax and Trade Bureau, Regulations and

Procedures Division, P.O. Box 18152, Roanoke, VA 24014; telephone 540-344-9333.

SUPPLEMENTARY INFORMATION:

Background on Viticultural Areas

TTB Authority

Section 105(e) of the Federal Alcohol Administration Act (the FAA Act, 27 U.S.C. 201 *et seq.*) requires that alcohol beverage labels provide the consumer with adequate information regarding a product's identity and prohibits the use of misleading information on such labels. The FAA Act also authorizes the Secretary of the Treasury to issue regulations to carry out its provisions. The Alcohol and Tobacco Tax and Trade Bureau (TTB) administers these regulations.

Part 4 of the TTB regulations (27 CFR part 4) allows the establishment of definitive viticultural areas and the use of their names as appellations of origin on wine labels and in wine advertisements. Part 9 of the TTB regulations (27 CFR part 9) contains the list of approved viticultural areas.

Definition

Section 4.25(e)(1)(i) of the TTB regulations (27 CFR 4.25(e)(1)(i)) defines a viticultural area for American wine as a delimited grape-growing region distinguishable by geographical features, the boundaries of which have been recognized and defined in part 9 of the regulations. These designations allow vintners and consumers to attribute a given quality, reputation, or other characteristic of a wine made from grapes grown in an area to its geographic origin. The establishment of viticultural areas allows vintners to describe more accurately the origin of their wines to consumers and helps consumers to identify wines they may purchase. Establishment of a viticultural area is neither an approval nor an endorsement by TTB of the wine produced in that area.

Requirements

Section 4.25(e)(2) of the TTB regulations outlines the procedure for proposing an American viticultural area and provides that any interested party may petition TTB to establish a grape-growing region as a viticultural area. Section 9.3(b) of the TTB regulations requires the petition to include—

- Evidence that the proposed viticultural area is locally and/or nationally known by the name specified in the petition;
- Historical or current evidence that supports setting the boundary of the

proposed viticultural area as the petition specifies;

- Evidence relating to the geographical features, such as climate, soils, elevation, and physical features, that distinguish the proposed viticultural area from surrounding areas;

- A description of the specific boundary of the proposed viticultural area, based on features found on United States Geological Survey (USGS) maps; and

- A copy of the appropriate USGS map(s) with the proposed viticultural area's boundary prominently marked.

Texoma Petition

The Texoma Appellation Committee, Denison, Texas, has petitioned TTB to establish the "Texoma" viticultural area in north-central Texas. Located along the Texas-Oklahoma State line on the southern side of Lake Texoma and the Red River, the proposed area covers 3,650 square miles, or about 2.3 million acres, in Montague, Cooke, Grayson, and Fannin Counties. According to the petitioners, the area contains four wineries and a number of small vineyards with approximately 55 acres planted to vines. The petitioners state that both *Vitis vinifera* and native Texas grape varieties thrive in Texoma.

Name Evidence

The name "Texoma" originates with Lake Texoma, a large Army Corps of Engineers lake on the Texas-Oklahoma State line. According to the petitioners, people have referred to the proposed area as "Texoma" for over 60 years, roughly since the completion of Lake Texoma in 1938.

The petition included numerous examples of the use of the name "Texoma" by businesses and governments serving the four-county (Montague, Cooke, Grayson, and Fannin) area. Examples include: the Texoma Regional Health Care system, the Texoma Association of Realtors, the Texoma Council of Governments, the Texoma Women's and Children's Center, Texoma Workforce Commission, Texoma Center for Family Medicine, Texoma Christian Middle School, and the Texoma Council for the Deaf.

The petitioners state that an Internet search for the word "Texoma" returned 6,407 pages of references. None refers to a location outside the four-county area.

The petitioners note that several counties in southern Oklahoma are usually included in the Texoma region. However, the petitioners state that Oklahoma State winery fees have prevented the establishment of a successful wine district on the northern side of the State line.

Boundary Evidence

The petitioners state that the proposed Texoma viticultural area's boundaries encompass the sloping pastureland in this portion of the Red River drainage basin. While the Red River and Lake Texoma form the proposed area's northern boundary, the ridge between the Red River drainage basin and the Trinity River drainage basin form its southern boundary. The Montague County line forms most of the western boundary, while the Fannin County line forms most of the eastern boundary.

The petitioners assert that the proposed area's boundaries correspond to those of the Texoma region of Texas. The petitioners further state that Texoma has unique growing conditions—soils, topography, and climate—that are advantageous for grape growing.

As historical evidence for the proposed boundaries, the petitioners cite Texoma's contributions to world viticultural history. Renowned 19th-century viticulturalist Thomas Volney (T.V.) Munson chose Texoma as the site for his experimental vineyards. An expert on native American grape varieties, he was particularly excited by Texoma's varieties of native grapes, calling the area his "grape paradise." He developed over 300 new grape varieties from the wild grapes growing along the bluffs of the Red River and its tributaries. When phylloxera threatened to destroy French vineyards, Munson shipped thousands of phylloxera-resistant Texas rootstocks to France and had them grafted with European *vinifera* varieties. In 1888, the French government awarded Munson the French Legion of Honor for his role in saving their wine industry.

Today, the T.V. Munson Memorial Vineyard at Grayson County College in Denison, Texas, carries on Munson's legacy. The vineyard grows 65 of the 300 grape varieties developed by Munson, and the college, unlike most junior colleges in the nation, bestows associate degrees in viticulture.

Because of the importance of native grape species to the viticultural history and identity of the Texoma region, the petitioners based their southern boundary in part on the distribution of wild grapevines through the area. Because wild grapevines generally do not grow on the south-facing slopes beyond the ridge dividing the Red River and Trinity River drainage basins, the petitioners excluded certain southern portions of the four counties from the proposed Texoma area.

Growing Conditions

Soils

The petitioners state that Texoma soils differ from the soils in surrounding areas. Texoma contains sandy, loamy soils that provide good drainage for vineyards. Surrounding areas contain black-land soils, which do not provide good drainage for vineyards. The petitioners note that some areas south and southwest of the proposed viticultural area also have sandy, loamy soils, but that these soils lie outside the boundaries of the Texoma area. The petitioners state that, unlike the soils of surrounding areas, Texoma's soils, because of their sandiness, contain practically no phylloxera.

The petitioners submitted a detailed soil report on the Texoma area prepared by a committee of soil scientists: Maurice Jurena and Jerry Rives of the U.S. Department of Agriculture's Natural Resources Conservation Service, Dr. George McEachern of Texas A&M University, and Dr. Charles E. Pehl, a private consultant. The report lists 36 soil series suitable for viticulture in the proposed area. Maps show these soil series throughout the Texoma area. According to the authors, these soils have the characteristics needed for productive vineyards—good internal drainage, adequate soil depth, and good water-holding capacity. Based on available soil surveys of the area, the authors state that approximately one-third of the proposed area, an estimated 690,000 acres (1,078 sq. miles), should be suitable for productive viticulture. The report describes three soils of particular interest:

The Hicota series consists of fine sandy loams that are deep, moderately well drained, slowly permeable, and have good water holding capacity. These soils are found on the high terraces mainly along the Red River. Formed in loamy alluvium, their slopes range from 0 to 3 percent * * *.

The Freestone series consists of fine sandy loams that are very deep, moderately well drained, slowly permeable, and have good water holding capacity. These soils are found on Pleistocene terraces of remnant terraces on upland positions. Formed in loamy and clayey sediments, their slopes vary from 0 to 5 percent. The soils have aquic soil moisture conditions due to an extremely thin area of episaturation above the clay layer in the spring at a depth of 20 to 40 inches during most years.

The Frioton series consists of silty clay loams that are very deep, well drained, moderately slowly permeable, with good water holding capacity. Formed in loamy and clayey Pleistocene sediments on nearly level flood plains, their slopes range from 0 to 1 percent. They may be flooded for very brief periods during the months of February to July.

As additional soil evidence, the petitioners submitted soil survey maps published by the Natural Resources Conservation Service, U.S. Department of Agriculture, for each of the four counties in the proposed area. These maps consistently describe the various soils of Texoma, including those detailed in the petitioner's soil report, as either "loamy and sandy" or "loamy and clayey."

Topography

The petitioners state that much of Texoma's land slopes downward and northward toward the Red River. The elevation ranges from a low of 597 feet above sea level in northeast Fannin County to a high of 1,271 feet on ridges in southeast Montague County. Evening breezes drain the intense heat of the day off Texoma's bluffs and rolling hillsides, cooling the vineyards. Numerous small creeks flow northward to Lake Texoma and the Red River throughout Texoma. Several varieties of wild grapes grow in these creek beds, just as they did in the days of T.V. Munson.

According to the petitioners, Texoma's north-facing slopes (3 percent to 12 percent slope) diminish the power of the summer sun and thus provide excellent vineyard sites. The petitioners state that recent research indicates that, in June, 15-degree north-facing slopes can reduce the sunlight index from 107 to 86. (The sunlight index is a scale measuring the amount of solar radiation received by plants.) This results in significantly less heat stress on the vines. In September, the effect is even greater, with the sunlight index reduced from 122 to 70. The petitioners contrast this with land south of Texoma in the Dallas-Fort Worth area. There the land slopes south, resulting in a much higher sunlight index and greater heat stress on grape vines.

The petitioners note that, in addition to Lake Texoma, the Texoma area has numerous lakes and ponds. These bodies of water provide a large reserve for irrigating the area's vineyards. The petitioners also believe that sunlight reflecting off these bodies of water helps to ripen grapes. They note that a similar effect occurs in New York's Finger Lakes region and in Germany's Mosel and Rhine River valleys. Gentle breezes off Lake Texoma provide advection warming to the surrounding hillsides during cool autumn nights.

Climate

According to the petitioners, Texoma's climate is favorable for grape growing, while the climate of surrounding areas is not. Texoma's temperatures for November through

February generally are 5.3 to 6.7 degrees cooler than those in areas to the south and southeast, such as the Dallas-Fort Worth area (which averages 33.6° F) and Greenville, Texas (which averages 34.9° F). Texoma's winter temperatures in the mid- and upper-20s are cold enough to kill the insect that causes Pierce's disease, while causing no damage to vineyards. The petitioners state that vineyards in the Dallas-Fort Worth area have, in contrast, suffered extensive damage from Pierce's disease.

Areas north and west of Texoma, such as Oklahoma and northwestern Texas, have winter temperatures that are 4 to 6 degrees colder than Texoma's. These temperatures increase the risk of damage to vines. Freeze and thaw cycles in these areas can split vine trunks, while the milder winter temperatures of Texoma prevent such damage.

The petitioners assert that Texoma's precipitation is also favorable for grape growing. While its vineyards rely to some extent on irrigation, Texoma receives an annual rainfall of 30 to 40 inches, which is close to sufficient. As one heads west from Texoma, the climate is increasingly drier. Wichita Falls, Texas, for example, receives only 28 inches of rain a year, an amount that cannot sustain vineyards. Few sources of water for irrigation, such as Lake Texoma, exist west of Texoma. Areas east of Texoma receive much heavier rainfall, as much as 51 inches annually in Texarkana. Such heavy rainfall often results in standing water, which can cause root rot and kill vines.

Boundary Description

See the narrative boundary description of the petitioned-for viticultural area in the proposed regulatory text published at the end of this notice.

Maps

The petitioner provided the required maps, and we list them below in the proposed regulatory text.

Impact on Current Wine Labels

Part 4 of the TTB regulations prohibits any label reference on a wine that indicates or implies an origin other than the wine's true place of origin. If we establish this proposed viticultural area, its name, "Texoma," will be recognized as a name of viticultural significance. Consequently, wine bottlers using "Texoma" in a brand name, including a trademark, or in another label reference as to the origin of the wine, will have to ensure that the product is eligible to use the viticultural area's name as an appellation of origin. The proposed part 9 regulatory text set forth in this

document specifies the "Texoma" name as a term of viticultural significance for purposes of part 4 of the TTB regulations.

For a wine to be eligible to use as an appellation of origin the name of a viticultural area specified in part 9 of the TTB regulations, at least 85 percent of the grapes used to make the wine must have been grown within the area represented by that name. If the wine is not eligible to use the viticultural area name as an appellation of origin and that name appears in the brand name, then the label is not in compliance and the bottler must change the brand name and obtain approval of a new label. Similarly, if the viticultural area name appears in another reference on the label in a misleading manner, the bottler would have to obtain approval of a new label. Accordingly, if a new label or a previously approved label uses the name "Texoma" for a wine that does not meet the 85 percent standard, the new label will not be approved, and the previously approved label will be subject to revocation, upon the effective date of the approval of the Texoma viticultural area.

Different rules apply if a wine has a brand name containing a viticultural area name that was used as a brand name on a label approved before July 7, 1986. See 27 CFR 4.39(i)(2) for details.

Public Participation

Comments Invited

We invite comments from interested members of the public on whether we should establish the proposed viticultural area. We are also interested in receiving comments on the sufficiency and accuracy of the name, climactic, boundary, and other required information submitted in support of the petition. Please provide any available specific information in support of your comments. In addition, TTB is interested in comments concerning the exclusion of those counties in Oklahoma that are considered to be within the Texoma region from the petitioned viticultural area. This includes information on any wine grape growing in those Oklahoma counties.

Because of the potential impact of the establishment of the proposed Texoma viticultural area on brand labels that include the words "Texoma" as discussed above under Impact on Current Wine Labels, we are particularly interested in comments regarding whether there will be a conflict between the proposed area name and currently used brand names. If a commenter believes that a conflict will arise, the comment should describe the nature of

that conflict, including any negative economic impact that approval of the proposed viticultural area will have on an existing viticultural enterprise. We are also interested in receiving suggestions for ways to avoid any conflicts, for example by adopting a modified or different name for the viticultural area.

Confidentiality

All comments and submitted materials are part of the public record and subject to disclosure. Do not enclose any material in your comments that you consider confidential or inappropriate for public disclosure.

Submitting Comments

Please submit your comments by the closing date shown above in this notice. All comments must include this notice number and your name and mailing address. Your comments must be legible and written in language acceptable for public disclosure. We do not acknowledge receipt of comments, and we regard all comments as originals.

You may submit comments in any of five ways:

- *Mail*: You may send written comments to TTB at the address listed in the **ADDRESSES** section.
- *Facsimile*: You may submit comments by facsimile transmission to 202-927-8525. Faxed comments must—
 - (1) Be on 8.5- by 11-inch paper;
 - (2) Contain a legible, written signature; and
 - (3) Be no more than five pages long. This limitation assures electronic access to our equipment. We will not accept faxed comments that exceed five pages.
- *E-mail*: You may e-mail comments to nprm@ttb.gov. Comments transmitted by electronic mail must—
 - (1) Contain your e-mail address;
 - (2) Reference this notice number on the subject line; and
 - (3) Be legible when printed on 8.5- by 11-inch paper.

• *Online form*: We provide a comment form with the online copy of this notice on our Web site at <http://www.ttb.gov/alcohol/rules/index.htm>. Select the "Send comments via e-mail" link under this notice number.

• *Federal e-Rulemaking Portal*: To submit comments to us via the Federal e-rulemaking portal, visit <http://www.regulations.gov> and follow the instructions for submitting comments. You may also write to the Administrator before the comment closing date to ask for a public hearing. The Administrator reserves the right to determine, in light of all circumstances, whether to hold a public hearing.

Public Disclosure

You may view copies of this notice, the petition, the appropriate maps, and any comments we receive by appointment at the TTB Library at 1310 G Street, NW., Washington, DC 20220. You may also obtain copies at 20 cents per 8.5 x 11-inch page. Contact our librarian at the above address or telephone 202-927-2400 to schedule an appointment or to request copies of comments.

For your convenience, we will post this notice and any comments we receive on the TTB Web site. We may omit voluminous attachments or material that we consider unsuitable for posting. In all cases, the full comment will be available in the TTB Library. To access the online copy of this notice, visit <http://www.ttb.gov/alcohol/rules/index.htm>. Select the "View Comments" link under this notice number to view the posted comments.

Regulatory Flexibility Act

We certify that this proposed regulation, if adopted, would not have a significant economic impact on a substantial number of small entities. The proposed regulation imposes no new reporting, recordkeeping, or other administrative requirement. Any benefit derived from the use of a viticultural area name would be the result of a proprietor's efforts and consumer acceptance of wines from that area. Therefore, no regulatory flexibility analysis is required.

Executive Order 12866

This proposed rule is not a significant regulatory action as defined by Executive Order 12866, 58 FR 51735. Therefore, it requires no regulatory assessment.

Drafting Information

Jennifer Berry of the Regulations and Procedures Division drafted this notice.

List of Subjects in 27 CFR Part 9

Wine.

Proposed Regulatory Amendment

For the reasons discussed in the preamble, we propose to amend 27 CFR, chapter I, part 9, Code of Federal Regulations, as follows:

PART 9—AMERICAN VITICULTURAL AREAS

1. The authority citation for part 9 continues to read as follows:

Authority: 27 U.S.C. 205.

2. Amend subpart C by adding § 9.____ to read as follows:

Subpart C—Approved American Viticultural Areas

§ 9. Texoma.

(a) *Name.* The name of the viticultural area described in this section is “Texoma”. For purposes of part 4 of this chapter, “Texoma” is a term of viticultural significance.

(b) *Approved maps.* The two USGS, 1:250,000 scale, topographic maps used to determine the boundaries of the Texoma viticultural area are titled—

(1) Sherman, Texas; Oklahoma, 1954, revised 1977; and

(2) Texarkana, Tex.; Ark.; Okla.; La., 1953, revised 1972.

(c) *Boundary.* The Texoma viticultural area is located in Montague, Cooke, Grayson, and Fannin counties, Texas. The area’s boundaries are defined as follows—

(1) The point of beginning is the northwest corner of Montague County on the Sherman map. From this point, the boundary line—

(2) Follows the Red River eastward along the Texas-Oklahoma State line to the northeast corner of Fannin County on the Texarkana map;

(3) Continues southward along the eastern Fannin County line to a point, approximately three miles west of Petty, Texas, where a power line crosses the county line;

(4) Continues southwest in a straight line for approximately 13 miles to the intersection of State Routes 34 and 50 in Ladonia, Texas;

(5) Follows State Route 34 west to its intersection with State Route 68 on the Sherman map;

(6) From that intersection, continues west-southwesterly in a straight line to the intersection of U.S. Highway 69 and State Route 78 at Leonard, Texas;

(7) Continues northwest on U.S. Highway 69 for approximately 6 miles to its intersection with State Route 121 at Trenton, Texas;

(8) From that intersection, continues westerly in a straight line to the intersection of State Routes 160 and 121, and continues west on State Route 121 to its intersection with U.S. Highway 75 at Van Alstyne, Texas;

(9) Continues south along U.S. Highway 75 to the Grayson County line;

(10) Continues west along the southern Grayson County line and then the southern Cooke County line to the line’s intersection with Interstate 35;

(11) Continues north along Interstate 35 to its intersection with State Route 922 at Valley View, Texas;

(12) Follows State Route 922 west for approximately 17 miles to Rosston, Texas;

(13) Continues west-southwest from Rosston in a straight line for

approximately 19 miles to the intersection of U.S. Highway 287 and State Route 101 at Sunset, Texas;

(14) Follows U.S. 287 northwest approximately 17 miles to the western Montague County line; and

(15) Continues north along the western Montague County line to the starting point at the northwest corner of Montague County.

Signed: November 10, 2004.

Arthur J. Libertucci,
Administrator.

[FR Doc. 04-26329 Filed 11-29-04; 8:45 am]

BILLING CODE 4810-31-P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 117

[CGD07-04-108]

RIN 1625-AA09

Drawbridge Operation Regulations; Biscayne Bay, Atlantic Intracoastal Waterway, Miami River, and Miami Beach Channel, Miami-Dade County, FL

AGENCY: Coast Guard, DHS.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard proposes to temporarily change the regulations governing the operation of the east and west spans of the Venetian Causeway bridges across the Miami Beach Channel on the Atlantic Intracoastal Waterway, the Miami Avenue bridge and the Brickell Avenue bridge across the Miami River, Miami-Dade County. This proposed rule would allow these bridges to remain in the closed position during the running of the Miami Tropical Marathon on January 30, 2005.

DATES: Comments and related material must reach the Coast Guard on or before December 30, 2004.

ADDRESSES: You may mail comments and related material to Commander (obr), Seventh Coast Guard District, 909 SE, 1st Ave, Suite 432, Miami, FL 33131-3050. Commander (obr) maintains the public docket for this rulemaking. Comments and material received from the public, as well as documents indicated in this preamble as being available in the docket, will become part this docket and will be available for inspection or copying at the Bridge Branch, Seventh Coast Guard District, between 8 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: Mr. Gwin Tate, Project Manager, Seventh Coast Guard District, Bridge Branch, 305-415-6747.

SUPPLEMENTARY INFORMATION:

Request for Comments

We encourage you to participate in this rulemaking by submitting comments and related material. If you do so, please include your name and address, identify the docket number for this rulemaking [CGD07-04-108], indicate the specific section of this document to which each comment applies, and give the reason for each comment. Please submit all comments and related material in an unbound format, no larger than 8½ by 11 inches, suitable for copying. If you would like to know they reached us, please enclose a stamped, self-addressed postcard or envelope. We will consider all comments and material received during the comment period. We may change this proposed rule in view of them.

Public Meeting

We do not now plan to hold a public meeting. But you may submit a request for a meeting by writing to the Bridge Branch, Seventh Coast Guard District, at the address under **ADDRESSES** explaining why one would be beneficial. If we determine that one would aid this rulemaking, we will hold one at a time and place announced by a later notice in the **Federal Register**.

Background and Purpose

The Miami Marathon Director requested that the Coast Guard temporarily change the existing regulations governing the operation of the east and west spans of the Venetian Causeway bridges, the Brickell Avenue bridge and the Miami Avenue bridge to allow them to remain in the closed position during the running of the Miami Tropical Marathon on Sunday, January 30, 2005. The closure times range from 6:05 a.m. through 12:05 p.m. The marathon route will pass over these four bridges and any bridge opening would disrupt the race. Based on the limited amount of time the bridges would be closed, the proposed rule would still provide for the reasonable needs of navigation on the day of the event.

The east and west spans of the Venetian Causeway bridges are located between Miami and Miami Beach. The current regulation governing the operation of the east span of the Venetian Causeway bridge is published in 33 CFR 117.269 and requires the bridge to open on signal; except that, from November 1 through April 30 from

Appendix D-8

Interstate Commerce Clause

Article I, Section 8, Clause 3

Section 8. The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts and excises shall be uniform throughout the United States;

To regulate commerce with foreign nations, and among the several states, and with the Indian tribes;

Amendment XVIII [Prohibition (1919)]

Section 1. After one year from the ratification of this article the manufacture, sale, or transportation of intoxicating liquors within, the importation thereof into, or the exportation thereof from the United States and all territory subject to the jurisdiction thereof for beverage purposes is hereby prohibited.

Section 2. The Congress and the several states shall have concurrent power to enforce this article by appropriate legislation.

Section 3. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of the several states, as provided in the Constitution, within seven years from the date of the submission hereof to the states by the Congress.

Amendment XXI [1933]

Section 1. The eighteenth article of amendment to the Constitution of the United States is hereby repealed.

Section 2. The transportation or importation into any state, territory, or possession of the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited.

Section 3. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by conventions in the several states, as provided in the Constitution, within seven years from the date of the submission hereof to the states by the Congress.

Appendix D-9

ALCOHOLIC BEVERAGE CODE
CHAPTER 6. ACTIVITIES SUBJECT TO REGULATION

§ 6.03. CITIZENSHIP REQUIREMENTS. (a) It is the public policy of this state and a purpose of this section to require that, except as provided in Subsection (k) of this section or otherwise in this code, a permit or license may not be issued to a person who was not a citizen of this state for a one-year period preceding the date of the filing of the person's application for a license or permit. In that regard, the legislature makes the findings in Subsections (b) through (j) of this section.

(b) Between 1920 and 1933, the distribution and consumption of alcoholic beverages was prohibited in the United States. While the idealistic motives behind Prohibition were noble, a law enforcement nightmare ensued. Otherwise law-abiding citizens routinely violated the law by buying and consuming alcoholic beverages. The demand for the illegal products created an opportunity for criminal elements to develop a national network for the supply and distribution of alcoholic beverages to the populace. Massive criminal empires were built on illicit profits from these unlawful activities and organized crime openly flourished in Chicago, New York, New Orleans, and other cities.

(c) During Prohibition, the illegal enterprises used their national wholesale distribution networks to exert control over their customers. A common operating procedure was to sell alcoholic beverages to a speakeasy on liberal terms to ensnarl the owner in a web of debt and control with the aim of forcing the owner to engage in other illegal business enterprises on the premises including gambling, prostitution, and the distribution of illegal drugs.

(d) In 1935, when the sale of alcoholic beverages was legalized in this state following the adoption of the Twenty-first Amendment to the United States Constitution, the state was faced with building an entire framework for the distribution of alcoholic beverage products. An important concern was that since criminals owned and controlled the existing illegal alcoholic beverage distribution system, criminals would attempt to own and control the newly legalized industry. In an effort to prevent this situation, comprehensive laws were adopted to ensure that an alcoholic beverage permit or license could be issued only to citizens of the state who had lived in this state for at least three years, thus, long enough to be known by their community and neighbors.

(e) Under the newly designed regulatory scheme, permits and licenses issued by the state did not grant the holder a right. Rather, the holder was granted a privilege that could be challenged at both the county and the state level if the character or qualifications of the applicant were suspect. Finally, strict cash and credit laws were adopted to prevent parties in the wholesale distribution system from controlling their retail customers through the leveraging of debt to accomplish other illicit gain.

(f) The alcoholic beverage laws adopted by the legislature in the 1930s to free the industry from the influence of organized crime have been successful in this state. The alcoholic beverage industry in this state is not dominated by organized crime. However, the legislature does find that organized crime continues to be a threat that should never be allowed to establish itself in the alcoholic beverage industry in this state.

(g) To accommodate the interests of the consuming public, the expansion of popular nationwide businesses, and the increasing state interest in tourism, and at the same time to guard against the threats of organized crime, unfair competition, and decreased opportunities for small businesses, the legislature finds that there is no longer need for the three-year residency requirements with regard to those segments of the industry that sell alcoholic beverages to the ultimate consumer only. The legislature finds that it is desirable to retain a one-year residency

requirement for businesses that sell to the consumer packaged liquor and fortified wine capable of being used to supply legal or illegal bars and clubs. The legislature also finds it reasonable, desirable, and in the best interests of the state to provide a one-year residency requirement for businesses engaged in the wholesale distribution of beer, malt liquor, or wine or in the manufacture and distribution of distilled spirits and fortified wines at both the wholesale and the retail levels where those beverages, in unopened containers, are sold to mixed beverage permittees and private club registration permittees as well as to the general public. Adequate protection is deemed to be provided by controlling those sources of supply for distilled spirits and fortified wines.

(h) It is also the public policy of this state and a purpose of this section to enforce strict cash and credit laws as a means of preventing those engaged in the distribution of alcoholic beverages from exerting undue influence over any level of the industry selling or serving alcoholic beverages to the ultimate consumer.

(i) It is also the public policy of this state and a purpose of this section to maintain and enforce the three-tier system (strict separation between the manufacturing, wholesaling, and retailing levels of the industry) and thereby to prevent the creation or maintenance of a "tied house" as described and prohibited in Section 102.01 of this code.

(j) The above-stated public policies, purposes of this section, and legislative findings are provided as guidelines for the construction of the following subsections of this section.

(k) A requirement under this code that 51 percent or more of the stock of a corporation be owned by a person or persons who were citizens of this state for a one-year period preceding the date of the filing of an application for a license or permit does not apply to a corporation organized under the laws of this state that applies for a license or permit under Chapters 25-34, Chapter 44, Chapters 48-51, Chapters 69-72, or Chapter 74 of this code if:

(1) all of the officers and a majority of directors of the applicant corporation have resided within the state for a one-year period preceding the date of the application and each officer or director possesses the qualifications required of other applicants for permits and licenses;

(2) the applicant corporation and the applicant's shareholders have no direct or indirect ownership or other prohibited relationship with others engaged in the alcoholic beverage industry at different levels as provided by Chapter 102 of this code and other provisions of this code;

(3) the applicant corporation is not precluded by law, rule, charter, or corporate bylaw from disclosing the applicant's shareholders to the commission; and

(4) the applicant corporation maintains its books and records relating to its alcoholic beverage operations in the state at its registered office or at a location in the state approved in writing by the commission.

(l) Corporations subject to Subsection (k) of this section that have substantially similar ownership may merge or consolidate. A fee of \$100 shall be paid to the commission for each licensed or permitted premises that is merged or consolidated into the surviving corporation. The surviving corporation succeeds to all privileges of the prior corporation that held the permits or licenses if the surviving corporation is qualified to hold the permits or licenses under this code. For the purposes of this subsection, corporations have substantially similar ownership if 90 percent or more of the corporations is owned by the same person or persons or by the same corporation or corporations or if the surviving corporation has maintained an ownership interest in the merged or consolidated corporations since the date the original permit or license was issued.

Added by Acts 1993, 73rd Leg., ch. 934, § 16, eff. Sept. 1, 1993.

Appendix D-10

One Hundred Seventh Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Wednesday,
the twenty-third day of January, two thousand and two*

An Act

To authorize appropriations for the Department of Justice for fiscal year 2002,
and for other purposes.

*Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “21st Century Department of Justice Appropriations Authorization Act

Excerpted:

SEC. 11022. DIRECT SHIPMENT OF WINE.

(a) CONDITIONS FOR TRANSPORTING CERTAIN WINE.—During any period in which the Federal Aviation Administration has in effect restrictions on airline passengers to ensure safety, the direct shipment of wine shall be permitted from States where wine is purchased from a winery, to another State or the District of Columbia, if—

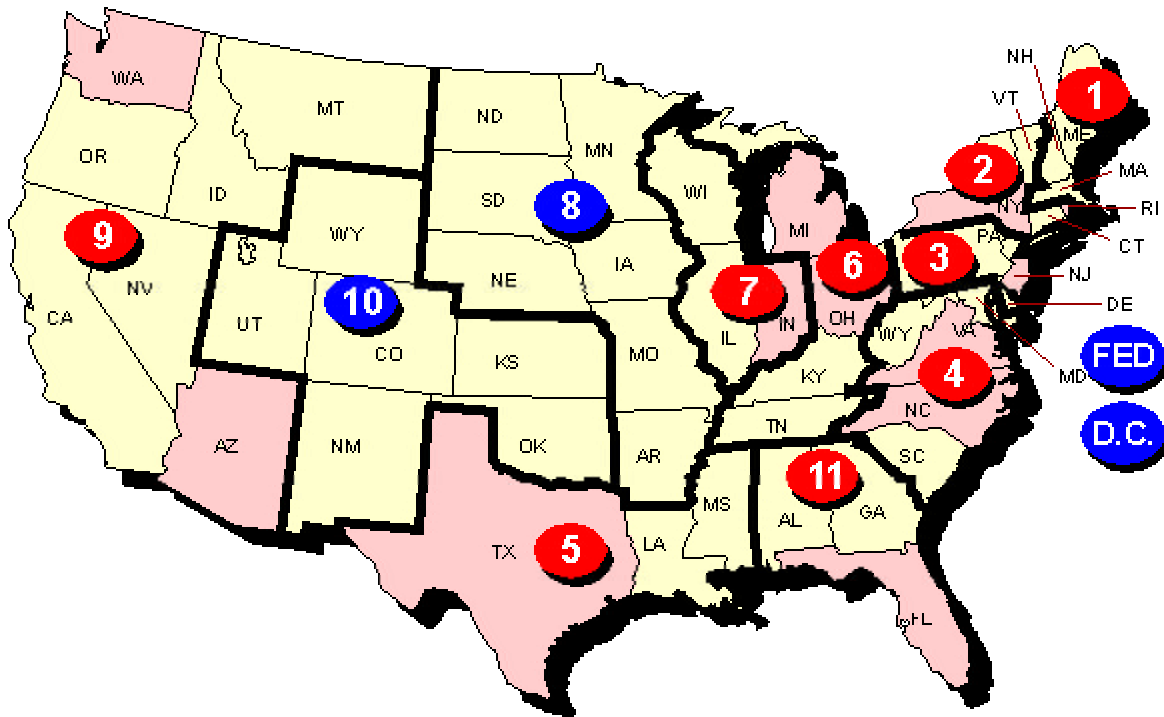
- (1) the wine was purchased while the purchaser was physically present at the winery;
- (2) the purchaser of the wine provided the winery verification of legal age to purchase alcohol;
- (3) the shipping container in which the wine is shipped is marked to require an adult’s signature upon delivery;
- (4) the wine is for personal use only and not for resale; and
- (5) the purchaser could have carried the wine lawfully into the State or the District of Columbia to which the wine is shipped.

(b) VIOLATIONS.—If any person fails to meet any of the conditions under subsection (a), the attorney general of any State may bring a civil action under the same terms as those set out in section 2 of the Act entitled “An Act divesting intoxicating liquors of their interstate character in certain cases”, approved March 1, 1913 (commonly known as the “Webb-Kenyon Act”) (27 U.S.C. 122a).

(c) REPORT.—Not later than 2 years after the date of enactment of this Act, and at 2-year intervals thereafter, the Attorney General of the United States, in consultation with the Administrator of the Federal Aviation Administration, shall prepare and submit to the Committee on the Judiciary of the Senate and to the Committee on the Judiciary of the House of Representatives a report on the implementation of this section.

Appendix D-11

Litigation Summaries**
Excerpted from the Coalition for Free Trade Website
<http://www.coalitionforfreetrade.org/litigation/index.html>



Federal Circuits with Direct Shipping Litigation

Federal Circuits with no Direct Shipping Litigation

ROAD TO THE U.S. SUPREME COURT:

Industry's Merits Brief, Plus Ten Amicus Briefs, Filed September 23, 2004 by Proponents of Direct Shipping:

List Includes 5 State Attorneys General, 20 Members of Congress, 3 Nobel Laureates, eBay, and Prominent Constitutional Attorneys

September 28, 2004 -- The Coalition for Free Trade reports that the industry's "Merits Brief" makes the case that state prohibitions on wine direct shipping based on wineries' geographic locations are inimical to the national economic union. The document was a joint effort by plaintiff's attorneys in the Michigan case, J. Alexander Tanford, professor at Indiana University School of law, and Robert Epstein of Epstein, Cohen, Donahoe & Mendes; Kenneth W. Starr of the law firm Kirkland & Ellis; and Kathleen M. Sullivan, professor of law and former

**Another Excellent Resource for Current Information on Litigation is the Wine and Spirits Wholesalers of America Website at: <http://www.wswa.org/public/legal/direct.html>

dean of Stanford Law School. The Kirkland legal team also included Steven A. Engel, Susan Engel and Jennifer Sands Atkins.

Amicus 'friends of the court' briefs were filed to the U.S. Supreme Court on September 23 from a broad coalition of supporters of direct shipping. Here's a summary of each brief; click on the heading to download and read the entire brief.

1) [U.S. Congress Brief](#). Twenty members of the U.S. Congress helped to formulate this brief arguing that Congress never intended that any of its laws allow states to discriminate against interstate commerce. The brief reviews relevant, federal legislation including the Webb-Kenyon Act and the 21st Amendment Enforcement Act. The authors were Roy T. Englert, a prominent constitutional attorney with experience in anti-trust litigation, and attorneys from Washington, DC law firm, Patton Boggs. The Patton Boggs team included John L. Oberdorfer, Robert C. Jones, Meagan T. Bachman and Colleen Hanrahan.

