Texas Alcoholic Beverage Commission

Strategic Plan
Fiscal Years 2019 – 2023
STRATEGIC PLAN

FISCAL YEARS 2019 TO 2023

BY THE

TEXAS ALCOHOLIC BEVERAGE COMMISSION

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<th>Commission Member</th>
<th>Term</th>
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<tr>
<td>Kevin J. Lilly Chair</td>
<td>April 20, 2017 – Nov. 15, 2021</td>
<td>Houston</td>
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<tr>
<td>Ida Clement Steen</td>
<td>June 13, 2014 – Nov. 15, 2019</td>
<td>San Antonio</td>
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Submitted June 8, 2018

SIGNED: ____________________________
A. Bentley Nettles, Executive Director

APPROVED: __________________________
Kevin J. Lilly, Chair
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STRATEGIC PLAN
MISSION

The mission of the Texas Alcoholic Beverage Commission is to serve the people of Texas and protect the public health and safety through consistent, fair and timely administration of the Alcoholic Beverage Code.

VISION

A safe and healthy Texas served by an innovative Alcoholic Beverage Commission regulating a responsible and compliant alcoholic beverage industry.

FOUR CORNERSTONES

Service
Courtesy
Integrity
Accountability

PHILOSOPHY

TABC’s philosophy is enshrined in its motto, “Texans Helping Businesses and Protecting Communities.” The agency, through the powers granted by the Alcoholic Beverage Code, will work directly with those whom it regulates to ensure a safe, compliant, and competitive alcoholic beverage industry while operating at peak efficiency and value for Texas taxpayers. Through these actions, as well as the day-to-day interactions with business owners across the state, TABC will work to make it easier for businesses to remain compliant with state law while ensuring the highest levels of public safety for businesses, employees, and their customers.

NOTE

Hereafter, the Alcoholic Beverage Code shall be referred to as the “Code” and the Texas Administrative Code, Title 16, Part 3 shall be referred to as “Rules” while “license” and “permit” refer to any TABC-issued license or permit to manufacture, distribute or sell alcoholic beverages.
GOALS AND ACTION PLANS

GOAL 1
Increase public protection by focusing agency resources on the greatest risks to public safety

ACTION ITEMS

1. Implement a new case management system with enhanced digital security for law enforcement and legal services. (August 2020) Currently, multiple systems are used to capture activities of agents and cases, which duplicates considerable effort across the agency’s spectrum of activities. Additionally, considering the type of sensitive information TABC captures, the current system’s security level is inadequate.

2. Continue law enforcement’s transition to a more risk-based approach which more effectively detects violations of the Alcoholic Beverage Code.
   - Increase the number of undercover operations (minor stings and investigations) by 25%. (June 2021)
   - Implement a data-driven enforcement processing system which relies on complaints and violation history of the license holder to focus law enforcement efforts primarily on at-risk locations. (January 2020)

3. Increase the number of government partner contacts by 10% to help identify licensed locations in those communities that may be at risk of committing public safety violations. (August 2020)

4. Enhance TABC’s ability to investigate human trafficking by raising public awareness of these crimes within the alcoholic beverage industry and the population at large.
   - Work with non-governmental organizations to have victims identify locations in which human trafficking occurs. (December 2020)
   - Train 90% of distributors and wholesalers (and their agents) on signs of human trafficking through live and online training sessions. (December 2020)
   - Develop TABC’s media campaign to support the “Be The One” message to help license holders identify and report potential human trafficking activity on TABC-licensed premises.
HOW GOAL/ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. Accountable to tax and fee payers of Texas.

City police and county sheriffs know their constituencies better than anyone. More than 24% of complaints from local law enforcement agencies result in violations uncovered by TABC investigators. This is significantly higher than any other source of complaints. Referrals from law enforcement enable TABC to more effectively detect public safety violations and reduce risks to the public.

By operating its enforcement efforts through a risk-based process, TABC can focus its limited resources on businesses that present the greatest risk to public safety and operations that detect the most violations. The latter is supported by a new performance measure beginning in FY2020 regarding the number of undercover operations conducted.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.

There are more than 52,000 licensed businesses selling and serving alcohol across the state of Texas. Using historical evidence of complaints and violations and other data, TABC can predict which licenses are likely to pose a risk to public safety. Targeting law enforcement efforts at those license holders uses resources more effectively and is less intrusive to businesses which comply with the law.

Operations employed by enforcement agents include open inspections, undercover operations, and minor stings. Open inspections result in a violation rate of less than 0.5%. Focusing on undercover operations and minor stings is more effective, considering the violation rates of 12% and 10% respectively (for FY2017).

3. Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.

The enforcement case management action item is explicitly intended to more effectively fulfill TABC’s core mission. TABC believes that a modern, effective case management system would improve the performance and productivity of enforcement and audit functions. The shift from legacy, agency-developed technology solutions to services provided by qualified vendors allows TABC to repurpose agency resources to execute mission-critical roles within TABC while eliminating current redundancies that existing systems force upon the agency.

A new case management system would allow the agency greater predictive analysis, thus improving resource allocation and greater use of risk-based strategies for enforcement. Legal staff can use the intuitive interface to consolidate and capture information related to legal matters. Additionally, users can review key licensee and case documents, quickly compile reports, and initiate review workflows automatically.
The Special Investigations Unit (SIU) conducts long-term investigations of offenses involving organized criminal activity, including human trafficking, that occurs in licensed locations such as convenience stores and bars. By engaging in public–private partnerships with distributors and wholesalers to train their drivers (who make regular deliveries to these businesses) on the signs of human trafficking, SIU can maximizes its own ability—and the ability of task force partners—to identify and prosecute those with ties to human trafficking.

4. **Providing excellent customer service.**

TABC law enforcement agents will continue to be courteous and professional in all dealings with the public and governmental partners. Maintaining or exceeding the 96% customer satisfaction rating from licensed entities visited by a TABC agent is paramount.

Although law enforcement operations are focused on public safety and ensuring license holders comply with the law, license holders sometimes assist with investigations. For example, the Special Investigations Unit (SIU) worked with multiple package stores to track down a suspect in a large credit card abuse scheme in which the stores had thousands of dollars of liquor stolen. SIU also helped distributors with internal theft rings in which stolen product was being sold on social media sites. Fostering these types of cooperative investigations have provided a service to customers in the alcoholic beverage industry and have made Texas a safer place.

5. **Transparent such that agency actions can be understood by any Texan.**

TABC’s core mission is to protect the public. TABC law enforcement agents do so by taking criminal and/or administrative action against licensed businesses which violate the Alcoholic Beverage Code or TABC administrative rules.

A new case management system would promote more transparent agency operations, because it would allow for easier and more accurate data to enhance insight into TABC’s activities.

**OTHER CONSIDERATIONS RELEVANT TO GOAL/ACTION ITEMS**

A new case management system will require appropriations requested through an Exceptional Item in the agency's Legislative Appropriations Request.

For FY2020-2021, the definition of performance measures remains the same, requiring agents to perform multiple inspections of license holders with no violation history i.e., “checking the box” and visiting a certain quantity of licensed locations rather than quality locations. More than 36,000 license holders have no public safety violations in the last four consecutive years. Although the preference is to relieve enforcement agents from visiting those 36,000 licensed locations and shift efforts to
locations posing the greatest risk to public safety, law enforcement agents will continue to meet the challenge and protect the public.

Alignment with State Strategic Plan

Implementation of a case management system addresses the agency’s immediate and critical needs in accordance with the TABC’s Technology Strategic Plan and aligns with the State Strategic Plan as published by the Department of Information Resources (DIR). These high-level benefits include:

A) Reliable & Secure Data Services – provide enhanced security features to adequately cover the sensitive data that is collected and recorded by the law enforcement agents and, when necessary, utilized by the TABC Office of General Counsel.

B) Mature IT Resources Management – consolidate and automate workflows currently performed manually or in multiple systems.

C) Cost Effective & Collaborative Solutions – create staff efficiencies as well as provide budget-saving methods for cost optimization in the future.

D) Data Utility – provide business intelligence opportunity for increased effectiveness in resource allocation and greater use of risk-based strategies in the field through the use of data predictive analysis.

Statewide Distribution of Personnel

TABC has 635 (appropriated) employees, 223 of which are commissioned peace officers. TABC resources are divided among five Texas regions, including the headquarters in Austin, and field staff are dispersed between 41 field offices and 30 ports of entry.
The vast majority of staff are in the field serving Texans every day. Each of TABC’s five regions has its own unique attributes such as license density, college communities, manufacturing tier members, geographic size, and special events.

Each region also has its own Regional Management Team (RMT), which includes a Law Enforcement supervisor who holds the rank of major, a Licensing supervisor who oversees all license requirements and qualifications, and an Audit supervisor who oversees all compliance-related issues. These three co-equal supervisors serve as the core leadership group in each region.

GOAL 2
Increase internal efficiency and improve customer service by replacing outdated technology and updating the TABC website

ACTION ITEMS

1. Modernize legacy licensing and label approval system (Versa) to improve functionality, more closely match TABC’s business processes, and minimize the need for data entry in multiple systems. (August 2020)

2. Study and evaluate possibility of using e-filing system/processes for filing an original application to create processing efficiencies to issue licenses more expeditiously. (December 2020)

3. Develop ways to improve timely license renewal by license holders (i.e., within timeline allowed in Alcoholic Beverage Code) by initiating email notifications to license holders as a reminder of expiration date. (December 2018)

4. Upgrade Public Inquiry (now on TABC’s website) to the state’s Public Data system (data.Texas.gov) to improve efficiency and effectiveness of TABC employees by allowing the public and the alcoholic beverage industry to obtain information directly from a modern website. (August 2019)

5. Redesign the agency’s website(s) to be user friendly and optimized for mobile devices. (December 2018)
HOW GOAL/ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. Accountable to tax and fee payers of Texas.

Online processes allow for greater efficiencies for both applicants and the agency. The approval of a license or label is directly connected with a business owner’s primary source of income. These owners expect TABC to be responsive and timely in their regulatory review of applications. Online processing offers 24/7 application submission, reduces errors typically made on paper applications, and allows for payment of required fees—all of which leads to faster approvals and the opportunity to generate income.

The agency deposits more than 60,000 checks every year. Most of these checks are forwarded from TABC field offices to headquarters for deposit. Automation ensures state revenues are collected more efficiently and deposited faster. Savings would be realized from interest and by removing the need for FTEs to process paper checks, not to mention the increase in convenience for applicants (of license applications, label applications, and seller training certificates) submitting payment.

TABC’s legacy systems operate with old, obsolete, insecure, or inefficient hardware or software. These systems are difficult and costly to maintain, prone to reliability issues, and carry a high degree of security risk, particularly given the sensitivity of the data TABC handles. Updating and replacing aging systems reduces these risks and increases efficiencies for both internal and external customers.

The agency website should be revamped to be mobile-friendly and be easier to navigate for the public and industry members seeking information.

2. Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.

One of TABC’s guiding principles is to put responsible people into business. Taxpayers want to know that our processes ensure only those individuals meeting statutory requirements are given a license to sell alcohol or market a product. Time saved through automation will allow TABC employees to increase focus on their core functions of reviewing applications for accuracy, regulatory compliance, and qualifying factors to issue licenses and approve label applications so businesses and products may enter the Texas alcoholic beverage marketplace expeditiously.

The benefits to automation are many, but one consequence is that licenses would be issued faster. TABC-licensed businesses employ Texans, contribute to the local economy, and support their community. These businesses also pay taxes, and the sooner they are in business, the sooner they can generate more money for the state. On average, the agency takes 45 days to issue an original (two-year) license. However, if automation reduced the wait time to 16-30 days to issue a license, the state would receive substantial additional tax revenue per license holder. The
advantages of modernization to TABC-licensed businesses, the agency, and the state of Texas speak for themselves to the tune of millions more dollars deposited in the state’s treasury and circulating throughout the economy.

3. **Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.**

Among a multitude of other capabilities, a new licensing system will help TABC more easily identify prohibited relationships between an applicant and other licensed businesses (i.e., co-ownership between different tiers) in an application. Given the increasing complexity of business organizational structures, any tools available to address this and other growing trends in the alcoholic beverage industry are necessary to ensure licenses are only issued to eligible entities.

4. **Providing excellent customer service.**

An average of 1,819 original license applications are filed every month and can, at present, only be submitted on paper forms and paid by paper check. Filing an original application online benefits the applicant due to ease of submitting necessary forms and paying fees. The agency benefits from fewer errors and deficiencies in the application. Ultimately, original applications filed online should be issued more quickly than those submitted on paper.

TABC has already improved the customer experience with online submission capabilities for license renewals, online label approval applications, and other functions, as well as the TABC:Mobile app and Public Inquiry (the agency website’s public data search tool). These systems allow direct interaction with the public and the alcoholic beverage industry. They reduce errors, streamline processing time, and maintain effective electronic records. TABC website redesign Inquiry builds on those successes.

The upgrades to the aging Public Inquiry system allow the public, other law enforcement agencies, communities, and the alcoholic beverage industry to interact directly with licensing and excise tax data, at a minimum, on the State Data System portal (data.texas.gov). These enhancements should reduce the number of Public Information Act requests by publishing open data.

5. **Transparent such that agency actions can be understood by any Texan.**

Improved customer service, improved efficiency, and data available to the public all lead to a transparent agency. TABC has been providing data through the Public Inquiry link on the TABC website for 12 years. The upgrade to Public Inquiry will provide new functionality that is especially helpful to local governments and communities. Some of the new features are information on temporary, catering, and winery festival events and trends in geographic areas of concentration.
The revised structure and streamlined content of TABC website will offer the alcoholic beverage industry and the public easier access to forms and applications, bulletins and other guidelines, FAQs and other commonly visited pages. Additionally, a new website will be accessible via mobile devices.

**OTHER CONSIDERATIONS RELEVANT TO GOAL/ACTION ITEMS**

A new licensing and label approval system will require appropriations requested through an Exceptional Item in the agency's Legislative Appropriations Request. If this system is not updated, then the e-filing initiative for filing original applications online is implausible. Furthermore, given the increasing number of applicants and the complexity of the businesses involved, a dramatic increase in processing time should be expected for a license application or a label application for a product.

**Alignment with State Strategic Plan**

Implementation of a licensing and label approval system and updating the TABC website addresses the agency’s immediate and critical needs in accordance with TABC’s Technology Strategic Plan and aligns with the State Strategic Plan as published by the Department of Information Resources (DIR). These high-level benefits include:

A) **Reliable & Secure Data Services** – provide enhanced security features to adequately cover the sensitive data collected through the use of online, self-service features.

B) **Mature IT Resources Management** – create web-based (online) workflows currently performed manually by TABC staff, allowing for industry-initiated, self-service renewals. Such a consolidation will provide workflow efficiencies through automation.

C) **Cost-Effective & Collaborative Solutions** – create staff efficiencies as well as provide budget-saving methods for cost optimization in the future.

D) **Data Utility** – provide business intelligence opportunity for increased effectiveness in resource allocation and greater use of risk-based strategies in the field through the use of data predictive analysis.

E) **Mobile & Digital Services** – provide better customer and citizen interaction with TABC through the convenience of mobile devices and applications.
GOAL 3
Promote voluntary compliance in the alcoholic beverage industry through enhanced educational efforts and more efficient use of technology.

ACTION ITEMS

1. Use a data-driven system to better identify at-risk license holders and more efficiently use limited audit resources.
   - Enable self-inspections for license holders with no violation history (August 2021)
   - Focus audit resources on locations most at risk of noncompliance. (August 2021)
   - Develop risk-based metrics for spot checks of self-inspection locations coupled with a random selection of self-inspection locations for a control group.