2) [Political Economy](#). This brief—submitted by three Nobel laureates, and four other prominent economists—provides an analysis of the economic effects of direct shipment prohibitions, with particular emphasis on the harm caused to consumers. Stuart Banner, Professor at the UCLA School of Law, authored the brief.

3) [National Wine Industry/Family Winery Brief](#). WineAmerica collaborated with Family Winemakers of California, the Coalition for Free Trade, and various wine industry organizations to draft a brief focusing on the plight of the family wine farmer, and describing the overall structure of the national wine industry. The brief highlighted the average winemaker's difficulty in accessing state markets without direct shipping. A diverse team of attorneys authored the document: James N. Czaban, Robert P. Mahnke, and Ingrid S. Leverett of Heller Ehrman; University of Southern California professor and national media commentator Susan Estrich; and Tracy K. Genesen and Paul A. Hemesath of Nossaman Guthner Knox & Elliott LLP.

4) [State Attorneys General](#). State AGs from California, Washington, Oregon, New Mexico, and West Virginia signed this brief that outlines the realities of how the legal direct shipping states are effectively regulating interstate wine shipments.

5) [Legislative Brief](#). Wine Institute sponsored and coordinated this brief, which lays out the successful implementation of the model direct shipping bill for addressing public policy concerns. Jim Seff and Kevin Fong of Pillsbury Winthrop, a San Francisco law firm, authored the brief.

6) [History of 21st Amendment Brief](#). Family Winemakers of California coordinated funding of this brief among regional winery associations representing Napa Valley, Sonoma County, Monterey, El Dorado, Amador, Temecula and Santa Cruz. The brief argues that the 21st Amendment does not authorize states to discriminate against interstate commerce. The brief examines the history of

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the 21st Amendment, which repealed Prohibition, and the legislative context of the Wilson and Webb-Kenyon Acts. The brief was written in large part by attorney Carter G. Phillips, one of the nation's foremost constitutional law experts, and a partner of the law firm of Sidley Austin Brown & Wood LLP. Other Sidley attorneys authoring the brief were Mark E. Haddad, and Alycia A. Degen.

7) [Transportation](#). The Cargo Airline Association (CAA) also weighed in on the side of direct shipping in the form of a brief arguing that the federal government has preempted state laws prohibiting direct shipping. The CAA is composed of 15 interstate carriers that are affiliated with such air carriers as United Parcel Service and FedEx. Lawyers authoring the brief were: Drew S. Days, III, Beth S. Brinkmann, Seth M. Galanter, Paul T. Friedman, and Ruth Borenstein of Morrison & Foerster; and Stephen A. Alterman of Myers & Alterman.

8) [DKT Liberty Project](#). Not-for-profit organization DKT Liberty Project commissioned William M. Hohengarten and Julia M. Carpenter of the law firm Jenner & Block to author a brief debunking the notion that Section 2 of the Twenty-First Amendment allows the states to discriminate against out-of-state wineries.

9) [E-commerce](#). A wide coalition of interested parties, including the American Homeowners Alliance, the American Legislative Exchange Council, and eBay, united to sponsor a brief highlighting e-commerce issues. The brief describes the importance of e-commerce to the United States economy, and argues that Michigan's laws undermine interstate commerce by unfairly discriminating against out-of-state producers.

10) [Goldwater Institute](#). The Goldwater Institute, a non-profit research organization, filed a brief arguing that state laws restricting direct shipping violate the Commerce Clause, and harm consumers by limiting their choices in the national marketplace. Mark Brnovich of the Institute authored the brief.

Next steps. The petitioners will have an opportunity to file reply briefs within 35 days of the respondent's brief filing date (September 23). Oral arguments were heard on December 7, 2004.

ARIZONA (9th Circuit):

On October 7, 2003, the Institute for Justice filed *Parker v. Morrison*, which challenges on constitutional grounds the State of Arizona's law forbidding direct interstate shipments of wine. The suit was subsequently dismissed without prejudice.

FLORIDA (11th Circuit):

The 11th Circuit Court of Appeals ruled on November 4, 2002 that the State of Florida must demonstrate why its felony prohibition on interstate, direct-to-consumer wine shipments is required for it to collect taxes from out-of-state

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wineries, when these same discriminatory laws do not apply to in-state wineries. The case is pending in the district court on remand from the 11th Circuit. Cross-motions for summary judgment and all reply briefs have been filed.

INDIANA (7th Circuit):

On April 23, 2001 the United States Supreme Court denied the request of the Indiana consumer plaintiffs to hear their direct shipping case. The Coalition for Free Trade in consultation with many attorneys both within the wine industry and the constitutional law community filed a "friend of the court" brief opposing the Indiana consumers' petition. The Coalition for Free Trade believes a more well-defined case will ultimately be petitioned to the Supreme Court.

MICHIGAN (6th Circuit):

This case is now before the U.S. Supreme Court.

The 6th Circuit Court of Appeals ruled August 28, 2003 that Michigan's ban on direct-to-consumer shipments from out-of-state wineries is unconstitutional, overturning a lower court ruling. The panel's vote was unanimous (3-0). The state petitioned for a rehearing en banc and was refused.

NEW JERSEY (3rd Circuit):

On July 2, 2003, a lawsuit was filed that challenges the state's prohibition on direct interstate shipments of wine. Motions for summary judgment are due July 2.

NEW YORK (2nd Circuit):

This case is now before the U.S. Supreme Court.

On February 12, 2004 the 2nd Circuit Court of Appeals ruled to uphold a previous court decision that allows for New York to prohibit interstate wine shipments to its citizens. The ruling reversed the lower court's finding that the ban was unconstitutional. Meanwhile, Governor George Pataki's budget, introduced January 20, 2004 included interstate wine shipment regulations along the lines of the industry's model direct shipping legislation. Ultimately, the language was not included in the final budget.

NORTH CAROLINA (4th Circuit):

In April 2003, the U.S. Circuit Court of Appeals ruled that North Carolina's prohibition on interstate shipments was unconstitutional. Following the positive ruling, a favorable direct shipping bill based on the industry's model direct shipping legislation was signed into law and went into effect October 1, 2003. The lawsuit is, therefore, moot.

OHIO (6th Circuit):

On July 2, 2003, a lawsuit was filed that challenges the state's prohibition on interstate, direct-to-consumer wine shipments. Wholesalers have intervened and filed a motion to dismiss the case, but the state did not join the motion. Coalition

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for Free Trade has filed a memorandum in response. Cross-motions for summary judgment are due March 8.

RHODE ISLAND (1st Circuit):

A similar suit was filed which challenges the state's prohibition on interstate, direct-to-consumer wine shipments. The judge has put the case on a fast track and oral arguments on cross-motions for summary judgment have been scheduled for April 15.

TEXAS (5th Circuit):

The Texas ABC announced August 25, 2003 that it will not seek a Supreme Court review of the 5th Circuit's direct shipping decision, which ruled Texas' prohibition unconstitutional. Texas is considered an open state, and shipments are occurring for sales made at the winery. Lawyers continue to work with regulators on the challenging task of identifying the zip codes that are 100% wet.

VIRGINIA (4th Circuit):

Virginia Governor signed into law a favorable direct shipping bill based on the industry's model direct shipping legislation and went into effect July 1, 2003 and rendered substantial portions of the lawsuit moot. As a reminder, U.S. District Court Judge Williams struck down the state's ban on interstate wine direct shipments to consumers on March 29, 2002.

WASHINGTON (9th Circuit):

Two Gonzaga University law students filed a suit against the State of Washington. U.S. District Judge Fred van Sickle granted a dismissal on September 9, 2002. A notice of appeal was filed on October 1, 2002.

Questions concerning the pending litigation may be directed to W. Reed Foster, Coalition for Free Trade's President by email at rfoster@ravenswood-wine.com, or (510)420-4511.

Appendix D-12

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

United States Courts
Southern District of Texas
ENTERED

AUG 29 2002

Michael N. Milby, Clerk of Court

C.A. DICKERSON, ROLAND R.
PENNINGTON, AND DAVID VUKOVIC,

Plaintiffs,

VS.

CIVIL ACTION NO. H-99-1247

DOYNE BAILEY, in his Official
Capacity as Administrator of
the Texas Alcohol Beverage
Commission, and JOHN CORNYN,
in his Official Capacity as
Attorney General of the State
of Texas,

Defendants.

FINAL JUDGMENT

Pursuant to the Court's memorandum and order of July 17,
2002 and its order of this date, the Court

ORDERS that FINAL SUMMARY JUDGMENT is GRANTED in favor
of Plaintiffs C.A. Dickerson, Roland R. Pennington, and David
Vukovic against Defendant Administrator of the Texas Alcohol
Beverage Commission. The Court further

DECLARES that the following statutes of the Texas
Alcoholic Beverage Code are unconstitutional as applied to
Plaintiffs as Texas residents over twenty-one years of age, not
otherwise statutorily prohibited from possessing alcoholic
beverages, seeking to purchase and ship wine for their personal
consumption in "wet" areas of Texas: § 107.07(a) and (f); § 6.01;
§ 11.01; § 37.03; § and 107.05(a). Accordingly, the Court

ORDERS that officials of the State of Texas are ENJOINED
from enforcing these statutes against Plaintiffs. Nevertheless,
the Court further


125.

ORDERS that this injunction is hereby STAYED, pending an appeal to the Fifth Circuit, or, if no appeal is taken, until May 31, 2003 to allow the Texas Legislature a reasonable time to modify the Texas Alcoholic Beverage Code in light of this Court's ruling. Finally, pursuant to 42 U.S.C. § 1988(b), the Court

ORDERS that Defendant shall pay to Cotham Harwell & Evans \$71,710.67 for reasonable and necessary attorney's fees and \$260.00 for costs; and to Sterling W. Steves, \$20,000 for fees and nothing for costs incurred in litigating this case. Post-judgment interest shall accrue at a rate of 1.81 % per annum from entry of judgment until paid.

THIS IS A FINAL JUDGMENT.

SIGNED at Houston, Texas, this 29th day of August, 2002.


MELINDA HARMON
UNITED STATES DISTRICT JUDGE

Appendix D-13

Appendix D-13

FY 2005 Local Option Elections

Elections Held September 11, 2004

An election was held for the City of Palestine, Anderson County, on September 11, 2004, on the issue of “the legal sale of beer and wine for off-premises consumption only.” The issue passed by a vote of 597 FOR and 546 AGAINST. The City of Palestine, Anderson County, was already wet in part for the legal sale of beer and wine for off-premises consumption prior to the election and is now wet throughout for such sales.

An election was held for the City of Palestine, Anderson County, on September 11, 2004, on the issue of “the legal sale of mixed beverages in restaurants by food and beverage certificate holders only.” The issue passed by a vote of 611 FOR and 524 AGAINST. The City of Palestine, Anderson County, was dry for mixed beverages sales before the election and is now wet for the sale of mixed beverages in restaurants by food and beverage certificate holders only.

An election was held for the City of Richardson, Collin and Dallas Counties, on September 11, 2004, on the issue of “the legal sale of mixed beverages in restaurants by food and beverage certificates only.” The issue passed by a vote of 3,997 FOR and 616 AGAINST. The City of Richardson, Collin and Dallas Counties, was dry for the sale of mixed beverages prior to the election and is now wet for the sale of mixed beverages in restaurants by food and beverage certificates only.

An election was held for the City of Carrollton, Collin, Dallas and Denton Counties, on September 11, 2004, on the issue of “the legal sale of beer and wine for off-premises consumption only.” The issue passed by a vote of 6,197 FOR and 3,173 AGAINST. The City of Carrollton, Collin, Dallas, and Denton Counties, was dry before the election and is now wet for the sale of beer and wine for off-premises consumption only.

An election was held for the City of Carrollton, Collin, Dallas and Denton Counties, on September 11, 2004, on the issue of “the legal sale of mixed beverages in restaurants by food and beverage certificate holders only.” The issue passed by a vote of 6,759 FOR and 2,595 AGAINST. The City of Carrollton, Collin, Dallas, and Denton Counties, was dry before the election and is now wet for the sale of mixed beverages in restaurants by food and beverage certificate holders only.

An election was held for the City of Irving, Dallas County, on September 11, 2004, on the issue of the “legal sale of beer and wine for off-premises consumption only.” The issue failed by a vote of 6,787 FOR and 11,618 AGAINST. The City of Irving, Dallas County, was dry for the sale of beer and wine for off-premises consumption only before the election and remains dry for such sales afterwards.

An election was held for the City of Mesquite, Dallas and Kaufman Counties, on November 11, 2004, on the issue of the “legal sale of mixed beverages in restaurants by holders of food and beverage certificates only.” The issue failed by a vote of 1,346 FOR and 1,645 AGAINST. The City of Mesquite, Dallas and Kaufman Counties, was dry before the election and remains dry afterwards.

An election was held for the City of Grand Prairie, Dallas and Tarrant Counties, on September 11, 2004, on the issue of the “legal sale of beer and wine for off-premises consumption only.” The issue passed by a vote of 4,223 FOR and 3,004 AGAINST. The City of Grand Prairie, Dallas and Tarrant Counties, was dry for the sale of beer and wine for off-premises consumption only and is now wet for such sales.

An election was held for the City of Clark, Denton County, on September 11, 2004, on the issue of “the legal sale of all alcoholic beverages for off-premises consumption only.” The issue failed by a vote of 32 FOR and 125 AGAINST. The City of Clark, Denton County, was dry before the election and remains dry after the election.

An election was held for the City of Lone Oak, Hunt County, on September 11, 2004, on the issue of the “legal sale of all alcoholic beverages for off-premises consumption only.” The issue failed by a vote of 82 FOR and 119 AGAINST. The City of Lone Oak, Hunt County, was dry before the election and remain dry after the election.

An election was held for the City of Kemp, Kaufman County, on September 11, 2004, on the issue of “the legal sale of all alcoholic beverages for off-premises consumption only.” The issue passed by a vote of 197 FOR and 87 AGAINST. The City of Kemp, Kaufman County, was dry before the election and is now wet for the legal sale of all alcoholic beverages for off-premises consumption only.

An election was held for the City of Littlefield, Lamb County, on September 11, 2004, on the issue of “the legal sale of all alcoholic beverages for off-premises consumption only. The issue failed by a vote of 742 FOR and 769 AGAINST. The City of Littlefield, Lamb County, was dry before the election and remains dry afterwards.

An election was held for the City of Bellmead, McLennan County, on September 11, 2004, on the issue of “the legal sale of beer and wine for off-premises consumption only.” The issue passed by a vote of 155 FOR and 50 AGAINST. The City of Bellmead, McLennan County was wet for the sale of beer for both on and off premises consumption before the election and after the election is wet for the sale of beer for both on and off premises consumption and for the sale of wine for off-premises consumption only.

An election was held for the City of Bellmead, McLennan County, on September 11, 2004, on the issue of “the legal sale of mixed beverages in restaurants by food and beverage certificate holders only.” The issue passed by a vote of 157 FOR and 49 AGAINST. The City of Bellmead, McLennan County was dry for the sale of mixed beverages before the election and is now wet for the sale of mixed beverages in restaurants by food and beverage certificate holders only.

An election was held for Madison County, on September 11, 2004, on the issue of “the legal sale of beer and wine for off-premises consumption only.” The issue passed by a vote of 1,301 FOR and 944 AGAINST. Madison County was dry before the election and is now wet for the sale of beer and wine for off-premises consumption only.

An election was held for Madison County, on September 11, 2004, on the issue of “the legal sale of mixed beverages in restaurants by food and beverage certificate holders only.” The issue passed by a vote of 1,326 FOR and 898 AGAINST. Madison County was dry before the election and is now wet for the sale of mixed beverages in restaurants by food and beverage certificate holders only.

An election was held for the City of Glen Rose, Somervell County, on September 11, 2004, on the issue of “the legal sale of beer and wine for off-premises consumption only.” The issue passed by a vote of 69 FOR and 52 AGAINST. The City of Glen Rose, Somervell County, was, for the most part, wet for the sale of beer and wine for off-premises consumption before the election and is now wet throughout for such sales.

An election was held for the City of Euless, Tarrant County, on September 11, 2004, on the issue of the “legal sale of beer and wine for off-premises consumption only.” The issue passed by a vote of 1985 FOR and 203 AGAINST. The City of Euless, Tarrant County, was wet for the sale of beer for off-premises consumption only before the election, but not for the sale of wine. As a result of the election, it is now wet throughout for the sale of both beer and wine for off-premises consumption.

An election was held for the City of Hurst, Tarrant County, on September 11, 2004, on the issue of “the legal sale of beer and wine for off-premises consumption only.” The issue passed by a vote of 1,592 FOR and 470 AGAINST. The City of Hurst, Tarrant County, was largely wet for the sale of beer for off-premises consumption before the election but dry for the sale of wine. As a result of the election, it is now wet throughout for the sale of both beer and wine for off-premises consumption.

An election was held for the City of Hurst, Tarrant County, on September 11, 2004, on the issue of “the legal sale of mixed beverages in restaurants by food and beverage certificate holders only.” The issue passed by a vote of 1,538 FOR and 510 AGAINST. The City of Hurst, Tarrant County, was largely, but not completely, wet for the sale of mixed beverages before the election. As a result of the election, the areas of the city that were not already wet for the sale of mixed beverages are now wet for the sale of mixed beverages in restaurants by food and beverage certificate holders only.

An election was held for the City of San Angelo, Tom Green County, on September 11, 2004, on the issue of the “legal sale of beer and wine.” The issue passed by a vote of 8,358 FOR and 2,961 AGAINST. The City of San Angelo, Tom Green County, was wet in part for the sale of beer and wine before the election and as a result of the election is now wet throughout for the sale of beer and wine.

An election was held for the City of Georgetown, Williamson County, on September 11, 2004, on the issue of “the legal sale of beer and wine for off-premises consumption only.” The issue passed by a vote of 4,715 FOR and 1,269 AGAINST. The City of Georgetown, Williamson County, was wet in part for the sale of beer and wine for off-premises consumption before the election and is now wet throughout for such sales.

An election was held for the City of Georgetown, Williamson County, on September 11, 2004, on the issue of “the legal sale of mixed beverages in restaurants by food and beverage certificate holders only.” The issue passed by a vote of 5,147 FOR and 973 AGAINST. The City of Georgetown, Williamson County, was only partially wet for the sale of mixed beverages before the election and is now wet throughout for the sale of mixed beverages in restaurants by food and beverage certificate holders only.

Elections Held November 2, 2004

An election was held for Wilbarger County on November 2, 2004, on the issue of “the legal sale of all alcoholic beverages, including mixed beverages.” The issue passed by a vote of 2,526 FOR and 2,252 AGAINST. Wilbarger County, except for one justice of the peace precinct, was dry before the election and is now throughout wet for the sale of all alcoholic beverages, including mixed beverages.

An election was held for the City of Lowry Crossing, Collin County, on November 2, 2004, on the issue of “the legal sale of beer and wine for off-premises consumption only.” The issue failed by a vote of 345 FOR and 400 AGAINST. The City of Lowry Crossing, Collin County, was dry before the election and remains dry.

An election was held for Red River County, on November 2, 2004, on the issue of “the legal sale of beer and wine.” The issue failed by a vote of 1,898 FOR and 3,237 AGAINST. Red River County was dry for the sale of beer and wine before the election and remains dry such sales.

An election was held for Justice of the Peace Precinct 3, McCulloch County, on November 2, 2004, on the issue of “the legal sale of beer and wine for off-premises consumption only. The issued passed by a vote of 412 FOR and 195 AGAINST. Justice of the Peace Precinct 3, McCulloch County, was only partially wet for the sale of beer and wine for off-premises consumption before the election and is now wet throughout for the sale of beer and wine for off-premises consumption only.

An election was held for the City of Oak Ridge, Cooke County, on November 2, 2004, on the issue of “the legal sale of all alcoholic beverages, including mixed beverages.” The issued passed by a vote of 10 FOR and 2 AGAINST. The City of Oak Ridge, Cooke County, was wet for the sale of all alcoholic beverages including mixed beverages before the election except in recently annexed areas and is now wet throughout for such sales.

An election was held for the City of Fort Stockton, Pecos County, on November 2, 2004, on the issue of “the legal sale of mixed beverages.” The issue passed by a vote of 2,108 FOR and 1,073 AGAINST. The City of Fort Stockton, Pecos County

Appendix D-14



John T. Steen, Jr.
Chairman-San Antonio
Gail Madden
Member-Dallas
Kel Seliger
Member-Amarillo

Alan Steen
Administrator

December 5, 2003

Dear Friends:

We are writing this letter to offer our initial and tentative conclusions about several issues regarding regulation of wineries and transportation of wine within the state. As always, we are offering our conclusions to solicit your views, particularly if you think we are wrong or unwise in these matters.

Sales by Wineries to Private Clubs

Wineries are authorized to sell wine to "permit holders authorized to...sell wine." *Alcoholic Beverage Code §16.01(a)(3)*. Unique among other licensees and permittees, private clubs are not authorized to sell wine, but rather, to serve alcoholic beverages to members, their families and guests. *Alcoholic Beverage Code §32.01(a)(2)*. The distinction between "sales" and "service" in the Alcoholic Beverage Code is not merely a technical one, but a substantive and important distinction. Accordingly, we do not believe we can legitimately read §16.01(a)(3) to authorize sales by wineries to private clubs. Therefore, sales of wine to private clubs ought to continue to be through Local Distributor permittees pursuant to our rule 41.51(c).

Percentage of Texas Grapes in Certain Wines

Pursuant to recent amendment to Article XVI §20 of the Texas Constitution, the Legislature added §16.011 to our code. Under that provision, wineries in dry areas can exercise all of the privileges of wineries in wet areas, so long as the wine they sell is manufactured in Texas and is "at least 75 percent by volume fermented juice of grapes or other fruit grown in this state." *Alcoholic Beverage Code §16.011(2)*. We believe there are two ways to calculate this percentage under this statutory language.

First, we may conclude that the wine referred to in this section is the wine of each individual container, 75 percent of which must be the product of Texas grapes. Alternatively, we may conclude that the wine referred to in this section is the entire production of a winery over a relevant period of time.

We are inclined to believe that the second reading is most consistent with the purposes underlying this statute. Under that reading, wineries will continue to offer primarily Texas products, but will be able to utilize some portion of other grapes as well, thereby increasing the number and quality of products they can offer. Within the coming several months we expect to offer a proposed rule mandating the 75 percent of the annual production of a winery located in a dry area must be the product of Texas grapes.

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December 5, 2003

Page 2

The Manufacturing Process

A related question under §16.011 is what is required for a wine to be “manufactured in this state” as required by §16.011(1). We understand that “manufacturing” wine is a multi-stage complex process. We also understand that various products necessary to this product are often imported from out-of-state. These imported products include compressed grapes, which have fermented to varying degrees, and wine, which is subjected to varying types of “finishing” before being bottled and sold in Texas. The question before us is what portion of the entire “manufacturing” process must occur in Texas before we should legitimately consider the end product to qualify under §16.011.

Shipping Wine into Dry Areas

Subject to limited exceptions, wine may only be commercially transported in Texas by holders of a Carrier permit. *Alcoholic Beverage Code* §41.01. Section 107.03 of the code mandates that “[n]o carrier may transport liquor to a person in a dry area in this date except for a purpose authorized by this code.” Always before in the history of this state, the “dry” status of a particular area was simply determined by reference to the outcome of the last relevant local option election. It occurs to us that the recent amendment to Article XVI §20 of our constitution may have changed this analysis for wine.

Section 251.71 of our code defines a “dry area” as one in which the sale of an alcoholic beverage of a particular type and alcoholic content is unlawful. Pursuant to our recent constitutional amendment and adoption of §16.011, we may issue a winery permit, and the winery may sell its product, “in an area in which the sale of wine has not been authorized by a local option election.” Thus, while areas may be dry with respect to other types of permits, there is no area of Texas in which the sale of wine is unlawful. Accordingly, permitted carriers may deliver wine anywhere in the state.

A consequence of this understanding of the law is that, like out-of-state suppliers, Texas wineries may ship their product directly to Texas consumers through the agency of permitted carriers. Of course, if the winery or the consumer choose an alternative method, “the winery may ship the wine to a package store that participates in the [Texas Wine Marketing Assistance] program.” *Alcoholic Beverage Code* §110.053(b).

December 5, 2003
Page 3

We recognize that these are new regulatory issues for us and we may not be understanding or considering all relevant factors here. For that reason we welcome and look forward to hearing your considered views on these issues in the coming weeks.

Sincerely,



Lou Bright
General Counsel

LB:lh



John T. Steen, Jr.
Chairman-San Antonio
Gail Madden
Member-Dallas

Alan Steen
Administrator

December 9, 2003

Dear Friends:

Please consider this letter as a supplement to our letter of December 5, 2003.

After receiving initial informal reactions to our letter, it appears that many are reading it as our final and determined view of the law. Nothing could be further from the truth.

Each of the matters discussed in our letter involve new provisions of law with which neither agency nor industry have experience. More importantly, the relevant provisions of our law are subject to different, and sometimes contesting, interpretations. The question before us is which of the array of reasonable interpretations best serves the purposes of our code and the general welfare.

We do not know any way to resolve that question except with your help. In order to solicit that help, we have tendered our "initial and tentative" views with a request for your comments. It is our hope by this to provoke a vigorous and productive discussion, if not debate, about the best way to read these provisions of law. We will be able to bring the issues discussed in our initial letter to a determinative conclusion only after we have had the opportunity to consider all views and weigh them one against the other. In sum then, you should under no circumstances consider the views expressed in our letter of December 5, 2003, as our final decision on these matters.

Thank you for your patience with us. We look forward to hearing from you.

Sincerely,

Lou Bright
General Counsel

LB:lh

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Appendix D-15

Wine Production by State (Gallons) - Fiscal Year 7/1/2000 - 6/30/2001

Rank	State	Still*	Effervescent	Vermouth	Other	Total	%***
1	California	575,957,739	16,431,348	1,618,311	29,367,378	623,374,776	91.7%
2	New York	23,288,345	1,755,511	161,436	2,490,350	27,695,642	4.1%
3	Washington	12,238,665	817,697	-	280	13,056,642	1.9%
4	Oregon	2,581,058	46,602	-	608	2,628,268	0.4%
5	Vermont	1,686,977	-	-	-	1,686,977	0.2%
6	New Jersey	1,411,953	24,660	584	978	1,438,175	0.2%
7	Kentucky	1,285,571	-	-	-	1,285,571	0.2%
8	Florida	1,167,651	-	450	-	1,168,101	0.2%
9	Texas	946,901	-	-	-	946,901	0.1%
10	Ohio	789,657	18,342	12,947	3,726	824,672	0.1%
11	Virginia	729,633	-	-	-	729,633	0.1%
12	North Carolina	667,545	-	-	-	667,545	
13	Pennsylvania	520,629	6,548	-	136,901	664,078	
14	Missouri	563,672	6,122	-	-	569,794	
15	Michigan	494,323	35,357	4,421	25,738	559,839	
16	Idaho	433,662	-	-	-	433,662	
17	New Mexico	192,437	95,497	-	-	287,934	
18	Wisconsin	215,007	310	-	28,763	244,080	
19	Indiana	242,146	-	-	-	242,146	
20	Arkansas	150,168	940	-	-	151,108	
21	Tennessee	143,667	-	-	-	143,667	
22	Colorado	121,387	-	-	-	121,387	
23	Illinois	102,992	-	-	-	102,992	
24	Maryland	102,785	-	-	-	102,785	
25	Georgia	102,012	-	-	-	102,012	
26	Massachusetts	71,155	-	-	-	71,155	
27	Connecticut	67,424	-	-	-	67,424	
28	Iowa	41,888	-	-	-	41,888	
29	Rhode Island	35,279	-	-	-	35,279	
30	West Virginia	22,100	-	-	-	22,100	
31	Arizona	14,572	-	-	-	14,572	
32	Maine	14,502	-	-	-	14,502	
33	Alabama	7,788	-	-	-	7,788	
34	Mississippi	6,351	-	-	-	6,351	
35	South Carolina	1,500	-	-	-	1,500	
	Others**	197,807	42,957	380	10,822	251,966	
	Total	626,616,948	19,281,891	1,798,529	32,065,544	679,762,912	100.0%

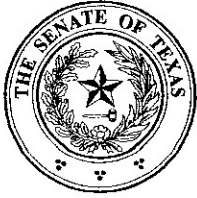
* Still wine is removed from fermenter exclusive of distilling materials

** Excludes Alaska, Delaware, District of Columbia, Nebraska, North Dakota, and Wyoming

*** All percentages not shown in this column are less than 0.1% of the total US production.

Source: MKF Research and TTB

Appendix D-16



TEXAS SENATE COMMITTEE ON INTERGOVERNMENTAL RELATIONS

Appendix D-16

SENATOR FRANK MADLA
CHAIRMAN

MEMBERS:
SENATOR KIM BRIMER, VICE CHAIR
SENATOR BOB DEUELL
SENATOR MARIO GALLEGOS
SENATOR JEFF WENTWORTH

September 30, 2004

The Honorable Susan Combs
Commissioner of Agriculture
P.O. Box 12847
Austin, Texas 78711-2847

Dear Commissioner Combs,

Thank you for agreeing to have the Texas Department of Agriculture [TDA] participate in the Senate IGR hearing on October 6th. It is my understanding that Deputy Commissioner Martin Hubert will be presenting the testimony. I look forward to hearing from him.

In looking at all the information we have from TDA on the Texas Wine and Grape Industry, I have found several items that would be helpful for the members to review and for inclusion in the final report. In keeping, I am hopeful that you can supply the committee with *15 copies* of your most recent version of the following documents:

1. TDA Publication, "Impact Assessment of the Texas Wine Marketing Assistance Program";
2. TDA Publication, "Rising Star";
3. TDA Spreadsheet or other format listing 2003 and 2004 "Texas Wine Events";
4. TDA Publication, "Grape Growers Guide";
5. TDA/Texas Wine Marketing Research Institute CD "Texas Wine Ambassador" (6 copies will suffice if 15 is difficult); and
6. A sampling of any press releases or coverage that you have compiled that highlights Texas Wines or the Texas Wine and Grape Industries.

In addition, please provide the following:

1. A brief description of the function and activities of the TDA's Wine Marketing Advisory Committee and a list of its current members;

2. An analysis, by program, of monies coming into and being expended by TDA that relate directly or indirectly to grape or wine production, to include:
 - a. funding for the Texas Wine Marketing Assistance Program;
 - b. funding for Pierce's Disease Control and Research;
 - c. funding for Agribusiness, Agritourism, and Rural Economic Development;
 - d. proceeds resulting from the sale of "Go Texas" license plates;
 - e. loans and grants for farmers or vintners; and
 - f. general state and federal agriculture funding that benefits grape growers or vintners.

Also, it would be most helpful if Mr. Hubert could provide the following in his remarks and be prepared to discuss and respond to questions regarding same:

1. A brief overview of the programs available for the Texas Wine and Grape Industries through TDA;
2. A brief overview of online information and resources relating to the Texas Wine and Grape Industry;
3. A brief status report on the Texas Wine Marketing Assistance Program with an overview of recent activities, to include public relations campaigns; wine related events; and a tally of the amount of Texas Wine that has been shipped through package stores in the state;
4. A brief status report on the creation of Agriculture Development Districts, as authorized by the 78th Legislature;
5. A listing of any problems which have come to TDA's attention regarding the Texas Wine and Grape Industries;
6. A listing of any suggestions for action presented to the TDA which could benefit the Texas Wine and Grape Industries; and
7. Any recommendations your agency might have to facilitate the growth of these industries.

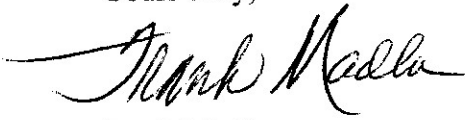
My Chief of Staff, Sherry Muller, forwarded this information to Mr. Hubert yesterday. I realize that this is short notice but I knew that the agency had many of the publications on-hand and that the data was available in some format. I hope that you or your staff will contact me if you have a problem pulling in of the items requested together in time for the hearing. We can certainly make arrangements to get it later in the week for inclusion in the final report.

The Honorable Susan Combs
September 30, 2004
Page 3

Commissioner Combs, through this process, we're hoping to paint a comprehensive picture of the Texas Wine and Grape Industry, define the current benefits and barriers, and develop a plan for legislative action that will facilitate this industry's growth. Please include any other information that you feel would helpful to this goal.

Of course, I hope you or the TDA staff will not hesitate to contact Sherry or me if you have any questions or require further information

Yours truly,

A handwritten signature in cursive script that reads "Frank Madla". The signature is written in black ink and is positioned above the printed name.

Frank Madla

FM/sm

From: Robert Champion [mailto:Robert.Champion@agr.state.tx.us]
Sent: Tuesday, October 05, 2004 12:18 PM
To: Sherry Muller; shmuller@satx.rr.com
Cc: Ramona Nye; Lisa Elledge; Trey Powers
Subject: Wine Testimony Questions

Good afternoon Sherry,

Here are the testimony question and answers that you requested.

See you tomorrow,
Bobby Jr.

Provided:

1. **TDA Publication, "Impact Assessment of the Texas Wine Marketing Assistance Program"**
2. **TDA Publication, "Rising Star"**
3. **TDA Spreadsheet or other format listing 2003 and 2004 "Texas Wine Events"**
4. **TDA Publication, "Grape Growers Guide"**
5. **TDA/Texas Wine Marketing Research Institute CD "Texas Wine Ambassador" (Six copies will suffice if 15 is difficult); and**
6. **A sampling of any press releases or coverage that you have compiled that highlights Texas wines or the Texas wine and grape industries.**

In addition, please provide the following:

A brief description of the function and activities of the TDA's Wine Marketing Advisory Committee and a list of its current members;

The Texas Wine Marketing Advisory Committee is made up of seven Texas wine industry leaders. Their primary responsibility is to provide input, guidance and assistance to the Texas Wine Marketing Assistance Program (TWMAP) on various issues related to the Texas wine industry. This entails providing feedback on new marketing and promotional items beneficial for the wineries as well as participating package stores. The committee also provides ideas and suggestions on how to address industry issues and concerns. TWMAP's advisory committee meets twice a year at meetings open to the public. Current committee members include Alan Dreeben from Block Distributing (distributor representative); Louis Glazer from Sigel's (Texas package store representative); Texas winery representatives include Ed Auler from Fall Creek Vineyards, Raymond Haak from Haak Vineyards and Madeleine Manigold from Spicewood Vineyards; Jeannene Fox from the Texas Alcoholic Beverage Commission and Beth Hallmark from the Texas Department of Agriculture. (A list of the Texas Wine Marketing Advisory Board members with all of their contact information is in your packets.)

An analysis, by program, of monies coming into and being expended by TDA that relate directly or indirectly to grape or wine production, to include:

1. **Funding for the Texas Wine Marketing Assistance Program**

In 2001, The Texas Legislature created the Texas Wine Marketing Assistance Program under the auspices of the Texas Department of Agriculture. The program receives \$250,000 in annual funding from license fees collected and distributed to TDA by the Texas Alcoholic Beverage Commission. The Wine Marketing Assistance Program is charged with assisting the Texas wine industry in promoting and marketing Texas wines and educating the public about the Texas wine industry. Program funds have been allocated to create marketing and promotional items and facilitate educational opportunities in order to enhance, support and sell more Texas wines.