2. Enable increased compliance of industry members by proactively providing clear guidance on agency interpretations of the Alcoholic Beverage Code and Administrative Rules.
   - Review previously issued bulletins and evaluate applicability to TABC’s current legal interpretations, draft new bulletins, and post these on the website to educate license holders on the application of laws and rules. (December 2018)
   - Broaden formal education program initiated in FY2018 to inform industry attorneys about the Alcoholic Beverage Code, implementation of new laws and policies, etc.
   - Create a decision tree (process mapping scheme) and conduct information meetings with industry members in advance of popular, structured events and operations, such as the Super Bowl and South by Southwest, to assist industry members with making decisions that comply with the Code and Rules.

3. Encourage compliance while applying administrative authority when necessary.
   - Evaluate effectiveness of warning-based system for first-time, non-public safety violations implemented in FY2018. (August 2019)
   - Continue to use the Retailer Education and Awareness Program (REAP) to promote voluntary compliance and deter violations of the Alcoholic Beverage Code.
HOW GOAL/ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. **Accountable to tax and fee payers of Texas.**

Auditors perform inspections and audits to ensure licensed businesses are in compliance. With the new warning system, businesses are given the opportunity to get into compliance before TABC applies sanctions. This approach is less disruptive to businesses, employees, and local entities. However, TABC will hold accountable those businesses which do not embrace the opportunity to voluntarily comply by applying sanctions ranging from a fine to suspension or cancellation.

2. **Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.**

The majority of licensed businesses have never been cited for a violation by TABC. Allowing these entities to self-inspect or self-report regulatory information allows auditors to focus more time on businesses identified as at-risk of violating the law and less time conducting “check the box” inspections on businesses with no violation or complaint history.

Bulletins and training sessions provided proactively to interested parties increases compliance, which frees auditors from addressing these specific regulatory issues and instead pursue more targeted activities.

Working proactively with associations representing various segments of the alcoholic beverage industry, the agency is able to extend its reach to license holders. Columns on topics of interest and recent agency activities are regularly provided to associations for publication in newsletters and on websites. Employing associations to communicate compliance concerns, meeting notices, and bulletins to its members encourages compliance, transparency, and participation.

3. **Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.**

A guiding principle of TABC is to foster voluntary compliance through education. Auditors, attorneys, and others provide training to license holders and employees on marketing practices, new laws, rules, and policies as well as after a violation has been identified. Getting license holders into compliance is key; however, when violations are egregious or repeated, TABC will take administrative action such as by levying administrative penalties.

In some situations, part of the settlement for a violation may require retail staff and management to receive training in order to avoid future violations. TABC developed the Retailer Education and Awareness Program (REAP) to fulfill the training need for case settlement, but also as a tool to promote voluntary compliance. The program offers the necessary tools, communication skills, and knowledge to provide
responsible alcohol service in compliance with the Alcoholic Beverage Code. The program covers common definitions, hours of sale, laws related to minors, checking identifications, identifying and preventing sales to intoxication or intoxicated persons, policies, dram shop liability, safe harbor, TABC inspections, marketing and promotions, and breach of peace.

4. **Providing excellent customer service.**

Major events (Super Bowl, South by Southwest) and local annual events (Austin Food & Wine Festival, Wurstfest) are a boost to the state and local economy. TABC tries to work with organizers, sponsors, promoters, and local governments well in advance of the event to ensure transactions between parties are aligned with the Code and that industry members obtain proper licenses, apply appropriate marketing practices, and move products through the system properly. TABC’s ultimate goal is to ensure successful events that boost the local economy but are also compliant with the Code and Rules.

Previous performance measures required multiple inspections of license holders with no violation history. Although surveys indicate a high rate of customer satisfaction, multiple visits to the same location just to “check the box” is unnecessary and some deem intrusive. With changes to performance measures beginning in FY2020, those same businesses will be able to self-report on their activities, providing an additional opportunity for the agency to engage its customers.

5. **Transparent such that agency actions can be understood by any Texan.**

The Alcoholic Beverage Code is complex, but TABC is committed to releasing bulletins that address common situations, training industry members, and providing decision trees for major events to guide license holders in achieving compliance.

**OTHER CONSIDERATIONS RELEVANT TO GOAL/ACTION ITEMS**

**Alignment with State Strategic Plan**

Implementation of a mobile self-inspection application addresses the agency’s immediate and critical needs in accordance with TABC’s Technology Strategic Plan and aligns with the State Strategic Plan as published by the Department of Information Resources (DIR). These high-level benefits include:

A) **Reliable & Secure Data Services** – provide enhanced security features to adequately cover the sensitive data that may be collected through the use of online, self-service features.

B) **Mature IT Resources Management** – create mobile application to replace workflows currently performed manually by TABC staff, allowing for industry-initiated self-inspections. Such a consolidation will provide workflow efficiencies through automation.
C) Cost-Effective & Collaborative Solutions – create staff efficiencies as well as provide budget-saving methods for cost optimization in the future.

D) Data Utility – provide business intelligence opportunity for increased effectiveness in resource allocation and greater use of risk-based strategies in the field through the use of data predictive analysis.

E) Mobile & Digital Services – provide better customer and citizen interaction with TABC through the convenience of mobile devices and applications.

GOAL 4
Automate tax collection systems to increase efficiency and assign resources to verify and expand required tax collections

ACTION ITEMS

1. Automate monthly excise tax reports and reallocate resources currently used for data entry to substantive review for compliance and accuracy.
   - Procure an online tax form submission system to enhance user experience and allow for automated reconciliation of reports to identify discrepancies and concerns. (August 2020)
   - Increase number of excise tax audits to determine if the correct taxes are being paid to the state. (August 2021)

2. Replace the existing Ports of Entry Tax Collection System (POETCS) to improve customer service to taxpayers with a reliable and efficient hardware/software solution. (August 2019)

3. Improve operations to collect personal importation taxes on alcohol and cigarettes and continue to stem the flow of hazardous alcoholic beverages through personal importation at ports of entry.
   - Engage cruise lines to encourage compliance of passengers to pay taxes upon arrival. (October 2018)
   - Utilize replacement of POETCS to efficiently enable expansion and improvement of operations at ports of entry to collect personal importation taxes on alcoholic beverages and cigarettes.
HOW GOAL/ACTION ITEMS SUPPORT STATEWIDE OBJECTIVES

1. Accountable to tax and fee payers of Texas.

Approximately 57,000 excise tax reports are analyzed each year for the approximately $225 million in taxes paid each year. Reviewing and reconciling reports is a manual process and is very labor intensive. Every report is checked to determine tax liability, product label approval, and validity of shipper.

A modernized system allows the agency to use its resources more efficiently and improve the user experience at the same time.

- Instead of submitting a report and invoices by mail, each license holder would have the ability to submit the required information electronically.
- The system would eliminate many clerical errors at the user level, thus saving time at the FTE level and also eliminating the need for license holders to respond to time-intensive and largely unproductive requests from the agency.
- The system would reconcile all the information and determine which transactions are not matching and generate a discrepancy report.
- The system would also enable more efficient use of resources by conducting data analysis to establish risk indicators and identify non-ghost anomalies in reports to analyze and select appropriate accounts to audit.
- In addition to enhanced audit selection and efficiency, relations with license holders are improved when audit selection is focused on appropriate analytics as opposed to the results of clerical errors.

This process is in real-time, eliminating much of the month-long and labor-intensive analysis process. The new system would enable more efficient use of resources by conducting data analytics to establish risk indicators and identify anomalies in reports to determine accounts to be audited. The net result is improved compliance at an improved operating costs.

TABC collects approximately $7 million annually from personal importation taxes on alcohol and cigarettes as required by the Alcoholic Beverage Code (Sec. 107.07) and the Tax Code (Chapter 154). It is imperative that the collection process is as efficient as possible for persons to declare the importation, pay the tax, and continue into Texas. Having an appropriate number of Tax Compliance Officers (TCOs) present and working with a modern electronic tax collection system ensures customers are processed professionally and efficiently, ensuring minimal disruption and maximum collection of taxes.
2. **Efficient such that maximum results are produced with a minimum waste of taxpayer funds, including through the elimination of redundant and non-core functions.**

Automating excise taxes will result in more efficient processing of monthly reports by license holders as well as TABC staff. Automation drastically reduces time spent by taxpayers filling out forms and submitting checks. TABC staff, who currently manually process the monthly reports, would be reassigned. Some could conduct detailed reviews to detect underpayments and other discrepancies, while others ensure all license holders are meeting statutory requirements and tax obligations.

Replacing the existing POETCS system is necessary because warranty costs for hardware and software support continue to increase and make the system cost prohibitive. The new solution replaces the existing POETCS system and hardware, mirrors point-of-sale technology with the ability to identify change from cash transactions, and connects to existing Bluetooth printers for generating tax stamps upon payment. The new system will enable citizens to pay personal importation taxes quickly and securely as they arrive in Texas.

3. **Effective in successfully fulfilling core functions, measuring success in achieving performance measures and implementing plans to continuously improve.**

The automation of the tax report filing and payment processes will reduce the time staff spends on entering payments and data into reports. Time saved through automation will allow staff to continue to perform the core function of reviewing reports for accuracy while managing the ever-increasing number of reports filed each month by new license holders entering the Texas alcoholic beverage market.

4. **Providing excellent customer service.**

Excise tax automation would simplify a repetitive and arduous monthly process and allow employees to focus on reviewing reports for accuracy and compliance and be responsive to the needs of the industry.

TABC collects personal importation taxes on alcohol and cigarettes at ports of entry. It is imperative that the process is as efficient and quick as possible for citizens to declare, pay the tax, and continue into Texas. Working with the cruise industry, US Customs and Border Patrol, and others to help minimize wait times and promote voluntary compliance is important. Furthermore, having a modern and upgraded Ports of Entry Tax Collection System (POETCS) will speed up the collection process, provide better security of credit card and debit card transactions, and be compliant with Euro Chip requirements. With a new POETCS application, citizens at seaports and airports are able to identify their specific port of entry, pre-pay for tax stamps, and generate mobile receipts for printing stamps upon arrival.

In addition to taxing personal importation of alcohol, TABC disallows illicit products (e.g., gasoline cans full of alcohol, bottles containing methamphetamine) from
entering the state at ports of entry. TABC safeguards public health and safety by keeping illicit beverages out of the stream of commerce in Texas.

5. **Transparent such that agency actions can be understood by any Texan.**

A new automated excise tax reporting system enhances the agency's commitment to transparency and accountability. It enables more efficient and timely processing of industry reports. Applying data analytics allows for more targeted audits to determine if the agency is collecting the appropriate amount of taxes and fees owed to the state. Furthermore, as mentioned in Goal 2, an upgrade to the Public Inquiry system means that data collected in the new excise tax report system will be available on the State Data System portal (data.texas.gov). This site is used by other state agencies to report information to citizens and allows TABC to be more transparent with regards to excise taxes collected by the state.

**OTHER CONSIDERATIONS RELEVANT TO GOAL/ACTION ITEMS**

An August 2019 completion date for a new hardware/software solution at the ports of entry depends upon grant funding. Award recipients will not be notified until the end of FY2018. If grant money is not received to cover the costs of the new system, funding will be requested through an Exceptional Item in the agency's Legislative Appropriations Request.

An automated tax collection system will require appropriations requested through an Exceptional Item in the agency's Legislative Appropriations Request unless TABC is awarded a grant to cover the costs of the system. Awards are not announced until early in FY2019.

Alignment with State Strategic Plan

Implementation of automated tax collection systems addresses the agency's immediate and critical needs in accordance with TABC's Technology Strategic Plan and aligns with the State Strategic Plan as published by the Department of Information Resources (DIR). These high-level benefits include:

- **A) Reliable & Secure Data Services** – provide enhanced security features to adequately cover the sensitive data that may be collected through the use of online, self-service features.

- **B) Mature IT Resources Management** – consolidate and automate workflows currently performed manually or in outdated systems that are increasingly difficult to maintain. Such a consolidation will provide workflow efficiencies through automation.

- **C) Cost-Effective & Collaborative Solutions** – create staff efficiencies as well as provide budget-saving methods for cost optimization in the future.

- **D) Data Utility** – provide business intelligence opportunity for increased
effectiveness in resource allocation and greater use of risk-based strategies in the field through the use of data predictive analysis.

E) Mobile & Digital Services – provide better customer and citizen interaction with TABC through the convenience of mobile devices and applications.
## REDUNDANCIES AND IMPEDIMENTS

### REDUNDANCIES AND IMPEDIMENTS

<table>
<thead>
<tr>
<th>Service, Statute, Rule or Regulation</th>
<th>Technology Systems and Services</th>
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<tr>
<td><strong>Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations</strong></td>
<td>TABC is currently operating with outdated technology, using multiple fragmented and inadequate systems, and is vulnerable to cybersecurity threats. More than 7,600 original applications per year cannot be submitted online, 57,000 monthly excise tax reports have to be entered manually, and peace officers cannot manage investigation data securely in a single location. Staff can take up to 10 minutes to simply page through a set of screens to begin entering and processing the label approval application. These legacy systems hinder the agency's ability to process forms quickly and securely, require customers to have multiple profiles depending on the action to be taken, and prohibit the agency from effectively and thoroughly enforcing regulations.</td>
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<tr>
<td><strong>Provide Agency Recommendation for Modification or Elimination</strong></td>
<td>Rely on Self-Service Enablement Roadmap prepared for TABC in April 2018 to replace legacy systems and modernize the agency's services delivery platform. TABC needs the technological capability for all licenses, reports, payments, etc. to be filed securely online and to populate our systems (rather than just uploading information). Systems/functions to be addressed include a universal online and mobile experience; original license applications submitted online; excise tax automation; mobile self-inspection; labels; case management for audit, enforcement, and legal divisions; ports of entry; and reporting/analytics.</td>
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<td><strong>Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change</strong></td>
<td>Employees across multiple divisions will save time due to increased functionality of the system, ultimately getting people into business faster and products on the shelves sooner. Enhanced data security protects personal information of applicants and license holders and ensures data associated with investigations is secured from unauthorized users. Reporting capabilities will lead to operations focusing on those entities posing the greatest risk, thereby increasing compliance and ensuring a more level playing field. External customers will use a single system for all online applications, save time by submitting self-inspections, and have a better overall user experience.</td>
</tr>
<tr>
<td>Service, Statute, Rule or Regulation</td>
<td>General Appropriations Act 85th Session, Article V. TABC Bill Pattern Riders</td>
</tr>
<tr>
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</tr>
</tbody>
</table>

**Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations**

- Lack of UB (Unexpended Balance) Rider for TABC in GAA limits the agency by not being able to move funds to cover unexpected costs.

| Provide Agency Recommendation for Modification or Elimination | UB authority should be granted to TABC to better address unexpected and one-time expenses and to allow better manageability of appropriated funds. A rider similar to what other agencies have already been granted would be beneficial: "Unexpended Balances Within the Biennium. Any unexpended balances as of August 31, 2019, in appropriations made to the TABC are appropriated for the same purposes for the fiscal year beginning September 1, 2020." |

| Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change | Having the ability to move appropriated funds between fiscal years in the biennium would allow TABC to continue large projects that span a biennium rather than be limited to completing projects within one fiscal year. Many agency projects have been put on hold due to the length of time or lack of funds. This authority would give TABC the capability to complete important projects within the biennium. Specifically, automation of business practices has been postponed due to time constraints of the fiscal year. Automating TABC’s processes would increase productivity, reliability, and the availability to the public, which in turn could increase revenue to the state. |

<table>
<thead>
<tr>
<th>Service, Statute, Rule or Regulation</th>
<th>General Appropriations Act 85th Session, Article V. TABC Bill Pattern Riders</th>
</tr>
</thead>
</table>

**Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations**

- Lack of a Capital Budget Expenditures from Federal Awards Rider in TABC’s Appropriations bill is preventing the agency from maximizing federal funds and fulfilling grant requirements for the receipt and expenditure of federal funds in a timely manner.