2. Funding for Pierce's Disease Control and Research;

TDA does not receive or expend dollars directly for Pierce's Disease (PD) control or research. However, funding is coming into the state via the U.S. Department of Agriculture's Animal and Plant Health Inspection Service-Plant Protection and Quarantine (USDA-APHIS-PPQ) to Texas A&M University (\$500,000) to do research activities. TAMU is partnering with Texas Tech University and the University of Houston in this effort. Additionally, USDA-APHIS-PPQ has provided funding to its lab facility in Mission, Texas to conduct PD-related research. This past year, these activities equated to approximately \$1.1 million coming into the state for PD. Furthermore, TDA is working with our federally elected officials and USDA in Washington, D.C. to do two things in this regard. One is to establish a permanent PD research facility in Fredericksburg (basically moving the current PD functions in Mission to Fredericksburg). The second effort is to increase the overall amount of annual funding that Texas receives for PD to \$2 million.

3. Funding for Agribusiness, Agritourism, and Rural Economic Development

TDA has seven rural agribusiness specialists across the state available to provide technical assistance for communities and producers. TDA's Rural Economic Development Division also is currently involved in a project with the Natural Resources Conservation Service and Texas Cooperative Extension to provide assistance to producers and others interested in agricultural diversification. As a part of that project, TDA is hosting a number of workshops across the state. At the first workshop (held Sept 14, in Brady), we had a local viticulturist (Alphonse Dotson) visit with the audience about his business. For more information, see <http://www.tcre.org/590162df23a3498b88a9d960d38dcf0e/default.html>. This project is funded through a contribution agreement with NRCS for \$200,000.

TDA also helps market and promote rural communities and rural tourism through the Texas Yes! initiative, which received \$1 million from the Governor's office for a broad-based rural tourism promotional campaign.

4. Proceeds resulting from the sale of "GO TEXAN" license plates;

None of these proceeds goes toward the Texas Wine Marketing Assistance Program.

5. Loans and grants for farmers or vintners;

TDA's Linked Deposit Program is available to help both vineyards and wineries. Vineyards fall under "alternative agriculture," and producers are eligible for interest rate assistance on up to \$250,000. Most Texas wineries would fall under "processing and marketing" and are eligible for interest rate assistance on up to \$500,000. Total amount

of loans under these categories cannot exceed \$15 million. Also, TDA's Young Farmer program can provide loan guaranties up to \$250,000 for young producers, as well as a 3 percent interest rebate for those loans that are guaranteed.

TDA also offers matching fund grants to Texas agribusinesses through the GO TEXAN Partner Program, which helps members of TDA's GO TEXAN campaign offset the cost of their promotional activities. TDA's newest initiative, Texas Yes!, helps market and promote rural communities and rural tourism. Matching reimbursement funds are available to rural communities through Texas Yes! to help market and promote rural tourism events, including activities such as food and wine festivals.

6. General state and federal agriculture funding that benefits grape growers or vintners.

In 2001, TDA received a one-time grant from the U.S. Department of Agriculture to help market and support Texas specialty crops. A portion of this funding (\$10,000) was used to print the Texas Wine Grape Guide, an introductory resource for Texas growers interested in diversifying into wine grapes. Efforts are underway to seek additional specialty crop funding.

Also be prepared to discuss and respond to questions regarding same:

1. A brief overview of the programs available for the Texas Wine and Grape Industries through TDA;

The Texas Wine Marketing Assistance Program (TWMAP) is the primary vehicle that TDA operates to support the Texas wine industry. TWMAP works directly with package stores, wineries, educators and other industry allies to teach consumers about the developing industry. TWMAP is TDA's primary method, but certainly not the only one. TWMAP has also been able to parley its success with other marketing programs under TDA's highly successful GO TEXAN marketing campaign. GO TEXAN helps raise general awareness and sales of Texas products through marketing events, promotional materials and other high-profile activities. Texas Yes!, which focuses on promoting rural Texas communities and businesses, and our Texas shrimp marketing program, have also provided opportunities for cross promotion.

2. A brief overview of online information and resources relating to the Texas Wine and Grape Industry;

TDA maintains it's own Web site www.gotexanwine.org that lists information on each winery, participating package stores, statewide events and general information about the Texas wine industry. The Texas Wine Marketing Assistance Program also corresponds, communicates and links up with several industry friends and associations online. Online versions of the Grape Growing Guide, shipping forms and guidelines may be found on our Web site as well.

3. A brief status report on the Texas Wine Marketing Assistance Program with an overview of recent activities, to include public relations campaigns; wine related events; and a tally of the amount of Texas wine that has been shipped through package stores in the state;

The Texas Wine Marketing Assistance Program, with field staff and regional support, exercises every available option to educate consumers about the Texas wine industry. Currently, with Texas Wine Month upon us in October we will be aggressive and

proactive in attending several festivals and events across the state to teach people about the Texas wine industry.

Also, during October, TDA has taken its advertising efforts to new heights, putting new ads in Southwest Airline's Spirit Magazine, Texas Monthly, Culinary Thymes and Texas Foodlover.

These ads will create more awareness and excitement for all Texas wineries. By doing this, TDA will strengthen Texas wineries' consumer base and increase the sale and demand for more Texas wines. Articles on Texas wine are regularly sent to newspaper editors across Texas in the form of e-mails, online articles and press releases. A sample of these materials is in your packets. Finally, helping Texas consumers obtain Texas wines through our participating package stores is something that the TWMAP program is continuously addressing. Currently, TDA corresponds with 480 package stores in the program. These stores helped facilitate the shipment and sale of more than 1,213 bottles of Texas wine over the last three years.

4. A brief status report on the creation of Agriculture Development Districts, as authorized by the 78th Legislature;

TDA has posted a page on the agency Web site to inform interested parties about any districts that have been formed, and to give general information about the districts. See: http://www.agr.state.tx.us/eco/rural_eco_devo/ag_development_districts.htm

No districts have filed paperwork with TDA.

5. A listing of any problems which have come to TDA's attention regarding the Texas Wine and Grape Industries;

Two industry concerns that TDA is currently monitoring involve the placement of Texas highway signs and more research funding for Pierce's Disease.

6. A listing of any suggestions for action presented to the TDA which could benefit the Texas Wine and Grape Industries;

Several Texas wineries are small and rely on tourist visits. So, we have encouraged the Texas Department of Transportation to revisit its eligibility criteria for allowing winery highway signs and to consider making the sign criteria less restrictive so that our wineries can effectively market themselves to highway travelers. TXDOT has responded and basically indicated that changing the sign eligibility criteria will require a legislative change, which the wine industry may pursue.

See also, question 2 on page 2, which details TDA's efforts to enhance funding for Pierce's Disease research.

7. Any recommendations your agency might have to facilitate the growth of these industries.

TDA and the Texas Wine Marketing Assistance Program have created a productive partnership with the Texas wine industry. Our agency and this program are strongly committed to continuing our efforts to elevate the industry's visibility and awareness and to enhance the Texas wine industry's significant economic contributions of \$170 million a year to our state.



Frank Madla

Texas State Senate
District 19

1313 S.E. Military Dr., Suite 101
San Antonio, Texas 78214-2850
(210) 927-9464
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Austin, Texas 78711
(512) 463-0119
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Dial 711 For Relay Calls

September 14, 2004

Mr. Alan Steen
Administrator
Texas Alcoholic Beverage Commission
P.O. Box 13127
Austin, Texas 78711-3127

Dear Mr. Steen:

As you know, Lt. Governor Dewhurst recently charged the Senate Committee on Intergovernmental Relations to *study and make recommendations relating to the development of the Texas wine producing industry; assess the impact of state and federal laws on the shipment and delivery of wine; and make recommendations for increasing the economic impact of the wine producing industry in Texas.* To that end, the committee has scheduled a public hearing for 9:00 am, October 6th in Room E1.028 of the Capitol Extension.

With the Texas Alcoholic Beverage Commission (TABC) being responsible for regulating this industry and collecting certain taxes related to its activities, the Committee asks that you accept this letter as one of request for you or your designated representative and the agency's General Counsel, Lou Bright, to provide both verbal and written testimony at the hearing.

Please include in your verbal testimony, and be prepared to respond to questions regarding, the following:

1. a brief narrative of the state and federal processes one must go through to become licensed in Texas to engage in the production of wine and to bottle, sell, and distribute that product for public consumption; how one might go about accessing the required information and forms; and an estimated time frame to complete this process from application to approval;
2. A brief description of the technical support mechanisms in place to assist individuals wishing to engage in wine production in Texas;
3. An overview of the impact of the passage of Proposition 11 (HJR 85, 78th Regular Session) in September of 2003 on Texas wine and grape producers;
4. A status report on the TABC's Sunset review, to include a schedule of future hearings and procedural timelines;

COMMITTEES

Intergovernmental Relations, Chairman • Infrastructure Development & Security • Natural Resources • State Affairs



Mr. Alan Steen
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5. an update on the status of the current lawsuits before the U.S. Supreme Court regarding the direct shipment of wine to consumers and TABC's estimation of the potential impact on our state from any forthcoming ruling;
6. a status report on the development of the wet/dry list required by Section 2 of HB 269 (77th Regular Session) which directed the commission to compile a listing of the precincts, municipalities, and counties that are dry areas for the purpose of Section 101.31, Alcoholic Beverage Code;
7. a brief narrative on any statutes, rules, regulations, or issues, aside from those related to direct shipment, that have come to your agency's attention as being problematic to the state's wine and grape producing industry and which may be impeding the growth of this industry; and
8. a brief description of any request or recommendations you might have for legislation which might clarify or improve current statute or enhance your agency's ability to assist in the growth of this industry.

Please provide 15 copies of the following information, in writing, for the members of the committee. We would appreciate copies of this information in electronic format, as well. If you provide this information to the IGR Committee staff or me prior to the close of business on Oct 4th, we will be happy to make the copies.

1. A list of all statutory and regulatory provisions applicable to persons engaged in the wine producing industry with a very brief description of its purpose;
2. A list of any and all state and federal licenses which would be required of or available to an individual or entity seeking to engage in the production of wine and the bottling, sale, and distribution of their own product in this state, and the fees associated with those licenses;
3. A list of all individuals or entities licensed, permitted, or in the process of acquiring a license to produce wine and bottle, sell, and distribute that wine. Please include in this list the type of license, the date the license was issued, the trade name of the entity licensed, the physical location(s) of each entity and contact information for the licensee;
4. A list of all individuals or entities licensed, permitted, or in the process of acquiring a license as a wine bottler in Texas. Please include the name of the licensee, the date the license was issued, and contact information for the licensee;

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5. A list of the all the taxes to which a winery is subject, the rate of each tax, and the annual amounts collected on each tax by TABC for Fiscal Years 1984 to present. Please specify annual totals for collections made from Texas wineries in addition to over all totals;
6. A list of the fees that must be paid to TABC by an individual or entity wishing to engage or engaged in the production, bottling, sale, and distribution of wine in the state, and the annual amounts collected on each fee by TABC for Fiscal Years 1984 to present. Please specify annual totals for collections made from Texas wineries in addition to over all totals; and
7. A production report for each licensed winery in the state to include each winery's starting inventory, the gallons produced, and the total gallons taxed, by type of sale (retail, wine bottler, exempt), for fiscal years 1999 to present.

In addition, a number of questions have been directed to our office regarding the legality of certain activities regarding the operation of wineries, the shipment of wine, and the processing of grapes. You will find three of those questions below. We would also appreciate your agency's best response to these questions, in writing, at the hearing. We will forward any additional questions as they come to our attention.

1. a. Is it correct that it is permissible for a winery owner to own and operate a restaurant on his or her winery premises and serve the wine produced by that winery in that restaurant directly to a consumer without any additional permits, licenses, or other entities being involved?

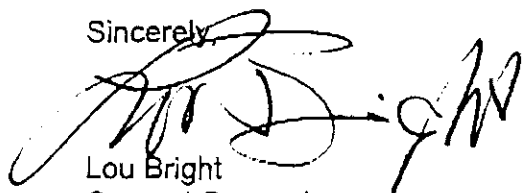
b. Is it also correct that if that winery owner wished to serve other alcoholic beverages at that restaurant, he or she would have to give up ownership of the restaurant and put his or her own wine into the distribution network in order to have it sold to consumers at the restaurant on the winery's premises?
2. One step in the manufacture of vinegar is the fermentation of the fruit from which the vinegar is made into what could be classified as an alcoholic substance. That fermented product is then further processed into the non-alcoholic vinegar that will be sold to the ultimate consumer. Is the individual or entity manufacturing vinegar required to be licensed, permitted, registered, or otherwise authorized by TABC, to produce, market, sell, and distribute this end product?
3. a. Is it permissible for a Texas resident to purchase a bottle or two of wine from a winery, package store, or other legal retailer and mail, ship, or otherwise contract for the transportation of the wine purchased to a friend, family member, or other individual in this state as a gift?

The industrial permit authorizes use of "alcohol or denatured alcohol" in the production of food products and similar items. *Alcoholic Beverage Code §38.01*. Significantly, "alcohol" is capable of use as a beverage and classified under the TABC system as "neutral spirits." *16 Texas Administration Code §45.4(1)*. For that reason those using it commercially, even for non-beverage purposes are subject to regulation. From the description in your letter however, it does not sound like the vinegar production process creates neutral spirits or any other classification of alcoholic beverage. Therefore, we are inclined to believe, at least on present information that vinegar manufacturers are not subject to our regulation.

Finally, you have asked about our ability to ship wine as a gift to our friends. With some narrow exceptions we regulate commerce in alcoholic beverages and not private, non-commercial exchanges. Thus, friends may give each other any amount of wine or other alcoholic beverages. There are, however, some limits on this transaction. First, one commits a crime by making alcoholic beverages available to a minor. *Alcoholic Beverage Code §106.06*. Second, commercially transporting alcoholic beverages requires a permit from this agency, and so transportation must be by a carrier licensed under Chapter 41 of our code. Finally, the alcoholic beverages may not be shipped into an area where sale of that type of beverage is unlawful. *Alcoholic Beverage Code §107.03*.

We certainly hope this information is helpful to you and your constituents. Please do not hesitate to call if you would like to discuss these matters further.

Sincerely,



Lou Bright
General Counsel

LB/lvj

cc: Alan Steen
Jeannene Fox

*P.O. Box 13127 • Austin, Texas 78711-3127
(512) 206-3333
www.tabc.state.tx.us*

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Alan Steen
Administrator

John T. Steen, Jr.
Chairman-San Antonio
Cail Madden
Member-Dallas

October 8, 2004

Honorable Frank Madla
Texas Senate
P.O. Box 12068
Austin, Texas 78711

RECEIVED
OCT 14 2004

SENATOR MADLA'S
CAPITOL OFFICE

Dear Senator Madla:

The Texas Alcoholic Beverage Commission (TABC) would like to express our appreciation for the opportunity to help your committee's inquiries into the Texas wine industry. At the end of your invitation letter of September 14, 2004 you asked a series of specific questions about the application of our laws that we did not have a chance to discuss. We therefore thought it might be helpful to provide answers to them now.

You asked first about the ability of a winery to sell its own wine and other alcoholic beverages in conjunction with operating a restaurant on its premises. Wineries in both wet and dry areas may sell their own product, either by the glass or by the bottle, for consumption on the winery premises under the authority of their winery permit. *Alcoholic Beverage Code §16.01(4)(A); 16.011.*

Under our law, wineries are treated as members of the manufacturing tier. Therefore, they may not hold a retail permit, or any interest in the business of a retailer, or in the premises of a retailer. *Alcoholic Beverage Code §§102.03, 102.04(b)(1), or 102.07(a)(1).* Therefore, wineries may not sell other alcoholic beverages on their premises, obtain a permit authorizing such sales, or lease portions of their premises to others who hold such permits.

You have also asked if those engaged in the production of vinegar must obtain a permit from this agency. Apparently one stage of the manufacturing process produces a fermented product that is later refined into non-alcoholic vinegar. This vinegar manufacturer is subject to the TABC regulation only if the fermented product is capable of being categorized as a beverage. *Alcoholic Beverage Code §1.04(1).* The part of the TABC code most likely to apply here is the industrial permit described in Chapter 38.

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Mr. Alan Steen
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- b. If so, is there a limit on the quantity that can be gifted or any other restrictions on the transmission of the gift to the recipient?

As always, please don't hesitate to contact my Chief of Staff, Sherry Muller, the IGR Committee staff, or me if you have any questions or you require any further information.

Yours truly,



Frank Madla

FM/sm

cc: Jeannene Fox, Assistant Administrator
Lou Bright, General Counsel

EXCISE TAX - WINE

FY	AMOUNT
1984	\$5,464,076.82
1985*	\$6,889,618.49
1986	\$7,578,903.37
1987	\$7,341,801.07
1988	\$7,002,895.92
1989	\$6,608,333.69
1990	\$6,553,358.68
1991	\$6,431,961.51
1992	\$6,367,597.00
1993	\$5,467,773.00
1994	\$5,288,352.00
1995	\$5,225,278.00
1996	\$5,780,947.75
1997	\$5,701,653.00
1998	\$5,935,552.00
1999	\$5,764,164.00
2000	\$6,842,720.00
2001	\$6,614,710.00
2002	\$6,878,143.00
2003	\$7,326,369.00
2004	\$7,719,653.52

*The excise tax was increased by 20% on 10/2/84 by the 68th Legislature.

Wine 14% and less = \$0.204
Wine over 14% - 24% = \$0.408
Sparkling Wine = \$0.516

TEXAS WINERIES EXCISE TAX

Year	Permit #	Trade Name	City	Amount
1991	G 203521	ALAMO FARMS WINERY & VINEYARD	ADKINS	\$89.66
	91 Z 203522	ALAMO FARMS WINERY & VINEYARD	ADKINS	\$10.28
	91 Z 162149	BELL MOUNTAIN VINEYARDS	FREDERICKSBURG	\$422.95
1991	G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$394.70
1991	G 215428	CAP ROCK WINERY INC.	LUBBOCK	\$715.59
1991	Z 215427	CAP ROCK WINERY INC.	LUBBOCK	\$123.37
1991	G 116360	FALL CREEK VINEYARDS	TOW	\$601.83
1991	Z 213916	FALL CREEK VINEYARDS	TOW	\$3,910.13
1991	G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$323.04
1991	Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$64.04
1991	G 126850	GUADALUPE VALLEY WINERY	NEW BRAUNFELS	\$196.77
1991	Z 126848	GUADALUPE VALLEY WINERY	NEW BRAUNFELS	\$39.86
1991	G 215226	HILL COUNTRY CELLARS INC.	CEDAR PARK	\$481.79
1991	G 206011	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$202.67
1991	Z 215224	IT'ZA NATURAL OF AUSTIN INC.	CEDAR PARK	\$290.92
1991	G 139502	LA BUENA VIDA VINEYARDS	LAKESIDE	\$286.29
1991	Z 158500	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$192.62
1991	G 192990	LA ESCARBADA XIT WINERY	AMARILLO	\$275.51
1991	Z 192989	LA ESCARBADA XIT WINERY	AMARILLO	\$405.97
1991	G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$1,898.65
1991	G 153144	MESSINA HOF WINE CELLARS	BRYAN	\$1,288.51
1991	Z 153820	MESSINA HOF WINE CELLARS	BRYAN	\$1,664.30
1991	G 188895	MOYER CHAMPAGNE COMPANY MOYER WINE	SAN MARCOS	\$975.30
1991	Z 188894	MOYER CHAMPAGNE COMPANY MOYER WINE	SAN MARCOS	\$275.69
1991	G 209096	PEDERNALES VINEYARDS	FREDERICKSBURG	\$115.99
1991	Z 209095	PEDERNALES VINEYARDS	FREDERICKSBURG	\$40.59
	91 G 186086	PHEASANT RIDGE WINERY	LUBBOCK	\$47.92
	91 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$201.77
1991	Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$119.24
1991	G 182599	PRESTON TRAIL WINERY	GUNTER	\$71.90
1991	G 215787	PRESTON TRAIL WINERY	GUNTER	\$88.74
1991	G 149225	SANCHEZ CREEK VINEYARDS	WEATHERFORD	\$38.15
1991	G 204688	SCHOPPAUL HILL WINERY AT IVANHOE	IVANHOE	\$327.57
1991	G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$216.83
1991	G 210859	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$282.38
1991	G 219522	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$533.38
1991	Z 210858	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$5.70
1991	Z 219521	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$35.53
1991	Z 210475	SPOETZL BREWERY	SHINER	\$16.65
1991	G 219337	ST LAWRENCE WINERY	MIDLAND	\$62.09
1991	G 192531	ST. LAWRENCE WINERY	GARDEN CITY	\$98.65
1991	G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$73.76
1991	G 079749	VAL VERDE WINERY	DEL RIO	\$444.61
1991	Z 138495	VAL VERDE WINERY	DEL RIO	\$71.80
1991	G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$1,346.27
1991	G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$247.00
1991	Z 216915	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$212.04
1991	G 200647	WINES OF EL PASO BIEGANOWSKI	EL PASO	\$1,167.58
1991	Z 200646	WINES OF EL PASO BIEGANOWSKI	EL PASO	\$15.16

\$21,011.74

92	G 203521	ALAMO FARMS WINERY & VINEYARD	ADKINS	\$68.38
1992	Z 203522	ALAMO FARMS WINERY & VINEYARD	ADKINS	\$59.06
1992	Z 162149	BELL MOUNTAIN VINEYARDS	FREDERICKSBURG	\$492.26
1992	G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$427.60

1992 G 221203	BEVCOR INC.	CORPUS CHRISTI	\$78.11
1992 Z 223527	BEVCOR INC.	CORPUS CHRISTI	\$549.82
1992 G 215428	CAP ROCK WINERY INC.	LUBBOCK	\$1,602.04
1992 Z 215427	CAP ROCK WINERY INC.	LUBBOCK	\$563.13
1992 G 116360	FALL CREEK VINEYARDS	TOW	\$622.68
1992 Z 213916	FALL CREEK VINEYARDS	TOW	\$4,360.76
1992 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$399.33
1992 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$131.54
1992 G 126850	GUADALUPE VALLEY WINERY	NEW BRAUNFELS	\$226.08
1992 Z 126848	GUADALUPE VALLEY WINERY	NEW BRAUNFELS	\$1.42
1992 G 215226	HILL COUNTRY CELLARS INC.	CEDAR PARK	\$421.42
1992 G 206011	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$206.35
1992 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$90.93
1992 Z 215224	IT'ZA NATURAL OF AUSTIN INC.	CEDAR PARK	\$201.16
1992 G 108647	LA BUENA VIDA VINEYARDS	SPRINGTOWN	\$0.95
1992 G 139502	LA BUENA VIDA VINEYARDS	LAKESIDE	\$579.79
1992 Z 158500	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$154.31
1992 G 192990	LA ESCARBADA XIT WINERY	AMARILLO	\$278.00
1992 Z 192989	LA ESCARBADA XIT WINERY	AMARILLO	\$448.00
1992 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$1,745.61
1992 G 153144	MESSINA HOF WINE CELLARS	BRYAN	\$1,539.52
1992 Z 153820	MESSINA HOF WINE CELLARS	BRYAN	\$2,575.85
1992 G 188895	MOYER CHAMPAGNE COMPANY MOYER WINE	SAN MARCOS	\$1,222.46
1992 Z 188894	MOYER CHAMPAGNE COMPANY MOYER WINE	SAN MARCOS	\$567.78
1992 G 209096	PEDERNALES VINEYARDS	FREDERICKSBURG	\$184.47
1992 Z 209095	PEDERNALES VINEYARDS	FREDERICKSBURG	\$53.88
1992 G 186086	PHEASANT RIDGE WINERY	LUBBOCK	\$15.95
1992 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$177.43
1992 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$130.97
1992 G 215787	PRESTON TRAIL WINERY	GUNTER	\$156.80
1992 G 149225	SANCHEZ CREEK VINEYARDS	WEATHERFORD	\$48.46
1992 G 228721	SCHOPPAUL HILL WINERY	DENTON	\$41.98
1992 Z 228720	SCHOPPAUL HILL WINERY	DENTON	\$124.92
1992 G 204688	SCHOPPAUL HILL WINERY AT IVANHOE	IVANHOE	\$424.84
1992 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$155.45
1992 G 219522	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$214.33
1992 G 226816	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$500.05
1992 Z 219521	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$19.50
1992 Z 226817	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$69.64
1992 G 219337	ST LAWRENCE WINERY	MIDLAND	\$63.31
1992 G 192531	ST. LAWRENCE WINERY	GARDEN CITY	\$111.28
1992 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$150.37
1992 G 079749	VAL VERDE WINERY	DEL RIO	\$527.68
1992 Z 138495	VAL VERDE WINERY	DEL RIO	\$73.80
1992 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$659.73
1992 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$274.41
1992 Z 216915	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$177.41
1992 G 200647	WINES OF EL PASO BIEGANOWSKI	EL PASO	\$727.15
			\$24,698.15
1993 G 203521	ALAMO FARMS WINERY & VINEYARD	ADKINS	\$75.61
1993 Z 203522	ALAMO FARMS WINERY & VINEYARD	ADKINS	\$38.94
1993 Z 162149	BELL MOUNTAIN VINEYARDS	FREDERICKSBURG	\$704.82
1993 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$245.78
1993 Z 223527	BEVCOR INC.	CORPUS CHRISTI	\$394.77
1993 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$103.29
1993 G 215428	CAP ROCK WINERY INC.	LUBBOCK	\$2,086.53
1993 Z 215427	CAP ROCK WINERY INC.	LUBBOCK	\$8.72

1993 G 238376	DOMAINE DE MONTICOLA	NEW BRAUNFELS	\$79.77
1993 G 116360	FALL CREEK VINEYARDS	TOW	\$729.30
1993 Z 213916	FALL CREEK VINEYARDS	TOW	\$4,856.67
1993 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$614.29
1993 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$179.15
1993 G 126850	GUADALUPE VALLEY WINERY	NEW BRAUNFELS	\$267.48
1993 G 215226	HILL COUNTRY CELLARS INC.	CEDAR PARK	\$484.57
1993 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$82.32
1993 Z 215224	IT'ZA NATURAL OF AUSTIN INC.	CEDAR PARK	\$103.96
1993 G 108647	LA BUENA VIDA VINEYARDS	SPRINGTOWN	\$2.41
1993 G 139502	LA BUENA VIDA VINEYARDS	LAKESIDE	\$744.60
1993 Z 158500	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$136.65
1993 Z 192989	LA ESCARBADA XIT WINERY	AMARILLO	\$0.97
1993 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$1,638.00
1993 Z 140741	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$0.95
1993 G 153144	MESSINA HOF WINE CELLARS	BRYAN	\$1,374.67
1993 Z 153820	MESSINA HOF WINE CELLARS	BRYAN	\$2,135.98
1993 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$272.29
1993 Z 236659	MESSINA HOF WINE CELLARS INC.	BRYAN	\$343.08
1993 G 188895	MOYER CHAMPAGNE COMPANY MOYER WINE	SAN MARCOS	\$1,614.05
1993 Z 188894	MOYER CHAMPAGNE COMPANY MOYER WINE	SAN MARCOS	\$677.87
1993 G 231771	OAKWOOD CELLARS	DALLAS	\$377.29
1993 G 209096	PEDERNALES VINEYARDS	FREDERICKSBURG	\$256.61
1993 Z 209095	PEDERNALES VINEYARDS	FREDERICKSBURG	\$39.20
1993 G 186086	PHEASANT RIDGE WINERY	LUBBOCK	\$45.22
1993 G 233226	PHEASANT RIDGE WINERY	LUBBOCK	\$17.15
1993 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$221.28
1993 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$114.69
1993 G 215787	PRESTON TRAIL WINERY	GUNTER	\$404.36
1993 G 149225	SANCHEZ CREEK VINEYARDS	WEATHERFORD	\$219.90
1993 G 228721	SCHOPPAUL HILL WINERY	DENTON	\$302.01
1993 Z 228720	SCHOPPAUL HILL WINERY	DENTON	\$774.21
1993 G 204688	SCHOPPAUL HILL WINERY AT IVANHOE	IVANHOE	\$191.26
1993 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$231.55
1993 G 226816	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$681.71
1993 Z 226817	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$76.72
1993 G 192531	ST. LAWRENCE WINERY	GARDEN CITY	\$120.44
1993 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$351.70
1993 G 079749	VAL VERDE WINERY	DEL RIO	\$511.59
1993 Z 138495	VAL VERDE WINERY	DEL RIO	\$46.68
1993 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$1,104.50
1993 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$393.36
1993 Z 216915	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$170.97
1993 G 200647	WINES OF EL PASO BIEGANOWSKI	EL PASO	\$1,129.89
			\$27,779.78
1994 G 203521	ALAMO FARMS WINERY & VINEYARD	ADKINS	\$21.69
1994 Z 203522	ALAMO FARMS WINERY & VINEYARD	ADKINS	\$44.04
1994 G 242137	ALAMO WINERY INC.	ADKINS	\$69.48
1994 Z 242136	ALAMO WINERY INC.	ADKINS	\$89.53
1994 Z 162149	BELL MOUNTAIN VINEYARDS	FREDERICKSBURG	\$758.32
1994 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$363.71
1994 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$595.18
1994 G 215428	CAP ROCK WINERY INC.	LUBBOCK	\$2,546.23
1994 G 238376	DOMAINE DE MONTICOLA	NEW BRAUNFELS	\$50.66
1994 G 116360	FALL CREEK VINEYARDS	TOW	\$628.66
1994 Z 213916	FALL CREEK VINEYARDS	TOW	\$5,203.21
1994 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$695.53

1994 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$278.10
1994 G 126850	GUADALUPE VALLEY WINERY	NEW BRAUNFELS	\$312.25
1994 G 215226	HILL COUNTRY CELLARS INC.	CEDAR PARK	\$621.59
1994 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$181.81
1994 Z 215224	IT'ZA NATURAL OF AUSTIN INC.	CEDAR PARK	\$80.92
1994 G 139502	LA BUENA VIDA VINEYARDS	LAKESIDE	\$766.58
1994 Z 158500	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$276.46
1994 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$1,740.96
1994 Z 140741	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$8.65
1994 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$1,518.08
1994 Z 236659	MESSINA HOF WINE CELLARS INC.	BRYAN	\$2,618.79
1994 G 188895	MOYER CHAMPAGNE COMPANY MOYER WINE	SAN MARCOS	\$453.28
1994 Z 188894	MOYER CHAMPAGNE COMPANY MOYER WINE	SAN MARCOS	\$989.23
1994 G 231771	OAKWOOD CELLARS	DALLAS	\$715.35
1994 G 209096	PEDERNALES VINEYARDS	FREDERICKSBURG	\$201.76
1994 Z 209095	PEDERNALES VINEYARDS	FREDERICKSBURG	\$37.24
1994 G 244440	PEDERNALES VINEYARDS INC.	FREDERICKSBURG	\$21.04
1994 Z 244439	PEDERNALES VINEYARDS INC.	FREDERICKSBURG	\$2.36
1994 G 233226	PHEASANT RIDGE WINERY	LUBBOCK	\$173.58
1994 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$257.93
1994 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$59.47
1994 G 215787	PRESTON TRAIL WINERY	GUNTER	\$556.24
1994 G 149225	SANCHEZ CREEK VINEYARDS	WEATHERFORD	\$62.44
1994 G 228721	SCHOPPAUL HILL WINERY	DENTON	\$209.94
1994 Z 228720	SCHOPPAUL HILL WINERY	DENTON	\$687.90
1994 G 204688	SCHOPPAUL HILL WINERY AT IVANHOE	IVANHOE	\$282.73
1994 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$287.01
1994 Z 209483	SISTER CREEK VINEYARDS	SISTERDALE	\$14.31
1994 G 226816	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$1,517.05
1994 Z 226817	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$174.60
1994 G 192531	ST. LAWRENCE WINERY	GARDEN CITY	\$461.79
1994 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$365.77
1994 G 079749	VAL VERDE WINERY	DEL RIO	\$498.17
1994 Z 138495	VAL VERDE WINERY	DEL RIO	\$24.23
1994 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$1,118.89
1994 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$549.70
1994 Z 216915	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$187.98
1994 G 200647	WINES OF EL PASO BIEGANOWSKI	EL PASO	\$5,534.75
1994 Z 200646	WINES OF EL PASO BIEGANOWSKI	EL PASO	\$3.81
			\$34,918.98
1995 G 242137	ALAMO WINERY INC.	ADKINS	\$155.34
1995 Z 242136	ALAMO WINERY INC.	ADKINS	\$175.12
1995 Z 162149	BELL MOUNTAIN VINEYARDS	FREDERICKSBURG	\$1,098.40
1995 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$460.21
1995 G 248974	BLUE MOUNTAIN VINEYARD INC.	FORT DAVIS	\$16.66
1995 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$479.09
1995 G 215428	CAP ROCK WINERY INC.	LUBBOCK	\$2,267.17
1995 G 248199	DELANEY VINEYARDS	LAMESA	\$106.45
1995 G 116360	FALL CREEK VINEYARDS	TOW	\$860.53
1995 Z 213916	FALL CREEK VINEYARDS	TOW	\$3,192.52
1995 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$798.07
1995 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$383.61
1995 G 126850	GUADALUPE VALLEY WINERY	NEW BRAUNFELS	\$180.79
1995 G 215226	HILL COUNTRY CELLARS INC.	CEDAR PARK	\$660.78
1995 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$677.49
1995 Z 215224	IT'ZA NATURAL OF AUSTIN INC.	CEDAR PARK	\$176.13
1995 G 139502	LA BUENA VIDA VINEYARDS	LAKESIDE	\$705.11

1995 G 251023 LA BUENA VIDA VINEYARDS
 1995 Z 158500 LA BUENA VIDA VINEYARDS
 1995 G 140743 LLANO ESTACADO WINERY INC./STAKED
 1995 G 236660 MESSINA HOF WINE CELLARS INC.
 1995 Z 236659 MESSINA HOF WINE CELLARS INC.
 1995 G 244440 PEDERNALES VINEYARDS INC.
 1995 Z 244439 PEDERNALES VINEYARDS INC.
 1995 G 233226 PHEASANT RIDGE WINERY
 1995 G 180146 PINEY WOODS COUNTRY WINES
 1995 Z 199020 PINEY WOODS WINE-BOTTLER
 1995 G 215787 PRESTON TRAIL WINERY
 1995 G 228721 SCHOPPAUL HILL WINERY
 1995 Z 228720 SCHOPPAUL HILL WINERY
 1995 G 209484 SISTER CREEK VINEYARDS
 1995 Z 209483 SISTER CREEK VINEYARDS
 1995 G 226816 SLAUGHTER LEFTWICH VINEYARDS
 1995 Z 226817 SLAUGHTER LEFTWICH VINEYARDS
 1995 G 190138 STE. GENEVIEVE STE GENEVIEVE WINERY
 1995 Z 190137 STE. GENEVIEVE STE GENEVIEVE WINERY
 1995 G 079749 VAL VERDE WINERY
 1995 Z 138495 VAL VERDE WINERY
 1995 G 189143 WIMBERLEY VALLEY WINERY
 1995 G 216916 WIMBERLEY VALLEY WINERY TASTING
 1995 Z 216915 WIMBERLEY VALLEY WINERY TASTING

GRAPEVINE \$189.94
 GRAPEVINE \$179.49
 LUBBOCK \$1,634.15
 BRYAN \$2,474.43
 BRYAN \$3,094.41
 FREDERICKSBURG \$202.40
 FREDERICKSBURG \$84.19
 LUBBOCK \$47.71
 ORANGE \$244.52
 ORANGE \$184.17
 GUNTER \$241.92
 DENTON \$148.07
 DENTON \$269.36
 SISTERDALE \$146.56
 SISTERDALE \$261.65
 AUSTIN \$835.99
 AUSTIN \$100.88
 BAKERSFIELD \$344.58
 BAKERSFIELD \$100.77
 DEL RIO \$560.38
 DEL RIO \$23.28
 DRIFTWOOD \$1,083.62
 SPRING \$531.33
 SPRING \$118.67