| Provide Agency Recommendation for Modification or Elimination | Agency should be exempted from capital budget rider limitations contained in Article IX the General Appropriations Act when federal grants are received in excess of the amount identified in the agency’s capital rider to allow the agency to expeditiously procure capital items for law enforcement and public safety projects and initiatives to meet agency goals. |

<p>| Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change | The exemption would allow the agency to maximize federal funds and save General Revenue funding for the state. While the state is on a two-year budget cycle, federal funding opportunities can arise during its single-year cycle. Coupled with the time sensitivity of the process, this flexibility allows the state to avoid missing funding opportunities that it otherwise might be able to capture. Without a change, the current capital budget limitations will continue to inhibit the agency from utilizing federal grant funds without seeking approval from the Legislative Budget Board and the Governor's Office. This approval can be challenging to obtain in a timely manner. For example, in FY2012, the agency received $500,000 in federal grant funding to purchase radios for the agency’s commissioned peace officers. Approval to exceed capital authority was not received and the funding had to be returned. |
| Service, Statute, Rule or Regulation | Currently there are more than 70 different types of licenses, permits, certificates and authority. These are divided among the three tiers (manufacturing, distribution, and retail) and also among categories for those engaged in the alcoholic beverage industry whether it is beer, ale, wine, or distilled spirits. |
| Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations | As it exists now, an applicant might require one to five different licenses or permits to perform all the activities necessary to conduct its business operations. Applicants do not always understand the regulations and do not always communicate with all the required authorities regarding their business type which later may result in administrative action and the need to apply for additional licenses and permits. The Code has become so complex and separated between liquor and beer that it makes it difficult for even a seasoned person to communicate because various sections of the Code address multiple issues regarding authority given under a specific license or permit. |
| Provide Agency Recommendation for Modification or Elimination | Reduce the number of licenses and permits through consolidation and elimination. Indicate the authority and fee amounts of license and permit holders in the Code and grant the agency rulemaking authority to further discern license and permit holders. Rulemaking authority is necessary for the state to be flexible with a rapidly growing and ever-changing alcoholic beverage industry. For example, more than 20,000 temporary permits, caterer, and winery festival certificates (re: Chapters 17, 27, 30, 31, 33 and 72) are issued every year for short-term events and festivals in addition to the more than 85,000 two-year applications processed annually. Rulemaking authority would allow the agency to address temporary permits in a manner that protects the public and facilitates economic prosperity. |
| Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change | Consolidating and eliminating would simplify the current license and permit structure, provide consistency between beer and liquor, be less confusing to holders of a license or permit, and reduce ambiguity and conflicting standards. The solution would reduce the number of licenses and permits, resulting in a loss of revenue from fees; however, fees could be considered to compensate for the increased privileges authorized for each license or permit. |</p>
<table>
<thead>
<tr>
<th><strong>Service, Statute, Rule or Regulation</strong></th>
<th>Licenses primarily pertain to beer and permits are associated with ale, wine, and distilled spirits in the Code.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations</strong></td>
<td>Most people, including license and permit holders, do not know the difference between a license and permit. On the surface, licenses are for beer privileges and permits are issued for all other alcohol. But the differences are greater in terms of separation of law e.g., grounds for cancellation and protests. Example: if a spouse has a felony conviction for marijuana possession, an applicant for a mixed beverage permit is NOT disqualified but an applicant for a wine &amp; beer permit or beer-only permit is disqualified due to spouse’s conviction.</td>
</tr>
<tr>
<td><strong>Provide Agency Recommendation for Modification or Elimination</strong></td>
<td>Eliminate distinction between licenses (Ch. 61) and permits (Ch. 11).</td>
</tr>
<tr>
<td><strong>Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change</strong></td>
<td>Collapsing this distinction would enormously improve the Code’s consistency, readability, and enforceability, without substantively changing anyone’s authorizations.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Service, Statute, Rule or Regulation</strong></th>
<th>Chapter 102. Tied house provisions prohibit anyone from having an interest in entities that are “engaged” in the alcohol beverage industry in different tiers to prevent unfair competition and unlawful trade practices in the marketplace.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations</strong></td>
<td>Modern day investment strategies have brought about the concern and growing conversation regarding cross-tier interest through mutual funds and similar investment vehicles. Investment options look much different now than they did when the tied house provisions were added to the Code. This ties up valuable agency resources, delays license renewals, and will continue to result in court challenges to the agency’s licensing procedures and the enforcement of tied house provisions of the Code.</td>
</tr>
<tr>
<td><strong>Provide Agency Recommendation for Modification or Elimination</strong></td>
<td>Amend the Code and/or give TABC rulemaking authority to: --Either distinguish “interest in” and “engaged in” in Chapter 102 or get rid of one of the terms. TABC’s preferred option is to grant TABC authority to promulgate rules to clarify. --Remove “directly or indirectly” language, which leads to absurd applications of the tied-house concerns to very attenuated situations.  --Passive investments. Clarify treatment of mutual funds and similar financial entities in context of tied-house prohibitions. --Landlord/tenant issue. Give TABC authority to promulgate rules regarding when landlord/tenant relationships lead to tied-house violations.</td>
</tr>
<tr>
<td><strong>Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change</strong></td>
<td>This solution provides the agency, especially the Licensing Division, a sound legal basis for determining if a license should be issued and/or renewed. It provides guidance in an investigation to determine if there is a cross-tier violation. The agency spent more than $1 million in litigation in FY2017 that may have been avoided if the Code or a Rule had provided clarity.</td>
</tr>
<tr>
<td>Service, Statute, Rule or Regulation</td>
<td>Sec. 1.04 of the Code defines beer as having up to 4% of alcohol by weight and ale as having more than 4% of alcohol by weight.</td>
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<tr>
<td>Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations</td>
<td>By distinguishing these 2 items, they have separate licenses, separate marketing rules, separate tax brackets, and separate reporting requirements. These distinctions for two products that to a consumer are both just “beer,” create inefficiencies for both industry and the TABC in compliance and enforcement.</td>
</tr>
<tr>
<td>Provide Agency Recommendation for Modification or Elimination</td>
<td>End the beer/ale distinction and treat them the same for marketing and tax purposes.</td>
</tr>
<tr>
<td>Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change</td>
<td>This will reduce the time and expense industry puts into separating their products into these categories and making separate filings for them, will reduce the amount of licenses TABC has to process, and could also speed up the label approval process by eliminating a distinction that neither the federal government nor some other states make.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service, Statute, Rule or Regulation</th>
<th>Section 107.07 of the Code indicates how much alcohol a person may import and that taxes must be paid and a tax stamp affixed to the container. Also, persons must pay a $3 administrative fee. The administrative fees collected are to cover the operating costs of enforcing this function in the Code.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations</td>
<td>The operating costs of enforcing the personal importation of alcoholic beverages has risen considerably since the implementation of the $3 administrative fee in September 2011. The net result is that this responsibility is currently operating in a deficit.</td>
</tr>
<tr>
<td>Provide Agency Recommendation for Modification or Elimination</td>
<td>Amend Sec. 107.07 to give TABC rulemaking authority to establish and set the amount of the administrative fee in order to cover the costs of enforcing the requirements of collecting personal importation taxes at ports of entry as well limiting the potential for unauthorized or illegally produced beverages from entering the retail market in Texas.</td>
</tr>
<tr>
<td>Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change</td>
<td>A higher (or potentially lower) administrative fee results in the agency no longer operating in a deficit as it meets its responsibilities as outlined in the Code. This fee also supports TABC’s mission to protect public health by stemming the flow of hazardous beverages from entering the state. TABC employees at ports of entry are trained to identify suspicious-looking bottles of liquor carried into the state by travelers and are empowered to seize any bottles found to contain substances which could endanger the public health. TABC is able to interdict such substances before they enter the state, without which could result in health risks to any person who knowingly or unknowingly consumes the substance.</td>
</tr>
<tr>
<td>Service, Statute, Rule or Regulation</td>
<td>Chapter 15 (DK), Chapter 35 (A), Chapter 36 (T) and Chapter 73 (BK). The Code provides an Agent’s License for persons (beer truck drivers, sales staff) employed by entities in the manufacturing and distributing tiers, authorizing them to act on behalf of the employer when dealing with customers.</td>
</tr>
<tr>
<td>Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations</td>
<td>As with all others, an agent’s application is reviewed to ensure qualifications as outlined in the Code are met. Currently, original applications for all types of licenses take 4-6 weeks to process. Industry members employing agents indicate that business activities are disrupted while waiting for licenses to be issued. There is also high turnover among those acting as agents, creating a high volume of applications submitted by companies and processed by TABC that become moot as soon as applicants leave employment and often prior to the license being issued.</td>
</tr>
<tr>
<td>Provide Agency Recommendation for Modification or Elimination</td>
<td>Abolish all Agent’s Permits in the Code. Sec. 1.04 defines &quot;permittee&quot; (Subsection 11) and &quot;licensee&quot; (Subsection 16) as &quot;...a person who is the holder of a permit provided for in this code, or an agent, servant, or employee of that person.&quot; Based on these definitions, additional permits specifically for agents are unnecessary because TABC already regulates the businesses employing them. To offset the loss of revenue, a straight fee could be charged to the permit holder based on the number of agents employed. (A similar fee structure is used for holders of a Private Club Registration Permit.)</td>
</tr>
<tr>
<td>Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change</td>
<td>TABC issued approximately 14,000 agent’s permits in FY2017 for more than $1.6 million in revenue. Abolishing all agent’s permits would initially result in a loss to General Revenue; however, Licensing personnel would be relieved of processing more than 14,000 applications annually. Ultimately, licensing personnel would be able to process the other 80,000 applications faster, getting applicants into business sooner.</td>
</tr>
</tbody>
</table>

| Service, Statute, Rule or Regulation | Section 37.07(a) of the Code is in regards to filing label approval applications |
| Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations | Sec 37.07 prohibits an out-of-state producer of wine to have interest in the license of another authorized to import wine into this state for resale. An in-state winery and a wholesaler are both authorized to import wine for resale into the state. This prohibitive interest prevents an in-state winery or wholesaler from signing label approval applications on behalf of an out-of-state producer of wine. In many instances out-of-country producers of wine rely on the in-state winery or wholesaler to perform this service on their behalf as some out-of-country producers of wine find filing paperwork with the commission difficult and burdensome. |
| Provide Agency Recommendation for Modification or Elimination | Amend the Code to allow an in-state winery and/or wholesaler to act on behalf of the out-of-state producer of wine when filing label approval applications. However, the issuance of label approval will remain with the out-of-state producer of wine. |
| Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change | Allowing in-state wineries and wholesalers to file label applications on behalf of out-of-state (and out-of-country) wine producers gets product to market quicker. If no change to current law, out-of-country producers would have to file label approval i.e., TABC would reject label approval applications submitted by in-state wineries and/or wholesalers. This would delay product getting to market as some out-of-country producers do not have U.S. bank accounts, credit cards, or Internet access. |
### NATURAL DISASTER-RELATED REDUNDANCIES AND IMPEDIMENTS

| Service, Statute, Rule or Regulation | General Appropriations Act, Article V. TABC Bill Pattern Riders |
|-------------------------------------|-----------------------------------------------------------------
| Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations | If there was an emergency or disaster contingency rider, TABC could handle responses promptly without having to worry about funding sources to reimburse the agency. As it stands now, if an emergency or disaster happened late in a fiscal year, TABC might have to decline to assist due to lack of funding. |
| Provide Agency Recommendation for Modification or Elimination | A rider similar to what other agencies have would assist TABC: "Cash Flow Contingency for Emergencies and Disasters. Contingent upon the receipt of federal funds and approval of the LBB and the Governor's Office, TABC is appropriated on a temporary basis additional funds to be transferred to the appropriate federal fund in an amount not to exceed $5 million in each fiscal year of the biennium. The request to access the additional funds shall include justification for the funds. The additional amounts authorized in excess of TABC's method of finance must be repaid upon receipt of federal reimbursement and shall be used only for the purpose of temporary cash flow needs. All the additional funds authorized by this rider within a fiscal year must be repaid by Nov. 30 of the following fiscal year." |
| Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change | This change would allow TABC to promptly respond to an emergency or disaster without limitations placed on the agency's available funding. |

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| Service, Statute, Rule or Regulation | Section 6.04 of the Code allows a license holder to renew not later than the 30th day after the date of the expiration of the license. |
|-------------------------------------|-----------------------------------------------------------------
| Describe why the Service, Statute, Rule or Regulation is Resulting in Inefficient or Ineffective Agency Operations | If a license holder's business was damaged or destroyed during a natural disaster and the license expired during this time and was not renewed by the 30th day after the expiration date, the business must reapply for an original license, which is more expensive and time-consuming than simply renewing an existing license. |
| Provide Agency Recommendation for Modification or Elimination | Amend Section 6.04 to give the agency rulemaking authority to take action as necessary during natural disasters to ensure less barriers to re-opening/continuing business. |
| Describe the Estimated Cost Savings or Other Benefit Associated with Recommended Change | Such a change would eliminate additional hardship on businesses devastated during a natural disaster. The intent is to give these businesses more opportunity to start employing workers, paying taxes, and contributing to a rebuilding economy in their community. |
SUPPLEMENTAL SCHEDULES
Schedule A — BUDGET STRUCTURE

Goals, Objectives and Outcome Measures, Strategies and Output,
Efficiency and Explanatory Measures
GOAL 01: ENFORCEMENT
To protect the peace and safety of the public by taking positive steps to encourage voluntary compliance with the Texas Alcoholic Beverage Code and other state laws and by undertaking enforcement and regulatory actions that are fair and effective.

OBJECTIVE--01 Detect/Prevent Law Violations
Detect and prevent violations of the Alcoholic Beverage Code and other state laws that can occur on licensed premises, including those pertaining to human trafficking, drug trafficking, and other organized criminal activity.

See Strategic Planning Goal 1

Outcome Measures
01 Percentage of Licensed Establishments Inspected Annually
02 Percentage of Administrative Cases Resulting in Administrative Sanctions
03 Percentage of Priority Licensed Locations Inspected by Enforcement
04 Retailer and Direct Sale Manufacturer Public Safety Compliance Rate
05 Priority Licensed Location Public Safety Compliance Rate
06 Recidivism Rate – Licensed Retailers

STRATEGY--01 Enforcement
Deter and detect violations of the Alcoholic Beverage Code by inspecting licensed establishments and investigating complaints.

See Strategic Planning Goal 1, Action Items 1-4

Output Measures
01 Number of Inspections Conducted by Enforcement Agents
02 Number of Inspections of Priority Licensed Locations Conducted by Enforcement
03 Number of OCA/Trafficking Investigations Closed
04 Number of Multi-Agency/Joint Operations for OCA on Border or GIWW
05 Number of Undercover Operations Conducted

Efficiency Measures
01 Average Cost Per Enforcement Inspection
02 Average Cost of Joint Operations Targeting Organized Crime

Explanatory Measures
01 Average Number of Days to Close a Complaint Investigation
02 Number of Licensed Locations Subject to Inspection
03 Number of Criminal Cases Filed
04 Number of Administrative Cases Initiated by Enforcement Agents
05 Number of Priority Locations
06 Number of Complaint Investigations Closed
07 Number of Joint Operations Targeting Organized Crime Statewide
GOAL 02: LICENSING

To process and issue license and permit applications in compliance with the Alcoholic Beverage Code.

OBJECTIVE--01 Timely Process of Applications
Process applications for permits and licenses in an efficient and timely manner.

See Strategic Planning Goal 2

Outcome Measure
  01 Average Number of Days to Approve an Original Primary License/Permit

STRATEGY--01 Licensing
Issue licenses and permits while ensuring compliance with laws regarding ownership, performance, and other regulatory requirements.