\$25,495.94

1996 G 242137 ALAMO WINERY INC.
 1996 Z 242136 ALAMO WINERY INC.
 1996 G 256559 BECKER FARMS INC.
 1996 Z 256560 BECKER FARMS INC.
 1996 Z 162149 BELL MOUNTAIN VINEYARDS
 1996 G 140290 BELL MOUNTAIN VINEYARDS INC.
 1996 G 248974 BLUE MOUNTAIN VINEYARD INC.
 1996 G 238454 BLUM STREET CELLARS
 1996 G 215428 CAP ROCK WINERY INC.
 1996 G 248199 DELANEY VINEYARDS
 1996 G 258469 DELANEY VINEYARDS INC.
 1996 Z 258468 DELANEY VINEYARDS INC.
 1996 G 116360 FALL CREEK VINEYARDS
 1996 Z 213916 FALL CREEK VINEYARDS
 1996 G 264537 FREDERICKSBURG WINERY
 1996 G 254737 GOLDEN GRAIL MEADERY CO. INC.
 1996 G 209093 GRAPE CREEK VINEYARD INC.
 1996 Z 211108 GRAPE CREEK VINEYARD INC.
 1996 G 126850 GUADALUPE VALLEY WINERY
 1996 G 264333 HIDDEN SPRINGS WINERY
 1996 G 215226 HILL COUNTRY CELLARS INC.
 1996 G 229513 HOMESTEAD VINEYARDS & WINERY INC.
 1996 Z 215224 IT'ZA NATURAL OF AUSTIN INC.
 1996 G 255761 LA BODEGA WINERY
 1996 G 251023 LA BUENA VIDA VINEYARDS
 1996 Z 158500 LA BUENA VIDA VINEYARDS
 1996 G 140743 LLANO ESTACADO WINERY INC./STAKED
 1996 G 236660 MESSINA HOF WINE CELLARS INC.
 1996 Z 236659 MESSINA HOF WINE CELLARS INC.
 1996 G 233226 PHEASANT RIDGE WINERY
 1996 G 180146 PINEY WOODS COUNTRY WINES
 1996 Z 199020 PINEY WOODS WINE-BOTTLER

ADKINS \$34.08
 ADKINS \$310.33
 FREDERICKSBURG \$136.11
 FREDERICKSBURG \$57.97
 FREDERICKSBURG \$1,022.33
 FREDERICKSBURG \$219.38
 FORT DAVIS \$146.51
 SAN ANTONIO \$334.09
 LUBBOCK \$2,848.54
 LAMESA \$156.96
 GRAPEVINE \$399.65
 GRAPEVINE \$227.93
 TOW \$817.77
 TOW \$87.00
 FREDERICKSBURG \$139.16
 DALLAS \$75.85
 STONEWALL \$967.47
 STONEWALL \$471.58
 NEW BRAUNFELS \$10.92
 PILOT POINT \$78.60
 CEDAR PARK \$756.22
 IVANHOE \$382.28
 CEDAR PARK \$27.70
 GRAPEVINE \$650.52
 GRAPEVINE \$1,016.90
 GRAPEVINE \$238.98
 LUBBOCK \$1,786.47
 BRYAN \$1,915.49
 BRYAN \$3,050.87
 LUBBOCK \$60.05
 ORANGE \$258.80
 ORANGE \$338.20

1996 G 215787 PRESTON TRAIL WINERY
 1996 G 258894 RED RIVER WINERY
 1996 G 149225 SANCHEZ CREEK VINEYARDS
 1996 G 209484 SISTER CREEK VINEYARDS
 1996 Z 209483 SISTER CREEK VINEYARDS
 1996 G 226816 SLAUGHTER LEFTWICH VINEYARDS
 1996 G 257253 SPICEWOOD VINEYARDS INC.
 1996 Z 257252 SPICEWOOD VINEYARDS INC.
 1996 G 190138 STE. GENEVIEVE STE GENEVIEVE WINERY
 1996 G 079749 VAL VERDE WINERY
 1996 Z 138495 VAL VERDE WINERY
 1996 G 189143 WIMBERLEY VALLEY WINERY
 1996 G 216916 WIMBERLEY VALLEY WINERY TASTING
 1996 G 259107 WOODROSE WINERY
 1996 Z 259106 WOODROSE WINERY

GUNTER \$37.56
 SPRING \$118.92
 WEATHERFORD \$199.46
 SISTERDALE \$177.77
 SISTERDALE \$370.59
 AUSTIN \$587.38
 SPICEWOOD \$2.73
 SPICEWOOD \$5.98
 BAKERSFIELD \$585.01
 DEL RIO \$574.96
 DEL RIO \$48.50
 DRIFTWOOD \$1,396.74
 SPRING \$665.80
 STONEWALL \$8.13
 STONEWALL \$16.63

\$23,820.87

1997 G 256559 BECKER FARMS INC.
 1997 Z 256560 BECKER FARMS INC.
 1997 Z 162149 BELL MOUNTAIN VINEYARDS
 1997 G 140290 BELL MOUNTAIN VINEYARDS INC.
 1997 G 248974 BLUE MOUNTAIN VINEYARD INC.
 1997 G 238454 BLUM STREET CELLARS
 1997 G 400213 CANA CELLARS
 1997 G 215428 CAP ROCK WINERY INC.
 1997 G 248199 DELANEY VINEYARDS
 1997 G 258469 DELANEY VINEYARDS INC.
 1997 G 400990 DELANEY VINEYARDS INC.
 1997 Z 258468 DELANEY VINEYARDS INC.
 1997 Z 400989 DELANEY VINEYARDS INC.
 1997 G 116360 FALL CREEK VINEYARDS
 1997 Z 213916 FALL CREEK VINEYARDS
 1997 G 264537 FREDERICKSBURG WINERY
 1997 G 254737 GOLDEN GRAIL MEADERY CO. INC.
 1997 G 209093 GRAPE CREEK VINEYARD INC.
 1997 Z 211108 GRAPE CREEK VINEYARD INC.
 1997 G 264333 HIDDEN SPRINGS WINERY
 1997 G 215226 HILL COUNTRY CELLARS INC.
 1997 G 229513 HOMESTEAD VINEYARDS & WINERY INC.
 1997 Z 215224 IT'ZA NATURAL OF AUSTIN INC.
 1997 G 255761 LA BODEGA WINERY
 1997 G 251023 LA BUENA VIDA VINEYARDS
 1997 Z 158500 LA BUENA VIDA VINEYARDS
 1997 G 140743 LLANO ESTACADO WINERY INC./STAKED
 1997 G 236660 MESSINA HOF WINE CELLARS INC.
 1997 Z 236659 MESSINA HOF WINE CELLARS INC.
 1997 G 233226 PHEASANT RIDGE WINERY
 1997 G 411236 PHEASANT RIDGE WINES
 1997 G 180146 PINEY WOODS COUNTRY WINES
 1997 Z 199020 PINEY WOODS WINE-BOTTLER
 1997 G 402779 PLEASANT HILL WINERY
 1997 G 258894 RED RIVER WINERY
 1997 Z 262625 RED RIVER WINERY
 1997 G 209484 SISTER CREEK VINEYARDS
 1997 Z 209483 SISTER CREEK VINEYARDS
 1997 G 226816 SLAUGHTER LEFTWICH VINEYARDS
 1997 G 257253 SPICEWOOD VINEYARDS INC.
 1997 Z 257252 SPICEWOOD VINEYARDS INC.

FREDERICKSBURG \$530.30
 FREDERICKSBURG \$300.25
 FREDERICKSBURG \$637.33
 FREDERICKSBURG \$242.41
 FORT DAVIS \$51.07
 SAN ANTONIO \$315.12
 AUSTIN \$87.21
 LUBBOCK \$3,853.47
 LAMESA \$1,333.08
 GRAPEVINE \$852.56
 GRAPEVINE \$297.22
 GRAPEVINE \$781.42
 GRAPEVINE \$728.79
 TOW \$997.99
 TOW \$75.56
 FREDERICKSBURG \$1,323.65
 DALLAS \$548.00
 STONEWALL \$813.15
 STONEWALL \$411.98
 PILOT POINT \$305.24
 CEDAR PARK \$945.46
 IVANHOE \$320.49
 CEDAR PARK \$141.35
 GRAPEVINE \$747.74
 GRAPEVINE \$850.16
 GRAPEVINE \$256.42
 LUBBOCK \$2,100.32
 BRYAN \$2,615.38
 BRYAN \$2,763.28
 LUBBOCK \$128.17
 LUBBOCK \$6.19
 ORANGE \$196.51
 ORANGE \$394.11
 BRENHAM \$43.25
 SPRING \$307.56
 SPRING \$6.48
 SISTERDALE \$222.98
 SISTERDALE \$350.27
 AUSTIN \$392.07
 SPICEWOOD \$35.42
 SPICEWOOD \$102.62

1997 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$419.17
1997 G 079749	VAL VERDE WINERY	DEL RIO	\$547.95
1997 Z 138495	VAL VERDE WINERY	DEL RIO	\$32.93
1997 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$1,349.62
1997 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$688.49
1997 Z 259106	WOODROSE WINERY	STONEWALL	\$47.50
			\$30,497.69
1998 G 256559	BECKER FARMS INC.	FREDERICKSBURG	\$781.62
1998 Z 256560	BECKER FARMS INC.	FREDERICKSBURG	\$398.68
1998 Z 162149	BELL MOUNTAIN VINEYARDS	FREDERICKSBURG	\$482.68
1998 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$195.08
1998 G 248974	BLUE MOUNTAIN VINEYARD INC.	FORT DAVIS	\$106.79
1998 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$630.15
1998 G 400213	CANA CELLARS	AUSTIN	\$158.99
1998 G 426914	CANA CELLARS	AUSTIN	\$38.41
1998 Z 426913	CANA CELLARS	AUSTIN	\$35.50
1998 G 215428	CAP ROCK WINERY INC.	LUBBOCK	\$3,125.38
1998 G 248199	DELANEY VINEYARDS	LAMESA	\$569.22
1998 G 400990	DELANEY VINEYARDS INC.	GRAPEVINE	\$1,124.03
1998 Z 400989	DELANEY VINEYARDS INC.	GRAPEVINE	\$2,482.60
1998 G 116360	FALL CREEK VINEYARDS	TOW	\$980.82
1998 Z 213916	FALL CREEK VINEYARDS	TOW	\$33.24
1998 G 264537	FREDERICKSBURG WINERY	FREDERICKSBURG	\$1,158.24
1998 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$764.97
1998 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$432.62
1998 G 264333	HIDDEN SPRINGS WINERY	PILOT POINT	\$394.82
1998 Z 264332	HIDDEN SPRINGS WINERY	PILOT POINT	\$52.98
1998 G 215226	HILL COUNTRY CELLARS INC.	CEDAR PARK	\$723.55
1998 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$316.50
1998 G 431327	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$20.68
1998 Z 431326	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$24.72
1998 G 429837	HOMESTEAD WINERY AT GRAPEVINE	GRAPEVINE	\$42.74
1998 Z 215224	IT'ZA NATURAL OF AUSTIN INC.	CEDAR PARK	\$33.19
1998 G 255761	LA BODEGA WINERY	GRAPEVINE	\$21.81
1998 G 421541	LA BODEGA WINERY COMPANY	GRAPEVINE	\$396.92
1998 G 251023	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$1,060.50
1998 Z 158500	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$228.53
1998 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$1,771.50
1998 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$2,463.19
1998 Z 236659	MESSINA HOF WINE CELLARS INC.	BRYAN	\$2,897.38
1998 G 411236	PHEASANT RIDGE WINES	LUBBOCK	\$42.71
1998 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$256.39
1998 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$377.39
1998 G 402779	PLEASANT HILL WINERY	BRENHAM	\$96.32
1998 Z 402780	PLEASANT HILL WINERY	BRENHAM	\$2.29
1998 G 428252	POTEET COUNTRY WINERY	POTEET	\$34.79
1998 G 258894	RED RIVER WINERY	SPRING	\$357.38
1998 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$190.32
1998 Z 209483	SISTER CREEK VINEYARDS	SISTERDALE	\$368.22
1998 G 226816	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$192.06
1998 G 257253	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$63.57
1998 Z 257252	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$211.78
1998 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$487.20
1998 G 079749	VAL VERDE WINERY	DEL RIO	\$548.63
1998 Z 138495	VAL VERDE WINERY	DEL RIO	\$58.00
1998 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$1,235.32
1998 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$605.80

1998 G 259107	WOODROSE WINERY	STONEWALL	\$38.22
1998 Z 259106	WOODROSE WINERY	STONEWALL	\$15.26
1999 G 256559	BECKER FARMS INC.	FREDERICKSBURG	\$897.14
1999 Z 256560	BECKER FARMS INC.	FREDERICKSBURG	\$120.70
1999 Z 162149	BELL MOUNTAIN VINEYARDS	FREDERICKSBURG	\$204.97
1999 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$269.73
1999 G 248974	BLUE MOUNTAIN VINEYARD INC.	FORT DAVIS	\$26.92
1999 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$690.99
1999 G 426914	CANA CELLARS	AUSTIN	\$101.21
1999 Z 426913	CANA CELLARS	AUSTIN	\$139.71
1999 G 215428	CAP ROCK WINERY INC.	LUBBOCK	\$3,460.84
1999 G 436530	CAP ROCK WINERY INC.	GRAPEVINE	\$1,059.98
1999 G 444805	COMAL CREEK VINEYARDS	NEW BRAUNFELS	\$5.16
1999 G 248199	DELANEY VINEYARDS	LAMESA	\$206.98
1999 G 400990	DELANEY VINEYARDS INC.	GRAPEVINE	\$478.67
1999 Z 400989	DELANEY VINEYARDS INC.	GRAPEVINE	\$1,720.75
1999 G 116360	FALL CREEK VINEYARDS	TOW	\$912.71
1999 Z 213916	FALL CREEK VINEYARDS	TOW	\$23.12
1999 G 264537	FREDERICKSBURG WINERY	FREDERICKSBURG	\$1,516.26
1999 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$806.54
1999 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$416.89
1999 G 264333	HIDDEN SPRINGS WINERY	PILOT POINT	\$296.50
1999 Z 264332	HIDDEN SPRINGS WINERY	PILOT POINT	\$169.81
1999 G 215226	HILL COUNTRY CELLARS INC.	CEDAR PARK	\$731.06
1999 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$106.79
1999 G 431327	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$151.40
1999 Z 431326	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$66.15
1999 G 429837	HOMESTEAD WINERY AT GRAPEVINE	GRAPEVINE	\$206.57
1999 Z 215224	IT'ZA NATURAL OF AUSTIN INC.	CEDAR PARK	\$42.37
1999 G 421541	LA BODEGA WINERY COMPANY	GRAPEVINE	\$461.74
1999 G 251023	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$1,173.73
1999 Z 158500	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$184.46
1999 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$1,963.96
1999 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$4,607.19
1999 Z 236659	MESSINA HOF WINE CELLARS INC.	BRYAN	\$4,115.69
1999 G 411236	PHEASANT RIDGE WINES	LUBBOCK	\$30.20
1999 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$210.13
1999 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$449.86
1999 G 402779	PLEASANT HILL WINERY	BRENHAM	\$157.77
1999 Z 402780	PLEASANT HILL WINERY	BRENHAM	\$3.82
1999 G 428252	POTEET COUNTRY WINERY	POTEET	\$315.47
1999 G 258894	RED RIVER WINERY	SPRING	\$302.12
1999 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$585.27
1999 Z 209483	SISTER CREEK VINEYARDS	SISTERDALE	\$442.65
1999 G 226816	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$617.36
1999 G 257253	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$71.07
1999 Z 257252	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$294.73
1999 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$3,480.31
1999 G 439147	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$85.27
1999 Z 439146	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$40.25
1999 G 079749	VAL VERDE WINERY	DEL RIO	\$525.67
1999 Z 138495	VAL VERDE WINERY	DEL RIO	\$38.96
1999 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$1,053.59
1999 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$589.17
1999 G 259107	WOODROSE WINERY	STONEWALL	\$27.41

\$29,129.68

\$36,657.77

2000 G 454589	ALAMOSA WINE CELLARS INC.	BEND	\$25.33
2000 Z 454588	ALAMOSA WINE CELLARS INC.	BEND	\$185.51
2000 G 256559	BECKER FARMS INC.	FREDERICKSBURG	\$1,472.48
000 Z 256560	BECKER FARMS INC.	FREDERICKSBURG	\$247.29
000 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$482.88
2000 Z 471988	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$46.53
2000 G 248974	BLUE MOUNTAIN VINEYARD INC.	FORT DAVIS	\$96.68
2000 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$609.46
2000 G 426914	CANA CELLARS	AUSTIN	\$65.03
2000 G 470317	CANA CELLARS	AUSTIN	\$29.28
2000 Z 426913	CANA CELLARS	AUSTIN	\$32.41
2000 Z 470316	CANA CELLARS	AUSTIN	\$22.10
2000 G 215428	CAP ROCK WINERY INC.	LUBBOCK	\$3,301.26
2000 G 436530	CAP ROCK WINERY INC.	GRAPEVINE	\$1,152.61
2000 G 444805	COMAL CREEK VINEYARDS	NEW BRAUNFELS	\$337.63
2000 G 457765	COMFORT CELLARS	COMFORT	\$124.28
2000 G 248199	DELANEY VINEYARDS	LAMESA	\$567.09
2000 G 400990	DELANEY VINEYARDS INC.	GRAPEVINE	\$390.82
2000 Z 400989	DELANEY VINEYARDS INC.	GRAPEVINE	\$749.39
2000 G 116360	FALL CREEK VINEYARDS	TOW	\$839.90
2000 Z 213916	FALL CREEK VINEYARDS	TOW	\$5.60
2000 G 264537	FREDERICKSBURG WINERY	FREDERICKSBURG	\$1,529.57
2000 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$804.99
2000 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$401.60
2000 G 264333	HIDDEN SPRINGS WINERY	PILOT POINT	\$428.79
2000 Z 264332	HIDDEN SPRINGS WINERY	PILOT POINT	\$120.78
2000 G 215226	HILL COUNTRY CELLARS INC.	CEDAR PARK	\$704.53
2000 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$33.49
000 G 431327	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$226.65
000 Z 431326	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$96.50
2000 G 429837	HOMESTEAD WINERY AT GRAPEVINE	GRAPEVINE	\$248.77
2000 Z 215224	IT'ZA NATURAL OF AUSTIN INC.	CEDAR PARK	\$25.00
2000 G 421541	LA BODEGA WINERY COMPANY	GRAPEVINE	\$475.77
2000 G 251023	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$1,141.21
2000 Z 158500	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$155.79
2000 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$1,715.63
2000 G 456936	MCREYNOLDS WINERY	CYPRESS MILL	\$5.50
2000 Z 456935	MCREYNOLDS WINERY	CYPRESS MILL	\$1.94
2000 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$2,148.05
2000 Z 236659	MESSINA HOF WINE CELLARS INC.	BRYAN	\$3,970.69
2000 G 456562	NORTH STAR WINERY	IVANHOE	\$32.62
2000 G 457691	NORTHSTAR WINERY	GRAPEVINE	\$380.65
2000 Z 457690	NORTHSTAR WINERY	GRAPEVINE	\$262.28
2000 G 411236	PHEASANT RIDGE WINES	LUBBOCK	\$39.46
2000 G 463167	PILLAR BLUFF VINEYARDS	LAMPASAS	\$18.14
2000 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$205.69
2000 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$325.67
2000 G 402779	PLEASANT HILL WINERY	BRENHAM	\$203.52
2000 Z 402780	PLEASANT HILL WINERY	BRENHAM	\$19.24
2000 G 428252	POTEET COUNTRY WINERY	POTEET	\$408.84
2000 G 258894	RED RIVER WINERY	SPRING	\$24.90
2000 G 457517	RED RIVER WINERY	SPRING	\$354.81
2000 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$720.94
000 Z 209483	SISTER CREEK VINEYARDS	SISTERDALE	\$685.04
2000 G 226816	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$107.42
2000 Z 226817	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$57.89
2000 G 450756	SPECIALTY BLENDS INCORPORATED	INGRAM	\$363.12

2000 Z 450755	SPECIALTY BLENDS INCORPORATED	INGRAM	\$173.21
2000 G 257253	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$92.23
2000 Z 257252	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$428.84
2000 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$11,236.29
00 G 439147	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$472.82
000 Z 439146	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$291.24
2000 G 079749	VAL VERDE WINERY	DEL RIO	\$541.82
2000 Z 138495	VAL VERDE WINERY	DEL RIO	\$66.54
2000 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$1,203.99
2000 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$600.25
			\$44,336.27
2001 G 454589	ALAMOSA WINE CELLARS INC.	BEND	\$31.75
2001 Z 454588	ALAMOSA WINE CELLARS INC.	BEND	\$345.10
2001 G 256559	BECKER FARMS INC.	FREDERICKSBURG	\$1,772.73
2001 Z 256560	BECKER FARMS INC.	FREDERICKSBURG	\$65.12
2001 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$254.73
2001 Z 471988	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$298.62
2001 G 248974	BLUE MOUNTAIN VINEYARD INC.	FORT DAVIS	\$115.22
2001 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$652.70
2001 G 477472	BRUNO & GEORGE WINES INC.	SOUR LAKE	\$24.85
2001 Z 477471	BRUNO & GEORGE WINES INC.	SOUR LAKE	\$1.43
2001 G 470317	CANA CELLARS	AUSTIN	\$112.44
2001 Z 470316	CANA CELLARS	AUSTIN	\$36.93
2001 G 215428	CAP ROCK WINERY INC.	LUBBOCK	\$3,343.31
2001 G 436530	CAP ROCK WINERY INC.	GRAPEVINE	\$1,152.19
2001 G 455709	CHISHOLM TRAIL WINERY	FREDERICKSBURG	\$33.71
2001 G 444805	COMAL CREEK VINEYARDS	NEW BRAUNFELS	\$716.72
2001 Z 444804	COMAL CREEK VINEYARDS	NEW BRAUNFELS	\$105.97
001 G 457765	COMFORT CELLARS	COMFORT	\$176.77
001 G 484759	CROSS TIMBERS WINERY	GRAPEVINE	\$30.09
2001 G 248199	DELANEY VINEYARDS	LAMESA	\$69.04
2001 G 400990	DELANEY VINEYARDS INC.	GRAPEVINE	\$630.63
2001 Z 400989	DELANEY VINEYARDS INC.	GRAPEVINE	\$1,007.47
2001 G 116360	FALL CREEK VINEYARDS	TOW	\$1,238.81
2001 Z 213916	FALL CREEK VINEYARDS	TOW	\$18.51
2001 G 264537	FREDERICKSBURG WINERY	FREDERICKSBURG	\$1,957.44
2001 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$858.40
2001 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$462.18
2001 G 469493	HAAK VINEYARDS & WINERY INC.	SANTA FE	\$428.41
2001 G 264333	HIDDEN SPRINGS WINERY	PILOT POINT	\$395.41
2001 Z 264332	HIDDEN SPRINGS WINERY	PILOT POINT	\$66.42
2001 G 215226	HILL COUNTRY CELLARS INC.	CEDAR PARK	\$188.94
2001 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$23.24
2001 G 431327	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$192.94
2001 Z 431326	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$88.47
2001 G 429837	HOMESTEAD WINERY AT GRAPEVINE	GRAPEVINE	\$329.31
2001 G 421541	LA BODEGA WINERY COMPANY	GRAPEVINE	\$445.92
2001 G 251023	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$733.37
2001 Z 158500	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$9.18
2001 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$1,939.68
2001 G 457058	LONE OAK VINEYARDS CORP.	VALLEY VIEW	\$113.58
2001 G 456936	MCREYNOLDS WINERY	CYPRESS MILL	\$24.22
2001 Z 456935	MCREYNOLDS WINERY	CYPRESS MILL	\$2.65
001 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$2,854.92
2001 Z 236659	MESSINA HOF WINE CELLARS INC.	BRYAN	\$3,575.19
2001 G 456562	NORTH STAR WINERY	IVANHOE	\$496.93
2001 G 457691	NORTHSTAR WINERY	GRAPEVINE	\$165.19

2001 G 481526	NORTHSTAR WINERY	GRAPEVINE	\$161.81
2001 Z 457690	NORTHSTAR WINERY	GRAPEVINE	\$40.74
2001 Z 481525	NORTHSTAR WINERY	GRAPEVINE	\$96.69
2001 G 411236	PHEASANT RIDGE WINES	LUBBOCK	\$22.08
01 G 463167	PILLAR BLUFF VINEYARDS	LAMPASAS	\$16.03
01 Z 463166	PILLAR BLUFF VINEYARDS	LAMPASAS	\$11.07
2001 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$225.22
2001 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$262.20
2001 G 402779	PLEASANT HILL WINERY	BRENHAM	\$251.04
2001 Z 402780	PLEASANT HILL WINERY	BRENHAM	\$24.49
2001 G 428252	POTEET COUNTRY WINERY	POTEET	\$293.88
2001 G 457517	RED RIVER WINERY	SPRING	\$354.92
2001 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$657.91
2001 Z 209483	SISTER CREEK VINEYARDS	SISTERDALE	\$675.85
2001 Z 226817	SLAUGHTER LEFTWICH VINEYARDS	AUSTIN	\$36.23
2001 Z 450755	SPECIALTY BLENDS INCORPORATED	INGRAM	\$4,387.70
2001 G 257253	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$123.65
2001 Z 257252	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$355.86
2001 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$409.80
2001 G 439147	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$847.88
2001 Z 439146	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$574.42
2001 G 079749	VAL VERDE WINERY	DEL RIO	\$585.79
2001 Z 138495	VAL VERDE WINERY	DEL RIO	\$77.00
2001 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$925.77
2001 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$619.44
			\$39,624.30
2002 G 454589	ALAMOSA WINE CELLARS INC.	BEND	\$71.14
2002 Z 454588	ALAMOSA WINE CELLARS INC.	BEND	\$305.33
02 G 256559	BECKER FARMS INC.	FREDERICKSBURG	\$2,740.48
02 Z 256560	BECKER FARMS INC.	FREDERICKSBURG	\$126.39
2002 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$186.35
2002 Z 471988	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$303.74
2002 G 248974	BLUE MOUNTAIN VINEYARD INC.	FORT DAVIS	\$277.13
2002 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$599.22
2002 G 477472	BRUNO & GEORGE WINES INC.	SOUR LAKE	\$76.49
2002 Z 477471	BRUNO & GEORGE WINES INC.	SOUR LAKE	\$112.46
2002 G 470317	CANA CELLARS	AUSTIN	\$25.98
2002 Z 470316	CANA CELLARS	AUSTIN	\$25.17
2002 G 436530	CAP ROCK WINERY INC.	GRAPEVINE	\$79.91
2002 G 502447	CAPROCK WINE COMPANY L.L.C.	GRAPEVINE	\$576.33
2002 G 496839	CAPROCK WINERY MCPHERSON CELLARS LA	LUBBOCK	\$3,846.68
2002 G 455709	CHISHOLM TRAIL WINERY	FREDERICKSBURG	\$117.09
2002 G 444805	COMAL CREEK VINEYARDS	NEW BRAUNFELS	\$706.51
2002 Z 444804	COMAL CREEK VINEYARDS	NEW BRAUNFELS	\$437.44
2002 G 457765	COMFORT CELLARS	COMFORT	\$262.95
2002 G 484759	CROSS TIMBERS WINERY	GRAPEVINE	\$271.10
2002 Z 484760	CROSS TIMBERS WINERY	GRAPEVINE	\$12.69
2002 G 505939	CROSSROADS VINEYARDS & WINERY	CROSS ROADS	\$67.14
2002 Z 505940	CROSSROADS VINEYARDS & WINERY	CROSS ROADS	\$82.09
2002 G 248199	DELANEY VINEYARDS	LAMESA	\$111.85
2002 G 400990	DELANEY VINEYARDS INC.	GRAPEVINE	\$1,064.95
2002 Z 400989	DELANEY VINEYARDS INC.	GRAPEVINE	\$367.00
2002 G 116360	FALL CREEK VINEYARDS	TOW	\$954.32
02 Z 213916	FALL CREEK VINEYARDS	TOW	\$43.90
2002 G 503507	FLAT CREEK ESTATE	MARBLE FALLS	\$62.33
2002 Z 503508	FLAT CREEK ESTATE	MARBLE FALLS	\$27.13
2002 G 264537	FREDERICKSBURG WINERY	FREDERICKSBURG	\$2,888.79

2002 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$990.85
2002 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$469.47
2002 G 469493	HAAK VINEYARDS & WINERY INC.	SANTA FE	\$938.79
2002 Z 469492	HAAK VINEYARDS & WINERY INC.	SANTA FE	\$224.10
2002 G 264333	HIDDEN SPRINGS WINERY	PILOT POINT	\$377.58
2002 Z 264332	HIDDEN SPRINGS WINERY	PILOT POINT	\$23.30
2002 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$186.91
2002 G 431327	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$155.38
2002 Z 431326	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$38.74
2002 G 429837	HOMESTEAD WINERY AT GRAPEVINE	GRAPEVINE	\$332.18
2002 G 478907	KIEPERSOL ESTATES VINEYARDS	TYLER	\$22.00
2002 G 421541	LA BODEGA WINERY COMPANY	GRAPEVINE	\$311.30
2002 G 251023	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$829.65
2002 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$1,773.56
2002 G 457058	LONE OAK VINEYARDS CORP.	VALLEY VIEW	\$253.11
2002 G 516468	LOS PINOS RANCH VINEYARDS	PITTSBURG	\$1.90
2002 G 456936	MCREYNOLDS WINERY	CYPRESS MILL	\$58.19
2002 Z 456935	MCREYNOLDS WINERY	CYPRESS MILL	\$15.14
2002 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$2,802.81
2002 Z 236659	MESSINA HOF WINE CELLARS INC.	BRYAN	\$4,130.98
2002 Z 481525	NORTHSTAR WINERY	GRAPEVINE	\$149.78
2002 G 514091	OBERHOF WINE CELLARS	FREDERICKSBURG	\$33.27
2002 G 411236	PHEASANT RIDGE WINES	LUBBOCK	\$173.77
2002 G 463167	PILLAR BLUFF VINEYARDS	LAMPASAS	\$73.86
2002 Z 463166	PILLAR BLUFF VINEYARDS	LAMPASAS	\$22.40
2002 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$219.37
2002 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$216.04
2002 G 402779	PLEASANT HILL WINERY	BRENNHAM	\$317.23
2002 Z 402780	PLEASANT HILL WINERY	BRENNHAM	\$81.50
2002 G 428252	POTEET COUNTRY WINERY	POTEET	\$64.57
2002 Z 428251	POTEET COUNTRY WINERY	POTEET	\$94.33
2002 G 457517	RED RIVER WINERY	SPRING	\$353.96
2002 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$918.20
2002 Z 209483	SISTER CREEK VINEYARDS	SISTERDALE	\$651.38
2002 G 450756	SPECIALTY BLENDS INCORPORATED	INGRAM	\$5,994.80
2002 Z 450755	SPECIALTY BLENDS INCORPORATED	INGRAM	\$1,871.38
2002 G 257253	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$401.44
2002 Z 257252	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$218.73
2002 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$223.93
2002 G 439147	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$980.42
2002 Z 439146	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$701.09
2002 G 079749	VAL VERDE WINERY	DEL RIO	\$611.80
2002 Z 138495	VAL VERDE WINERY	DEL RIO	\$134.04
2002 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$896.96
2002 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$705.18
			\$46,875.45
2003 G 454589	ALAMOSA WINE CELLARS INC.	BEND	\$364.81
2003 Z 454588	ALAMOSA WINE CELLARS INC.	BEND	\$46.70
2003 G 256559	BECKER FARMS INC.	FREDERICKSBURG	\$2,564.95
2003 Z 256560	BECKER FARMS INC.	FREDERICKSBURG	\$87.01
2003 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$293.98
2003 Z 471988	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$258.12
2003 G 248974	BLUE MOUNTAIN VINEYARD INC.	FORT DAVIS	\$231.07
2003 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$534.85
2003 G 477472	BRUNO & GEORGE WINES INC.	SOUR LAKE	\$125.23
2003 Z 477471	BRUNO & GEORGE WINES INC.	SOUR LAKE	\$61.21
2003 G 519806	BRUSHY CREEK VINEYARDS	ALVORD	\$199.29

2003 Z 470316	CANA CELLARS	AUSTIN	\$5.23
2003 G 502447	CAPROCK WINE COMPANY L.L.C.	GRAPEVINE	\$774.46
2003 G 496839	CAPROCK WINERY MCPHERSON CELLARS LA	LUBBOCK	\$4,615.59
2003 G 455709	CHISHOLM TRAIL WINERY	FREDERICKSBURG	\$209.96
03 Z 497639	CHISHOLM TRAIL WINERY	FREDERICKSBURG	\$158.86
03 G 444805	COMAL CREEK VINEYARDS	NEW BRAUNFELS	\$830.24
2003 Z 444804	COMAL CREEK VINEYARDS	NEW BRAUNFELS	\$585.77
2003 G 457765	COMFORT CELLARS	COMFORT	\$392.78
2003 G 484759	CROSS TIMBERS WINERY	GRAPEVINE	\$487.39
2003 Z 484760	CROSS TIMBERS WINERY	GRAPEVINE	\$36.92
2003 G 505939	CROSSROADS VINEYARDS & WINERY	CROSS ROADS	\$123.22
2003 Z 505940	CROSSROADS VINEYARDS & WINERY	CROSS ROADS	\$18.93
2003 G 248199	DELANEY VINEYARDS	LAMESA	\$91.46
2003 G 400990	DELANEY VINEYARDS INC.	GRAPEVINE	\$1,389.15
2003 Z 400989	DELANEY VINEYARDS INC.	GRAPEVINE	\$13.63
2003 G 514040	DRIFTWOOD VINEYARDS	DRIFTWOOD	\$165.49
2003 Z 514039	DRIFTWOOD VINEYARDS	DRIFTWOOD	\$30.49
2003 G 116360	FALL CREEK VINEYARDS	TOW	\$1,678.20
2003 Z 213916	FALL CREEK VINEYARDS	TOW	\$70.74
2003 G 537630	FAWN CREST VINEYARD INC.	CANYON LAKE	\$7.00
2003 G 503507	FLAT CREEK ESTATE	MARBLE FALLS	\$274.61
2003 Z 503508	FLAT CREEK ESTATE	MARBLE FALLS	\$317.71
2003 G 264537	FREDERICKSBURG WINERY	FREDERICKSBURG	\$1,689.62
2003 G 209093	GRAPE CREEK VINEYARD INC.	STONEWALL	\$937.89
2003 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$414.82
2003 G 469493	HAAK VINEYARDS & WINERY INC.	SANTA FE	\$1,439.42
2003 Z 469492	HAAK VINEYARDS & WINERY INC.	SANTA FE	\$522.48
2003 G 264333	HIDDEN SPRINGS WINERY	PILOT POINT	\$391.96
2003 Z 264332	HIDDEN SPRINGS WINERY	PILOT POINT	\$34.99
03 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$209.10
03 G 431327	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$202.71
2003 G 429837	HOMESTEAD WINERY AT GRAPEVINE	GRAPEVINE	\$354.94
2003 G 478907	KIEPERSOL ESTATES VINEYARDS	TYLER	\$147.89
2003 G 421541	LA BODEGA WINERY COMPANY	GRAPEVINE	\$437.46
2003 G 108647	LA BUENA VIDA VINEYARDS	SPRINGTOWN	\$265.05
2003 G 251023	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$530.75
2003 G 506626	LEHM BERG WINERY	GIDDINGS	\$139.74
2003 Z 512578	LEHM BERG WINERY	GIDDINGS	\$8.19
2003 G 513232	LIGHTCATCHER WINERY	FORT WORTH	\$173.84
2003 Z 513233	LIGHTCATCHER WINERY	FORT WORTH	\$7.14
2003 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$2,052.94
2003 G 457058	LONE OAK VINEYARDS CORP.	VALLEY VIEW	\$236.04
2003 G 516468	LOS PINOS RANCH VINEYARDS	PITTSBURG	\$462.78
2003 G 520068	LOST CREEK VINEYARD	LLANO	\$76.29
2003 G 456936	MCREYNOLDS WINERY	CYPRESS MILL	\$57.14
2003 Z 456935	MCREYNOLDS WINERY	CYPRESS MILL	\$15.64
2003 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$2,345.35
2003 Z 236659	MESSINA HOF WINE CELLARS INC.	BRYAN	\$3,935.30
2003 Z 481525	NORTHSTAR WINERY	GRAPEVINE	\$2,142.86
2003 G 514091	OBERHOF WINE CELLARS	FREDERICKSBURG	\$146.75
2003 G 411236	PHEASANT RIDGE WINES	LUBBOCK	\$254.13
2003 G 463167	PILLAR BLUFF VINEYARDS	LAMPASAS	\$100.22
2003 Z 463166	PILLAR BLUFF VINEYARDS	LAMPASAS	\$12.76
003 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$171.07
03 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$138.41
2003 G 402779	PLEASANT HILL WINERY	BRENHAM	\$315.43
2003 Z 402780	PLEASANT HILL WINERY	BRENHAM	\$121.98
2003 G 428252	POTEET COUNTRY WINERY	POTEET	\$122.51