See Strategic Planning Goal 2, Action Items 1-3, and 5

Output Measures
  01 Number of Applications Processed
  02 Number of Licenses/Permits Issued

Efficiency Measure
  01 Average Cost Per License/Permit Processed
GOAL 03: COMPLIANCE AND TAX COLLECTION

To ensure compliance with the Alcoholic Beverage Code in the manufacturing, importing, exporting, transporting, storing, selling, serving, and distributing of alcoholic beverages.

OBJECTIVE--01 Monitor Compliance with TABC Code
Monitor all tiers of the alcoholic beverage industry and conduct inspections, audits, analyses, investigations, and other activities to encourage maximum voluntary compliance with the Alcoholic Beverage Code.

See Strategic Planning Goals 3 and 4

Outcome Measures
01 Compliance Rate – Audits
02 Percentage of [Wholesale and Manufacturing] Report Analyses Resulting in Correction Notices
03 Percentage of Inspections by Auditors Where Licensees were in Full Compliance

STRATEGY--01 Compliance Monitoring
Inspect, investigate, and analyze all segments of the alcoholic beverage industry; verify the accuracy and timeliness of tax reporting payments; and initiate any necessary compliance and/or administrative actions for failure to comply while providing instruction to promote voluntary compliance.

See Strategic Planning Goal 3, Action Items 1-3
See Strategic Planning Goal 4, Action Item 1

Output Measures
01 Number of Persons Instructed by Auditors
02 Number of Wholesale and Manufacturing Reports Analyzed
03 Number of Audits Conducted
04 [Number of] Inspections Conducted by Auditors

Efficiency Measures
01 Average Cost per Audit
02 Average Cost per Auditor Inspection
03 Average Cost per Person at Educational Program [Taught by Auditors]
04 Average Cost per Wholesale/Manufacturing Report Analyzed

Explanatory Measures
01 Number of Administrative Actions by Audit Personnel
02 Number of [Correction] Notices from Analyses of Wholesale/Manufacturing Tier Reports
03 Number of Trainees Obtaining Seller/Server Certification
04 Average Cost Per Seller/Server Trainee Certification
GOAL 03: COMPLIANCE AND TAX COLLECTION (continued)

To ensure compliance with the Alcoholic Beverage Code in the manufacturing, importing, exporting, transporting, storing, selling, serving and distributing of alcoholic beverages.

OBJECTIVE--02 Ensure Maximum Compliance at Ports
Ensure maximum compliance with laws regulating importation of alcoholic beverages and cigarettes at ports of entry.

See Strategic Planning Goal 4

Outcome Measure
  01 Revenue As a Percent of Expenses

STRATEGY—01 Ports of Entry
Identify high traffic loads and strategically place personnel or equipment at ports of entry to more effectively regulate the personal importation of alcoholic beverages and cigarettes.

See Strategic Planning Goal 4, Action Items 2-3

Output Measures
  01 Number of Alcoholic Beverage Containers Stamped
  02 Number of Cigarette Packages Stamped

Efficiency Measure
  01 Average Cost Per Alcoholic Beverage Container/Cigarette Package

Explanatory Measures
  01 Number of Alcoholic Beverage Containers Disallowed
  02 Number of Cigarette Packages Disallowed
GOAL 04: INDIRECT ADMINISTRATION

Indirect administration.

OBJECTIVE--01 Indirect Administration
Indirect administration.

See Strategic Planning Goals 1-4

STRATEGY—01 Central Administration
Central administration.

See Strategic Planning Goal 1, Action Item 1
See Strategic Planning Goal 2, Action Item 5
See Strategic Planning Goal 3, Action Item 2

STRATEGY—02 Information Resources
Information Resources.

See Strategic Planning Goal 1, Action Item 1
See Strategic Planning Goal 2, Action Items 1-5
See Strategic Planning Goal 3, Action Item 1
See Strategic Planning Goal 4, Action Items 1-2

STRATEGY—03 Other Support Services
Other support services.

See Strategic Planning Goal 2, Action Item 1
Goal 01  
Promote the Health, Safety, and Welfare of the Public

Objective 01-01  
Detect/Prevent Law Violations

Strategy 01-01-01  
Enforcement

Outcome Measure 01-01-01-01  
Percentage of Licensed Establishments Inspected Annually

**Definition:** The percentage of licensed establishments inspected during a specified time period by enforcement agents and compliance auditors, expressed as a ratio of the number of individual establishments subject to inspection. With respect to this measure, an inspection is a visit to a licensed location for the purpose of determining compliance with the Alcoholic Beverage Code and other state laws.

**Purpose:** This outcome is intended to measure the degree of coverage achieved by enforcement agents and compliance auditors during a specified period. Adequate coverage is deemed important because of the deterrent effect of the expectation of inspection and because inspections give licensees the opportunity to ask questions and receive answers that might prevent future violations.

**Data Source:** The data required to calculate the measure comes from the agency’s automated inspection records and from its automated licensing records. Records of the inspections conducted by agents and compliance auditors are created as part of the data entry of daily activity reports by field personnel. An automated licensing record is created for each licensee by data entry of information from the licensee’s application at the time of application and is updated at the time of approval and at the time of each subsequent renewal or change. The values reported for this measure are taken from automated agency reports.
Methodology: The measure is calculated by dividing the number of individual establishments actually inspected during a particular period by the number of licensed establishments subject to inspection during the same period. The number of individual establishments inspected is derived by first finding all inspection records for the inspections conducted during a specified period of time and then by sorting out inspection records with duplicate CLP’s (alpha/numeric license identifiers unique to each establishment), leaving one record for each CLP and then counting the remainder. The number of establishments subject to inspections is determined by (1) searching the automated licensing files to identify all licenses that were active during the period in question; (2) then sorting out the records of all secondary licenses, leaving just one, the primary license record, for each establishment and finally (3) counting the remaining records.

Data Limitations: None.

Calculation Method: Noncumulative.

New Measure: No.

Target Attainment: Higher.

Outcome Measure 01-01-01-02

Percentage of Administrative Cases Resulting in Administrative Sanctions

Definition: The percentage of administrative cases originated by enforcement agents that were closed-- reached final disposition-- during a specified time period and that resulted in either specific sanctions being imposed upon a licensee or permittee or in sanctions being prevented by operation of Section 106.14 of the Alcoholic Beverage Code. For the purposes of this measure, an administrative case is a due process civil action in which the agency seeks to suspend or cancel an entity’s licensing privileges due to one or more violations of the Alcoholic Beverage Code.

Purpose: This outcome measures the quality of the administrative cases filed by enforcement agents by providing a ratio of the cases "won" by agency enforcement agents to the total number of Enforcement cases reaching a final disposition.

Data Source: Enforcement administrative violation records. These automated records are created using hardcopy administrative notices as source documents and are updated throughout the case settlement process. The numbers required for the calculations associated with this measure are taken from automated agency reports.

Methodology: All administrative violation records that pertain to cases that were settled (e.g., reached final disposition or were “closed”) during the period of interest are identified and counted. Then within that group of case records, all records with disciplines (final dispositions) other than “dismissed with prejudice” or “dismissed without prejudice” are identified and counted. As the final step in the calculation, the number of administrative cases with disciplines...
**Outcome Measure**

**01-01-01-03 (Key)**

<table>
<thead>
<tr>
<th><strong>Percentage of Priority Licensed Locations Inspected by Enforcement</strong></th>
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<tbody>
<tr>
<td><strong>Definition:</strong> The number of priority licensed locations actually inspected by enforcement agents during a specified time period divided by the total number of licensed locations meeting the criteria for priority status during the same time period. An inspection is a visit to a licensed location for the purpose of determining compliance with the Alcoholic Beverage Code and other state laws. A licensed location may be deemed a priority licensed location if (1) there is a recent (past six months) history of public safety violations occurring on its premises; (2) if there is an open complaint investigation involving the location and allegations of public safety violations; or (3) the business has been licensed for less than two years, has not yet been the target of either a minor sting or undercover operation, and is either licensed to sell alcoholic beverages for off-premises consumption or is the holder of a late hours permit and is licensed to sell alcoholic beverages for on-premises consumption.</td>
</tr>
<tr>
<td><strong>Purpose:</strong> This outcome measure sets a minimum coverage goal for licensed locations that are considered to be especially at risk for public safety violations due to the establishment’s past history or inexperience. It is intended to direct and require agent attention to those licensed locations where public safety violations are most likely to occur.</td>
</tr>
<tr>
<td><strong>Data Source:</strong> Automated agency complaint, inspection, violation, and licensing records are the sources of the information used to calculate the value of this measure. These records are created by data entry from standardized forms or, in some cases, by data entry from handwritten field notes. The specific numbers used in the calculation come from agency automated reports.</td>
</tr>
<tr>
<td><strong>Methodology:</strong> Priority licensed locations are identified by comparing pre-set risk criteria against automated complaint, violation, inspection, and licensing records stored in the agency’s database to determine which licensed entities met the risk criteria during a specified time period. The primary license numbers of the entities determined to be at risk for future public safety violations are then compared against the license numbers contained in inspection records to identify the priority licensed locations that were inspected during the period in question. The number of priority locations subject to inspection is totaled, as is the number of priority licensed locations inspected. The required percentage is derived by dividing the number of priority licensed</td>
</tr>
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</table>
locations inspected during the period in question by the total number of priority licensed locations subject to inspection during the same period.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Higher.

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### Outcome Measure

#### 01-01-01-04

**Retailer and Direct Sale Manufacturer Public Safety Compliance Rate**

**Definition:** The number of inspections of licensed businesses that sell or serve alcoholic beverages directly to the public conducted by enforcement agents during a specified time period that did not result in the filing of criminal or administrative charges for public safety violations divided by the total number of inspections of such businesses conducted by agents during the same time period. For the purposes of this measure, an inspection is a visit to a licensed location for the purpose of determining compliance with the Alcoholic Beverage Code and other state laws.

**Purpose:** This outcome measure gauges the degree to which licensed retailers, direct sale manufacturers, and their customers actually complied with the public safety provisions of the Alcoholic Beverage Code and other laws.

**Data Source:** Automated agency inspection record and automated violation records related to those inspection records are the sources of the data used to calculate this measure. The automated inspection records are created during data entry of employee daily activity reports and field notes. The automated violation records are created by data entry of hardcopy criminal citations and administrative notices. The values needed for the calculation of this measure are taken from agency automated reports.

**Methodology:** The automated records pertaining to inspections conducted at retail locations or on the premises of manufacturers (breweries, distilleries, or wineries) that are authorized to sell or serve limited quantities of alcoholic beverages directly to the public during the period in question are identified and counted. These records and their related violation records are further examined to identify all inspections that did not produce criminal or administrative cases involving one or more public safety violations. The number of elements identified as belonging to this subset is then totaled and that total is divided by the total number of inspections conducted at retail or qualifying manufacturing tier locations during the period of interest to derive the desired percentage.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.
**Outcome Measure**
01-01-01-05

**Priority Licensed Location Public Safety Compliance Rate**

**Definition:** The number of inspections of priority licensed locations conducted by enforcement agents during a specified time period that did not result in the filing of criminal or administrative charges for public safety violations divided by the total number of inspections of priority licensed locations conducted by agents during the same time period. A licensed location may be deemed a priority licensed location if (1) there is a recent (last six months) history of public safety violations occurring on its premises; (2) there is an open complaint investigation involving the location and allegations of public safety violations; or (3) the business has been licensed for less than two years, has not yet been the target of either a minor sting or undercover operation, and is either licensed to sell alcoholic beverages for off-premises consumption or is the holder of a late hours permit and is licensed to sell alcoholic beverages for on-premises consumption.

**Purpose:** This outcome measure gauges the degree to which licensed businesses that meet the criteria for priority status and their customers actually complied with the public safety provisions of the Alcoholic Beverage Code and other laws.

**Data Source:** Automated agency complaint, inspection, licensing, and violation records are the sources of the data used to calculate this measure. The automated inspection records are created during the data entry of employee daily activity reports and field notes. The automated violation records are created by the data entry of hardcopy criminal citations and administrative notices. Automated complaint records are created and assigned for investigation when allegations concerning possible violations of the Alcoholic Beverage Code and other state laws are received from the public, elected officials, and other agencies. The values needed for the calculation of this measure are taken from automated agency reports.

**Methodology:** Priority licensed locations are identified by comparing pre-set risk criteria with automated violation, inspection, licensing, and complaint records to determine which licensed entities meet the risk criteria during the period in question. The primary license numbers of the entities determined to be at risk are then compared with the license numbers of the establishments inspected during the period in question. The inspection records pertaining to priority licensed locations are further examined to determine which inspections did not result in criminal or administrative cases involving public safety violations. The number of inspections involving priority licensed locations that did not result in public safety-related criminal or administrative cases is then divided by the total number of inspections involving priority licensed locations to derive the desired percentage.

**Data Limitations:** None.
**Outcome Measure 01-01-01-06**

**Recidivism Rate - Licensed Retailers**

**Definition:** The percent of the licensed retailers charged with an administrative public safety offense during a specified time period that have been charged with other public safety violations during the 12 months preceding the last public safety offense they committed during the period under review.

**Purpose:** This outcome measures retailer recidivism with respect to public safety violations and provides a method of gauging the Enforcement Division’s effectiveness in preventing subsequent public safety offenses by the same retailer.

**Data Source:** Enforcement administrative case records are created using hardcopy administrative notices as source documents and are then sorted and tabulated in various ways to obtain the reported values. The reported values are taken from an automated agency report.

**Methodology:** First, all administrative case records originated for offenses that occurred during a specified period of time are sorted to identify and count all licensed retailers that were charged with public safety offenses during that time period. The agency’s administrative case records are again reviewed, this time in comparison with a list of the retailers identified during the first step, to determine if any of those retailers had been charged with a prior public safety offense during the twelve months preceding the last public safety offense they committed during the period under review. Those found to have prior public safety charges meeting this criterion are also counted. In the final step, the number of public safety offenders with prior offenses is divided by the total number of public safety offenders.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.
Output Measure 01-01-01-01 (Key)

Number of Inspections Conducted by Enforcement Agents

Definition: Number of inspections of licensed premises conducted by agency enforcement agents during a specified period of time. For the purpose of this measure, an inspection is a visit to a licensed location, a proposed licensed location, or any other physical location for the purpose of determining compliance with the Alcoholic Beverage Code and other state laws. Undercover compliance checks also fall within this definition.

Purpose: Inspections are the agency's primary law enforcement work process. There are various forms or types of inspections but what they all have in common is a physical encounter for the purpose of confirming or enforcing compliance with state laws. Counting inspections provides an accurate representation of the number of times agents have conducted physical compliance checks during the course of their law enforcement duties.

Data Source: The information required to derive the count comes from inspection records in the agency’s agent activity reporting system. Each individual inspection made by an agent is noted in the agent’s daily activity report or field notes. When these reports or notes are data entered, an automated record summarizing each inspection is created. The values reported for this measure are taken from an automated agency report.

Methodology: The measure is calculated by counting the number of automated inspection records that were originated for activity occurring during a specified period of time.

Data Limitations: None.

Calculation Method: Cumulative.

New Measure: No.

Target Attainment: Higher.

Output Measure 01-01-01-02 (KEY)

Number of Inspections of Priority Licensed Locations Conducted by Enforcement

Definition: Number of inspections of priority licensed locations (i.e. licensed locations previously determined to be “at risk” for future public safety violations) conducted by enforcement agents during a specified time period. An inspection is a visit to a licensed location for the purpose of determining compliance with the Alcoholic Beverage Code and other state laws. A licensed location may be deemed a priority licensed location if (1) there is a recent (last six months) history of public safety violations occurring on its premises; (2) if there is an open complaint investigation involving the location and allegations of public safety violations; or (3) the business has been licensed for less than two years, has not yet been the target of either a minor sting or undercover operation, and is either licensed to sell alcoholic beverages for off-premises consumption or is the holder of a late hours permit and is licensed to sell...
alcoholic beverages for on-premises consumption.

**Purpose:** This output measure provides a count of the number of times enforcement agents inspected licensed locations that had been previously determined to be especially “at risk” for public safety violations.

**Data Source:** Data sources include Enforcement records created by data entry from Agents' automated Daily Activity Reports; automated enforcement criminal case, administrative case, and complaint investigation records created by data entering hardcopy citations, administrative notices, and complaint cards; and licensing records created and updated by data entry from original, renewal, and change applications. The values reported for this measure are taken from an automated agency report.

**Methodology:** The priority licensed locations that were in business and subject to inspection during the period of interest are identified by first checking licensing records to determine which licensed businesses were in business and then by cross comparing each with the pre-set criteria for priority status to identify the licensed businesses meeting the criteria during the period in question. The license numbers of the licensed businesses that were determined to have met the criteria for priority status and that were subject to inspection are compared with those found in the enforcement inspection records for the period. The inspection records involving locations that were in priority status at the time of the inspection are then counted and that total becomes the value reported for this measure.

**Data Limitations:** None.

**Calculation Method:** Cumulative.

**New Measure:** No.

**Target Attainment:** Higher

### Number of OCA/Trafficking Investigations Closed

**Definition:** The number of investigations completed by agency investigators during a specified time period that involved allegations with a suspected nexus to human trafficking, drug trafficking, money laundering, or any other organized criminal activity related to a licensed entity.

**Purpose:** Provides a count of the number of complaint investigations completed by agency investigators within a specified time period that involved allegations with a suspected nexus to human trafficking, drug trafficking, money laundering, or other organized criminal activity related to a licensed entity.

**Data Source:** The primary data sources are agency automated complaint investigation records, which are created when the initial allegation is received and updated throughout the course of the investigation. The value reported is taken from an automated agency report.
Methodology: All complaint investigation records with closed dates falling within the specified date range with an investigation/activity class of “OCA/Trafficking Investigation” are identified and counted. The total of that count is the value reported for this measure.

Data Limitations: None.

Calculation Method: Cumulative.

New Measure: No.

Target Attainment: Higher.

Output Measure 01-01-01-04 (Key)

Number of Multi-Agency/Joint Operations for OCA on Border or GIWW

Definition: The number of joint operations that target organized criminal activities (OCA) or trafficking conducted within a specified time period in the TABC’s Border Region and involving the TABC and at least one other agency. Joint operations are TABC inspections conducted by TABC agents or investigators with the material support of personnel from at least one other agency. For purposes of this measure, operations are counted in counties along the US/Mexico border or adjacent to the Gulf Intracoastal Waterway.

Purpose: The volume of multi-agency joint operations demonstrates the degree to which the TABC is cooperating and sharing resources with other agencies in the Border Region that are also involved in the fight against organized crime, human trafficking, money laundering, and drug trafficking.

Data Source: The information required to derive the reported value comes from inspection records in the agency’s agent activity reporting system. Each individual inspection made by an agent or auditor investigator is noted in that individual’s daily activity report or field notes. When these reports or notes are data entered, an automated record summarizing each inspection is created. An automated report is used to search the agency’s inspection database and to find and count the records of interest. The values reported for this measure are taken from that automated report.

Methodology: An agency automated report searches the agency’s inspection database and finds all inspection records with the following characteristics: a designated activity class of “OCA/Trafficking Investigation” or “Support Task Force Operations”; a joint operation flag with the value “Y”; a location address that includes the name of a Texas county located within the boundaries of the TABC’s Border Region; and an inspection date that falls within the specified date range. The report then counts the records found and the total from that count becomes the value reported for the measure.

Data Limitations: None.

Calculation Method: Cumulative.

New Measure: No.
**Output Measure**

01-01-01-05 (Key)

**Number of Undercover Operations Conducted**

**Definition:** The number of undercover operations conducted by agency enforcement agents during a specified period of time. For the purpose of this measure, an undercover operation is an inspection conducted in a covert method for the purpose of determining compliance with the Alcoholic Beverage Code and other state laws. Minor Stings and Operation Fake Outs would also fall within this definition.

**Purpose:** Undercover operations are the agency's most effective method in confirming compliance with state laws. Counting undercover operations provides an accurate representation of the number of inspections of this nature are being performed by enforcement agents in order to check compliance.

**Data Source:** The information required to derive the count comes from inspection records conducted in the form of a covert method in the agency's agent activity reporting system. Each individual covert inspection made by an agent is noted in the agent's daily activity report or field notes. When these reports or notes are data entered, an automated record summarizing each covert inspection is created. The values reported for this measure are taken from an automated agency report.

**Methodology:** The measure is calculated by counting the number of automated inspections records of records conducted by means of a covert method that were originated for activity occurring during a specified period of time.

**Data Limitations:** None.

**Calculation Method:** Cumulative.

**New Measure:** Yes.

**Target Attainment:** Higher.

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**Efficiency Measure**

01-01-01-01 (Key)

**Average Cost Per Enforcement Inspection**

**Definition:** The cost of all law enforcement activity during a specified period of time divided by the total number of inspections (physical compliance checks) conducted by enforcement agents during the same time period. An inspection is a visit to a licensed location, a proposed licensed location, or any other location for the purpose of determining compliance with the Alcoholic Beverage Code and other state laws.

**Purpose:** This efficiency measure provides a unit cost figure for the core law enforcement activity.
Data Source: Enforcement automated inspection records are the primary source documents used in the calculation of the measure. An agency automated report draws data from the individual activity records and compiles statewide totals for the reporting period for agent educational work hours, all agent work hours, and the inspections conducted. Agency expenditures are tracked in the state’s automated accounting system (currently USAS), and the cost data is extracted quarterly by the agency's Business Services Division (BSD) to an Excel spreadsheet and used to create a quarterly “Expenditure Report” that allocates agency operating costs to its various strategies. The strategy cost allocation used in the calculation of this measure is taken from the BSD’s “Expenditure Report.”

Methodology: The total expenditures for all enforcement activities is divided by the total number of inspections conducted by enforcement agents during the same period to derive a per inspection unit cost.

Data Limitations: None.

Calculation Method: Noncumulative.

New Measure: No.

Target Attainment: Lower.
Methodology: A report is generated for a specified date range to count all inspections for the agency's Special Investigation Unit (SIU) and Financial Crimes Unit (FCU) that meet characteristics of a joint operation for OCA. A second report for the same date range counts all SIU/FCU inspections (including joint operations). The first value (OCA joint operations) is divided by the second value (all operations) to produce a cost distribution ration which is the percentage of effort associated with joint operations. The total agency cost of OCA joint operations is calculated by adding SIU/FCU expenditure totals found in the BSD “Expenditure Report” for the period. This total is multiplied by the cost distribution ration calculated previously, resulting in the total cost of joint operations for SIU/FCU in the time period. The average cost per joint operation targeting OCA is determined by dividing the total cost of joint operations by the number of joint operations generated in the first report.

Data Limitations: None.

Calculation Method: Noncumulative.

New Measure: No

Target Attainment: Lower.

Explanatory Measure 01-01-01-01

Average Number of Days to Close a Complaint Investigation

Definition: The sum of the days complaint investigations closed by Enforcement personnel during a specified time period were in "open" status divided by the number of complaint investigations closed.

Purpose: This outcome measures the Enforcement Division's ability to investigate and close complaints within a reasonable amount of time.

Data Source: Automated complaint investigation records pertaining to complaints investigated by enforcement personnel are the source of the information used for this measure. These records are created immediately following the receipt of a complaint from the public, another agency, or other party, updated periodically over the course of the investigation, and then closed with any outcomes noted at its conclusion.

Methodology: An automated agency report identifies all complaint investigation records for investigations closed during the period of interest, subtracts the received date found in each from the record's complaint closed status date, totals the resulting values, and then divides that sum by the number of complaint investigations closed.

Data Limitations: None.

Calculation Method: Noncumulative.

New Measure: Yes.

Target Attainment: Lower.
Explanatory Measure 01-01-02

Number of Licensed Locations Subject to Inspection

Definition: The number of licensed locations subject to inspection during a specified period of time.

Purpose: This explanatory measure provides a count of the number of active licensed locations during the period in question.

Data Source: Licensing records, which are created and updated using original, renewal, and change applications as the primary source documents, are used in the compilations required to derive the reported total. The reported total is taken from an automated agency report.

Methodology: Licensing records are cross referenced and counted to identify the physical locations that are occupied by business entities that were licensed by the agency during the period in question.

Data Limitations: None.

Calculation Method: Noncumulative.

New Measure: No.

Target Attainment: Higher.

Explanatory Measure 01-01-03

Number of Criminal Cases Filed

Definition: Number of criminal cases originated by enforcement agents during a specified time period.

Purpose: While compliance is the desired outcome of enforcement operations, it is not always the outcome obtained. This explanatory measure provides a count of another possible outcome—the criminal cases initiated by enforcement agents, which arise when agents observe a person committing a criminal offense.

Data Source: Enforcement criminal case records which are data entered from hardcopy citation records or from agent field notes are counted to derive the values reported for this measure. The values reported are taken from an agency automated report.

Methodology: All criminal case records in the agency's database with violation dates within the date range of interest are found and counted. The total is the number of criminal cases initiated by agents during the period in question.

Data Limitations: None.

Calculation Method: Noncumulative.

New Measure: No.

Target Attainment: Lower.
**Explanatory Measure 01-01-04**  
**Number of Administrative Cases Initiated by Enforcement Agents**

**Definition:** Number of administrative cases filed by enforcement agents during a specified time period. An administrative case is an administrative action initiated against a licensee for the purpose of suspending or cancelling the licensee's licensing privileges due to a violation of the Alcoholic Beverage Code.

**Purpose:** While compliance is the desired outcome of enforcement operations, it is not always the outcome obtained. This explanatory measure provides a count of another possible outcome— the administrative cases initiated by enforcement agents, which arise when agents observe a license/permit holder or an employee of a license or permit holder committing a serious regulatory or public safety offense.

**Data Source:** The data used in the calculation comes from enforcement administrative case records which are data entered using hardcopy administrative notices or field notes as source documents. The values reported are taken from an agency automated report.

**Methodology:** All administrative case records in the enforcement database with issue dates falling within the specified date range are found and counted.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.

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**Explanatory Measure 01-01-05**  
**Number of Priority Locations**

**Definition:** The number of licensed locations whose licenses or permits were active during the period in question and that were determined by the agency to be especially "at risk" for future public safety violations. A licensed location may be deemed a priority licensed location if (1) there is a recent (last six months) history of public safety violations occurring on its premises; (2) there is an open complaint investigation involving the location and allegations of public safety violations; or (3) the business has been licensed for less than two years, has not yet been the target of either a minor sting or undercover operation, and is either licensed to sell alcoholic beverages for off-premises consumption or is the holder of a late hours permit and is licensed to sell alcoholic beverages for on-premises consumption.

**Purpose:** This explanatory measure provides a count of the licensed locations that are the primary target of agency enforcement operations. This value is used in calculating the "Percent of Priority Licensed Locations Inspected by..."
Enforcement Agents’ outcome measure.

**Data Source:** Licensing records, which are entered and updated using original, renewal, or change applications, are the primary source documents. Also agency complaint, inspection, and violation records, which are entered into agency data systems using agent field notes, administrative notices, criminal citations, and other standard forms as the initial source documents. The values actually reported are taken from an agency automated report.

**Methodology:** Licensing records are reviewed to determine which licensed locations were in business and, therefore, subject to inspection during the period in question. The history of each license found to be subject to inspection is then compared with pre-set risk criteria to determine which should be considered especially "at risk" for public safety violations. These priority licensed locations are then counted and the total is the value reported.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.

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**Explanatory Measure 01-01-01-06**

**Number of Complaint Investigations Closed**

**Definition:** Number of complaint investigations led by enforcement agents that were closed during a specified period of time.

**Purpose:** Complaints are investigated by conducting interviews, auditing documents and records, conducting undercover operations or other physical inspections and engaging in other investigative activity. These investigations are closed when either the allegations have been disproved, or when sufficient evidence to sustain the allegations has been found, or when agents have made a reasonable effort to prove or disprove the allegations and have been unable to find sufficient evidence to support either outcome. This particular explanatory measure provides a count of the number of investigations that were closed during a specified time period. That total is used in calculating the “Average Number of Days to Close a Complaint Investigation” explanatory measure.

**Data Source:** Enforcement complaint investigation records, which are data entered from hardcopy complaint cards and field notes, are counted to obtain the reported total. The totals reported are taken from an automated agency report.

**Methodology:** All automated complaint investigation records with an agent as the "lead investigator," a "closed" status, and status date falling within the specified date range are identified and counted. The resulting total is reported as the value for this measure.

**Data Limitations:** None.
**Explanatory Measure**

**01-01-01-07**

**Number of Joint Operations Targeting Organized Crime Statewide**

**Definition:** The number of joint operations that target organized criminal activities (OCA) or trafficking conducted within a specified time period and involving TABC and at least one other agency. Joint operations are TABC inspections conducted by TABC agents or investigators with the material support of personnel from at least one other agency.

**Purpose:** The volume of multi-agency joint operations demonstrates the degree to which the TABC is cooperating and sharing resources with other agencies that are also involved in the fight against organized crime, human trafficking, money laundering, and drug trafficking.

**Data Source:** The information required to derive the reported value comes from inspection records in the agency’s activity reporting system. Each individual inspection made by an agent or investigator is noted in that individual’s daily activity report or field notes. When these reports or notes are data entered, an automated record summarizing each inspection is created. An automated report is used to search the agency’s inspection database, find the records of interest, and then count them. The values reported for this measure are taken from that automated report.

**Methodology:** An agency automated report searches the agency’s inspection database and finds all inspection records with the following characteristics: a designated activity class of “OCA/Trafficking Investigation” or “Support Task Force Operations”, a joint operation flag with the value “Y”, and an inspection date that falls within the specified date range. The report then counts the records found. The total from that count becomes the value reported for the measure.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Higher.
Goal 02  
Process Applications and Issue Alcoholic Beverage Licenses & Permits

Objective 02-01  
Process and Approve Applications in a Timely Manner

Strategy 02-01-01  
Licensing

Outcome Measure 02-01-01 (Key)  
Average Number of Days to Approve an Original Primary License/Permit

**Definition:** Average number of days to process an original primary application for an in-state licensed business from the date the application is initially filed with a TABC field office to the date the original primary license or permit is actually issued.

**Purpose:** Provides management with information concerning the average number of days required to process an original primary application for an in-state licensed business from beginning of the process to the actual issuance of the primary license or permit. Fluctuation in this information alerts management to problems in the application process. The license application classes selected for monitoring are those most often sought by persons and entities attempting to start a new licensed business in Texas.

**Data Source:** Data required to calculate this measure is obtained from license/permit application records pertaining to the following license classes: MB, RM, N, NE, NB, BG, BQ, BE, BF, P, Q, V, Y, W, X, LX, BB, BC, D, G, B, BA, and BD. These records contain the date each application was originally received in a field office and the date on which each application was approved and the related license or permit was printed. An ad hoc report ran against agency automated data extracts the totals necessary to calculate the reported values.