2003 Z 428251	POTEET COUNTRY WINERY
2003 G 457517	RED RIVER WINERY
2003 G 209484	SISTER CREEK VINEYARDS
2003 Z 209483	SISTER CREEK VINEYARDS
03 G 450756	SPECIALTY BLENDS INCORPORATED
03 Z 450755	SPECIALTY BLENDS INCORPORATED
2003 G 257253	SPICEWOOD VINEYARDS INC.
2003 Z 257252	SPICEWOOD VINEYARDS INC.
2003 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY
2003 G 530935	SU VINO WINERY
2003 G 439147	TEXAS HILLS VINEYARD INC.
2003 Z 439146	TEXAS HILLS VINEYARD INC.
2003 Z 520512	TODDY BLENDS
2003 G 079749	VAL VERDE WINERY
2003 Z 138495	VAL VERDE WINERY
2003 G 189143	WIMBERLEY VALLEY WINERY
2003 G 216916	WIMBERLEY VALLEY WINERY TASTING
2003 Z 512934	WINE BLENDING SPECIALTIES INC.
2003 G 259107	WOODROSE WINERY
2003 Z 259106	WOODROSE WINERY

POTEET	\$116.36
SPRING	\$367.10
SISTERDALE	\$1,038.77
SISTERDALE	\$739.09
INGRAM	\$10,593.41
INGRAM	\$2,952.94
SPICEWOOD	\$672.36
SPICEWOOD	\$186.81
BAKERSFIELD	\$177.44
GRAPEVINE	\$761.45
JOHNSON CITY	\$973.74
JOHNSON CITY	\$583.98
HOUSTON	\$3,385.28
DEL RIO	\$678.73
DEL RIO	\$99.51
DRIFTWOOD	\$877.76
SPRING	\$675.60
WACO	\$2,101.06
STONEWALL	\$4.88
STONEWALL	\$38.34

\$64,685.25

2004 G 454589	ALAMOSA WINE CELLARS INC.
2004 Z 454588	ALAMOSA WINE CELLARS INC.
2004 G 256559	BECKER FARMS INC.
2004 Z 256560	BECKER FARMS INC.
2004 G 140290	BELL MOUNTAIN VINEYARDS INC.
2004 Z 471988	BELL MOUNTAIN VINEYARDS INC.
2004 G 248974	BLUE MOUNTAIN VINEYARD INC.
04 G 556587	BLUFF DALE VINEYARDS
04 G 238454	BLUM STREET CELLARS
2004 G 477472	BRUNO & GEORGE WINES INC.
2004 Z 477471	BRUNO & GEORGE WINES INC.
2004 G 519806	BRUSHY CREEK VINEYARDS
2004 G 502447	CAPROCK WINE COMPANY L.L.C.
2004 G 496839	CAPROCK WINERY MCPHERSON CELLARS LA
2004 G 455709	CHISHOLM TRAIL WINERY
2004 Z 497639	CHISHOLM TRAIL WINERY
2004 G 444805	COMAL CREEK VINEYARDS
2004 Z 444804	COMAL CREEK VINEYARDS
2004 G 457765	COMFORT CELLARS
2004 G 484759	CROSS TIMBERS WINERY
2004 Z 484760	CROSS TIMBERS WINERY
2004 G 505939	CROSSROADS VINEYARDS & WINERY
2004 Z 505940	CROSSROADS VINEYARDS & WINERY
2004 G 248199	DELANEY VINEYARDS
2004 G 400990	DELANEY VINEYARDS INC.
2004 Z 400989	DELANEY VINEYARDS INC.
2004 G 514040	DRIFTWOOD VINEYARDS
2004 G 551881	DVINE WINE OF TEXAS
2004 G 116360	FALL CREEK VINEYARDS
2004 Z 213916	FALL CREEK VINEYARDS
2004 G 537630	FAWN CREST VINEYARD INC.
2004 G 503507	FLAT CREEK ESTATE
04 Z 503508	FLAT CREEK ESTATE
2004 G 264537	FREDERICKSBURG WINERY
2004 G 521667	GOURD DOG WINERY
2004 G 209093	GRAPE CREEK VINEYARD INC.

BEND	\$361.09
BEND	\$22.07
FREDERICKSBURG	\$2,807.58
FREDERICKSBURG	\$108.26
FREDERICKSBURG	\$376.01
FREDERICKSBURG	\$104.57
FORT DAVIS	\$289.36
BLUFF DALE	\$16.69
SAN ANTONIO	\$686.34
SOUR LAKE	\$279.74
SOUR LAKE	\$29.89
ALVORD	\$355.22
GRAPEVINE	\$161.57
LUBBOCK	\$5,178.75
FREDERICKSBURG	\$485.59
FREDERICKSBURG	\$116.35
NEW BRAUNFELS	\$1,573.75
NEW BRAUNFELS	\$370.65
COMFORT	\$319.25
GRAPEVINE	\$746.84
GRAPEVINE	\$5.96
CROSS ROADS	\$32.60
CROSS ROADS	\$17.87
LAMESA	\$129.01
GRAPEVINE	\$1,595.86
GRAPEVINE	\$40.98
DRIFTWOOD	\$424.28
FORT WORTH	\$173.55
TOW	\$1,282.13
TOW	\$88.85
CANYON LAKE	\$7.14
MARBLE FALLS	\$703.53
MARBLE FALLS	\$73.78
FREDERICKSBURG	\$2,094.99
GRANBURY	\$46.35
STONEWALL	\$1,439.17

2004 Z 211108	GRAPE CREEK VINEYARD INC.	STONEWALL	\$152.34
2004 G 469493	HAAK VINEYARDS & WINERY INC.	SANTA FE	\$1,820.32
2004 Z 469492	HAAK VINEYARDS & WINERY INC.	SANTA FE	\$547.44
2004 G 264333	HIDDEN SPRINGS WINERY	PILOT POINT	\$338.63
04 Z 264332	HIDDEN SPRINGS WINERY	PILOT POINT	\$45.43
004 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$160.17
2004 G 431327	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$341.39
2004 G 429837	HOMESTEAD WINERY AT GRAPEVINE	GRAPEVINE	\$456.27
2004 G 478907	KIEPERSOL ESTATES VINEYARDS	TYLER	\$607.16
2004 G 421541	LA BODEGA WINERY COMPANY	GRAPEVINE	\$613.26
2004 G 108647	LA BUENA VIDA VINEYARDS	SPRINGTOWN	\$21.40
2004 G 251023	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$1,045.19
2004 G 546918	LA DIOSA CELLARS	LUBBOCK	\$374.39
2004 G 560475	LA DIOSA CELLARS	LUBBOCK	\$54.94
2004 G 506626	LEHM BERG WINERY	GIDDINGS	\$250.41
2004 Z 512578	LEHM BERG WINERY	GIDDINGS	\$15.00
2004 G 513232	LIGHTCATCHER WINERY	FORT WORTH	\$306.63
2004 Z 513233	LIGHTCATCHER WINERY	FORT WORTH	\$77.27
2004 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$2,045.43
2004 G 457058	LONE OAK VINEYARDS CORP.	VALLEY VIEW	\$221.43
2004 G 516468	LOS PINOS RANCH VINEYARDS	PITTSBURG	\$706.11
2004 G 520068	LOST CREEK VINEYARD	LLANO	\$430.12
2004 G 556963	MAYDELLE COUNTRY WINES	RUSK	\$5.58
2004 G 456936	MCREYNOLDS WINERY	CYPRESS MILL	\$75.56
2004 Z 456935	MCREYNOLDS WINERY	CYPRESS MILL	\$10.02
2004 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$3,538.72
2004 Z 236659	MESSINA HOF WINE CELLARS INC.	BRYAN	\$3,151.65
2004 G 556705	NASHWOOD WINERY INC.	DALLAS	\$51.52
2004 G 514091	OBERHOF WINE CELLARS	FREDERICKSBURG	\$207.55
004 G 411236	PHEASANT RIDGE WINES	LUBBOCK	\$176.83
004 G 463167	PILLAR BLUFF VINEYARDS	LAMPASAS	\$218.92
2004 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$336.82
2004 Z 199020	PINEY WOODS WINE-BOTTLER	ORANGE	\$178.59
2004 G 402779	PLEASANT HILL WINERY	BRENHAM	\$454.23
2004 Z 402780	PLEASANT HILL WINERY	BRENHAM	\$58.71
2004 G 428252	POTEET COUNTRY WINERY	POTEET	\$135.90
2004 Z 428251	POTEET COUNTRY WINERY	POTEET	\$104.75
2004 G 457517	RED RIVER WINERY	SPRING	\$335.80
2004 G 555620	SAN MARTINO WINERY & VINEYARDS	ROCKWALL	\$177.45
2004 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$1,021.72
2004 Z 209483	SISTER CREEK VINEYARDS	SISTERDALE	\$117.30
2004 G 450756	SPECIALTY BLENDS INCORPORATED	INGRAM	\$9,571.17
2004 Z 450755	SPECIALTY BLENDS INCORPORATED	INGRAM	\$8,957.24
2004 G 257253	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$844.15
2004 Z 257252	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$45.27
2004 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$167.87
2004 G 530935	SU VINO WINERY	GRAPEVINE	\$2,287.95
2004 G 439147	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$1,297.55
2004 Z 439146	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$355.88
2004 G 520511	TODDY BLENDS	HOUSTON	\$2,783.40
2004 Z 520512	TODDY BLENDS	HOUSTON	\$1,441.66
2004 G 524210	TRIPLE R RANCH & WINERY	WHITESBORO	\$267.45
2004 Z 524211	TRIPLE R RANCH & WINERY	WHITESBORO	\$0.95
2004 G 079749	VAL VERDE WINERY	DEL RIO	\$817.07
004 Z 138495	VAL VERDE WINERY	DEL RIO	\$48.00
2004 G 537071	WALES MANOR	MCKINNEY	\$2.38
2004 G 529283	WICHITA FALLS VINEYARDS & WINERY	IOWA PARK	\$630.05
2004 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$1,004.04

2004 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$804.19
2004 Z 512934	WINE BLENDING SPECIALTIES INC.	WACO	\$1,009.69
2004 G 259107	WOODROSE WINERY	STONEWALL	\$143.68
2004 Z 259106	WOODROSE WINERY	STONEWALL	\$6.54
			\$76,020.15
2005 G 454589	ALAMOSA WINE CELLARS INC.	BEND	\$53.31
2005 G 256559	BECKER FARMS INC.	FREDERICKSBURG	\$122.08
2005 G 140290	BELL MOUNTAIN VINEYARDS INC.	FREDERICKSBURG	\$33.27
2005 G 248974	BLUE MOUNTAIN VINEYARD INC.	FORT DAVIS	\$22.33
2005 G 556587	BLUFF DALE VINEYARDS	BLUFF DALE	\$37.44
2005 G 238454	BLUM STREET CELLARS	SAN ANTONIO	\$49.83
2005 G 477472	BRUNO & GEORGE WINES INC.	SOUR LAKE	\$14.68
2005 G 519806	BRUSHY CREEK VINEYARDS	ALVORD	\$30.76
2005 G 496839	CAPROCK WINERY MCPHERSON CELLARS LA	LUBBOCK	\$140.20
2005 G 455709	CHISHOLM TRAIL WINERY	FREDERICKSBURG	\$55.59
2005 G 444805	COMAL CREEK VINEYARDS	NEW BRAUNFELS	\$225.91
2005 G 457765	COMFORT CELLARS	COMFORT	\$35.87
2005 G 484759	CROSS TIMBERS WINERY	GRAPEVINE	\$53.77
2005 G 248199	DELANEY VINEYARDS	LAMESA	\$6.08
2005 G 400990	DELANEY VINEYARDS INC.	GRAPEVINE	\$117.57
2005 G 514040	DRIFTWOOD VINEYARDS	DRIFTWOOD	\$50.38
2005 G 551881	DVINE WINE OF TEXAS	FORT WORTH	\$52.27
2005 G 116360	FALL CREEK VINEYARDS	TOW	\$135.64
2005 G 503507	FLAT CREEK ESTATE	MARBLE FALLS	\$72.73
2005 G 264537	FREDERICKSBURG WINERY	FREDERICKSBURG	\$244.23
2005 G 521667	GOURD DOG WINERY	GRANBURY	\$5.83
2005 G 469493	HAAK VINEYARDS & WINERY INC.	SANTA FE	\$254.84
2005 G 264333	HIDDEN SPRINGS WINERY	PILOT POINT	\$14.26
2005 G 229513	HOMESTEAD VINEYARDS & WINERY INC.	IVANHOE	\$20.43
2005 G 431327	HOMESTEAD VINEYARDS & WINERY INC.	DENISON	\$23.28
2005 G 429837	HOMESTEAD WINERY AT GRAPEVINE	GRAPEVINE	\$47.06
2005 G 478907	KIEPERSOL ESTATES VINEYARDS	TYLER	\$60.69
2005 G 421541	LA BODEGA WINERY COMPANY	GRAPEVINE	\$36.10
2005 G 251023	LA BUENA VIDA VINEYARDS	GRAPEVINE	\$82.34
2005 G 560475	LA DIOSA CELLARS	LUBBOCK	\$62.73
2005 G 506626	LEHM BERG WINERY	GIDDINGS	\$21.29
2005 G 513232	LIGHTCATCHER WINERY	FORT WORTH	\$91.92
2005 G 140743	LLANO ESTACADO WINERY INC./STAKED	LUBBOCK	\$138.63
2005 G 457058	LONE OAK VINEYARDS CORP.	VALLEY VIEW	\$24.80
2005 G 556969	LONE STAR WINE CELLARS	MCKINNEY	\$73.13
2005 G 516468	LOS PINOS RANCH VINEYARDS	PITTSBURG	\$53.23
2005 G 520068	LOST CREEK VINEYARD	LLANO	\$57.43
2005 G 556963	MAYDELLE COUNTRY WINES	RUSK	\$7.76
2005 G 456936	MCREYNOLDS WINERY	CYPRESS MILL	\$11.77
2005 G 236660	MESSINA HOF WINE CELLARS INC.	BRYAN	\$889.54
2005 G 556705	NASHWOOD WINERY INC.	DALLAS	\$31.29
2005 G 514091	OBERHOF WINE CELLARS	FREDERICKSBURG	\$13.79
2005 G 411236	PHEASANT RIDGE WINES	LUBBOCK	\$10.72
2005 G 463167	PILLAR BLUFF VINEYARDS	LAMPASAS	\$17.26
2005 G 180146	PINEY WOODS COUNTRY WINES	ORANGE	\$38.41
2005 G 402779	PLEASANT HILL WINERY	BRENHAM	\$44.54
2005 G 428252	POTEET COUNTRY WINERY	POTEET	\$17.54
2005 G 457517	RED RIVER WINERY	SPRING	\$22.75
2005 G 209484	SISTER CREEK VINEYARDS	SISTERDALE	\$89.35
2005 G 450756	SPECIALTY BLENDS INCORPORATED	INGRAM	\$2,384.68
2005 G 257253	SPICEWOOD VINEYARDS INC.	SPICEWOOD	\$75.77
2005 G 190138	STE. GENEVIEVE STE GENEVIEVE WINERY	BAKERSFIELD	\$12.04

2005 G 530935	SU VINO WINERY	GRAPEVINE	\$230.93	
2005 G 439147	TEXAS HILLS VINEYARD INC.	JOHNSON CITY	\$142.98	
2005 G 520511	TODDY BLENDS	HOUSTON	\$383.82	
2005 G 079749	VAL VERDE WINERY	DEL RIO	\$57.12	
2005 G 529283	WICHITA FALLS VINEYARDS & WINERY	IOWA PARK	\$83.53	
2005 G 189143	WIMBERLEY VALLEY WINERY	DRIFTWOOD	\$40.20	
2005 G 216916	WIMBERLEY VALLEY WINERY TASTING	SPRING	\$49.48	
				\$7,277.20

Permit Type	Fee	Surcharge
Winery Permit	\$75	\$186
Wine Bottler's Permit	\$225	\$160
Winery Storage Permit	\$100	\$56

Fiscal Year	Number of Permits Issued		
	Winery Permits (G)	Wine Bottlers Permit (Z)	Winery Storage Permit (GS)
1984	18	12	
1985	12	7	
1986	29	17	
1987	22	12	
1988	23	12	
1989	28	18	
1990	28	20	
1991	30	24	
1992	29	19	
1993	32	26	
1994	28	18	0
1995	29	19	0
1996	31	25	0
1997	32	22	0
1998	35	26	0
1999	43	33	0
2000	43	35	0
2001	39	27	0
2002	66	46	0
2003	55	43	0
2004	79	13	1

TOTALS
GRAND
TOTALS

Fees & Surcharges Collected					
Winery Permits (G) Fees	Winery Permits (G) Surcharges	Wine Bottlers Permit (Z) Fees	Wine Bottlers Permit (Z) Surcharges	Winery Storage Permit (GS) Fees	Winery Storage Permit (GS) Surcharges
1350		2700			
900		1575			
2175		3825			
1650		2700			
1725		2700			
2100		4050			
2100		4500			
2250		5400			
2175		4275			
2400		5850			
2100	420	4050	810	0	0
2175	870	4275	418	0	0
2325	1209	5625	725	0	0
2400	1504	4950	770	0	0
2625	5355	5850	2912	0	0
3225	6579	7425	3696	0	0
3225	6579	7875	3920	0	0
2925	5967	6075	3024	0	0
4950	10362	10350	5336	0	0
4125	10230	9675	6880	0	0
5925	14694	2925	2080	100	56

\$54,825 \$63,769 \$106,650 \$30,571 \$100 \$56

\$118,594 \$137,221 \$156 \$255,971

*Bolted amounts indicate changes in surcharge amounts

TEXAS WINERIES - FY 2001

TRADENAME / CITY	OPENING INVENTORY	WINE GALLONS BOTTLED	WINERY GALLONS SUBJECT TO TAX (G)	WINE BOTTLER GALLONS SUBJECT TO TAX (Z)
amosa Wine Cellars - Bend	**	4,200	159	1,871
Becker Farms - Fredericksburg	14,531	24,283	7,880	327
Bell Mountain Vineyards - Fredericksburg	5,663	5,424	1,156	1,387
Blue Mountain Vineyard - Fort Davis	345	1,597	522	0
Blum Street Cellars - San Antonio	0	0	2,761	566
Bruno & George - Sour Lake	0	317	123	27
Cana Cellars - Austin	639	338	505	181
Cap Rock Winery - Grapevine	762	0	751	4,791
Cap Rock Winery - Lubbock	7,089	52,994	16,816	0
Chisholm Trail Winery - Fredericksburg	0	1,892	196	2
Comal Creek Vineyard - New Braunfels	2,701	7,144	3,581	619
Comfort Cellars - Comfort	224	1,308	854	0
Cross Timbers - Grapevine	0	0	242	2
Delaney Vineyard - Grapevine	5,415	0	4,726	3,263
Delaney Vineyard - Lemesa	28,050	6,475	316	0
Fall Creek Vineyard - Austin	**	42,000	6,249	149
Fredericksburg Winery - Fredericksburg	0	8,912	9,665	
Grape Creek Vineyard - Stonewall	8,676	3,294	4,304	2,376
Haak Vineyard - Sante Fe	**	3,500	2,455	0
Hidden Springs Winery - Hidden Springs	3,932	0	1,930	343
Hill Country Cellars - Cedar Park	1,410	1,403	705	0
Homestead Winery - Denison	**	**	903	470
Homestead Winery - Grapevine	**	0	1,546	0
Homestead Winery - Ivanhoe	2,019	7,849	157	0
La Bodega Winery - Grapevine	939	0	2,283	0
La Buena Vida Vineyard - Grapevine	1,428	0	3,537	0
La Buena Vida Vineyard - Springtown	7,610	3,086	0	0
Llano Estacado Winery - Lubbock	**	162,799	8,433	0
Lone Oak Vineyard - Valley View	689	938	950	0
McReynolds Winery - Cypress Mill	83	215	141	8
Messina Hof Winery - Bryan	**	60,000	9,879	19,833
Pheasant Ridge Winery - Lubbock	9,222	6,000	137	0
Pillar Bluff Vineyard - Lampasas	71	213	62	104
Piney Woods Winery - Orange	386	2,411	1,242	1,190
Pleasant Hill Winery - Brenham	313	0	668	50
Poteet Country Winery - Poteet	0	1,439	1,439	0
Red River Winery - Spring	486	1,733	2,045	0
Sister Creek Vineyard - Sisterdale	3,433	10,586	3,209	2,945
Specialty Blends - Carrollton	2,983	20,849	0	23,732
Spicewood Vineyard - Spicewood	7,455	5,673	532	1,564
Ste Genevieve - Bakersfield	176,270	1,576,679	1,792	0
Texas Hills Vineyard - Johnson City	7,752	8,986	4,157	2,867
Val Verde Winery - Del Rio	185	3,479	2,629	399
Wimberly Valley Wine - Driftwood	911	14,077	4,686	0
Wimberly Valley Wine - Spring	**	0	2,596	0
		2,052,093	118,919	69,066

Information compiled from excise tax reports filed by each winery

**unavailable

TEXAS WINERIES - FY 2002

TRADENAME / CITY	OPENING INVENTORY	WINE GALLONS BOTTLED	WINERY GALLONS SUBJECT TO TAX (G)	WINE BOTTLER GALLONS SUBJECT TO TAX (Z)
Alamosa Wine Cellars - Bend	1,381	4,869	479	1,370
Becker Farms - Fredericksburg	11,749	36,255	13,383	573
Bell Mountain Vineyards - Fredericksburg	5,639	12,454	1,075	1,507
Blue Mountain Vineyards - Fort Davis	376	2,264	1,342	0
Blum Street Cellars - San Antonio	0	0	2,583	0
Bruno & George - Sour Lake	142	891	383	423
Brushy Creek Vineyards - Alvord	0	0	7	0
Cana Cellars - Austin	289	0	103	132
Cap Rock Winery - Grapevine	879	0	2,717	0
Cap Rock Winery - Lubbock	70,676	72,902	15,085	0
Chisholm Trail Winery - Fredericksburg	1,750	2,678	589	118
Comal Creek Vineyard - New Braunfels	4,233	10,794	3,676	2,358
Comfort Cellars - Comfort	1,158	692	1,364	0
Cross Timbers - Grapevine	45	0	1,580	91
Delaney Vineyard - Grapevine	5,503	0	5,066	908
Delaney Vineyard - Lemesa	24,670	5,306	1,787	0
Fall Creek Vineyard - Austin	8,574	42,500	4,554	190
Flat Creek Estate - Lago Vista	0	0	359	195
Fredericksburg Winery - Fredericksburg	0	13,194	14,502	0
Grape Creek Vineyard - Stonewall	11,038	10,507	5,038	2,213
Haak Vineyard - Sante Fe	1,731	5,976	4,179	1,218
Hidden Springs Winery - Hidden Springs	4,177	262	1,822	116
Homestead Winery - Denison	625	75	1,672	52
Homestead Winery - Grapevine	0	0	1,564	0
Homestead Winery - Ivanhoe	4,603	11,036	949	0
Kiepersol Estates Vineyard - Tyler	0	697	178	0
La Bodega Winery - Grapevine	587	0	1,413	0
La Buena Vida Vineyard - Grapevine	1,897	0	3,755	0
La Buena Vida Vineyard - Springtown	6,659	2,960	0	0
Lightcatcher Winery - Fort Worth	0	0	24	0
Llano Estacado Winery - Lubbock	69,661	153,820	9,316	0
Lone Oak Vineyard - Valley View	1,002	519	1,269	0
Los Pinos Ranch Vineyard - Pittsburg	0	0	29	0
McReynolds Winery - Cypress Mill	149	1,032	290	75
Messina Hof Winery - Bryan	30,206	61,576	11,013	18,481
Oberhof Wine Cellars - Fredericksburg	0	0	243	0
Pheasant Ridge Winery - Lubbock	10,378	5,150	939	0
Pillar Bluff Vineyard - Lampasas	88	732	314	106
Piney Woods Winery - Orange	218	2,215	921	1,190
Pleasant Hill Winery - Brenham	1,178	137	1,556	428
Poteet Country Winery - Poteet	0	1,001	360	56
Red River Winery - Spring	303	1,519	1,661	0
Sister Creek Vineyard - Sisterdale	7,525	8,241	4,346	3,019
Specialty Blends - Carrollton	6,242	44,241	0	40,459
Spicewood Vineyard - Spicewood	10,265	6,481	2,138	1,088
Ste Genevieve - Bakersfield	241,200	1,534,354	1,088	0
Texas Hills Vineyard - Johnson City	7,232	12,936	5,024	3,256
Val Verde Winery - Del Rio	205	3,474	2,725	597
Wimberly Valley Wine - Driftwood	2,259	11,683	4,341	0
Wimberly Valley Wine - Spring	391	0	3,046	0
Wine Blending - Waco	0	44,051	0	1,172
Woodrose Winery - Stonewall	0	281	57	0
		2,129,755	141,904	81,391

Information compiled from excise tax reports filed by each winery
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TEXAS WINERIES - FY 2003

TRADENAME / CITY	OPENING INVENTORY	WINE GALLONS FERMENTED	WINERY GALLONS SUBJECT TO TAX (G)	WINE BOTTLER GALLONS SUBJECT TO TAX (Z)
Alamosa Wine Cellars - Bend	2,028	2,099	1,833	221
Becker Farms - Fredericksburg	13,932	40,717	12,088	444
Bell Mountain Vineyards - Fredericksburg	13,029	6,457	1,535	1,239
Blue Mountain Vineyards - Fort Davis	505	1,599	1,321	0
Blum Street Cellars - San Antonio	0	0	2,785	0
Bruno & George - Sour Lake	228	843	492	262
Brushy Creek Vineyards - Alvord	59	1,004	992	0
Cana Cellars - Austin	80	0	0	14
Cap Rock Winery - Grapevine	675	0	3,270	0
Cap Rock Winery - Lubbock	88,906	28,900	21,962	0
Chisholm Trail Winery - Fredericksburg	3,747	3,309	1,102	748
Comal Creek Vineyard - New Braunfels	8,670	6,488	4,390	2,917
Comfort Cellars - Comfort	486	1,707	1,584	0
Cross Timbers - Grapevine	24	0	2,247	94
Delaney Vineyard - Grapevine	3,411	0	8,041	109
Delaney Vineyard - Lemesa	20,882	6,768	491	0
Driftwood Vineyard - Driftwood	0	390	784	140
Fall Creek Vineyard - Austin	10,492	45,830	8,451	303
Fawn Crest Vineyard - Canyon Lake	88	0	58	0
Flat Creek Estate - Marble Falls	3,050	0	1,313	1,631
Fredericksburg Winery - Fredericksburg	0	6,754	7,717	0
Grape Creek Vineyard - Stonewall	9,172	8,936	4,691	2,202
Haak Vineyard - Sante Fe	1,284	12,157	5,518	2,294
Hidden Springs Winery - Pilot Point	2,511	1,148	1,852	166
Homestead Winery - Denison	4,784	94	1,035	0
Homestead Winery - Grapevine	0	0	1,797	0
Homestead Winery - Ivanhoe	3,622	9,359	1,200	0
Kiepersol Estates Vineyard	447	7,408	939	0
La Bodega Winery - Grapevine	1,321	0	2,333	0
La Buena Vida Vineyard - Grapevine	1,905	0	3,322	0
La Buena Vida Vineyard - Springtown	5,732	4,707	3,812	0
Lehm Berg Winery - Giddings	581	1,226	558	36
Lightcatcher Winery - Fort Worth	509	815	871	67
Llano Estacado Winery - Lubbock	68,498	172,854	9,163	0
Lone Oak Vineyard - Valley View	575	1,248	1,220	0
Los Pinos Ranch Vineyard	413	151	2,419	0
Lost Creek Vineyard - Llano	0	2,399	734	0
McReynolds Winery - Cypress Mill	817	478	271	78
Messina Hof Winery - Bryan	29,355	69,962	9,471	18,410
Oberhof Wine Cellars -	0	0	644	0
Pheasant Ridge Winery - Lubbock	8,990	7,400	1,166	0
Pillar Bluff Vineyard - Lampasas	400	1,019	543	54
Piney Woods Winery - Orange	415	2,168	1,012	732
Pleasant Hill Winery - Brenham	750	717	1,513	574
Poteet Country Winery - Poteet	187	1,113	581	575
Red River Winery - Spring	279	1,682	1,797	0
Sister Creek Vineyard - Sisterdale	8,220	13,373	4,671	3,245
Specialty Blends - Carrollton	7,519	57,899	0	60,222
Spicewood Vineyard - Spicewood	12,685	3,957	3,447	975
Ste Genevieve - Bakersfield	253,174	1,328,439	770	0
Su Vino Winery - Grapevine	0	5,163	4,833	0
Texas Hills Vineyard - Johnson City	10,358	8,769	4,797	2,937
Toddy Blends - Houston	0	9,513	0	9,120
Val Verde Winery - Del Rio	226	3,847	3,105	494
Wichita Falls Vineyard - Wichita Falls	147	147	0	0
Wimberly Valley Wine - Driftwood	1,372	13,252	4,473	0
Wimberly Valley Wine - Spring	364	0	3,315	0
Wine Blending - Waco	9,358	67,035	0	8,618
Woodrose Winery - Stonewall	224	477	0	325
		1,971,577	170,329	119,246

Information compiled from excise tax reports filed by each winery
 **unavailable

TEXAS WINERIES - FY 2004

TRADENAME / CITY	OPENING INVENTORY	WINE GALLONS BOTTLED	WINERY GALLONS SUBJECT TO TAX**
Alamosa Wine Cellars - Bend	1,884	2,542	2,002
Becker Farms - Fredericksburg	15,019	3,743	1,147
Bell Mountain Vineyards - Fredericksburg	10,852	9,690	2,299
Blue Mountain Vineyards - Fort Davis	345	1,964	1,342
Blum Street Cellars - San Antonio	0	0	2,956
Bruno & George - Sour Lake	383	972	1,282
Brushy Creek Vineyards - Alvord	728	1,643	1,602
Cap Rock Winery - Grapevine	480	0	0
Cap Rock Winery - Lubbock	41,196	13,680	18,741
Chisholm Trail Winery - Fredericksburg	4,623	1,089	2,941
Comal Creek Vineyard - New Braunfels	6,513	10,764	10,144
Comfort Cellars - Comfort	609	2,127	2,010
Cross Timbers - Grapevine	83	0	3,977
Delaney Vineyard - Grapevine	5,234	0	7,811
Delaney Vineyard - Lemesa	13,512	11,035	573
Driftwood Vineyard - Driftwood	2,142	1,390	2,072
Dvine Wine - Fort Worth	0	1,154	1,114
Fall Creek Vineyard - Austin	5,578	65,296	7,849
Fawn Crest Vineyard - Canyon Lake	30	20	37
Flat Creek Estate - Marble Falls	1,483	8,426	3,980
Fredericksburg Winery - Fredericksburg	0	10,038	11,306
Gourdog Winery - Granbury	372	352	206
Grape Creek Vineyard - Stonewall	13,390	6,301	7,316
Haak Vineyard - Sante Fe	4,311	9,407	10,698
Hidden Springs Winery - Hidden Springs	1,971	583	1,807
Homestead Winery - Denison	5,154	140	4,554
Homestead Winery - Grapevine	0	0	4,282
Homestead Winery - Ivanhoe	1,423	10,024	653
Kiepersol Estates Vineyard - Tyler	6,175	3,531	3,408
La Bodega Winery - Grapevine	868	0	2,737
La Buena Vida Vineyard - Grapevine	1,508	0	4,555
La Buena Vida Vineyard - Springtown	7,883	3,920	121
La Diosa - Lubbock	0	0	2,412
Lehm Berg Winery - Giddings	632	1,798	1,070
Lightcatcher Winery - Fort Worth	785	3,550	2,126
Llano Estacado Winery - Lubbock	82,013	187,999	9,841
Lone Oak Vineyard - Valley View	739	1,259	1,130
Los Pinos Ranch Vineyard - Pittsburg	38	1,238	3,216
Lost Creek Vineyard - Llano	1,665	4,537	2,087
McReynolds Winery - Cypress Mill	938	1,778	489
Messina Hof Winery - Bryan	30,535	81,118	34,742
Oberhof Wine Cellars - Fredericksburg	0	0	993
Pheasant Ridge Winery - Lubbock	9,178	6,263	933
Pillar Bluff Vineyard - Lampasas	808	1,072	1,104
Piney Woods Winery - Orange	462	2,325	1,846
Pleasant Hill Winery - Brenham	896	1,999	2,178
Poteet Country Winery - Poteet	137	1,386	1,226
Red River Winery - Spring	438	1,206	1,645
San Martino - Rockwall	0	745	1,177
Sister Creek Vineyard - Sisterdale	13,037	9,543	5,409
Specialty Blends - Carrollton	6,889	91,638	79,406
Spicewood Vineyard - Spicewood	11,216	1,192	4,401
Ste Genevieve - Bakersfield	181,961	1,262,334	849
Su Vino Winery - Grapevine	330	10,251	10,151
Texas Hills Vineyard - Johnson City	10,796	14,228	8,052
Toddy Blends - Houston	1,295	11,915	12,579
Triple R Ranch & Winery	0	1,360	1,333
Val Verde Winery - Del Rio	170	4,370	3,890
Wales Manor - McKinney	0	592	12
Wichita Falls Vineyard - Iowa Park	147	351	3,123
Wimberly Valley Wine - Driftwood	1,377	16,197	4,975
Wimberly Valley Wine - Spring	218	0	3,752
Wine Blending - Waco	21,918	20,417	5,052
Woodrose Winery - Stonewall	407	751	715
		1,922,641	337,436

Information compiled from excise tax reports filed by each winery
 **unavailable
 ***winery & bottler taxes combined due to form revision

Senate Committee on Intergovernmental Relations
Public Hearing Invited Testimony
October 6, 2004

Edward Hellman
Associate Professor of Viticulture
Texas A&M University
Texas Tech University

Role of Texas Universities in Supporting Growth of the Texas Wine Industry

Texas A&M and Texas Tech Universities provide support for the continued development of the Texas wine industry in the form of Extension educational programs and service, research, and undergraduate and graduate student education. The extent of support currently provided the wine industry in these three areas varies considerably and in all areas is inadequate to meet the needs of our rapidly growing industry. Texas vineyards and wineries rely on university faculty to provide objective, research-based information and educational programming. University programs create new knowledge and provide the critical unbiased information and recommendations needed by producers to make informed management decisions. Fulfillment of the industry's need for Extension, research, and education is severely limited by insufficient personnel and almost nonexistent operational budgets at both universities.

Extension Education

Current Situation

Texas Cooperative Extension is the lead agency for delivering objective, research-based educational programs to grape and wine producers. This function is absolutely critical to the success of the Texas wine industry because the large majority of current and prospective new producers are untrained and inexperienced in grape and wine production. Furthermore, many producers are second-career professionals who are not interested in returning to school for another undergraduate degree. Texas Cooperative Extension offers viticulture (grape production) educational programs targeted to this audience that provide the high level of knowledge and skills necessary for the success of these operations. However, the small number of Extension personnel and extremely low operational budget are insufficient to meet all of the educational needs, especially in enology (wine production) for which no expertise currently exists in the agency. Texas Cooperative Extension is currently understaffed and underfunded to fulfill this mission.

Texas Cooperative Extension currently has two faculty (1.25 FTE) devoted to viticulture Extension programming and zero devoted to enology. Extension Viticulture faculty operational budgets are woefully inadequate to perform the assigned duties: \$3,500 for FY2005.

Needs

New Extension faculty in enology (0.5 FTE) paired with Research Enologist (\$50,000)
Extension viticulture operational budget (\$50,000)
Extension enology operational budget (\$50,000)

Research

Current Situation

Discovery of new knowledge through research is critical for understanding the unique requirements of grape and wine production in Texas and to enable producers to remain economically competitive in the marketplace. Current research faculty positions are limited to a 0.25 FTE (Hellman) viticulture research position at Texas Tech paired with a joint appointment (0.75 FTE) with Texas Cooperative Extension at Texas A&M. An agricultural technician (1.0 FTE) at the Texas Agricultural Experiment Station supports the viticulture research program. The research program receives an annual operational budget of zero to perform its functions. There are no faculty positions devoted to enology research.

Texas Tech also provides a research faculty (Dodd) in wine marketing at the Texas Wine Marketing Research Institute. The Institute has also been supplying information to the industry as part of TTU's economic development, outreach and service mission. Funding for the Institute has declined from \$125,000 in 1988 to \$60,000 today. The Institute now is being run on a part-time basis. This inhibits the ability of the Institute to provide timely and comprehensive basic information to the industry, media and others who need to know about the industry. The funding reductions have meant that information concerning grape pricing, wine production, and other research has stopped. Many of the publications that the Institute previously received and made available to the industry can no longer be purchased.

Needs

Operational budget for viticulture research program (\$50,000)
Restoration of operational budget of Texas Wine Marketing Research Institute (\$65,000)
New faculty in enology research (0.5 FTE) paired with Extension Enologist (\$50,000)
Technical support personnel for enology research (\$30,000)
Operational budget for enology research program (\$50,000)

Undergraduate and Post-Graduate Education

Current Situation

The Texas wine industry has repeatedly expressed interest in development of university degree programs in viticulture and enology. Neither Texas A&M nor Texas Tech University offer such undergraduate degree programs. Both universities offer a bachelor's degree in horticulture and several students have graduated with an emphasis on viticulture. Neither program, however, offers a full course specifically on viticulture and students are not fully trained in the discipline. Texas A&M devotes approximately half of one course to grape production principles and practices and an introductory course on wine, but not enology. Post-graduate degrees in horticulture with an emphasis on viticulture have been awarded to students at both universities, the most recent Masters of Science graduate from TTU in May, 2004. Another student will receive a M.S. degree in Plant Pathology from Texas A&M in December, having completed her research and studies on Pierce's disease of grape.

Needs

Graduate Assistantships (2) (\$50,000)
Difficult to assess at this time.

Nationwide, only universities in California and Washington offer undergraduate degree programs in viticulture and/or enology. Washington State University just began their program within the past two years. Many state universities find it difficult to justify a new program specialization for what may be a relatively small number of students. There is also concern that students completing the degree program may have difficulty finding a job within the Texas industry that pays a salary commensurate with their educational training. Most of our present vineyards and wineries are relatively small, family-run operations that may not be large enough to justify an appropriately salaried university graduate.

Senate Committee on Intergovernmental Relations
Public Hearing Invited Testimony
October 6, 2004

Jim Kamas
Assistant Professor & Extension Fruit Specialist
Texas Cooperative Extension
Texas A&M University
Fredericksburg, Texas

Like my colleague, Dr. Ed Hellman, I am charged with providing educational programming and applied research for the Texas grape industry, specifically growers in the Texas Hill Country. With no infrastructure in place, no industry funding and a woefully inadequate budget it has been a challenge over the past nine years to generate enough funding to even pay for travel to local vineyards to do my job. I am here today, however to speak to you about a success story in progress.

As I am sure you are aware, Pierce's disease, a bacterial pathogen that kills most varieties of wine grapes is the limiting factor to growing grapes in much of the state. In the mid 90's, the Hill Country, once an area considered to be a PD risk transition zone, was hit hard by PD and losses continue to limit winegrape production. In 1999, Dean Ed Hiler asked me to assume leadership for the Texas A&M University research effort on Pierce's disease. For three years, a group of dedicated research and extension personnel submitted proposal after proposal to funding agencies in California and were denied funding each time. We were denied funding for political, not scientific reasons. The boards that administered these funds were all California growers and researchers that are only interested in what is best for California. In fiscal year 2005, 42 million federal dollars have being dedicated to Pierce's disease in California. In my opinion, there is considerable empire building within some California institutions and they have been opposed to any funding going to Texas. Let me assure you, it is not in the best interest of the California grape industry for Texas to solve its Pierce's disease problem.

In 2002, a few of us at A&M began discussions with Dr. Lloyd Wendel, then program director of the Glassy-winged sharpshooter program in California. Dr. Wendel and his research group were based in south Texas, but all of their research efforts at that time were in support of the California program. Over time, we convinced Dr. Wendel that it was in everyone's best interest to at least begin to answer some of the questions about Pierce's disease in Texas. In fiscal year 2003, Texas A&M entered into cooperative agreement with USDA/APHIS and we had an operating budget of \$150,000. This provided our multidisciplinary, multi-institutional research group with start-up funding to begin answering some very basic questions about PD in Texas. These include:

- *What insect species are responsible for infecting susceptible grapevines?
- *What is their seasonality and relative population densities?
- *What habitat and topographical factors favor sharpshooters?
- *Where does the Pierce's disease bacterium reside outside of the vineyard?

- *How quickly does the pathogen move with different grape cultivars?
- *What conditions favor the development of an epidemic within a vineyard?
- *What cultural practices limit or favor disease development?

As with any research program, finding the answers to some of these basic questions frequently generates additional lines of inquiry. In any rate, we started getting answers. Dr. Wendel was so impressed with our initial results that in FY 2004, our budget was doubled to \$300,000. Staff was hired and we are making significant progress on a number of research fronts.

In our investigations, we have found a few areas where we feel that the opportunities for breakthroughs exist. I'm sure most of the committee is familiar with the Glassy-winged sharpshooter which was introduced into California. Two independent studies have recently confirmed that the genetic origin of this insect population is Texas, not Florida as previously thought. This means that even for Californians, it makes good sense to study the major insect vector and the disease where they are native and have co-evolved for long periods of time. Glassy-winged sharpshooter behaves differently in Texas than it does in California. It also exists in low numbers along the Red River and as far west as San Angelo. Inspection of GWSS egg masses show a high degree of parasitism which means that biological control could be responsible for these low populations. If confirmed, these parasitoids could provide a long term insect management tool not only for Texas growers, but for California growers as well.

There are also a set of anomalous vineyards in the northern part of the Hill Country where insect vectors abound, but there is no disease. Although most of these vineyards are less than ten years old, one is twenty five years old and PD has never been confirmed. Dr. Mark Black has followed up on these vineyards to look for the bacterium in the plants where it is commonly found elsewhere. He finds the Pierce's disease bacterium rare or absent from these vineyards. Considering the insect and the bacterium have co-existed in this environment for tens of thousands of years, this finding is remarkable and may provide the insight so desperately needed for a control.

I am exceptionally proud of our accomplishments, but there is much work we need to follow up on. We need to relocate the sharpshooter lab currently in Edinburg to the Texas Hill Country. We need to hire more people and expand our entomological and pathological research. We need to bring a plant anatomist into our team. A separate cooperative agreement for the scientific team at Edinburg has recently been transferred to A&M, but we still need to establish a lab for the work. Gillespie county officials are eager to help in this relocation, but we are still battling with APHIS regional managers for the funds to construct the greenhouses. We have targeted an annual budget of \$2 million dollars starting in FY 2006.

All of this increase in resources and in lab relocation has been the direct result of political action by growers, state legislators and Texas Department of Agriculture personnel. I would like to thank Senator Madla for taking up this cause with his letter to Senator

Hutchinson and would like to thank Commissioner Combs and her staff for her unwavering support of the industry and specifically this project.

In closing, I would like to say that Pierce's disease is just one problem facing the industry, but it's a big one. There are many other areas where research findings are sorely needed such as variety and rootstock evaluations, irrigation and canopy management, grapevine nutrition, fungal disease management, floor management, integrated pest management, etc. Texas needs to develop the infrastructure to address these needs and the funding to conduct meaningful applied research. As for Pierce's disease research, we need to be vigilant in asking our Texas congressional delegation for continued support. At no other time has Texas had a viticultural research effort of this magnitude and if we lose this fight, the industry will not grow.

Attachments:

- TAMU Pierce's Disease Action Plan
- Action Plan Time Table
- Texas PD Program Highlights

Pierce's Disease Research in Texas **A Wise Investment for the Future of Grape Growing**

The introduction of Glassy-winged Sharpshooter (GWSS), *Homalodiscus coagulata*, into California has drastically changed the rate at which Pierce's disease, *Xylella fastidiosa*, can move throughout that state. Not only has this changed the dynamics of intrastate movement, but the epidemiology of the disease within the vineyards as well. The presence of GWSS presents a new challenge in managing this vector compared to the established methods of managing indigenous vectors of PD. Glassy-winged sharpshooters are more robust than indigenous vectors in much of the grape growing areas of California and the current edge effect associated with PD will become a vineyard effect with the establishment of this insect. Recent comparisons of GWSS genetics show that Texas is the origin of the population that has established itself in the southern half of California. It is the position of the Texas Pierce's Disease Task Force that by better understanding the biology of GWSS in its native environment, weaknesses may be discovered that would provide vital control strategies.

One striking difference in GWSS behavior is that in California, the insect can be readily found feeding on warm winter days while in central Texas, the insect is almost entirely absent from late fall through late spring. Understanding this migratory or diapausal behavior may provide insight as to what degree the insect can establish itself in different climates. It is also notable that in many north and central Texas vineyard locations, GWSS is only found in relatively low numbers. Preliminary observations of GWSS egg masses show a high degree of parasitism which suggests there may be parasitoids adapted to these environments that would enhance the current proposed long-term sustainable strategy in California. It is also believed that mycopathogens may play a large role in suppressing GWSS populations in their native range. In California, gains have been made in managing GWSS populations in agricultural settings utilizing a chemical-based strategy, but insect control in urban areas remains a challenge. These areas are rapidly expanding as urban encroachment moves into the world renowned wine producing areas in California and the current management strategy utilizing pesticides will be continuously challenged.

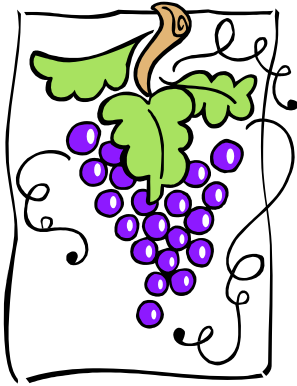
Similar challenges are associated with the plant nurseries shipping commodities out of the southern areas of California where GWSS populations remain a serious challenge. The enormous costs associated with inspections and treatments of this commodity prior to intra-state movement could be reduced utilizing a more long-term sustainable strategy with natural enemies. Identification, rearing and release of these biological control agents may greatly assist in managing GWSS populations where chemical inputs are problematic.

Insect surveys across Texas have identified other large xylem feeding sharpshooters that reside in the riparian/vineyard interface. *Paraulacizes irrorata* and more than one *Oncometopia* species also appear to be important in the movement of *X. fastidiosa* in east and north Texas. These insects are also strong fliers and represent a similar threat in the vectoring of PD as does GWSS. Furthermore, early 2004 insect surveys in the Hill

Country vineyards are indicating the presence of other xylem feeders. Species of *Graphocephala* are consistently caught on traps throughout this area, as well as a few *Cuernia costalis*, and *Draeculacephala* sp. Studying the behavior of these insects and their role in disease spread in Texas may prove vital should these species be introduced into California at some later date.

Perhaps the greatest potential for knowledge gain in Pierce's disease lies in understanding the disease complex in the areas of the northern Hill Country of Texas. As one travels north of Fredericksburg, soil types change from calcitic-based to granitic soils. In these granitic areas, GWSS can be readily found in all vineyards, but the disease is not present. Preliminary screening of native, supplemental hosts shows that known sources of the bacterium also appear to be *Xylella*-free. In an area where the disease and the primary vector are native, this anomaly could provide to overall disease management.

Pierce's disease research in Texas not only provides Texas growers with increased knowledge vital for disease prevention and management, but could clearly provide important management tools that have nation-wide impact.



Texas A&M University Action Plan to Combat Pierce's Disease in Texas

Background

For most of Texas, Pierce's disease is the greatest limiting factor in cultivating high quality wine grapes. The disease is named after the man who first described the problem in the late 1800s when the disease destroyed nearly 40,000 acres of vineyards in California. The bacterium that causes PD is unusual because it lives only in its insect vectors or in the xylem (water-conducting) tissues of infected plants. This growth habit results in the rapid development of severe symptoms of water stress and eventual death in affected plants. Currently, there are very few options available to prevent the infection of grapevines in high-risk areas and no known cures or treatments. At this point, new growers seek to mitigate risk through site selection and manage the disease by controlling weeds and insects and removing symptomatic vines as they occur.

Although symptoms were described more than 100 years ago, the true nature of Pierce's disease and *X. fastidiosa* were discerned only during the past 30 years. The narrow growth requirements and very slow doubling time of the pathogen make it difficult to manipulate in the laboratory using conventional microbiological techniques. Methods are now available to identify the bacterium in plant and insect vectors but each method is prone to occasional false positive or false negative results that necessitate the use of at least two methods for sound scientific verification. To add to the difficulty of working with this organism, there appears to be much variation within *X. fastidiosa*. Various strains cause diseases in many different plants (e.g., peach phony disease, citrus variegated chlorosis, bacterial leaf scorch in oleander, elm, sycamore, oak, etc.). Certain native plants, including herbaceous and woody plants, can be systemically infected without developing noticeable symptoms. There is very little research on whether pathogenicity is strain specific in all cases or if strains have altered expression in supplemental hosts.

The PD bacterium is spread by common and abundant sharpshooter and spittlebug insects that feed on the xylem fluids of infected plants. Subsequent feedings transfer the bacterium to susceptible plants which results in the onset of disease.

History of Pierce's Disease in Texas

Pierce's disease is not new to Texas. In fact, the disease has probably been responsible for the death of European wine grapes brought from the Old World since the 17th century. The bacterium appears to be unable to survive low winter temperatures in infected plants, limiting its distribution to the warmer central and coastal portions of the state. Vineyards located in the Texas High Plains are expected to remain free of the disease unless winters are warm or disease pressure is high. Sites prone to disease are

often found along riparian habitat, but for some unexplained reason, there are vineyards in high-risk areas that appear not to have the disease.

Pierce's disease is native to the Gulf Coast states, and certain xylem-feeding insects that transmit the pathogen live throughout the southern United States. The glassy-winged sharpshooter, whose introduction into southern California contributed to a rapid increase in disease incidence, was routinely caught in preliminary insect surveys in Texas during 1998-99. These surveys catalogued the sharpshooter species and vegetation associated with particular insects. This old archival information remains available to growers through a Texas A&M University entomology department website.

Not all species and varieties of grapevines are equally susceptible to PD. Most tolerant varieties apparently have internal mechanisms that suppress the pathogen or symptom development and may provide valuable information on the way grapevines survive infection. These tolerant varieties often include the hybrid varieties (common Old World *Vitis vinifera* by New World wild species). These hybrid varieties may tolerate high levels of the bacteria, but their fruit provides a greater challenge in the production of high quality wines.

Finding Solutions to the Problem

Pierce's disease in grapes already has been the focus of numerous research projects throughout the United States. These projects have focused on a broad array of subjects concerning the diagnosis, epidemiology and control of the disease. There are still many aspects of PD that are poorly understood because of the bacterium's broad host plant range, poorly understood interactions with host plants and insects, virulence on winegrape, and the difficulty of manipulating it in the laboratory.

Due to the fact that the disease is historically endemic to Texas and there is a gradient of PD infection potential as you approach the coast, studying PD across Texas could elucidate a great deal about the ecology and epidemiology of this bacterium. In order to reduce risk, one of the goals of this program is to understand how the disease spreads throughout Texas. Collecting and interpreting information on the behavior of vectors and identifying wild plants that serve as reservoirs of the bacterium will assist growers in disease prevention and management.

Vineyard Survey

Pierce's disease recently has become prevalent throughout numerous vineyards in Central Texas so that a statewide pattern of the disease seems to exist. However, no comprehensive, intensive survey of vineyards has been conducted to establish a baseline of disease incidence and potentially associated risk factors. Collection of this information and integration into a geographic information system (GIS) could help distinguish patterns associated with PD risks and ultimately lead to the ability to predict PD incidence. Texas A&M researchers will:

- Survey all commercial vineyards in Texas for:
 - Grape varieties and acreage
 - Incidence of Pierce's disease
 - Presence of sharpshooter vectors
 - Presence of supplemental *X. fastidiosa* hosts
 - Soil types
 - Weed control
 - Proximity to water
 - Adjacent vegetation types
- Develop a GIS system to facilitate the study of geographical, ecological, climatic, and
- temporal factors that may be associated with PD in Texas vineyards.

Supplemental Host Detection

- Survey plant communities adjacent to vineyards in high-risk areas to identify potential reservoirs of inoculum.

Vector Surveys

- Establish year-round insect surveys in both infected and non-infected vineyards to establish the population dynamics of known and suspected carriers of PD.
- Determine range of known PD vectors across Texas grape growing regions.
- Collect specimens of Glassy-winged sharpshooter to compare with California populations in order to determine population origins.
- Test suspected vectors by PCR and immuno dot blots for presence of *X. fastidiosa*.

Vector Behavior

- Study sharpshooter feeding and oviposition behavior between susceptible and tolerant cultivars and wild species of grapes.
- Explore unique diapausal behavior of Glassy-winged sharpshooter in Texas.

Vector Bio-control

- Explore riparian areas adjacent to Texas vineyards for heat and cold tolerant parasitoids of Glassy-winged sharpshooter.

Diagnosis

- Determine the disease's latent period and relationships between rates of colonization and when symptoms appear by assaying artificially inoculated grape cultivars.
- Compare currently available diagnostic tools including ELISA, real-time PCR, and direct isolation of the bacterium for the relative abilities to detect the pathogen.

Epidemiology

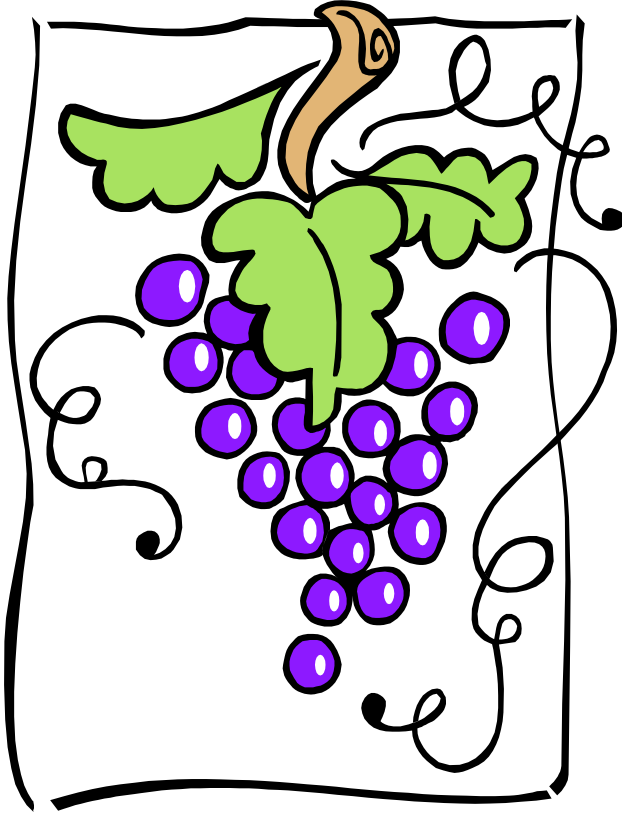
- Assay "resistant" and "tolerant" grapevines to determine the extent of colonization in artificially and naturally inoculated cultivars.
- Assay native Texas grape species and other flora for their ability to sustain high population numbers of the pathogen.
- Determine pathogenicity using mechanical inoculation under greenhouse conditions using bacterial isolates from various host plants (annual and perennial composite weeds, elm, oleander, sycamore, oak, etc.) on a highly susceptible European winegrape variety.
- Clarify the strain relationships among populations infecting different hosts (e.g., oleander, sycamore, oak, etc.).
- Analyze spatial patterns of the disease within vineyards to clarify underlying process influencing spread of the pathogen.
- Conduct sequential surveys of the pathogen within vineyards to better understand transmission mechanisms.
- Conduct studies to expose root systems of various grape varieties and assess the potential for root grafting among and between healthy and diseased vines.

Control

- Test chemical agents applied on or injected into vines for their potential to suppress bacterial reproduction and pathogenicity.
- Establish a screening program to evaluate potential varieties for resistance to the bacterium.
- Provide growers with a list of weed and woody plants capable of supporting high internal *X. fastidiosa* populations and encourage broad-leaf weed control within and around vineyards. Plants that harbor high numbers of *X. fastidiosa* and are preferred by insect vectors for feeding and/or reproduction should be targets for selective weed control near vineyards.

Current Research and Extension Faculty Working on Pierce's Disease of Grapevines in Texas

- Dr. David Appel, Dept. of Plant Pathology, Texas Agricultural Experiment Station, College Station, TX
- Dr. Mark Black, Dept. of Plant Pathology, Texas Cooperative Extension, Uvalde, Texas
- Dr. Ed Hellman, Dept. of Horticultural Sciences, Texas Cooperative Extension/Texas Tech University, Lubbock, TX
- Dr. Isabelle Lauziere, Texas Agricultural Experiment Station & USDA/APHIS, Mission, TX
- Mr. Jim Kamas, Dept. of Horticultural Sciences, Texas Cooperative Extension, Fredericksburg, TX
- Dr. Forrest Mitchell, Dept. of Entomology, Texas Agricultural Experiment Station, Stephenville, TX
- Dr. Lisa Morano, Asst. Professor, Dept. of Natural Sciences, University of Houston-Downtown, Houston, TX
- Dr. Lloyd Wendel, USDA/APHIS, Mission, TX



Texas A&M University

Action Plan to Combat Pierce's Disease in Texas

April, 2004

Pierce's disease (PD) is a bacterial disease that continues to cause losses to Texas' wine grape industry. Although the organism that causes PD, *Xylella fastidiosa*, is native to the Gulf Coast region of the United States, a series of warm winters is believed to have increased the severity of the problem and allowed the organism to spread to new areas outside of its previous range in Texas.

This action plan is devised by Texas A&M University entomology, horticulture and plant pathology experts, plant scientists from The University of Houston – Downtown and Texas Tech University, and commercial grape growers. This plan outlines areas of promising research, recognizes the necessity for increased educational efforts and acknowledges the need for additional resources to address these issues. This document outlines the goals and direction of PD research in Texas that is made possible by an ongoing cooperative agreement with USDA/APHIS. Continued funding will not only provide assistance and guidance to Texas grape growers, but holds the promise of developing solutions applicable to California and other grape growing regions.



Schedule for Proposed Pierce's Disease Research in Texas

Accomplished in 2003	2004	2005	2006	2007
<p>*Establish vineyard survey protocol and develop data dictionary for GPS units.</p> <p>*Establish intensive vector surveys in eight (8) central Texas vineyards.</p> <p>*Initiate supplemental insect survey sites to the north, south, east, and west of intensive survey sites.</p> <p>*Begin to assay native grape species and other flora adjacent to vineyards with and without PD for the presence of <i>X. fastidiosa</i>.</p> <p>*Survey and map disease incidence and severity in selected vineyard locations.</p> <p>*Assay tolerant grapevine cultivars for their ability to sustain high levels of <i>X. fastidiosa</i>.</p> <p>*Compare rate of bacterial spread in susceptible and tolerant grape cultivars.</p>	<p>*Begin vineyard survey and GIS development.</p> <p>*Continue insect surveys and test potential vectors for presence of <i>X. fastidiosa</i>.</p> <p>*Study sharpshooter feeding and oviposition behavior between susceptible and tolerant grape types.</p> <p>*Compare current diagnostic tools, including ELISA, real-time PCR, and isolation.</p> <p>*Assay resistant and tolerant grapevines to determine the extent of bacterial colonization.</p> <p>*Assay native grape species and other flora for their ability to sustain high bacterial numbers.</p> <p>*Conduct sequential surveys of the pathogen to understand transmission mechanisms.</p>	<p>*Continue GIS vineyard survey and begin data interpretation.</p> <p>*Test chemical and biological agents for their potential to suppress <i>X. fastidiosa</i>.</p> <p>*Conduct studies to assess the potential for bacterial transmission via root grafting.</p> <p>*Determining over-wintering strategy of GWSS in Texas.</p> <p>*Explore riparian areas for natural enemies of GWSS.</p> <p>*Determine pathogenicity of bacterial isolates from various host plants.</p> <p>*Continue insect surveys and vector status clarification.</p> <p>*Real-time feedback to growers on sharpshooter population dynamics.</p> <p>*Identification of weedy hosts of <i>X. fastidiosa</i> in and around vineyards</p> <p>*Establishment of demonstration vineyard.</p>	<p>*Continue data collection and begin spatial analysis of vector population dynamics.</p> <p>*Continue testing chemical and biological agents for their ability to suppress <i>X. fastidiosa</i>.</p> <p>Conduct studies the assess the potential for bacterial transmission via root grafting.</p> <p>*Continue investigation of <i>X. fastidiosa</i> strain relationships.</p> <p>*Analyze spatial patterns of the disease from previous three year's data.</p> <p>*Continue exploration for parasitoids and mycopathogens of GWSS and other problematic vectors.</p> <p>*Continue insect population surveys.</p> <p>*Clarify strain relationships among populations of <i>X. fastidiosa</i> infecting different hosts.</p> <p>*Determine topographical and habitat factors that limit or encourage GWSS colonization.</p>	<p>*Creation of a Management Decision Making Matrix to assist growers in mitigating the risk of Pierce's disease.</p> <p>*Compilation of problematic sharpshooter species and their biological characteristics and population dynamics.</p> <p>*Cataloging of common wild and landscape hosts of <i>Xylella fastidiosa</i>.</p> <p>*Real-time feedback to growers on sharpshooter population dynamics.</p> <p>*Demonstration of PD management in experimental vineyard.</p>



A New Dimension In Learning

November 26, 2004

The Honorable Frank L. Madla
P. O. Box 12068
Capitol Station
Austin, Texas 78711

Dear Senator Madla:

I appreciate the opportunity to respond to the Proposed Recommendations – Charge No. 4 of the Senate Committee on Intergovernmental Relations. First, let me commend the Committee on the excellent research and work that has been exhibited by the Committee. I am so pleased that you and other members of the Senate are listening to the concerns of the Texas Wine and Grape industry and are trying to assist in further developing the industry into a world-class agricultural endeavor for Texas.

I am very pleased to see the T. V. Munson Viticulture and Enology Center and its degree program in Viticulture and Enology included in Section 4.20 of the recommendations. This is the 30th year of our program and it continues to show dynamic growth each year.

I would like to recommend that in Section 4.21 the following be added: \$50,000 per year to support the undergraduate viticulture and enology degree program at the T. V. Munson Viticulture and Enology Center. We have shown our dedication and perseverance to serve the Texas grape and wine industry for thirty years and look forward to continuing this service for decades to come.

I would further propose within Section 4.21 that the State Enologist be housed at the T. V. Munson Viticulture and Enology Center and that they work with all Texas wineries at the T. V. Munson Instructional Winery, which has a storage capacity of 35,000 gallons. The T. V. Munson Instructional Winery is a thoroughly modern winery that was donated to the Grayson County College Foundation in 1997 to enhance the training of our students in viticulture and enology. These two facilities, worth in excess of \$2.5 million dollars, would save the State of Texas major funds in facility development.

I look forward to working with the Committee in any way possible to enhance the educational resources of the Texas wine and grape industry. With the T. V. Munson Viticulture and Enology Center and the T. V. Munson Instructional Winery already in place, I ask for your support of my recommendations.

Sincerely,

Roy E. Renfro, Ph.D.
Executive Director
T. V. Munson Viticulture and Enology Center

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SENATOR MADLA'S
CAPITOL OFFICE

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DEC 08 2004

SENATOR MADLA'S
DISTRICT OFFICE

Grayson County College
Sherman - Denison
6101 Grayson Drive • Denison, Texas 75020-8299
(903) 465-6030 FAX (903) 463-5284

Freddy A. Bell, Bell Bros. Vineyards, Inc., 1306 Itasca Street, Plainview, TX 79072, 806-292-8189

June 22, 2004

**To The Honorable Senator Frank Madla and Distinguished Members of the Texas Senate
Committee on Intergovernmental Relations**

We own and operate a commercial wine grape vineyard on the High Plains of Texas. In addition to our own 37 acres, we rent or do contract management on an additional 81 acres. We are interested in the Texas wine industry because we want a Texas market for our product. We currently sell all our grapes to a Texas winery and are very proud to be part of a growing Texas wine industry.

We occasionally travel around the state visiting Texas wineries. Not all wineries are as big as the one that purchases our grapes. When we find a wine that we enjoy, we purchase it directly from the winery while we are visiting. When we return home we cannot find the wine on the local package store shelves. The laws restrict our ordering additional wine from the winery we have visited. The idea of ordering for delivery to a package store (over an hour away) is daunting. This dilemma reminds us of the problem that we all have in Texas. When tourists visit our Texas wineries, they have too many restrictions on actually getting more Texas wine after they return home.

Our hometown is located on the new "Ports to Plains" corridor. Recent legislation has provided opportunities for local wineries in our dry county. People traveling through our area on Interstate 27 could stop and visit a local winery. While there, they would be able to taste and purchase wine. We are grateful for the passage of that legislation. We hope there will soon be entrepreneurs take advantage of this opportunity. However, it is very difficult to have a profitable small winery because distributors are not interested in small businesses. The only way to be profitable would be through the use of shipping. A small "boutique" winery could successfully market on the Internet and as follow-up to winery visitors.

We request that legislation be structured to help these small wineries survive. The heart of America is in its small businesses in any industry. The survival of small wineries will provide markets for small commercial vineyards. Everybody wins!

Although this additional issue does not fall into the domain of your committee, there is a current barrier to the industry that needs to be addressed. Our largest vineyard and some of our smaller rented vineyards were damaged this year by a neighbor's application of 2,4-D. Legislation to restrict use of 2,4-D after March 15th would provide protection for tender grape vines. Damage like we have seen this year over the High Plains and South Plains is very hard on the entire Texas wine industry.

Thank you in advance for what you can do for our industry. We regret that we are not able to attend the hearing, but it is crunch time in the agriculture industry.

Sincerely,

Freddy A. Bell, President
Bell Brothers Vineyards, Inc.

Date: Wed, 6 Oct 2004 05:12:03 -0700 (PDT)
From: "Dacota Julson" <dacotajulson@sbcglobal.net>
Subject: Page 1
To: dacotajulson@sbcglobal.net

of the committee

On behalf of the members of the Texas Wine and Grape Growers Association who elected me president in February of 2004, I express deep appreciation for the honorable senators ~~in the room~~ who have committed to studying the contemporary issues surrounding the state wine industry, and also for the many members of the industry in the room who play such varied roles, and join us in our steadfast pursuit to maximize the impact of the Texas wine industry on our great state.

My comments today are consistent with those made in our June response to the regular evaluation by the Sunset Advisory Commission of the Texas Alcoholic Beverage Commission. In our response, we laud the TABC for providing an experienced and appropriate level of administration with regard to tax collecting, licensing and regulation, particularly where the regulation of underage drinking and the sale of alcohol to intoxicated persons are concerned. However, we feel additional training for TABC field agents regarding permit application and a centralized information center for permit applicants would ease the administration of the permit application process for both parties.

With the passage last fall of Constitutional Amendment 11 the Texas wine industry has enjoyed unparalleled growth. The number of Texas wineries has doubled and the areas served by the wineries have expanded. Wineries are now located in every region in Texas.

If small and medium wineries continue to come on board at the current pace, we could have 400 wineries in Texas in the next two to four years and over 1000 wineries in ten years. We are looking at a greatly *expanded agri-tourism* in all corners of the state led by these wineries.

We also need to look at the importance of the unique winery-consumer interaction which uses *wine tasting rooms* to introduce wines to the consumer. For many small wineries, the tasting room is the sole means of introducing new wines. As wineries grow in size they begin to use the retail and wholesale network to reach consumers. However, the tasting room remains the cornerstone for most wineries providing them a close tie to consumers where they get to know the consumer preferences.

This unique tie to consumers allows wineries to directly impact the community through *festivals and events* which promote agri-tourism. Since the passage of Constitutional Amendment 11 we are seeing a renaissance of Texas wine consumers with more wine-related festivals and an increase in attendance at each. *Educational programs* for promoting responsible wine consumption are also on the increase. We realize we all have a part to play in promoting responsible wine consumption.

Each of the subsequent issues I will cover are intended to place the Texas wine industry on a level playing field with the wine industries of other states, thereby allowing exponential economic growth for the industry and the state through increased wine sales and expanded agri-tourism, resulting in additional tax dollar income for the state.

Date: Wed, 6 Oct 2004 05:12:44 -0700 (PDT)
From: "Dacota Julson" <dacotajulson@sbcglobal.net>
Subject: Page 2
TO: dacotajulson@sbcglobal.net

The issues the Texas Wine and Grape Growers Association feels merit further attention by the legislature are:

1. Authorization of multi-winery coops to increase profit margins, generate additional economic growth of the industry and increase state revenue as a result of the flourishing Texas wine industry.
2. Consent to publication of retail outlets to ease the subsequent purchase of wine when tourists who have visited tasting rooms return to their home market place – ensuring state revenues **are** maximized by the sale of Texas wine.
3. Provision for variance to the 75% rule to be determined by the Agricultural Commissioner to safeguard against crop failure and decrease in the state revenue as a result of the decreased Texas wine production.
4. Elimination of the tasting room sales cap to stimulate further growth of the economic impact of agri-tourism on state revenues.
5. Expand operating hours for wineries to maximize profits and generate economic development of the Texas wine industry.
6. Expand hours for receipt and delivery of wine between permit holders to safeguard against potential damage to wine as a result of exposure to extreme Texas heat during transit and any decrease in state revenues due to loss of product.

As the Texas wine industry grows and matures, change is inevitable. We recognize that additional legislation and rule change will be necessary and look forward to working with the legislature to increase the economic impact of the Texas wine industry.