**Methodology:** An automated agency report locates and counts all records pertaining to original applications for the classes of primary licenses and permits whose processing starts at agency field offices (MB, RM, N, NE, NB, BG, BQ, BE, BF, P, Q, V, Y, W, X, LX, BB, BC, D, G, B, BA and BD) with application approved dates within the specified date range. For each record, the system subtracts the received date found in that record from its application approved date to determine the number of processing days required for the application. After next adding the number of processing days required for all records found, the report then divides that sum by the number of application records found during the initial search. The result of this calculation is the value reported for the measure.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.
Output Measure 02-01-01-01

Number of Applications Processed

**Definition:** This is intended to reflect the total number of license/permit applications (originals, renewals, temporaries and changes) processed by the Licensing Division. For the purposes of this measure, an application is any requested change affecting the content of an existing primary or subordinate license/permit automated record, any request for a new primary or subordinate license/permit, any request to renew a primary or subordinate license/permit, or a request for a temporary license/permit. Also for the purposes of this measure, an application is considered fully "processed" on the date on which it is either approved, denied, or withdrawn.

**Purpose:** It provides management with information concerning the total work as to the number of applications processed, including those which require time to maintain the files in their current status.

**Data Source:** The data required to calculate this measure is obtained from automated license/permit application records created by data entry from hardcopy license/permit applications as those applications are received by the division and updated as the application progresses through the approval process. The values used in the calculation of this measure are taken from a series of automated reports that sort through the automated application records and tabulate the needed counts.

**Methodology:** The application records that were closed during the specified time period with a final status of approved, disapproved, or withdrawn are identified and counted. The total is the value reported for this measure. Transactions involving primaries and subordinates are counted separately, as are all transactions involving requested changes to the content of existing primary or subordinate license/permit automated records.

**Data Limitations:** None.

**Calculation Method:** Cumulative.

**New Measure:** No.

**Target Attainment:** Higher.

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Output Measure 02-01-01-02 (Key)

Number of Licenses/Permits Issued

**Definition:** This measure provides the number of licenses and permits issued by the agency in a specific period. The count includes all original primary and subordinate licenses and permits issued to new businesses during the time period, all primary and subordinate licenses/permits issued to existing businesses renewing their licenses or permits during the same time period, and all temporary licenses and permits issued during that time period to licensed businesses and qualified organizations for short-term special events. Also
included are all original and renewal licenses/permits issued to separately licensed agents of licensees or permittees.

**Purpose:** The number of licenses and permits issued determines the revenue generated by the Licensing Division from license/permit fees and surcharges.

**Data Source:** The data required to calculate this measure is obtained from automated license/permit application records which are created as applications are received by the division and then updated as applications pass through the approval process. An automated agency report identifies and counts relevant records and provides the values reported for this measure.

**Methodology:** An agency report finds all temporary, original, and renewal applications approved within a specified date range and counts all primary and subordinate licenses and permits issued as originals or renewals and all temporaries issued as a result of those approvals. (Note: A license or permit is issued on the date on which it is approved.)

**Data Limitations:** None.

**Calculation Method:** Cumulative.

**New Measure:** No.

**Target Attainment:** Higher.

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**Efficiency Measure 02-01-01-01 (Key)**

**Average Cost Per License/Permit Processed**

**Definition:** This measure is intended to represent the average cost to process a license or permit. For the purposes of this measure, an application is any requested change affecting the content of an agency automated license/permit record, any request for a new primary or subordinate license/permit, any request to renew a primary or subordinate license/permit, or a request for a temporary license/permit. Also for the purposes of this measure, an application is considered fully "processed" on the date on which it is either approved, denied, or withdrawn.

**Purpose:** This measure allows management to monitor costs and control expenditures.

**Data Source:** The values used for the applications processed in the calculation of this measure are taken from a series of automated reports that sort through the automated application records and tabulate the needed counts. Agency expenditures are tracked in the state’s automated accounting system (currently USAS), and the cost data is extracted quarterly by the agency's Business Services Division (BSD) to an Excel spreadsheet and used to create a quarterly “Expenditure Report” that allocates agency operating costs to its various strategies. The strategy cost allocation used in the calculation of this measure is taken from the BSD’s “Expenditure Report.”

**Methodology:** Total costs are divided by the total number of licenses/permits processed, including temporaries and changes.
Goal 03  
Objective 03-01  
Strategy 03-01-01  
Outcome Measure 03-01-01 (Key)

TABC Strategic Plan FY2019-2023

Data Limitations: None.
Calculation Method: Noncumulative.
New Measure: No.
Target Attainment: Lower.

Ensure Compliance with Fees & Taxes  
Ensure Compliance with Alcoholic Beverage Code  
Conduct Inspections and Monitor Compliance  
Compliance Rate - Audits

Definition: The percentage of audits conducted by field auditors during which licensees and permittees were found to be in full compliance with the requirements of the Alcoholic Beverage Code and TABC Rules. For the purposes of this measure, an audit is defined as a systematic, in-depth review of the records and/or operations of a licensed business for the purpose of determining that business’ compliance with specific requirements of the Alcoholic Beverage Code, TABC Rules, and other state laws.

Purpose: This measure shows the degree to which agency compliance efforts have been successful and regulated businesses conform to the requirements of state law and applicable state regulations.

Data Source: The numbers used to calculate the value of this measure come from agency automated reports, which in turn draw information from automated audit and violation records.

Methodology: The number of audits of licensed businesses conducted by auditors during a specified time period is counted. Also counted is a subset of this group which consists of those audits that did not result in administrative citations or tax/fee delinquency collections. The number of audits of licensed businesses during which no violations or delinquencies were found is then divided by the total number of audits of licensed businesses conducted by auditors to determine the value to be reported for this ratio.

Data Limitations: None.
Calculation Method: Noncumulative.
New Measure: No.
Target Attainment: Higher.

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Outcome Measure 03-01-01-02

**Percentage of [Wholesale and Manufacturing] Report Analyses Resulting in Correction Notices**

**Definition:** The percentage of wholesale and manufacturing reports analyzed during a specified time period in which reporting errors were found that resulted in the issuance of a notice requiring corrective action. These communications are, for all practical purposes, formal written warnings that describe the errors found and outline the corrective actions required.

**Purpose:** This measure shows the rate of noncompliance with the reporting requirements of the Alcoholic Beverage Code and Rules and the effectiveness of the agency’s monitoring program in detecting reporting errors.

**Data Source:** Tax Division employees create automated records pertaining to each report analyzed and each correction notice issued. Agency automated reports identify and count these records. A staff member then transfers the totals to a manually prepared "Excise Tax Activity Report" which is retained as an Excel spreadsheet. The totals used for the calculation of this measure are taken from the period’s “Excise Tax Activity Report.”

**Methodology:** The number of correction notices issued during a specified time period is divided by the total number of reports analyzed during the same time period.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.

Outcome Measure 03-01-01-03 (Key)

**Percentage of Inspections by Auditors Where Licensees were in Full Compliance**

**Definition:** The percentage of inspections conducted by auditors during which licensees and permittees were found to be in full compliance with the requirements of the Alcoholic Beverage Code and TABC Rules. For the purposes of this measure, an inspection is a visit to a licensed location for the purpose of determining compliance with the Alcoholic Beverage Code and other state laws.

**Purpose:** This measure shows the degree to which agency compliance efforts have been successful and regulated businesses conform to the requirements of state law and applicable state regulations.

**Data Source:** The numbers used to calculate the value of this measure come from agency automated reports, which in turn draw information from automated auditor inspection and violation records.

**Methodology:** The number of inspections of licensed businesses conducted by auditors during a specified time period is counted. Also counted is a subset of this group consisting of those inspections that did not result in the issuance
of an administrative citation for violations observed or documented during the inspection. The number of inspections of licensed businesses during which no violations were found is then divided by the total number of inspections of licensed businesses conducted by auditors to determine the value to be reported for this ratio.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Higher.

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<table>
<thead>
<tr>
<th>Output Measure</th>
<th>Number of Persons Instructed by Auditors</th>
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<td>03-01-01-01</td>
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**Definition:** The number of people attending educational presentations made by auditors.

**Purpose:** Auditors perform three primary tasks: audits and analyses, inspections, and public education. Their contribution to the agency’s public education efforts is represented by this measure.

**Data Source:** The data for this measure comes from educational program session records created by auditors and stored in the agency’s Daily Activity Reporting System (DARS) database. Auditors record information about program session they teach in their daily activity reports. Automated educational program session records are created when the auditor’s daily activity reports or field notes are data entered. Each record identifies the type of program taught, the county in which the session was held, the number of people taught and the date of the session. The values reported for this measure are taken from agency automated reports that draw information from those records.

**Methodology:** The measure is calculated by identifying all automated educational program session records created for sessions taught by auditors during a specified time period and then summing the attendee counts found in those records.

**Data Limitations:** None.

**Calculation Method:** Cumulative.

**New Measure:** No.

**Target Attainment:** Higher.
Output Measure 03-01-01-02  Number of Wholesale and Manufacturing Reports Analyzed

**Definition:** The number of periodic reports received and analyzed by Tax Division employees that come from the manufacturing and wholesale tiers of the alcoholic beverage industry and that pertain to the sale and shipment of alcoholic beverages into or within the State of Texas, alcoholic beverage products manufactured within the state, or the use of beverage quality alcohol in the manufacturing process for non-beverage products. Included in the reported total for this measure are all excise tax reports received and reviewed by TABC Tax Division employees.

**Purpose:** The measure shows the workload and output of Tax Division employees involved in processing the periodic reports the agency receives from the manufacturing and wholesale tiers of the alcoholic beverage industry.

**Data Source:** Tax Division employees create automated records for each report analyzed. An agency automated report identifies and counts the records created for the report analyses conducted within a specified date range. A division staff member then manually transfers the totals to a spreadsheet which is used to generate a summary "Excise Tax Activity Report" for the period in question. The total reported for this measure is taken from the "Excise Tax Activity Report."

**Methodology:** The records pertaining to the report analyses conducted within the specified period of time are identified and counted. The resulting total is the value reported for this measure.

**Data Limitations:** None.

**Calculation Method:** Cumulative.

**New Measure:** No.

**Target Attainment:** Higher.

Output Measure 03-01-01-03 (Key)  Number of Audits Conducted

**Definition:** The number of audits conducted by auditors during a specified period of time. For the purposes of this measure, an audit is defined as a systematic, in-depth review of the records and/or operations of a licensed business for the purpose of determining that business’ compliance with specific requirements of the Alcoholic Beverage Code and related state rules and regulations. Included in this broad definition are excise tax audits; records, fees, and operations audits targeting private clubs, local distributors, FB (food & beverage) certificate holders, and seller training schools; and audits of three-tier relationships, marketing and trade practices, contracts and agreements, and ownership of specific licensed businesses, as well as any other audit or investigative audit required to ensure compliance with the Alcoholic Beverage Code and TABC Rules.
Purpose: For all of their usefulness, inspections constitute a rather cursory check for compliance. Audits involve a deeper and more prolonged look at selected aspects of the licensee/permittee’s operations and require considerably more expertise than a simple inspection. While conducted less frequently than inspections, they are, perhaps, the most important part of an auditor's workload.

Data Source: The data required for the calculation of this measure comes from automated audit records created by auditors while data entering their daily activity reports. An agency automated report tabulates the records for a specified date range and provides the count reported as the value for this measure.

Methodology: An agency automated report identifies all automated records pertaining to audits conducted by auditors during a specified date range, counts them, and provides the total reported for this measure.

Data Limitations: None.

Calculation Method: Cumulative.

New Measure: No.

Target Attainment: Higher.

Output Measure 03-01-01-04 (Key) [Number of] Inspections Conducted by Auditors

Definition: The sum total of the number of inspections conducted by auditors during a specified period of time. For the purpose of this measure, an inspection is any review of records of a licensed location, a proposed licensed location, or any other physical location. Such review may be accomplished through physical visits or through electronic submission and remote review of records.

Purpose: Inspections are the agency's primary regulatory compliance work process. There are various forms or types of inspections, but what they all have in common is a physical encounter for the purpose of confirming or enforcing compliance with state laws. Counting them provides an accurate representation of the number of times auditors have conducted physical compliance checks during the course of their regulatory enforcement duties.

Data Source: The information required to derive the count comes from inspection records in the agency’s activity reporting system. Each individual inspection made by an auditor is noted in the auditor’s daily activity report or field notes. When these reports or notes are data entered, an automated record summarizing each inspection is created. The values reported for this measure are taken from an agency automated report.

Methodology: The measure is calculated by counting the number of automated inspection records that were originated for activity occurring during a specified period of time.
Data Limitations: None.

Calculation Method: Cumulative.

New Measure: No.

Target Attainment: Higher.

### Efficiency Measure 03-01-01-01 (Key)

### Average Cost per Audit

**Definition:** The cost of the audits conducted during a specified period of time divided by the total number of audits conducted by auditors the same time period. For the purposes of this measure, an audit is defined as a systematic, in-depth review of the records and/or operations of a licensed business for the purpose of determining that business’ compliance with specific requirements of the Alcoholic Beverage Code, TABC Rules, and other state laws.

**Purpose:** This efficiency measure provides a unit cost figure for a core compliance auditor activity.

**Data Source:** Agency automated audit records and automated auditor activity records are the primary source documents used in the calculation of the measure. An agency automated report sorts through these records, identifies those that are of interest, and extracts period totals needed for the number of audits conducted, all auditor work hours, and auditor audit work hours. Agency expenditures are tracked in the state’s automated accounting system (currently USAS), and the cost data is extracted quarterly by the agency's Business Services Division (BSD) to an Excel spreadsheet and used to create a quarterly “Expenditure Report” that allocates agency operating costs to its various strategies. The strategy cost allocation used in the calculation of this measure is taken from the BSD's “Expenditure Report.”

**Methodology:** The work hours reported for all auditor activity during the period in question are extracted from automated activity records and totaled. Also extracted from the same database, as a subtotal of the first total, is the total for the auditor work hours that were devoted to audits. The latter is divided by the former and the resulting ratio is then multiplied by the spending total attributed to all auditor-related activities for the period in question to derive the amount of total expenditures attributable to audits. That amount is then divided by the total number of audits conducted by auditors during the same period to derive a "per audit" unit cost.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.
Average Cost per Auditor Inspection

Definition: The cost of all auditor inspection activity during a specified period of time divided by the total number of inspections conducted by auditors during the same time period. An inspection is a visit to a licensed location, a proposed licensed location, or any other location for the purpose of determining compliance with the Alcoholic Beverage Code and other state laws.

Purpose: This efficiency measure provides a unit cost figure for a core compliance auditor activity.

Data Source: Agency automated auditor activity records are data entered using field notes or daily activity reports as source documents, are the primary source documents used in the calculation of the measure. An agency automated report sorts through these records, identifies those that are of interest, and extracts period totals needed for the number of inspections conducted, all auditor work hours, auditor audit work hours, and auditor public education/information work hours. Agency expenditures are tracked in the state’s automated accounting system (currently USAS), and the cost data is extracted quarterly by the agency’s Business Services Division (BSD) to an Excel spreadsheet and used to create a quarterly “Expenditure Report” that allocates agency operating costs to its various strategies. The strategy cost allocation used in the calculation of this measure is taken from the BSD’s “Expenditure Report”.

Methodology: The work hours reported for all auditor activity during the period in question are extracted from automated auditor activity records and totaled. Also extracted from the same database, as subtotals of the first total, are the totals for the work hours that were devoted to public education/information activities and to audits. The latter two are added together and then subtracted from the former to derive a total for the number of auditor work hours related to inspection activities. The total spending attributable to all auditor-related activities for the period is then multiplied by a ratio created by dividing inspection activity work hours by total auditor work hours to identify the amount of total auditor-related spending attributable to auditor inspections. That amount is then divided by the total number of inspections conducted by auditors during the same period to derive a "per inspection" unit cost.

Data Limitations: None.

Calculation Method: Noncumulative.

New Measure: No.

Target Attainment: Lower.
Efficiency Measure 03-01-01-03  Average Cost per Person at Educational Program [Taught by Auditors]

**Definition:** The total cost of all auditor educational/public information activity during a specified time period divided by the total number of persons attending educational programs taught/facilitated by auditors during the same time period.