Outlining a plan for a long-term strategic plan for the growth and development of the Texas wine grape industry.



Introduction

I submit my testimony pertaining to what I see as being some of the key issues to consider in moving forward to develop and grow the Texas wine industry. This paper is a brief of those ideas.

The starting point of any investigation into the potential for growth of a new industry is to first consider the viability of that industry in the environment that it will operate. With relation to the Texas Wine grape growing industry, this environment bridges certain key areas- climatic, economic and political. If it is resolved through research that the environment is conducive to the development and growth of the industry then the time and effort must be taken to research its viability. This process has already begun with the collection of various statistics through the Texas Department of Agriculture and the Texas Wine Marketing Institute. It is clear, however, that if we want to consider the Texas wine industries' long term viability we must go beyond the year to year statistics and project what the potential is for the industry in the future. The process by which this is achieved is well known and has frequently been called the Delphi process, named for the famous Greek oracle at Delphi. In short, Texas needs to plan for the future and account somewhat for what will be required and what the benefits are for growth and development in the Texas wine industry. A long term strategic plan or “**Vision**” needs to be created by which all interested and affected stakeholders can share and work toward.

Where a comprehensive strategic Vision for a regional or National wine industry has been formulated, many direct and indirect benefits, aside industry growth, have been gleaned. One of the major accomplishments of the Australian wine industries’ “Vision 2025” has been the general feeling of industry solidarity. Furthermore the benefits of bringing various interested parties to the table to construct such a Vision has lead to sharing of valuable resources and information that have benefited all stakeholders. The result has been in the development of valuable infrastructure to support the industries growth, overall quality improvement of vineyards and wines, access to a wider range of markets, a better balance between supply and demand of raw materials and finished product, and a sound investment into what Australia sees as its competitive advantage.

This includes providing adequate education and research to facilitate the continuation of the industry long into the future.

Similar strategic plans have been developed both here in the United States and in other countries like Canada, Malta, New Zealand and South Africa. Even states in many of these countries have developed their own strategic plan under the national canopy. What this has meant is that rather than attempting to improve the industry in a piecemeal approach, both the industry and other stakeholders have a shared direction in which to move and work. This greatly assists the expedition of policy and the creation of infrastructure to provide the positive environment in which that industry can invest, develop and grow. It also allows the removal of key obstructions that may be working to constrict and stifle the industry. Finally, a strategic plan allows for open discourse between government, industry and other stakeholders to efficiently develop policy.

While Texas' answer may not be directly invested in the strategies adopted by Australia or any other one regional wine industry, there are clues as to how Texas might look at developing such a strategy that suits its particular circumstances. The 2025 Vision was a 30-year plan released in 1996 by the Winemakers Federation of Australia after thorough consultations with the proponents of the Australian wine industry and other groups. It outlined several key areas of focus:

- Image and Influence- enhance the image and reputation of Australian wine
- Competitive Advantage- Promote innovation as the driver to competitive advantage
- Markets- establish global leadership in specific branded markets
- Wine Tourism- Extend the scope of industry participation in complimentary business sectors
- Resource Capacity- enhance wine style, quality, purity, uniqueness and diversity. Capitalize on market growth by expanding industry capacity
- Profitability- improve profitability
- Government Partnership- work closely with government at various levels to create a mutually positive environment for growth.
- Industry Institutions- develop support and research structure to help realize industry objectives

While the full details of this strategy are beyond the scope of this paper the areas that had been pinpointed are interesting from the perspective of the current challenges facing the Texas wine industry.

Identifying the Stages for the development and growth of the Texas Wine Industry.

Clearly Texas has its own set of challenges. Some of these challenges are unlike those of other global wine industries or even wine regions here in the United States. Some of these challenges are born from historical grounds for example legislative

passages not applicable to current times, the so-called hangover of Prohibition. Other challenges have developed as the modern Texas wine industry has developed over the past 25 years as growing pains.

What should be considered, in all of this is the true potential of the Texas wine industry while working with a comprehensive strategic and long-term plan.

From climatic and topographical perspectives, Texas has few serious obstacles to its growth. With between 178 and 329 growing season days (Vines generally require a minimum of 170 grow season days) and at least 4000-grow degree-days per year, elevations from sea level to 8751 feet and 267,339 square miles of land (3826 square miles of which are water) the conditions exist for unprecedented rural industry growth.

However, there are risks. Texas is subject to freeze, early and late spring frosts, high humidity, hail, severe storms and intensive heat. All of these factors can impact grape quality and ultimately the quality of finished wines. But, there are very few regions in the world that are not without their own specific challenges. Many of these challenges can be met by vineyard management strategies, site selection and climatic forecast projections. I have often explained to interested growers outside the state of Texas that Texas can probably grow anything just not all in the same area.

In order to instigate and build a sustainable long-term industry, it is important that all interested parties work together under a single and united vision. This Vision must encapsulate where we want the Texas wine industry to be in the future. We must consider risk management at various levels, feasibility and market surveys. Areas of potential growth and what infrastructure must be put in place to accommodate industry expansion. To achieve the objectives set out in the vision, the state government and Texas wine industry will need to bring together many parties that will have collateral interest or a stake holding in the future of the Texas wine industry. These organizations will of course include the Texas Department of Agriculture, and the Texas Alcohol and Beverage Commission, State demographer, Departments of Economic Development and Human Services. It may also be advantageous to establish discourse and gain input from various state commissions including the Commission on Intergovernmental Relations, Texas Commissions on Environmental Quality and Council on Environmental Technology, Parks and Wildlife Commission, Soil and Water Conservation, alcohol and drug abuse, Commission on the Arts, as well as consumer education and interest groups and Texas wine industry representatives. A steering committee might be initiated under the Lt Governor's office to establish a long term industry Vision.

. The most difficult part of formulating such a Vision is generally just that-producing a Vision far enough reaching to be as valuable today as it is in twenty-five or thirty years, and as relevant then as now. But this Vision need not be a formula that must be followed but more a framework around which we can build the Texas wine industry. To achieve this sizable task the Vision must be able to meet realistic goals set along the way- 5, 10 and 15-year objectives. We must also create methods of assessing the progress

of the strategic plan and evaluating the results and/or changes that need to be made if targets, goals and objectives are not met.

In light of the above, I would like to submit the following aspects for your consideration.

After working in the international wine industry 20+ years, and observing the development of underutilized rural lands into vineyards & world recognized wine growing regions, it is easy for me to see the great potential that Texas has in wine grape production. The growth and development of wine regions and industries has shown many positive advantages here in the United States and around the world. The wine industry has allowed Australia and New Zealand, for example, to gain exposure on the international stage. Export of wine product to multiple wine markets has led to greater public awareness of what Australia has to offer at many levels. For example, tourism, lifestyle, a source of high quality agricultural products, and a positive environment for investment. Success of the Australian wine industry internationally has meant new markets for Australian wine, Australian agricultural products, products and services that piggyback on the Australian wine industry. Other commodities have also ridden on the success of Australian wines gaining access to markets deemed previously unattainable (i.e. Fresh Australian citrus produce available throughout the US).

Within each state there has been revitalization and positive development of local rural economies. This is primarily due to the growth of infrastructure, efficient and profitable land use, agro tourism, educational development and training, cluster tourism, and a sense of regional pride. Towns that 15 years ago were ghost towns, are returning to thriving new economies and communities with disposable income, good employment and community revitalization programs. This added confidence has done much to attract investment back to country areas, that years before would not have been possible. In looking at the positive outcomes of states here in the US we see Virginia, Oregon, New York, Pennsylvania, Washington, Missouri, Oklahoma and New Mexico developing plans to build and grow their wine industries, to lay infrastructure to facilitate this growth and encourage educational and research opportunities to invest in ways of helping to sustain growth in what has truly become a global industry.

In countries like Malta, New Zealand and Canada we see similar patterns customized to each region's specific circumstances. In common to all is a single Vision – implemented through a comprehensive strategic plan, that is a partnership forged between many interested stakeholders, working cooperatively toward a common set of goals. Such Visions have led to Australia's domination in export markets for the past 10 years

The evolution and the media attention focused on the Virginian, Oregon and Washington wine industries has elevated these wine regions in the minds of the nation's wine consumers, increasing demand for regional wine products, and energizing even further expansion in the industry. It is now time for Texas to take ownership of its wine industry. We need to develop a comprehensive and long term strategic plan for its future,

invest in that plan and aspire to the challenge of meeting expectations and goals. Should Texas decide to proceed, the growth of the Texas wine industry will be unsurpassed, offering all investors many valuable returns that will significantly contribute to the State economy and beyond.

The Texas wine roots trace back as far as the Franciscan Monks who settled in Ysleta near El Paso in 1672. In more recent times, Texas horticulturalists have played a significant role in securing the long-term sustainability of international viticulture. Back in 1876, Thomas V. Munson, U. A. Randolph, and E. Mortenson developed over 300 different hybrid grape varieties. Munson received the coveted Chevalier du Merite Agricole award, and is still remembered today by the French for helping them save their vineyards from devastating grape Phylloxera louse. Many of the rootstocks that protect vineyards throughout the US and the world from disease, drought, and flood can be traced back to this original Texas viticulture.

What might the potential be? From past to present.

The Texas Wine and grape production industry is currently going through a revolution. Year ending 2002 harvest has shown a 70% increase in wine production in the State. Texas wine consumption has increased 6% , which is 0.4% below the National average, but never the less a significant increase. In the years between 1998 and 2003 the number of licensed wine production facilities has increased from 27, to over 54 wineries (Texas Wine Marketing Institute Report 2003)- a 100% increase in 5 years.

Bulk Wine Logistics

Despite these increases some 17% of all contracted and/or purchased fruit destined for the production of wine in Texas wineries is purchased outside the state from other wine regions. Currently this accounts for some 56,120 Gallons of wine product. Yet 0% of Bulk wine and juice reported from Texas wineries is sold outside the state. A further 63% of bulk wine purchased by Texas wineries is purchased out of state while only 37% of Bulk wine is purchased from other Texas wineries. 56% of reported wine grape juice purchases by Texas wineries were purchased from out of state sources. This would indicate that supply for both wine grapes and processed wine grape juice from within the Texas wine industry cannot currently meet state demand, or that prices for raw material product within the state exceed inherent value in comparison to out of state sources. The latter would appear to be the case given California's current bulk wine surplus. Either way this is one area of potential growth for the Texas wine industry.

There are several inherent questions that must be asked. Firstly, is the quality of product purchased out of state equal or better than that produced in the state of Texas? If so, why? Do out of state grapes offer Texas wineries better value for money? How could Texas growers produce a profitable crop of greater value to Texas wineries? How can we as an industry facilitate this? And how does an increasing trend of out of state grape and juice purchases ultimately effect the reputation and image of the Texas wine industry?

Wine consumption

It is interesting to note that in 1992, Texans on average drank 43 gallons of beer per head but consumed only 1.6 gallons of wine per head. During the same period Australians per capita consumption was 27.7 Gallons of beer per head and 5.28 gallons of wine per capita, but by 2002 post the great export push, beer consumption had lowered to 25.6 gallons per head. In fact Australians highest per capita consumption of beer was reached in the mid 1970's at 37 Gallons per head. Wine consumption in Australia, however has not been as low as Texas since the 1940's when consumption levels were at approximately 1.56 gallons per capita. By 1998, two years after the launch of the industries Vision 2025, Australian wine consumption remained at about 5.20 gallons per capita. By 2003 Australian wine consumption had increased to 21.2liters or 5.68 gallons per capita (ABS). While the increase may appear modest, wine consumption has remained relatively steady allowing for industry confidence and implementation of the comprehensive industry plan. This indicates the impact that good partnerships and cooperative efforts can afford in assisting in the essential growth of an industry.

What is interesting is that the population of Australia (approx. 20 million) is close to that of Texas. Australia's answers may not be the solution for Texas, but may highlight some directions in which Texas may look. Furthermore if the potential to grow the Texas wine industry from currently 1.84 gallons of wine per capita to similar levels to Australia at 5.68 gallons per capita it soon become apparent how big a sleep giant the Texas wine industry potentially is. For the skeptics it might be worth noting that even in recent history consumption of wine in Texas has been is on the increase. From a paltry 0.78 gallons per capita in 1970 to 1.72 gallons per capita in 2002 (45% increase). Does this indicate it could take another 30 years to see a further 45% increase Texas wine consumption? Current data would not indicate this. Wine consumption increased 7% between 2002 and 2003, and numbers of winery permits have increased more than 100% in just the past 2 years.

One of the key questions is, how much Texas wine are Texans consuming, and what is the market potential to increase the consumption of Texas wine brands? Essentially it needs to be determined if Texans as a whole want their state to have its own wine industry. In other words would Texans be willing to support their local industry? If so, what expectations must be met by the Texas wine industry and other stakeholders to sustain the growth of the local, and other important and key markets. Currently, it would appear that Texas consumers are heavily supporting wine industries outside the state.

Addressing future supply

There are many lessons to be learned from a study of the successful development of other New World wine industries, but also with consideration of Texas' long and colorful history in the wine industry. One of the major premises in developing such a strategic plan is to create both the environment and resources that will help continue to cultivate a state wine industry, to meet future demands, expectation and goals in a sustainable manner. This will mean the expansion of vineyard acreage in key areas of the state. It is clear from investigation into the overall success of various regional wine industries throughout the US and world, that many parties have a role to play in developing the industry.

Using the example of vineyard expansion, the growth of the Texas wine industry may require studies to be conducted by the State that identifies regions conducive to the development of Texas viticulture- soil essays, topographical data collection, and GPS survey maps would be useful. Such areas may not be traditionally identified for the purpose of viticulture but could be targeted by the State government and promoted by the industry for regional development, incentives and the investment of infrastructure. This would provide for investment and development in those areas focused on expanding the wine industry. Such information may be packaged up to assist potential investors. These areas as well as existing and traditional viticultural area may require upgrades on amenities, (roads and public facilities) to accommodate increased tourist traffic.

With regard to the question of investment, Texas must acknowledge that maintaining the 51% Texas ownership rule can only hinder the future of the Texas wine industry. This rule is counter-productive to the long-term development and sustainability of the Texas wine industry and must be substantially modified or removed. It is clear that the intent of this rule only serves to obstruct expansion of the Texas wine industry by discouraging out-of-state and overseas investment. The state could offer a number of trade-offs and incentives to investors that are prepared to meet certain parameters regarding level of investment, local employment opportunities and commitments to education and training.

Competitive Advantage

Expansion of the Texas wine industry will need an influx of professional experience and talent, particularly in the specialized fields of wine production and vineyard development. This can only improve the long-term value of the Texas wine industry. Education and training has been proven to be one of the single most important factors in the growth of wine regions worldwide. Education must be of international standing so that the benefactors of that education and training can compete at an international level. This will take the participation of Texas universities and perhaps community colleges. Texas A&M with its agricultural mandate could be valuable in this regard. The value of this investment to the State and to the Texas wine industry cannot be

neglected. It has been shown by the world's major wine producing regions, that the investment into education and research creates an unparalleled advantage.

Texas wineries must develop a strategy for competitive advantage. What will it take to develop an efficient and cost effective industry that is able to compete against other wine regions outside the state? This subject begins with creating the skill pool from which the industry can employ. This may start in secondary school but must certainly be addressed at the college level and supplementary adult education training in key areas of demand.

The facilitations of cooperative efforts and equipment pooling may offer savings by helping growers to afford mechanically working vineyards without the substantial initial capital outlay. What key areas can be identified that will provide minimum inputs such as disease and pest control and soil amelioration. How can investment in Viticulture be encouraged in such areas? How can wine consumers be educated as to the value Texas wines offer them with relation to our competitors, and what is it that makes Texas wines unique from our competitors- "come live the legend- Texas wines for those who are looking for a bigger than life lifestyle"? Whatever the image we chose-we want all wine consumers to buy into that brand.

What is clear is that the future of the Texas wine industry is not to be found in the below \$5.00 per bottle price category. Australia has already learned this lesson and has now begun to leave this market section to Chile.

'Brand Texas'

The experience of many new world developing wine industries has been to realize an industry Vision. But in order to fuel the implementation of that Vision all stakeholders must gain profit. Image of that industry is integral to its developing success. The image constructed of the Texas wine industry can be somewhat controlled by the industry itself, if key concerns by the market are identified and suitably addressed. A mechanism of realistic audit should be in place to test the effectiveness of strategies, planning and policy directions.

The Texas wine industry must be open to fair competition and must have a strategy in place to put '**Brand Texas**' first in the minds of wine consumers in key market segments. In order for the Texas wine industry to grow and develop we must be able to compete as part of a global industry in a global market. The development of export markets will therefore become important. Incentive programs and assistance from both State and Federal governments and its agencies could return profits back into the Texas state economy, even when local markets are depressed.

Markets

In order for Texas to compete we must look at several potential markets. Currently Texas wineries compete against California, Washington, Oregon, Australia, New Zealand, Chile, Italy for their own domestic markets. It is ironic that while Texas has maintained its position as the fourth largest wine market in the US, the Texas wine industry has only secured approximately 4-6% of its domestic market and almost no market significance outside the state. It is important that the State government develops an environment in which Texas wineries can expand and be encouraged to grow beyond the State and into other major wine markets in the US. Furthermore that markets abroad also be encouraged and cultivated. This might be achieved by Export assistance and the establishments of a foreign trade mission agenda to potential export markets. Visits and trade missions to other wine regions within the United States and other developed wine regions around the world may also be beneficial in developing a more comprehensive strategic plan that Texas needs to grow to the next level. Government inclusion in these missions is a necessity in order to identify what has actually worked and what has not in regions outside the state.

The importance of image

The Texas wine industry is full of characters. Like any wine region of the world there are regional prides and the stories to go with them. In order to develop the Texas wine industry, the industry must be **'positively identified'** by wine consumers not only within the state but also in targeted consumer markets both within the US but also overseas. In short the Texas wine industry along with the Texas State government needs to market **Brand Texas**, develop policies allowing for the unobstructed marketing of Texas wine regions, wineries, the winemakers and wine grape growers and wines. It would be advantageous for both official and more informal alliances to be forged with other related industries. Many studies have indicated that with the development of the local food industry, there is often development and growth in the local wine industry. Currently some 95% of wine sold in Texas is produced from wineries outside the state. It is essential that both the State and the Texas wine and grape growing industries focus on making **Brand Texas** as the wine of choice in the rapidly growing Texas restaurant industry ahead of any other regional brand- such as California or overseas.

Image and Influence

It is integral to the long-term sustainability of the Texas wine industry that Texas throw off its image of poor quality and inconsistent wines. Texas is a valuable and legitimate place to grow high quality wine grapes. We also need to understand that the Texas wine industry has done a fairly poor job in the past of promoting itself to Texas consumers and a poorer job in promoting the industry to additional potential Texas wine markets beyond the state. This has been significantly improved upon with the Texas Department of Agriculture's wine marketing efforts. However, in order for Texas to be taken seriously as an industry whole, we must show that the industry *as a whole* can produce **consistently high quality product at good value to the wine consumer**.

Furthermore, that Texas wine products can stand aside any other product in the world, uniquely identified as Texas style wines. Are these wines big, bold, and of good value? What varieties can we use to spearhead the development of a national reputation of varietal products that our other wine styles could eventually take advantage of? How is Texas going to guarantee that in this 'frontier' wine-producing region, we will produce wines of consistent high quality?

On the latter I have previously proposed a Texas wine quality assurance program that rewards wineries for producing wines that consistently meet industry set quality standards. This type of program should have the support of the State government as a method of developing the Texas wine industry. Inroads have begun on this program with the development of the Texas Wine Quality Assurance Scheme by a team of committed wine industry delegates. Final drafts should be available by the end of 2004 for additional input. This type of program should be partnered with other complimentary industries such as the hospitality industry and be heavily promoted and encouraged as the Texas wine industries guarantee of quality.

The industries participation in international trade shows and competitions is also important as well as submitting our wine products as a group for review in the major national and international wine publications. Addition of Texas wines in these publications should be accompanied by Texas advertorials and where possible editorials promoting Texas wine tourism and Texas as a food and festival destination state. Large travel companies should be wooed to encourage out of state tourists packages to the Lone Star State wine country.

Funding the growth

The question arises as to how development and growth may be financed. One way that has proven very successful in other states (Oregon, Washington, Oklahoma etc) is in adopting an industry levy on wine gallons produced and grape tonnage. This 'check-off' system has its greatest advantage in industries in wine regions that are more developed, but would never the less provide some valuable resources to fund growth. Another way for the state to raise funding is to implement a broader tax on every gallon of wine that is sold in the state of Texas, despite the origin of that wine product. This could potentially offer more comprehensive funds that could offset major infrastructure developments. Both systems would require extensive research as to the broader implications of these systems.

Texas remains one of the most important wine markets in the United States and for global wine imports. Most states have seen some resistance to instigating a taxation regime to facilitate infrastructure growth in that regions wine industry. This resistance has often come from distributors. It is interesting to note that with few exceptions, the gallowage has been successful in helping the states' industry to grow.

The funding issue is particularly important when we consider that there are multiple stakeholders involved. Mechanisms for generating continued funding can greatly assist in improving the resources to fund this industries growth

Wine shipping

The question of policy adjustment also highlights what has become known as the ‘**wine shipping issue**’. It is worth note that few governments throughout the world prohibit such trade. Wine should be permitted to be shipped to any legal adult anywhere in the state or in the world. Wines are often a reflection of a regions culture and the shipment of wine must be valued as an opportunity to promote an agricultural commodity from a particular region. Distributors’ resistance to this is perplexing. Elsewhere the direct shipping of wine product to customers mostly through in-house winery wine clubs has facilitated awareness and promoted that regions industries, lead to growth in local tourism, and helped to create greater demand for that wineries products in other remote markets-often serviced by distributors. Consumers may chose to order wine once a month and generally at a case at a time. Wine retailers, supplied by distributors who should be supporting quality Texas wines, need to meet the additional demand for that product in those remote markets. In the end, the consumer is the winner as they develop a close relationship to the winery and the region that the winery is in. They generally seek to visit that wine region, contribute valuable tourist dollars into those local, often rural, economies. This agro-tourism is often one of the greatest contributions that a growing wine industry can make to the State and country as a whole.

Wine Tourism

Wine Tourism is one of the single most important elements that have helped to reinvigorate local economies. The advantage of winery tourism is in the value added spin-offs that can develop from a single commodity product. For example, regional accommodation and expansion into the hospitality and food industry, redevelopment of the historical districts and store fronts, additional disposable income to local citizens, and employment opportunities at many levels- agricultural, trade and professional. Viticulture offers young people a profitable agricultural commodity that allows them to maintain the family farm, keeping the agricultural integrity of local regions as is the case in West Texas. Wine tourism is advantageous to local cottage industries, and gives rural communities a more comprehensive package to capitalize on the tourist dollar.

Texas has a long-standing reputation both Nationally and Internationally that many rural communities could take great advantage of, should an infrastructure be in place to facilitate tourism. This may include the promotion of wine and food festival trails across the state which may include elements of rail transport, B&B and local bus tours to wineries and vineyards creating destination events throughout certain periods of the year, helping drive tourism to rural communities.

The state may also consider promoting a more comprehensive information pack to be sent out to potential wine tourists, offering suggestions as to where to stay, where to

eat and where to play, as well as festival dates, and information resources around the state wineries.

Texas is home to many international events such as the South by South West Music Festival and the Austin Wine and Food Festival, which the government should use to help promote Texas wines and other Texas value added agricultural food products.

The addition of regional billboards should also be considered with a consistent message indicating great Texas lifestyle and Texas wines on Texas' major highways which lead into Texas AVA regions. At the beginning of the AVA region, tourist signs should be present- not listing "winery" but the actual winery name and the distance to that winery. These boards could display a universal Texas wine industry logo, and the State emblem, with a heading such as "Welcome to Texas wine country". The more general brown and white 'winery ' directional signs should also exist as the tourist comes closer to the relevant winery turn off. Here the State government needs to implement an easy process to apply for, and have these signs erected for wineries and the wineries name added to the regional board. Wineries might pay an annual fee for this privilege, which could be added back into the state wine marketing efforts or as one grower has suggested, pay for a state enologist- also desperately needed.

The inclusion of Texas wines and other agricultural products should be promoted to the organizers of all major Texas festivals and Events, International conferences and Trade shows. A road show could be put together with support by various Texas agricultural industries to be set up at these events and festivals. Promoting Brand Texas.

Clearly much has been done and current programs should be reviewed in light of the new industry strategy.

Agro-tourism

In developing agro-tourism an alliance might be made to develop a working relationship between various associations (Bed and breakfast assoc, hotels assoc, Restaurateurs Assoc., Chambers of commerce, local and state government agencies and regulatory bodies such as the TABC and BATF, Parks, etc.)

To facilitate better local economic input into rural communities, regional festivals might be coordinated to include a series of wine events and competitions that could culminate in an international wine show at the Texas State fair. This could help to promote the state as a wine tourist destination.

Threats to the Texas wine industry

Within the last century there have been great advances in the global wine grape industries. Many of the problems befalling early wine industry development- pest and disease pressures, can be better monitored and controlled in the modern grape growing

industry. The opportunity before Texas to develop a strong and sustainable wine grape growing industry has never been better. This is not to say that certain problems are not looming. Both Texas and California have been actively involved in important research on Pierce's Disease ("PD"). This disease can lead to the decimation of entire vineyards and wine regions. The disease is caused by a bacterium that builds plaques in the Xylem tissue of grapevines effectively preventing them from up taking water. PD is carried by a vector known as a glass winged sharp shooter. Other potential vectors have recently been identified in Texas. Discussion regarding competitive advantage comes into play here. The current research being conducted here in Texas on PD is of great value to the industry on a national level, and needs to continue. It is one of our first lines of attack against the disease and has created great awareness in the industry of the potential effects of PD. Every industry has had, at some time, some disease or pest that threatens the long term viability of a commodity crop. Grapevines are not different. But our investment in education and quality research and the facilities to conduct these studies in Texas will be one of the greatest investment we can make to the long-term sustainability of the Texas wine industry.

Resource Capacity

Does the industry have a plan to meet this expansion? Natural resource management should be considered- soils, suitable water availability and climatic influences.

Where will clean and true- to- type grape vine material come from? What support structures are available or need to be in place to achieve the strategic plan's objectives? We need to ask ourselves questions like :Are Texas Cooperative Extension agents knowledgeable enough to deal with viticulture -specific issues? How can we maximize and best utilize the current professional resources and expertise in the state? Will growers and winemakers be able to access up to date industry information? How will that information be made available? What are the key potential obstructions to the growth of the industry, lines of communication, and red tape that may delay timely information exchange, and how are we prepared to tackle those obstructions? (Pierce's Disease, Cotton Root Rot) Up to date soil surveys, areas of Viticultural potentials, Waste water management, Water suitability and availability, Value added processing of winery waste products- recyclables, transport and cooperative movement of product, harvested product and value added bulk and package product within and from the state need to be considered. Will roads in key viticultural corridors be fit for large transport vehicles? Will key communities have ready access to weigh stations? Will crop insurance be available to growers at a reasonable rate, should those insurances be underwritten by the state? How will we project for future market changes?

Profitability

This is extremely important to develop investment in the industry and assure the industries sustainability for the future. In this, the cost of production is important. What does it cost to produce a ton of grapes, and where is the breakthrough point regarding the

size of development? Can key areas support the development required? Are there opportunities for shared cost, mechanization, education and training to make the production process more efficient and profitable? Will state wineries support expanded growth capacity? Are there existing markets for this expansion within the Texas wine industry? What potential markets exist beyond the state to regions like Oklahoma, New Mexico, Louisiana, Colorado? How can we maintain quality during primary processing and transport to maintain the high reputation and image of Texas product? Is there room for cooperative alliances to share costs between states and industry participants?

Government Partnership

It is important for the Texas wine industry to establish a policy and facilitate a partnership with Government in order to create a favorable business climate for wine industry investment and growth. This may include a guarantee by the industry to participate in education and training (ie : Internships for young future farmers and wine makers), but also the State government looking at changing the 51% ownership rule. We need to allow trade under rural tourism implementation and development plans for seven day a week trading, clearing up the within -state shipping rules, in turn, allowing wineries to develop hospitality functions at their facilities, and working with Government agencies to promote successful outcomes. We need to work on regional, state wide, nation wide and global education consumer campaigns- helping to create the environment and demand for 'Brand Texas' and facilitate industry growth. This will require working to create groups that bring all relevant parties to the table to define mutually beneficial returns as the industry grows. The industry also needs to contribute to government initiatives such as the government's health programs to reduce alcohol abuse.

In addition, the industry needs to make relevant contributions to the State and local governments land use policies, infrastructure provisions, and regional development strategies.

Other items could include

- Reviewing wine industry bodies' structure to ensure that they have a wholistic focus to amplify market influence, to clarify roles and to ensure resource efficiency.
- Look at the redesign of the Texas wine industries internal communication processes, forums and media.
- Improve the scope and reliability of data utilized for forward production and market planning.
- Maximize and integrate different programs to provide rural community packages that help expand the industry in targeted key viticultural areas.
- Review taxation and policy to help facilitate and implement industry growth and ways of funding certain government industry partnered programs.

- Investigate the reworking of the Texas Alcoholic Beverage Code, removing and /or amending obstructions to the development of the Texas wine industry.

Industry Institutions

Do we have what it takes to move forward? Currently Texas lacks a comprehensive training and development strategy to cultivate college level students to become involved in this developing industry. Areas not only of Viticulture, Enology but also wine industry finance, economics (under agro economics), wine tourism and wine hospitality should be reviewed. The market for student participation and the opportunities to implement regional training through the community college system for continued education and/or partnering up with certain agricultural colleges such as Texas A&M should be reviewed and considered. Outreach programs with potential college credit would allow young people in rural communities to participate in this growing industry. Such programs may also bring students from out of state and overseas.

Texas Cooperative Extension Program and the coordinated cooperative research projects such as the current Texas Pierce's Disease Task Force, are integral in the development of the Texas wine industry. Furthermore, a group such as the Texas Viticultural Research Action Group (which incorporates representation from growers, wineries and various government agencies, Texas A&M), could be used to target key areas for focus in research and education.

Another area of concern in the expansion of the Texas wine industry is the supply of clean, pathogen tested, and true- to- type vine material for expanded plantings. It is essential that Texas be supplied with rootstock material that is conducive to Texas vineyard development sites. This material should be adequately tested so as not to introduce exotic pathogens, disease, or insect pests, that both the industry and government must deal with in the future. For this reason it has been previously proposed that Texas develop grapevine propagation programs, which have proven very successful in California and other new world wine regions.

A Texas Vine Improvement Scheme (TVIS) could be created as an industry / government partnership. I have previously formulated a white paper on this issue. With industry support, revenues from the Vine improvement scheme could be reinvested into the Texas wine grape growing industry to assist in its expansion, and continuing research and education. Material could be made available both within the State of Texas but also exported to nearby out of State markets that are also developing. Texas A&M and the Texas cooperative Extension program could be valuable in helping implement such a valuable scheme. The TVIS would be an investment allowing Texas to have a higher level of control over its own future- securing clean, pathogen tested materials that are true to type.

It is clear that once in place, a long term strategic plan for the growth and development of the Texas wine industry must be continually evaluated. Further, that the strategy must have both a commitment by all parties to achieve proposed outcomes, and be flexible enough to change direction as political, economic and consumer trends change. Such a commitment should garner bipartisan support, as the potential gains to the state are significant.

Together the Texas wine industry, the state of Texas, other stakeholders, and Texas wine consumers can work to implement the commitments made to a long term vision, and seek to adopt widespread acceptance of this planning framework. This will ultimately build a strong and sustainable wine industry for the future.

In summary

A strategic plan might include some of the following objectives

1. To address the growing need for industry related skills. The industry will require skilled employees and a continued commitment to provide those skills. A wine industry directly employees Viticulturalists, Vineyard managers and vineyard hands, winemakers, and cellar hands, administrative staff and sales and marketing personnel, legal and financial professionals. Such skills need to be developed in both our secondary and tertiary institutions to develop a competitive advantage. How will we increase investment in skills development?
2. Additional resources will be required in production and Storage facilities to address greater supply of grapes. There will also need to be address made to packaging and distribution of Texas grape and wine product both within the state but, as the industry develops and grows advantage must be taken of markets beyond the state to other US markets and Export opportunities.
3. This will mean that the previous two points should be considered in unison. That is investment in physical capacity and expansion relative to investment in skills
4. We will therefore need to create both national and international awareness into Texas agricultural products and specifically Texas wines. This requires the promotion and marketing of “Brand Texas”- which could integrate into the current Department of Economic Developments tourism Texas campaign.
5. As contributors to this Vision we all need to work to provide realistic projections of both domestic and export sales of Texas wines and work where possible to exceed those projections.
6. This will mean investigating the supply capacity of the Texas wine grape industry to meet these projections and again what must be put in place to help meet those expectations

7. We will need to also focus on financial goals. As investors in the future of the Texas wine industry we must work on financial goals for the industry and benefits to the state and where possible, seek to exceed those goals. How do we increase the emphasis on costs and financial responsibility in this developing wine industry? What resources are available or could be made available in helping winery and vineyard owners develop sound financial management strategies?
8. The above is no good without the ability to objectively test the effectiveness of our programs and therefore the strategies adopted in our Vision. This should be regularly rationalized and validated with relation to changing economic conditions and circumstances.
9. The demands for Texas wine products should be thoroughly investigated, future growth areas identified and then projections made.
10. A system of rewards could be implemented for industry participants who meet set goals and projections. This might help to guarantee that the good work done is not easily undone by a few who chose not to take ownership of the vision. This is based on the premise of developing growth relative to quality enhancement
11. Price increases should be considered with relation to cost efficiencies of production both of wine grapes and wine
12. The Texas wine industry should also consider the difference between packaging differentiation versus genuine brand development
13. In order to maintain high quality, our brand image and consumer trust the industry should seek to construction and adoption of best viticultural practice as well as best wine production practice
14. Together we should consider how Texas differentiates our wines from our market competitors- 'Brand Texas'

Craig Parker
Winemaker



Driftwood Vineyards

21550 Ranch Road 12 - Driftwood, TX 78619

Shermy

March 21, 2004

The Honorable Frank L. Madla
Texas Senate
P.O. Box 12068 - Capitol Station
Austin, TX 78711

RECEIVED

MAR 26 2004

SENATOR MADLA'S
DISTRICT OFFICE

RECEIVED

MAR 24 2004

SENATOR MADLA'S
CAPITOL OFFICE

Dear Senator Madla,

The Texas Alcoholic Beverage Code needs to have changes made that will allow small family owned and operated winery businesses to operate without unnecessary financial and administrative burdens.

There are parts of the Texas Alcoholic Beverage Code that large winery businesses have no problem dealing with but they are a large stumbling block for small wineries.

It is difficult to have one set of regulations that work well for both large and small businesses because these businesses do not operate in the same way. You could not expect a small family owned business to use the same business plan and operate the same way as a large international corporation.

Much of the Alcoholic Beverage Code dates back to the repeal of prohibition and was written to address problems or perceived problems at that time.

There are parts of the Code that refer to the use of the telegraph, a system of communication that is no longer in existence and there are parts of the Code that are being used to prohibit activities on a website even though websites did not exist when those parts were written.

Large wineries can afford to spend a lot of money advertising and their products can be easily found in most package stores. Small wineries cannot afford expensive ads and their products are sometimes hard to find so they turn to their website to help their potential customers, but the Code prohibits wineries from telling customers on the website where their wines can be found. This is just one of many examples of how the Code restricts the small winery while it has no effect on the large winery and that section of the Code could not have been intended to be applied to websites since they did not exist when it was written.