**Purpose:** This efficiency measure provides a unit cost figure for auditor educational initiatives.

**Data Source:** Agency automated auditor activity records are the primary source documents used in the calculation of the measure. An agency automated report sorts through these records, identifies those that are of interest, and extracts period totals needed for the number of persons instructed by auditors, all auditor work hours, and auditor public education/information work hours. Agency expenditures are tracked in the state’s automated accounting system (currently USAS), and the cost data is extracted quarterly by the agency's Business Services Division (BSD) to an Excel spreadsheet and used to create a quarterly “Expenditure Report” that allocates agency operating costs to its various strategies. The strategy cost allocation used in the calculation of this measure is taken from the BSD’s “Expenditure Report.”

**Methodology:** The work hours reported for all auditor activity during the period in question are extracted from automated activity records and totaled. Also extracted from the same database, as a subtotal of the first total, is the total for the auditor work hours that were devoted to public education/information activities. The latter is divided by the former and the resulting ratio is then multiplied by the spending total for all auditor-related activities during the period in question to derive the amount of total expenditures attributable to educational activities. That amount is then divided by the total number of persons instructed by auditors during the same period to derive a “per person instructed” unit cost.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.

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Efficiency Measure 03-01-01-04  Average Cost per Wholesale/Manufacturing Report Analyzed

**Definition:** The total cost attributable to the Tax Division operations during a specified period of time divided by the number of Wholesalers and Manufacturers reports received and analyzed by Tax Division employees during the same time period.

**Purpose:** The measure provides an average unit cost for the handling of wholesale and manufacturing tier reports.
**Data Source:** Tax Division personnel create an automated record for each report analyzed and an automated agency report identifies and counts the records pertaining to reports that were reviewed during a specified time period. Division personnel then manually transfer the totals to a spreadsheet which is used to produce an "Excise Tax Activity Report" for the period in question. The "reports analyzed" total that's used in the calculation is taken from the “Excise Tax Activity Report.” Agency expenditures are tracked in the state’s automated accounting system (currently USAS), and the cost data is extracted quarterly by the agency's Business Services Division (BSD) to an Excel spreadsheet and used to create a quarterly “Expenditure Report” that allocates agency operating costs to its various strategies. The strategy cost allocation used in the calculation of this measure is taken from the BSD's "Expenditure Report."

**Methodology:** The spending total attributed to the Tax Division operations in the "BSD Expenditures Report" is divided by the reports analyzed total taken from the "Excise Tax Activity Report" to derive the reported value.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.

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**Explanatory Measure 03-01-01-01**

**Number of Administrative Actions by Audit Personnel**

**Definition:** The sum total of the administrative cases, administrative warnings, summary suspensions, protests, cash law/credit law warning letters, and credit law default first publications initiated by auditors or their support personnel during a specified period of time.

**Purpose:** The measure represents the number of times auditors or their support personnel found violations and took corrective action during the course of their duties.

**Data Source:** The data used in this measure is taken from an agency automated report that draws upon automated agency violation records and automated delinquency records.

**Methodology:** The administrative warnings, administrative cases, cash law and credit law warning letters, application protests, credit law default first publications, and summary suspensions initiated by auditors and their support personnel during a specified time period are counted and totaled to derive the reported total.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.
Target Attainment: Lower.

Explanatory Measure 03-01-01-02  Number of [Correction] Notices from Analyses of Wholesale/Manufacturing Tier Reports

Definition: Number of correction notices issued for reporting errors and tax underpayments discovered by Tax Division personnel while analyzing wholesale and manufacturing tier reports.

Purpose: The measure provides a count of the number of times that manufacturers and wholesalers failed to meet agency tax payment and reporting requirements.

Data Source: Tax Division employees create an automated record for each correction notice issued. An automated agency report identifies and counts the records created for the notices issued during a specified time period, and division personnel manually transfer those totals to the "Excise Tax Activity Report" for the period in question. The totals used for the calculation of this measure are taken from the period’s “Excise Tax Activity Report.”

Methodology: The records pertaining to the correction notices issued by Tax Division employees during the specified time period are identified and counted and that total is then reported as the value for this measure.

Data Limitations: None.

Calculation Method: Noncumulative.

New Measure: No.

Target Attainment: Lower.

Explanatory Measure 03-01-01-03  Number of Trainees Obtaining Seller/Server Certification

Definition: The number of persons successfully completing a TABC approved seller/server certification course during a specified time period.

Purpose: To measure outputs related to the operation of the agency’s Education & Prevention Division.

Data Source: The trainee count used in the calculation comes from automated training records which are created by direct entry into the agency’s computer systems by course providers or staff following each class taught by authorized course providers.

Methodology: The trainees shown as having successfully completed an approved seller/server training course in reports submitted by course providers for classes held during the period in question are counted and the total is reported as the value for this measure.

Data Limitations: None.
**Explanatory Measure**

**03-01-01-04**

**Average Cost Per Seller/Server Trainee Certification**

**Definition:** The operating costs of the Education & Prevention Division (EPD) during a specified time period divided by the number of seller/server trainees receiving certification during the same period.

**Purpose:** The measure provides an average unit cost for seller/server certification.

**Data Source:** The trainee count used in the calculation comes from automated training records which are created by direct entry into the agency's computer systems by course providers or staff following each class taught by authorized course providers. Agency expenditures are tracked in the state's automated accounting system, and the cost data is extracted quarterly by the agency's Business Services Division (BSD) to an Excel spreadsheet and used to create a quarterly “Expenditure Report” that allocates agency operating costs to its various strategies. The strategy cost allocation used in the calculation of this measure is taken from the BSD's “Expenditure Report.”

**Methodology:** The spending total attributed to EPD for the period in question is taken from the BSD Expenditure Report for that period and divided by the number of trainees reported as having successfully completed an approved seller/server certification course in training records with class dates during the same period. The result is the value reported.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.
### Goal 03
Ensure Compliance with Fees & Taxes

#### Objective 02
Ensure Maximum Compliance with Importation Laws at Ports of Entry

#### Strategy 01
Ports of Entry

### Outcome Measure 03-02-01-01
Revenue As a Percent of Expenses

**Definition:** The revenue derived by the TABC Ports of Entry (POE) Division from the taxes and fees collected for the personal importation of alcoholic beverages and cigarettes divided by the total cost of Ports of Entry operations.

**Purpose:** This measure compares the tax revenue generated by the agency's Ports of Entry Division with the total cost of operating that division.

**Data Source:** Tax stamp “sales” and revenue data are collected via hand-held devices and uploaded to the agency database. An automated report tabulates this data and provides totals for the division as a whole. The same automated report also extracts data concerning agency expenditures related to POE operations from the state’s accounting system (CAPPS) and provides expenditure totals for the specified time period.

**Methodology:** The automated report described in the Data Source section of this definition provides total POE revenues (fees and taxes collected from the personal importation of alcoholic beverages and cigarettes) for a specified period by the expenditure total for POE operations for the same period and expresses result as a percentage.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Higher.

### Output Measure 03-02-01-01 (Key)
Number of Alcoholic Beverage Containers Stamped

**Definition:** The total number of containers of alcoholic beverages personally imported into Texas by persons paying the required taxes and fees.

**Purpose:** This measure provides a count of the containers of alcoholic beverages that are taxed at agency ports of entry facilities.

**Data Source:** Tax stamp “sales” and revenue data are collected via hand-held devices and uploaded to the agency database. Automated reports tabulate this data and provide totals for individual tax collectors and for each POE organizational unit, as well as for the division as a whole.

**Methodology:** Using data originally captured at the ports using hand-held computing devices, an automated report tabulates a division-wide total for the
number of alcoholic beverage containers stamped. The resulting total is the value reported for this measure.

**Data Limitations:** None.

**Calculation Method:** Cumulative.

**New Measure:** No.

**Target Attainment:** Higher.

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**Output Measure 03-02-01-02 (Key)**

**Number of Cigarette Packages Stamped**

**Definition:** The total number of cigarette packages personally imported into Texas by persons paying the required taxes and fees.

**Purpose:** This measure provides a count of the individual cigarette packages taxed at agency ports of entry facilities.

**Data Source:** Tax stamp “sales” and revenue data are collected via hand-held devices and uploaded to the agency database. Automated reports tabulate this data and provide totals for individual tax collectors and for each POE organizational unit, as well as for the division as a whole.

**Methodology:** Using data originally captured at the ports using hand-held computing devices, an automated report tabulates a division-wide total for the number of cigarette packages stamped. The resulting total is the value reported for this measure.

**Data Limitations:** None.

**Calculation Method:** Cumulative.

**New Measure:** No.

**Target Attainment:** Higher.

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**Efficiency Measure 03-02-01-01**

**Average Cost Per Alcoholic Beverage Container/Cigarette Package**

**Definition:** Total cost of the Ports of Entry Division attributable to stamping alcoholic beverage containers/cigarette packages or handling disallowed alcoholic beverage/cigarette importations divided by the total number of alcoholic beverage containers/cigarette packages imported or disallowed. A container or package is “disallowed” when its importation would be illegal under Texas law and is, therefore, blocked by a TABC tax compliance officer.

**Purpose:** This measure is intended to show the average cost incurred by the agency for each alcoholic beverage container/cigarette package imported or disallowed.

**Data Source:** The information concerning containers and packages stamped or disallowed is initially collected via hand-held devices and uploaded to the
agency database. Automated reports tabulate this data and provide totals for individual tax collectors and for each POE organizational unit, as well as for the division as a whole. The expenditures are tracked in USAS and the cost data is extracted quarterly by the agency's Business Services Division and used to create a quarterly "Expenditure Reports" that allocate agency operating costs to its various strategies.

**Methodology:** Total cost of Ports of Entry operations is divided by the total number of alcoholic beverage containers and cigarette packages stamped or disallowed. (Note: The unit cost of handling alcoholic beverage containers and packages of cigarettes is the same.)

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Lower.

**Number of Alcoholic Beverage Containers Disallowed**

**Definition:** The number of alcoholic beverage containers whose entry into the State of Texas was disallowed by Ports of Entry Tax Compliance Officers (TCOs) during a specified period of time. TABC TCOs assess each attempted personal importation. When a particular importation is deemed unlawful, the TCO will disallow the importation. A container is considered to be illegally imported if it is in excess of the legal importation quota; the container itself is illegal; it is imported by minors or intoxicated persons; or it is not declared or the importer refuses to pay the required tax. When individuals are advised that an importation is illegal under Texas law, most choose to voluntarily surrender the products rather than return the products to their point of origin. The surrendered products are taken into TABC custody and destroyed shortly thereafter.

**Purpose:** This output is intended to measure the total number of alcoholic beverage containers whose importation has been disallowed during a specified time period.

**Data Source:** Information concerning disallowed importations is initially collected via hand-held devices and uploaded to the agency database. Automated reports tabulate this data and provide totals for individual tax collectors and for each POE organizational unit, as well as for the division as a whole.

**Methodology:** The reported total is taken from an automated report after the agency's automated system sums the number of alcoholic beverage containers in all records pertaining to disallowed importations that had been created by POE personnel for the period in question.

**Data Limitations:** None.
**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Higher.

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**Explanatory Measure 03-02-01-02**  
**Number of Cigarette Packages Disallowed**

**Definition:** The number of cigarette packages whose entry into the State of Texas was disallowed by Ports of Entry Tax Compliance Officers (TCOs) during a specified period of time. TABC TCOs assess each attempted personal importation. When a particular importation is deemed unlawful, the TCO will disallow the importation. A package of cigarettes is considered to be illegally imported if it is imported by persons under 18 years of age; it is not declared; or the importer refuses to pay the required tax. When individuals are advised that an importation is illegal under Texas law, most choose to voluntarily surrender the products rather than return the products to their point of origin. The surrendered products are taken into TABC custody and destroyed shortly thereafter.

**Purpose:** This output is intended to measure the total number of cigarette packages whose importation is disallowed during a specified time period.

**Data Source:** Information concerning disallowed importations is initially collected via hand-held devices and uploaded to the agency database. Automated reports tabulate this data and provide totals for individual tax collectors and for each POE organizational unit, as well as for the division as a whole.

**Methodology:** The reported total is taken from an automated report after the agency's automated system sums the number of cigarette packages referenced in all records pertaining to disallowed importations that had been created by POE personnel for the period in question.

**Data Limitations:** None.

**Calculation Method:** Noncumulative.

**New Measure:** No.

**Target Attainment:** Higher.
It is the policy of the Texas Alcoholic Beverage Commission (TABC) to comply with the rules for the Historically Underutilized Business (HUB) Program¹ adopted by the Comptroller of Public Accounts (CPA) and Chapter 2161 of the Texas Government Code in order to encourage the use of historically underutilized businesses. The goal of this program is to promote full and equal business opportunities for all businesses in the agency’s contracting.

This policy incorporates the adoption of CPA’s HUB rules to implement a meaningful HUB program based on the State of Texas Disparity Study. The TABC will work diligently to utilize HUBs in contracts for commodities, services, professional, and consulting services by contracting directly with HUBs or indirectly through subcontracting opportunities. TABC rarely has a construction contract, but will apply the same diligence in utilizing HUBs to these contracts as all others. Additionally, TABC shall make a good faith effort to assist HUBs in receiving a portion of the total contract value of all contracts the agency expects to award in a fiscal year in accordance with the following percentages:

- 11.2% for heavy construction other than building contracts;
- 21.1% for all building construction, including general contractors and operative builders contracts;
- 32.9% for all special trade construction contracts;
- 23.7% for professional services contracts;
- 26.0% for all other services contracts; and
- 21.1% for commodities contracts.

The agency will ensure it makes a good faith effort to utilize HUBs and meet the agency goals by implementing the following:

- advance planning of large purchases to ensure adequate time and preparation is involved;
- when possible, divide proposed requisitions into reasonable lots in keeping with industry standards and competitive bid requirements;

¹ Texas Administrative Code, Title 34, Part 1, Chapter 20, Subchapter D, Division 1, §20.281 - §20.298.
- when applicable, assess bond and insurance requirements to avoid unreasonable bidding restrictions and permit more than one business to perform the work;

- specify reasonable, realistic delivery schedules consistent with the agency’s actual requirements;

- ensure that specifications, terms and conditions reflect TABC’s actual requirements, are clearly stated, and do not impose unreasonable or unnecessary contract requirements;

- when contracts exceed $100,000, require contractors to make a good faith effort to award necessary subcontracts to HUBs by providing contractors with HUB subcontracting good faith guidelines, HUB goals and a reference list of available certified HUBs; and

- evaluate which agency-wide goals are conducive to engaging with HUBs while continuing practices which have promoted previous use of HUBs.

The TABC will maintain and compile monthly records relating to the agency’s use (by each operating division of the agency) of HUBs, including information regarding subcontractors. Additionally, the TABC will require contractors on awarded contracts exceeding $100,000 to report to the TABC on a quarterly basis, the identity and the amount paid to each HUB vendor to whom the contractor has awarded a subcontract for the purchase of supplies, materials, equipment and services. The agency will ensure that internal and external reporting guidelines are in place to ensure tracking, control and accountability.

The TABC has designated an agency HUB coordinator. The HUB coordinator and the Business Services Division will assist each division in locating, certifying and making a good faith effort to use HUBs in accordance with the agency’s policies, goals and procedures. Agency employees within each division who are engaged in recommending, requesting, or approving a particular vendor in the acquisition of goods and services and/or vehicle fleet repairs, will be held accountable for adhering to the agency’s HUB policy. The HUB coordinator will actively participate in HUB forums, trade shows, training and implementation of the agency’s Mentor-Protégé program to promote HUB subcontracting.
The mission of the Texas Alcoholic Beverage Commission (“TABC”) is to serve the people of Texas, and protect the public health and safety, through consistent, fair, and timely administration of the Alcoholic Beverage Code (“Code”).