We have to modernize the Texas Alcoholic Beverage Code and bring it into the 21st Century. The "Three Tier System" was designed to deal with large business, prevent monopolies, and stop unfair business practices. It was not intended to restrict or be harmful to small businesses but, ironically, it does just that. It has created distribution monopolies and it denies small businesses equality in the market place. This is one reason why growth of the Texas wine industry has been held back for so many years while other states have grown and now have economic prosperity from their wine industries.

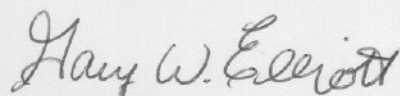
I have spoken with distributors and package store owners about carrying my wines in their stores. They have all said the same thing and that is that they cannot sell my wines for me. They can only place my wines in the stores and I must create a demand and a customer base. How can I do this? By first selling directly to customers and to accomplish this I must be able to ship directly to those customers.

It starts when I sell some wine to a customer in my tasting room. The customer goes home and shares the wine with some friends. The friends call me and want to know where they can buy my wine in their area. It is not available in any stores so they ask me to ship to them. Then they share that wine with some other friends who call up and order some. Eventually I end up with a lot of customers in that city or area. All of the individual shipments become too much for me to handle so I contact a package store owner and arrange for the store to carry my wines. Now I tell all of the customers to get their wine at the local package store that carries my wine.

This is how the system works. Small wineries sell directly to the customer. As the winery gets larger and can no longer handle the large volume of direct sales to customers they sell directly to the package stores. When the winery gets too large to handle direct sales to the package stores they go to a distributor.

Any attempt by the package stores or distributors to prevent direct shipment sales by small wineries will prevent those wineries from building a customer base and slow or restrict the growth of those wineries. The result will be fewer Texas wineries that are large enough to sell their product through package stores and distributors. More and more wine from large out of state wineries will be sold in Texas, which will continue to weaken the Texas economy.

Sincerely,



Gary W. Elliott
Owner / Winemaker
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Appendix D-17

11/11/04

Economic Impact Implications for Texas of Wine Sold within the State

Examples are for Texas wine sold in Texas, Texas wine sold outside Texas using a distributor, Texas wine sold outside Texas without a distributor, and for a bottle of wine from California sold in Texas. The example assumes a bottle of wine which is sold for \$10 retail.

Notes

1. Wine is subject to 3 different types of taxation. These are as follows:
 - a. Federal Excise Tax - \$1.09 per gallon. This is paid at the time wine is sold to the distributor or when sold by the winery directly to consumers or a retailer. It is not possible to estimate the impact on the Texas economy as it is sent to Washington. Some of this funding may be returned. It is not included in this analysis.
 - b. State Excise Tax – 20.4 cents per gallon. This is paid by the winery when sales are made directly to consumers through the tasting room. The distributor otherwise pays the tax.
 - c. State Sales Tax – This tax is paid when it is sold to the consumer. Thus, a winery does not pay the tax when it goes to the distributor but does if it is sold directly to the consumer.
2. Indirect impacts are the result of additional spending in the economy that is created when a sale is made. The indirect wine impacts would be spending on bottling equipment, supplies to produce the wine and then some of the marketing expenses as the wine moves through the distribution system to the final consumer. Indirect impacts for grapes include the agricultural expenditures that go into producing the grapes that make the bottle of wine. Taxation indirect impacts are additional government spending resulting from the collection of taxes.

Examples of Impacts from Wine Sold Through Various Distribution Channels.

1. Texas Wine Sold in Texas

<u>Wine Effect</u>	
Retail Price (Direct Effect)	\$10.00
Indirect Effect (On a \$10 bottle of wine)	\$19.00
<u>Grape Impact</u>	
Direct	\$1.00
Indirect	\$1.35
<u>Taxation Impact</u>	
<i>Sales Tax (assumed at 7.5%)</i>	
Direct Impact	.75
Indirect Impact	\$1.36
<i>State Excise Tax</i>	
Direct Impact (20.4 cents per gallon)	.04
Indirect Impact	.07
TOTAL IMPACT FOR TEXAS	\$33.56

2. Texas Wine Sold in Other States (Using a Distributor)

<u>Wine Impact</u>	
Wine sold to wholesaler by winery (Direct Effect)	\$5.00
Indirect Effect (Value on \$7)	\$13.16
<u>Grape Impact</u>	
Direct	\$1.00
Indirect	\$1.35
<u>Taxation Impact</u>	
Impact on Texas	\$0
(Because taxes are paid at when the wine reaches the retail level there is no tax impact within Texas)	
TOTAL IMPACT FOR TEXAS	\$20.51

3. Texas Wine Sold in Other States (sales directly to a consumer)

<u>Wine Impact</u>	
Wine sold to consumer by winery (Direct Effect)	\$10.00
Indirect Effect (Value on \$10)	\$19.00
<u>Grape Impact</u>	
Direct	\$1.00
Indirect	\$1.35
<u>Taxation Impact</u>	
<i>State Excise Tax</i>	
Direct Impact (20.4 cents per gallon)	.04
Indirect Impact	.07
There is no sales tax impact for Texas	
TOTAL IMPACT FOR TEXAS	\$31.46

4. Out-of-State Produced Wine Sold in Texas

Wine Impact

Direct Impact (value of wholesale and retail margins)	\$3.00
Indirect (impacts on wholesale and retail margins)	\$5.64

Grape Impact

There is no grape impact on the state of Texas.

Taxation Impact

Taxation Impact

Sales Tax (assumed at 7.5%)

Direct Impact	.75
Indirect Impact	\$1.36

State Excise Tax

Direct Impact (20.4 cents per gallon)	.04
Indirect Impact	.07

TOTAL IMPACT **\$10.64**

The analysis does not show the flow of revenue between states. For example, when out-of-state wine is sold in Texas there is a net outflow of money to the winery in that state or country as the sales from the winery to the distributor is made. This money then circulates through that economy and is why the impact of an out-of-state wine is about \$23 per bottle less than a comparably priced Texas wine.

Appendix D-18

Excerpts from Texas Alcoholic Beverage Code
Regarding Operating Hours of Alcoholic Beverage Permittees

ALCOHOLIC BEVERAGE CODE
CHAPTER 105. HOURS OF SALE AND CONSUMPTION

§ 105.01. HOURS OF SALE: LIQUOR. (a) Except as provided in Sections 105.02, 105.03, and 105.04 of this code, no person may sell, offer for sale, or deliver any liquor:

- (1) on New Year's Day, Thanksgiving Day, or Christmas Day;
- (2) on Sunday; or
- (3) before 10 a. m. or after 9 p. m. on any other day.

(b) When Christmas Day or New Year's Day falls on a Sunday, Subsection (a) of this section applies to the following Monday.

Acts 1977, 65th Leg., p. 511, ch. 194, § 1, eff. Sept. 1, 1977. Amended by Acts 1979, 66th Leg., p. 1973, ch. 777, § 23, eff. Aug. 27, 1979.

§ 105.02. HOURS OF SALE: WHOLESALERS AND LOCAL DISTRIBUTORS TO RETAILERS. (a) Except as provided by Subsection (b) of this section, a wholesaler or a local distributor's permittee may sell, offer for sale, or deliver liquor to a retailer between 5 a. m. and 9 p. m. on any day except Sunday and Christmas Day.

(b) A local distributor's permittee may not sell, offer for sale, or deliver any liquor on a day on which a package store permittee is prohibited from selling liquor.

Acts 1977, 65th Leg., p. 511, ch. 194, § 1, eff. Sept. 1, 1977. Amended by Acts 1977, 65th Leg., p. 1183, ch. 453, § 10, eff. Sept. 1, 1977; Acts 1979, 66th Leg., p. 1973, ch. 777, § 23, eff. Aug. 27, 1979; Acts 1993, 73rd Leg., ch. 934, § 69, eff. Sept. 1, 1993.

§ 105.03. HOURS OF SALE: MIXED BEVERAGES. (a) No person may sell or offer for sale mixed beverages at any time not permitted by this section.

(b) A mixed beverage permittee may sell and offer for sale mixed beverages between 7 a.m. and midnight on any day except Sunday. On Sunday he may sell mixed beverages between midnight and 1:00 a.m. and between 10 a.m. and midnight, except that an alcoholic beverage served to a customer between 10 a.m. and 12 noon on Sunday must be provided during the service of food to the customer.

(c) In a city or county having a population of 500,000 or more, according to the last preceding federal census, a holder of a mixed beverage late hours permit may also sell and offer for sale mixed beverages between midnight and 2 a.m. on any day.

(d) In a city or county having a population of less than 500,000, according to the last preceding federal census, the extended hours prescribed in Subsection (c) of this section are effective for the sale of mixed beverages and the offer to sell them by a holder of a mixed beverages late hours permit:

(1) in the unincorporated areas of the county if the extended hours are adopted by an order of the commissioners court; and

(2) in an incorporated city or town if the extended hours are adopted by an ordinance of the governing body of the city or town.

(e) A violation of a city ordinance or order of a commissioners court adopted pursuant to Subsection (d) of this section is a violation of this code.

Acts 1977, 65th Leg., p. 511, ch. 194, § 1, eff. Sept. 1, 1977. Amended by Acts 1993, 73rd Leg., ch. 923, § 2, eff. Sept. 1, 1993; Acts 1993, 73rd Leg., ch. 934, § 70, eff. Sept. 1, 1993; Acts 2003, 78th Leg., ch. 685, § 1, eff. Sept. 1, 2003.

§ 105.04. HOURS OF SALE: WINE AND BEER RETAILER. The hours of sale and delivery for alcoholic beverages sold under a wine and beer retailer's permit or a wine and beer retailer's off-premise permit are the same as those prescribed for the sale of beer under Section 105.05 of this code, except that no sale shall be allowed between 2 a.m. and noon on Sunday.

Acts 1977, 65th Leg., p. 512, ch. 194, § 1, eff. Sept. 1, 1977. Amended by Acts 1993, 73rd Leg., ch. 934, § 71, eff. Sept. 1, 1993.

§ 105.05. HOURS OF SALE: BEER. (a) No person may sell, offer for sale, or deliver beer at any time not permitted by this section.

(b) A person may sell, offer for sale, or deliver beer between 7 a.m. and midnight on any day except Sunday. On Sunday he may sell beer between midnight and 1:00 a.m. and between noon and midnight, except that permittees or licensees authorized to sell for on-premise consumption may sell beer between 10:00 a.m. and noon if the beer is served to a customer during the service of food to the customer.

(c) In a city or county having a population of 500,000 or more, according to the last preceding federal census, a holder of a retail dealer's on-premise late hours license may also sell, offer for sale, and deliver beer between midnight and 2 a.m. on any day.

(d) In a city or county having a population of less than 500,000, according to the last preceding federal census, the extended hours prescribed in Subsection (c) of this section, or any part of the extended hours prescribed in Subsection (c) of this section are effective for the sale, offer to sell, and delivery of beer by a holder of a retail dealer's on-premise late hours license:

(1) in the unincorporated areas of the county if the extended hours are adopted by an order of the commissioners court;
and

(2) in an incorporated city or town if the extended hours are adopted by an ordinance of the governing body of the city or town.

(e) A violation of a city ordinance or order of a commissioners court adopted pursuant to Subsection (d) of this section is a violation of this code.

Acts 1977, 65th Leg., p. 512, ch. 194, § 1, eff. Sept. 1, 1977. Amended by Acts 1979, 66th Leg., p. 1970, ch. 777, § 13, eff. Aug. 27, 1979; Acts 1993, 73rd Leg., ch. 923, § 1, eff. Sept. 1, 1993; Acts 1993, 73rd Leg., ch. 934, § 72, 73, eff. Sept. 1, 1993; Acts 2003, 78th Leg., ch. 685, § 2, eff. Sept. 1, 2003.

§ 105.051. SALE OF BEER BY DISTRIBUTOR'S LICENSEE. In addition to the hours specified for the sale of beer in Section 105.05(b) of this code, the holder of a general, local, or branch distributor's license may sell, offer for sale, or deliver beer beginning at 5 a. m. on any day except Sunday.

Added by Acts 1993, 73rd Leg., ch. 934, § 74, eff. Sept. 1, 1993.

§ 105.06. HOURS OF CONSUMPTION. (a) In this section:

(1) "Extended hours area" means an area subject to the extended hours of sale provided in Section 105.03 or 105.05 of this code.

(2) "Standard hours area" means an area which is not an extended hours area.

(b) In a standard hours area, a person commits an offense if he consumes or possesses with intent to consume an alcoholic beverage in a public place at any time on Sunday between 1:15 a. m. and 12 noon or on any other day between 12:15 a. m. and 7 a. m.

(c) In an extended hours area, a person commits an offense if he consumes or possesses with intent to consume an alcoholic beverage in a public place at any time on Sunday between 2:15 a. m. and 12 noon and on any other day between 2:15 a. m. and 7 a. m.

(d) Proof that an alcoholic beverage was possessed with intent to consume in violation of this section requires evidence that the person consumed an alcoholic beverage on that day in violation of this section.

(e) An offense under this section is a misdemeanor punishable by a fine of not more than \$50.

Acts 1977, 65th Leg., p. 512, ch. 194, § 1, eff. Sept. 1, 1977. Amended by Acts 1993, 73rd Leg., ch. 923, § 3, eff. Sept. 1, 1993.

§ 105.07. HOURS [0] OF SALE AND CONSUMPTION: SPORTS VENUE. (a) In this section, "sports venue" means a public entertainment facility property, as defined by Section 108.73, that is primarily designed and used for live sporting events.

(b) Notwithstanding any other provision of this code, in addition to any other period during which the sale and consumption of alcohol is authorized under this code:

(1) a licensed or permitted premises located in a sports venue may sell alcoholic beverages between 10 a.m. and noon; and

(2) a person may consume alcoholic beverages at a sports venue between 10 a.m. and noon.

Added by Acts 2003, 78th Leg., ch. 946, § 2, eff. Sept. 1, 2003. Amended by Acts 2003, 78th Leg., 3rd C.S., ch. 3, § 21.01, eff. Jan. 11, 2004.

Appendix D-19



SENATE RESEARCH CENTER

November 10, 2004

To: Sherry Muller, Senator Madla's Office

FROM: Samm Osborn, Research Specialist *SO*

SUBJECT: Residency Requirements for Winery Permits

You requested information on what states have a residency requirement for winery permits. The following states have residency requirements in their statutes:

Indiana

Title 7.1 (Alcoholic Beverages), Article 3 (Permits), Chapter 12 (Vintners' Permits), Burns Indiana Statutes Annotated states:

The commission may not issue a farm winery permit to a person who has not been a **continuous and bona fide resident of Indiana for at least one (1) year** preceding the date of the application for a farm winery permit.

Kansas

Chapter 41 (Intoxicating Liquors and Beverages), Article 3, (Licensing and Related Provisions), Section 311 (Qualifications for Licensure), Kansas Annotated Statutes states:

(b) No retailer's license shall be issued to:

(1) A person who is **not a resident of this state;**

(2) A person who has **not been a resident of this state for at least four years** immediately preceding the date of application.

According to the Kansas Alcoholic Beverage Commission, the residency requirement was challenged in court a few years ago but remains in statute with a provision that an "irrevocable consent to jurisdiction" form be processed through the Kansas secretary of state's office.

Massachusetts

Title XX (Public Safety and Good Order), Chapter 138 (Alcoholic Liquors - Manufacture of Alcoholic Beverages), Section 19B (Farmer-Winery Licenses), Annotated Laws of Massachusetts states:

(a) For the purpose of encouraging the development of domestic vineyards, the commission shall issue a farmer-winery license to any applicant **who is both a citizen and resident of the commonwealth**, and to applying partnerships composed solely of such individuals, and to applying corporations organized under the laws of the commonwealth or organized under the laws of any other state of the United States and admitted to do business in this commonwealth. . . "

Tennessee

Title 57 (Intoxicating Liquors), Chapter 3 (Local Option -- Traffic in Intoxicating Liquors), Part 2 (Licenses and Fees), Tennessee Code Annotated states:

(d) No winery license shall be issued **except to individuals who are residents of the state of Tennessee and have been for at least two (2) years** next preceding residents of the state.

Texas

Title 4 (Regulatory and Penal Provisions), Chapter 109 (Miscellaneous Regulatory Provisions), Section 53 (Citizenship of Permittee), Texas Alcoholic Beverage Code, states:

No person **who has not been a citizen of Texas for a period of one year** immediately preceding the filing of his application therefore shall be eligible to receive a permit under this code.

According to the Texas Alcoholic Beverage Commission, the exception to this law, found in Title 2 (Administration of Code), Chapter 6 (Activities Subject to Regulation), Section 03 (Citizenship Requirements), Texas Alcoholic Beverage Code, basically states that every retail level permit, except package stores, can operate a business by creating a Texas corporation and staffing it with Texas residents.

Let me know if you would like for me to conduct a more in-depth survey into states' regulations that are not in statute, and I will provide that as time allows.

If you have any questions or need further information, please contact me at 463-0091 or samm.osborn@senate.state.tx.us.

cc: Gina Martin

ALBEV

Appendix D-20



Texas Wine Marketing Research Institute

College of Human Sciences • Texas Tech University

November 15, 2004

The Honorable Frank L. Madla
Senate Committee on Intergovernmental Relations
P.O. Box 12068
Capitol Station
Austin, Texas 78711

RECEIVED
NOV 18 2004

SENATOR MADLA'S
CAPITOL OFFICE

Dear Senator Madla,

Thank you for the recent invitation to appear before the Senate Committee on Intergovernmental Relations. I appreciated the opportunity to speak about the impact of the Texas wine industry on the economy of the state and the role that the Institute plays in the development of the industry.

At that hearing you asked me about funding for the Institute and about similar funding for other marketing and economic efforts that are being done in other states such as Washington, Oregon and Virginia. The following is an outline of the role played by the Texas Wine Marketing Research Institute at TTU and an overview of other state funding initiatives.

The Texas Wine Marketing Research Institute (TWMRI)

Texas Tech University has been actively involved in viticulture, enology, and wine marketing research since the 1970s and has made a substantial contribution to the development of the Texas wine industry. Funding for this effort has been provided through a state line item that provided support for faculty to develop research and extension programs.

The TWMRI is involved in a variety of activities. These include gathering statistical information from the industry to provide data concerning production and consumption trends. The Institute also develops an annual economic impact report concerning the role that the industry plays in the Texas economy. No other organization within Texas is involved with this activity. Some funding assistance to Texas Department of Agriculture (TDA) for marketing efforts have helped to develop a promotional program for the state

but they are not involved in the marketing and economic research activities conducted by the Institute.

The Institute disseminates this information to wineries, grape growers, media, government organizations and others involved and interested in the industry. In particular, we provide information for new grape growers and wine makers concerning the industry that will help them determine if this is an industry they wish to become involved with. The Institute also works with newly established wineries to help develop marketing plans and to provide them with sources of information that will help them get started. In recent years the TWMRI has also undertaken studies of winery tourists, restaurateurs, and Texas consumers to help the industry better understand how to market their wines.

In recent years funding for grape and wine related research at TTU has declined substantially. The line-item that was specifically dedicated to grape and wine research was initially set at \$250,000 per year for viticulture and marketing research. Half of the money was dedicated to the College of Agriculture to assist the industry with viticulture research and half to the College of Human Sciences to establish a wine marketing research program. In 1988, the College of Human Sciences established the Texas Wine Marketing Research Institute (TWMRI) from those funds.

In recent years the viticulture and wine marketing line item has been combined with several others into a special item called "Research in Emerging Technologies and Economic Development in Texas". Funding for this item has declined and last year funding to the Texas Wine Marketing Research Institute declined from \$100,000 per year to \$60,000 per year. With much of this money designated to support salary, this leaves approximately \$6000 for operating expenses such as phone, printing, and for travel.

Marketing and Economic Research Efforts in Competing States

Other states have developed a variety of approaches to fund wine marketing and economic research. Some are through Federal funds while others rely on state funding or money generated from taxes or wine sales.

New York

The New York Wine and Grape Foundation receive funding from a variety of sources. They also provide funding for marketing, viticulture, and enology research. Funding sources over the past few years include:

- USDA Market Access Program **\$181,007**
- New York State (directly to the foundation) **\$412,000**
- New York State (Wine and Chef Program) **\$75,000**
- USDA (Value Added Agricultural Product Grant) **\$114,000**

Oregon

The Oregon Wine Board receives approximately **\$1,000,000** each year for marketing research and promotion. This funding is from taxes on wine and from grapes grown in Oregon.

Virginia

- Funding from the Virginia Department of Alcoholic Beverage Control to the Virginia Wine Marketing Board. **Funding - \$490,000**
- University programs at Virginia Tech conduct economic impact and other studies – **Funding amount unknown.**

Washington

- USDA for international marketing program **\$350,000**
- Community College and University Educational Program **\$2,300,000**
- Commodity Support to Washington Wine Commission **\$1,400,000**

This is all the information that I could find on the way that these states fund their economic, education, and marketing efforts. It does not include the various viticulture and enology research programs that are provided. There may be other governmental sources of funding but I was unable to find any other sources.

Let me know if you have any additional questions concerning funding for grape and wine research.

Sincerely,



Tim H. Dodd, Ph.D.
Director

Appendix E



**The Senate Committee on Intergovernmental Relations
And
The House Committee on Urban Affairs**
Joint Hearing on Urban/Exurban Housing Issues
March 24, 2004, 10:00AM, Capitol Extension 2.016

A G E N D A

- I. Call to Order Chairman Madla, Chairman Talton
- II. Roll Call Tara Snowden, Beau Rothschild,
Senate and House Committee Clerks
- III. Senate IGR to adopt interim rules
- IV. Committee Business
 - A. Invited Testimony
 - 1. Ms. Edwina Carrington, Ms. Elisabeth Anderson and Ms. Sarah Anderson
Texas Department of Housing and Community Affairs
 - 2. Mr. John Henneberger
Texas Low Income Housing Information Service
 - 3. Ms. Donna Chatham
Association of Rural Communities in Texas
 - 4. Mr. Brian Cogburn

21st Century Companies

B. Public Testimony

C. Other Business

V. Adjourn/Recess

MINUTES

SENATE COMMITTEE ON INTERGOVERNMENTAL RELATIONS
Wednesday, March 24, 2004
10:00 a.m.
Capitol Extension E2.016

Pursuant to a notice posted in accordance with Senate Rule 11.18, a public hearing of the Senate Committee on Intergovernmental Relations was held on Wednesday, March 24, 2004, in the Capitol Extension E2.016 in a joint hearing with the House Committee on Urban Affairs.

MEMBERS PRESENT:
Senator Frank Madla
Senator Kim Brimer
Senator Jeff Wentworth

MEMBERS ABSENT:
Senator Bob Deuell
Senator MarioGallegos, Jr.

The chair of the House Committee on Urban Affairs and the chair of the Senate Committee on Intergovernmental Affairs called the meeting to order at 10:04 a.m. There being a quorum established at 10:09 a.m. for the Senate Committee on Intergovernmental Relations, the following business was transacted:

Representative Talton and Senator Madla shared presiding duties.

The committee heard invited testimony from the following individuals regarding interim committee charge two:

John Henneberger
Texas Low Income Housing Information Service

Edwina Carrington
Texas Department of Housing and Community Affairs

Donna Chatham
Association of Rural Communities in Texas

Brian Cogburn
21st Century Companies

At 10:09 a.m. the chair of the Senate Committee on Intergovernmental Relations laid out the proposed interim rules and moved there adoption. There being no objection, it was so ordered.

Following invited and public testimony, the chair of the Senate Committee on Intergovernmental Relations explained other committee charges and indicated that the remainder of the committee's hearings will take place in Austin, Texas.

There being no further business, at 11:52 a.m. Senator Madla moved that the Committee on Intergovernmental Relations stand recessed subject to the call of the chair. Without objections, it was so ordered.

There being no further business, at 4:11 p.m. Representative Talton moved that the Committee on Urban Affairs stand recessed subject to the call of the chair. Without objections, it was so ordered.

Senator Frank Madla, Chair

Tara Snowden, Clerk



The Senate Committee on Intergovernmental Relations
July 12, 2004 10:00AM, Capitol Extension, Room E1.028

A G E N D A

- I. Call to Order
- II. Roll Call
- III. Committee Business
 - A. Invited Testimony
 1. Mr. Edward Johnson and Ms. Hadassah Schloss
Texas Building and Procurement Commission
 2. Ms. Cynthia Mitchell, Denton County Clerk
Ms. Beth Rothermel, Washington County Clerk
 3. Mr. James Sibley, President, Data Title Company
Mr. Allen Place, Jr., President, The Brown Abstract
Company, Inc.
 - B. Public Testimony

C. Other Business

V. Adjourn/Recess

MINUTES

SENATE COMMITTEE ON INTERGOVERNMENTAL RELATIONS
Monday, July 12, 2004
10:00 a.m.
Capitol Extension, Room E1.028

Pursuant to a notice posted in accordance with Senate Rule 11.18, a public hearing of the Senate Committee on Intergovernmental Relations was held on Monday, July 12, 2004, in the Capitol Extension, Room E1.028, at Austin, Texas.

MEMBERS PRESENT:
Senator Frank Madla
Senator Kim Brimer
Senator Jeff Wentworth

MEMBERS ABSENT:
Senator Bob Deuell
Senator Mario Gallegos, Jr.

The chair called the meeting to order at 10:03 a.m. There being a quorum present, the following business was transacted:

The Chair laid out Charge One:
Study and make recommendations on the need for statutory language relating to fees charged for copies of documents filed electronically or in paper format with a county clerk. Examine all state and local policies relating to document fees and analyze the impact of any recommended changes on local and state revenues.

Witnesses testifying and registering on the charge are shown on the attached list.

There being no further business, at 12:30 p.m. Senator Madla moved that the Committee stand recessed subject to the call of the chair. Without objection, it was so ordered.

Senator Frank Madla, Chair

Hillery Stephens, Clerk

WITNESS LIST

Intergovernmental Relations Committee
July 12, 2004 -10:00A

Charge 1

AGAINST: Donaldson, Jr., David Attorney (Freedom of
Information Foundation), Austin, TX
Enright, Richard Reg. Manager-VP (Data Trace, Data
Tree and FARES), Arlington, TX
Moran, Milt Publisher (Self), Wynnwood, TX
Sibley, James President (Title Data, Inc.), Spring,
TX
Willmoth, Terri Assistant Manager (Texas Document
Imaging & Retrieval), Palestine, TX

ON: Barnett, Chuck (Real Estate Information Data Inc.),
San Antonio, TX
Cary, Katherine Chief, Open Records Division (Office
of the Attorney General), Austin, TX
Johnson, Edward Director of Legislative Affairs
(TBPC), Austin, TX
Mitchell, Cynthia County Clerk-Denton County (Denton
County), Denton, TX
Place, Allen Attorney (Brown Abstract Co., Inc. and
Texas Land Title Assn.), Gatesville, TX
Rothermel, Beth Ann Washington County Clerk (County
and District Clerks' Association), Brenham,
TX
Schloss, Hadassah Open Records Administrator (TBPC
and Open Records Steering Committee), Austin,
TX
Streater, Joy County Clerk (Self), New Braunfels, TX



Senate Committee On Intergovernmental Relations

AGENDA

Tuesday, July 27, 2004 9:00AM
Capitol Extension, Room E1.028

I. Call to Order

II. Roll Call

III. Committee Business

A. Invited Testimony

Panel 1: Bryan Daniel, State Director
United States Department of Agriculture

Martin Hubert, Deputy Commissioner
Texas Department of Agriculture

Panel 2: John Henneberger
Texas Low Income Housing Service

Edwina Carrington, Executive Director
Texas Department of Housing and Community
Affairs

Panel 3: Connie Berry, Manager
Texas Primary Care Office
Texas Department of Health

Patti Patterson, MD, MPH, Vice President of
Rural and Community Health
Texas Tech University Health Sciences Center

Mary Wainwright, MS, RN, Deputy Director
East Texas Area Health Education Center
University of Texas Medical Branch

Panel 4: Jim Ray, Executive Director
Texas Association of Regional Councils

Donna Chatham, Executive Director
Association of Rural Communities in Texas

Panel 5: Amadeo Saenz, Assistant Executive Director
for Engineering Operations
Texas Department of Transportation

Kevin Ward, Executive Administrator
Texas Water Development Board

Panel 6: Sam Tessen, Executive Director
Office of Rural Community Affairs

B. Public Testimony

C. Other Business

V. Adjourn/Recess

MINUTES

SENATE COMMITTEE ON INTERGOVERNMENTAL RELATIONS

Tuesday, July 27, 2004

9:00 a.m.

Capitol Extension, Room E1.028

Pursuant to a notice posted in accordance with Senate Rule 11.18, a public hearing of the Senate Committee on Intergovernmental Relations was held on Tuesday, July 27, 2004, in the Capitol Extension, Room E1.028, at Austin, Texas.

MEMBERS PRESENT:

Senator Frank Madla
Senator Bob Deuell
Senator Jeff Wentworth

MEMBERS ABSENT:

Senator Kim Brimer
Senator Mario Gallegos, Jr.

The chair called the meeting to order at 9:06 a.m. There being a quorum present, the following business was transacted:

The Chair laid out Charge Three:

Study the unique challenges and opportunities in rural areas from an economic development standpoint. Study the future and unmet needs of rural communities, residents and businesses and examine the quality of infrastructure, housing, health care, and community involvement. Make recommendations for promoting investment in growth industries in rural areas.

Witnesses testifying and registering on the charge are shown on the attached list.

There being no further business, at 1:32 p.m. Senator Madla moved that the Committee stand recessed subject to the call of the chair. Without objection, it was so ordered.

Senator Frank Madla, Chair

Hillery Stephens, Clerk

WITNESS LIST

Intergovernmental Relations Committee
July 27, 2004 - 9:00A

Charge Three

ON: Berry, Connie Manager (Texas Department of Health),
Austin, TX
Cabello, Homero Director of Colonia Initiatives
(Texas Department of Housing and Community
Affairs), Austin, TX
Carrington, Edwina Executive Director (Texas
Department of Housing and Community Affairs),
Austin, TX
Chattam, Donna Executive Director (Association of
Rural Communities in Texas), Cedar Park, TX
Daniel, Brian (United States Department of
Agriculture), Temple, TX
Easley, Mike Hospital Administration (Culberson
County Hospital District and Collingsworth
General Hospital), Wellington, TX
Henneberger, John (Texas Low Income Housing
Information Service), Austin, TX
Hubert, Martin Deputy Commissioner (Texas Department
of Agriculture), Austin, TX
May, Doug FSEDD (Fort Stockton EDC, Pecos County
Rail District & West Texas ADC), Fort
Stockton, TX
Patterson, Patti MD (Texas Tech Health Services
Center), Lubbock, TX
Pearson, David VP, Advocacy and Communications
(Texas Organization of Rural and Community
Hospitals), Bastrop, TX
Ray, Jim (Texas Association of Regional Councils),
Austin, TX
Riggs, George County Commissioner (Fort Stockton),
Fort Stockton, TX
Saenz, Amadeo Assistant Executive Director (Texas
Department of Transportation), Austin, TX
Salazar, Sal Investment Representative (Fort
Stockton EDC), Fort Stockton, TX
Shuster, Joe Pecos County Judge (Pecos County), Fort
Stockton, TX
Tessen, Robert Executive Director (Office of Rural
Community Affairs), Austin, TX
Wainwright, Mary RN-Health Workforce Development
(Texas Area Health Education Centers),
Galveston, TX
Ward, Kevin (Texas Water Development Board), Austin,
TX

Registering, but not testifying:

On: Pinkley, Craig Executive Director (Capital Certified
Development Corporation), Austin, TX
Sprinkle, David GK Sprinkle Consulting (Texas
Ambulance Association), Austin, TX



The Senate Committee on Intergovernmental Relations
October 6, 2004 9:00AM, Capitol Extension 1.028

A G E N D A

- I. Call to Order
- II. Roll Call
- III. Committee Business - Charge Four
 - A. Invited Testimony

David Scotch, CPA
Master's Candidate - University of Bordeaux

Martin Hubert, Deputy Commissioner
Texas Department of Agriculture

Ben Valentino, President &
Dacota Julson, Executive Director
Texas Wine and Grape Growers' Association

Jeannene Fox, Assistant Administrator &
Lou Bright, General Counsel

Texas Alcoholic Beverage Commission

Tim Dodd, Ph.D., Director
Texas Wine Marketing Research Institute

Edward W. Hellman, Ph.D., Associate Professor,
Viticulture, Texas A&M University Agricultural
Research and Extension Center Lubbock, Texas

James S. Kamas, M.S., Assistant Professor and
Extension Fruit Specialist, Department of Horticultural
Sciences Texas A& M University

Craig Parker, Winemaker
Flat Creek Estates

Rebecca Robinson, Executive Director
Texas Hill Country Wine and Food Foundation

UNCONFIRMED

County or Municipal Elected Officials

- B. Public Testimony
 - C. Other Business
- V. Adjourn/Recess

MINUTES

SENATE COMMITTEE ON INTERGOVERNMENTAL RELATIONS

Wednesday, October 6, 2004

9:00 a.m.

Capitol Extension, Room E1.028

Pursuant to a notice posted in accordance with Senate Rule 11.18, a public hearing of the Senate Committee on Intergovernmental Relations was held on Wednesday, October 6, 2004, in the Capitol Extension, Room E1.028, at Austin, Texas.

MEMBERS PRESENT:

Senator Frank Madla
Senator Mario Gallegos, Jr.
Senator Jeff Wentworth

MEMBERS ABSENT:

Senator Kim Brimer
Senator Bob Deuell

The chair called the meeting to order at 9:05 a.m.

The Chair laid out Charge 4:

Study and make recommendations relating to development of the Texas wine producing industry. Assess the impact of state and federal laws on the shipment and delivery of wine and make recommendations for increasing the economic impact of the wine producing industry in Texas.

Witnesses testifying and registering on the bill are shown on the attached list.

There being no further business, at 12:15 p.m. Senator Madla moved that the Committee stand recessed subject to the call of the chair. Without objection, it was so ordered.

Senator Frank Madla, Chair

Hillery Stephens, Clerk

WITNESS LIST

Intergovernmental Relations Committee
October 6, 2004 - 9:00A

Charge 4

FOR: Auler, Ed Vintier (Self), Austin, TX
Dotson, Alphonse Owner (Certenberg Vineyards of
Texas), South Voca, TX
Hellman, Edward Associate Professor of Agriculture
(Texas A&M & Texas Tech), Lubbock, TX
Parker, Craig Professional Winemaker & Viticultural
(Self), Marble Falls, TX
Parker, Gabe Owner, Homestead Winery (TWGGA),
Ivanhoe, TX

ON: Bright, Lou General Counsel (TABC), Austin, TX
Constable, Les Owner, Brushy Creek Vineyards &
Winery (Self), Alvord, TX
Dodd, Tim Associate Professor (Texas Tech
University), Lubbock, TX
Elliott, Gary Winery/Vineyard Owner (Wine Industry),
Driftwood, TX
Hubert, Martin Deputy Commissioner (Texas Department
of Agriculture), Austin, TX
Kamas, Jim Asst. Prof. - Horticulture TAMU (Self),
Fredericksburg, TX
Loeffler, Ernie Director (Fredericksburg Convention
& Visitor Bureau), Fredericksburg, TX
Scotch, David CPA (Self), San Antonio, TX
Switzer, Cord Winery (Fredericksburg Winery, TX Hill
Country Wineries Assoc.), Fredericksburg, TX
Valentino, Ben President (TWGGA), San Antonio, TX
Vilim, Michael Restauranter (Wine & Food
Foundation), Austin, TX

Registering, but not testifying:

For: Maxwell, Kenneth Torre di Pictra (Self), Austin, TX