TABC is the state agency which regulates all phases of the alcoholic beverage industry in Texas. The duties of the commission include regulating sales, taxation, importation, manufacturing, transportation, and advertising of alcoholic beverages.

The TABC collects approximately $300 million annually in taxes and fees, which aids in the financing of the state’s public schools, local governments, and human services.

The Code authorizes TABC to:

- grant, refuse, suspend, or cancel permits and licenses in all phases of the alcoholic beverage industry;
- supervise, inspect and regulate the manufacturing, importation, exportation, transportation, sale, storage, distribution and possession of alcoholic beverages;
- assess and collect fees and taxes;
- investigate potential violations of the Code and assist in the prosecution of violators;
- seize illicit beverages;
- adopt standards of quality and approve labels and the size of containers for all alcoholic beverages sold in Texas; and
- pass rules to assist TABC in all of the aforementioned actions.

TABC employees review shipments of alcoholic beverages into Texas, as well as the transfer of merchandise between wholesalers. Background investigations are undertaken upon receipt of an application for a permit or license to operate in some phase of the industry. Efforts are made to detect ownership in another level of the industry, which is prohibited, as well as any factors which might disqualify an applicant, such as a criminal history or current indebtedness to the state for taxes.

**STRATEGIC GOALS AND OBJECTIVES**

**Goal 1: Enforcement.** To protect the peace and safety of the public by taking positive steps to encourage voluntary compliance with the Texas Alcoholic Beverage Code and other state laws and by undertaking enforcement and regulatory actions that are fair and effective.
Objective: Detect/Prevent Law Violations. Detect and prevent violations of the Alcoholic Beverage Code and other state laws that can occur on licensed premises, including those pertaining to human trafficking, drug trafficking, and other organized criminal activity.

Strategy: Enforcement. Deter and detect TABC code violations by inspecting licensed establishments and investigating complaints.

Goal 2: Licensing. To process and issue license and permit applications in compliance with the Alcoholic Beverage Code.

Objective: Timely Process of Applications. Process applications for permits and licenses in an efficient and timely manner.

Strategy: Licensing. Issue licenses and permits while ensuring compliance with laws regarding ownership, performance, and other regulatory requirements.

Goal 3: Compliance and Tax Collection. To ensure compliance with the Alcoholic Beverage Code in the manufacturing, importing, exporting, transporting, storing, selling, serving, and distributing of alcoholic beverages.

Objective 1: Monitor Compliance with TABC Code. Monitor all tiers of the alcoholic beverage industry and conduct inspections, audits, analyses, investigations, and other activities to encourage maximum voluntary compliance with the Alcoholic Beverage Code.

Strategy: Compliance Monitoring. Inspect, investigate, and analyze all segments of the alcoholic beverage industry, verify the accuracy and timeliness of tax reporting payments, and initiate any necessary compliance and/or administrative actions for failure to comply while providing instruction to promote voluntary compliance.

Objective 2: Ensure Maximum Compliance at Ports. Ensure maximum compliance with laws regulating importation of alcoholic beverages and cigarettes at ports of entry.

Strategy: Ports of Entry. Identify high traffic loads and strategically place personnel or equipment at ports of entry to more effectively regulate the personal importation of alcoholic beverages and cigarettes.

ORGANIZATIONAL STRUCTURE

The policymaking body of TABC is a three-member governing board appointed by the Governor with the advice and consent of the Senate. Commissioners hold office for staggered terms of six years, with the term of one member expiring every two years. Each member must be a Texas resident, and must have resided in the state for at least five years preceding the appointment. Commissioners serve without salary.
The commission is comprised of Chairman Kevin J. Lilly of Houston and Commissioner Ida Clement Steen of San Antonio; the third position is currently vacant.

**CORE BUSINESS FUNCTIONS**

An Executive Director, appointed by the three-member governing board, directs the daily operations of TABC. The board appointed A. Bentley Nettles as Executive Director on August 2, 2017. The Executive Director is responsible for employing staff to ensure that the policies established by the commission and the laws enacted by the legislature are implemented in an efficient and cost-effective manner.

Sharing in that responsibility are three Deputy Executive Directors; a General Counsel; and Directors of the Office of Professional Responsibility (internal affairs),
Communications, Governmental Relations, and External Affairs. An independent audit firm performs internal audit functions for TABC, reporting directly to the Commissioners. The agency’s organizational structure (Figure 1) evenly distributes employees among the three Deputy Directors, empowering them to engage and manage the agency’s 600+ employees effectively. The various divisions of the agency are arranged into three lines of effort, representing the three pillars of TABC’s daily mission – revenue, law enforcement, and operations – and allowing the agency’s leadership to identify ways TABC can serve Texans. More importantly, it helps ensure TABC’s employees have all of the equipment, resources, and leadership support required to function effectively.

Business and Revenue Operations

The divisions that comprise Business and Revenue Operations are responsible for assessing and collecting approximately $300 million annually. These divisions include Licensing, Tax and Marketing Practices, Education and Prevention, Training, and Ports of Entry. These divisions interface directly with the tens of thousands of Texans who are currently or prospectively doing business within the alcoholic beverage industry.

Licensing
The Licensing Division investigates and processes applications for all phases of the industry including the manufacture, sale, purchase, transportation, storage, and distribution of alcoholic beverages. Staff must ensure that each applicant qualifies to hold such license or permit and adheres to all applicable regulatory requirements. Licenses and permits are issued for a period of two years. Approximately 71,000 licenses and permits are issued each year by the Licensing Division.

Tax and Marketing Practices
The Tax and Marketing Practices Division is charged with carrying out the taxing authority of the agency. Division personnel receive, process, and audit monthly excise tax reports to ensure appropriate taxes have been paid and that other reporting requirements are met in accordance with the Code. The division is also responsible for monitoring the advertising of alcoholic beverage products as well as the testing and labeling of those products in Texas.

Education and Prevention
The Education and Prevention Division oversees TABC programs that educate the public, retailers, and their employees about Texas laws associated with selling and consuming alcoholic beverages. The division leads the agency’s efforts to prevent underage drinking and making alcohol available to minors, as well as driving while intoxicated. The staff works with multiple statewide and local agencies, community coalitions, and other groups to share information and participate in various programs to prevent underage drinking.

Training
The Training Division oversees staff development activities for the agency. The division maintains training records and offers required training for commissioned peace officers,
state-mandated training for all employees, and additional training to develop and enhance the skills of TABC employees.

**Ports of Entry**
The Ports of Entry Division oversees more than 100 taxpayer compliance officers who are responsible for ensuring compliance with personal importation laws and collection of taxes and fees on alcoholic beverages and cigarettes brought into Texas from other countries. Cigarette taxes are collected on behalf of the Texas Comptroller of Public Accounts. Taxpayer compliance officers are stationed at all major bridges along the Texas-Mexico border and at the Galveston seaport.

**Enforcement**
Serving the agency’s law enforcement and investigations mission, Enforcement employs TABC’s commissioned peace officers, including those serving in the Law Enforcement Division, the Special Investigations Unit, and the Financial Crimes Unit.

**Law Enforcement**
Law Enforcement is the agency's largest division. Staff perform both enforcement and compliance functions involving criminal, regulatory, and administrative enforcement of the state's alcoholic beverage laws.

Law enforcement activities are administered across the state in five regions. Commissioned peace officers inspect premises licensed by the agency and investigate alleged violations of the Code.

Enforcement agents provide training to permit holders and their employees upon request as well as in response to violations by the permit holder. In addition, presentations are given to other law enforcement agencies to promote a better understanding of the law and the roles and responsibilities of TABC.

**Investigations**
The Special Investigations Unit, through undercover operations, identifies and investigates habitual patterns of at-risk behavior of persons and entities with a TABC-issued license or permit. The unit exercises administrative and criminal powers to suppress and dismantle organized criminal activity on licensed premises.

The Financial Crimes Unit focuses on the detection, investigation, and prevention of finance-related crimes by persons and entities with a TABC-issued license or permit. Investigations include money laundering, prohibited tier relationships, tax fraud, business and corporate fraud, and other organized financial crimes.

**Chief of Staff**
TABC’s operational divisions – Business Services, Human Resources, Audit, and Innovation and Technology – report to the Chief of Staff, who serves as a Deputy Executive Director. These divisions provide the foundational support needed for TABC to conduct its operations. These employees provide the critical service of ensuring
TABC-licensed businesses adhere to the regulatory requirements of the Code.

**Audit (Compliance)**

Auditors conduct investigations, financial reviews, and inspections during the initial phases of the licensing process. Auditors also assist the law enforcement agents in various types of investigations as well as play a role in monitoring seller training schools to ensure compliance with agency standards and the Code.

Auditors provide training to permit holders and their employees upon request as well as in response to violations by the permit holder. In addition, presentations are made to students, including those in middle schools, high schools, and universities. Presentations are also given to civic organizations to promote a better understanding of the law and the roles and responsibilities of TABC.

**Business Services**

The Business Services Division is responsible for all fiscal operations of the agency, including revenue processing, accounts payable, payroll, time and leave accounting, research and planning, as well as preparation and oversight of the agency's legislative appropriations request, annual financial report, and performance reports. The general services section of the Business Services Division is responsible for purchasing, records retention, real and personal property management, facilities leasing, fleet management, mail center operations, and warehousing.

**Human Resources**

The Human Resources Division manages employment-related activities, including recruitment, selection, benefits and compensation, employee relations, classification, risk management, and implementation of the agency's equal employment opportunity program.

**Innovation and Technology**

The Innovation and Technology Division is responsible for developing and maintaining the core technology applications for the agency. The division establishes and supports the technology infrastructure that facilitates agency operations and is charged with researching and analyzing new technologies to solve business problems and increase efficiencies across the agency.

**Anticipated Changes to Mission, Strategies and Goals**

TABC’s new leadership continues to make changes to the organizational structure and to the agency’s policies and procedures. The Sunset Advisory Commission will adopt further recommended changes to agency operations and management practices in January 2018. After the legislative session concludes in June 2019, the agency will fully implement changes from the Sunset review process, including management directives and statutory changes made through the TABC Sunset bill.
SECTION II
Current Workforce Profile (Supply Analysis)

WORKFORCE DEMOGRAPHICS

Gender: As seen in Figure 2, the TABC workforce is comprised of 58.3% males and 41.7% females. In comparison to data from other state agencies (56.6% female; 43.4% male), TABC percentages are flipped. However, when looking at other Article V agencies and other similar state agencies which have an active force of commissioned peace officers, the ratios are similar to TABC. Additionally, the female workforce percentage has dropped by .6% statewide since FY2016.

![Figure 2. TABC Gender Profile, FY2017.](image)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>58%</td>
<td></td>
<td>42%</td>
</tr>
</tbody>
</table>

Retirees: According to the Employees Retirement System, as of January 2018, 9% of TABC employees (58 individuals) will be eligible to retire at the end of the 2018 calendar year. Currently, the agency has 16 return-to-work retirees and 43 employees who are eligible or very near retirement. Over the next five years, almost 20% of TABC’s workforce will be eligible to retire.

Age and TABC Service Time: The average TABC employee is 44.7 years of age (Figure 3) and has 8.6 years of service with the agency (Figure 4). Sixty-three percent of the employee population is over the age of 40, and 37.3% have less than five years of service with the agency. The percentage of TABC’s workforce aged 30 to 49 years is higher than the state average; TABC’s percentages of employees under age 30 and over age 50 are lower than state averages.
Ethnicity: TABC remains under-represented in two of the Equal Employment Opportunity Commission’s (EEOC) demographic categories. In FY2017, African Americans accounted for 13% of the TABC workforce. There was no change from FY2016. Asian/Pacific Islanders account for 1.7% of the TABC workforce. More than 42% of the agency’s workforce is Hispanic, an increase of 2.2% since FY2016.
Figure 5. TABC Ethnicity Representation. FY2017.

Veteran Representation: Senate Bill 805 (84th Legislature) amended Texas Government Code, Section 657.004, to set a goal for state agencies of employing veterans in full-time positions equal to at least 20% of the total agency workforce population. In FY2017, 15% of the agency’s workforce held veteran status. (Figure 6) This is approximately a 2% increase from FY2016 (13.1%). TABC’s percentage of military veteran employees is more than double the state average of 7.2%. The agency has also established a strategic work relationship with the Veterans Commission of Texas to help with some of the TABC’s hiring needs and services.

Figure 6. TABC Veteran Employment, FY2017.

RECRUITING

Overall, recruiting efforts have resulted in a more diverse workforce. TABC still needs to focus on minority hiring efforts, specifically African American, Asian/Pacific Islander, and female workforce populations. In the Officials/Administrators category (Figure 7), TABC meets the state average of female employees (49.7%) within 1%. Thanks to a dedicated recruiting effort in 2017, TABC saw growth within the female workforce in the
Technician category, increasing from zero to more than 20%.

Whites and Hispanics, at 45% and 40% of the workforce, respectively, are the majority ethnic groups at TABC, followed by African American and Asian/Pacific Islander classifications. New hires among Asian/Pacific Islanders increased 4% from the previous fiscal year and African Americans remained the same.

With the growing number of minority-owned businesses in the alcoholic beverage industry, TABC needs to continue to improve its minority recruiting to mirror this populations within its workforce.

Forty-two percent of the agency’s hires in 2017 were female, while the remaining 58% were male.

**Figure 7. 2017 Workforce Profile Comparison.**

<table>
<thead>
<tr>
<th>EEO Category</th>
<th>African American</th>
<th>Hispanic</th>
<th>White</th>
<th>Other</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officials/Administrators</td>
<td>20%</td>
<td>27%</td>
<td>47%</td>
<td>6%</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Professionals</td>
<td>21%</td>
<td>26%</td>
<td>50%</td>
<td>3%</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>Technician</td>
<td>20%</td>
<td>20%</td>
<td>40%</td>
<td>20%</td>
<td>20%</td>
<td>75%</td>
</tr>
<tr>
<td>Service/Maintenance</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Administrative Support</td>
<td>30%</td>
<td>10%</td>
<td>60%</td>
<td>0%</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Skill Craft</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ALL STATE AGENCIES</th>
<th>African American</th>
<th>Hispanic</th>
<th>White</th>
<th>Other</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officials/Administrators</td>
<td>13%</td>
<td>20%</td>
<td>65%</td>
<td>2%</td>
<td>49.7%</td>
<td>50.3%</td>
</tr>
<tr>
<td>Professionals</td>
<td>17%</td>
<td>23%</td>
<td>55%</td>
<td>5%</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Technician</td>
<td>22%</td>
<td>35%</td>
<td>40%</td>
<td>3%</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>Service/Maintenance</td>
<td>25%</td>
<td>30%</td>
<td>42%</td>
<td>3%</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Administrative Support</td>
<td>20%</td>
<td>33%</td>
<td>45%</td>
<td>2%</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>Skill Craft</td>
<td>7%</td>
<td>26%</td>
<td>66%</td>
<td>1%</td>
<td>4%</td>
<td>96%</td>
</tr>
</tbody>
</table>

Source: [Texas State Auditor's Office](https://www.texasauditors.state.tx.us/)
SEPARATIONS

In FY2017 the agency had 85 voluntary and involuntary employee separations for a total turnover rate of 13.3%. In all, 43 males and 42 females left the agency. The White workforce population accounted for 49% of the separations from the agency, followed by Hispanics at 31%, with African Americans at 13% and 7% were classified as ‘Other.’

TURNOVER

The turnover percentage for FY2017 is 13% and is lower than the FY2017 statewide turnover rate of 18.6%. (Figure 8) The top three reasons why employees are separating are

- better pay and benefits,
- poor working conditions or management, and
- retirement eligibility.

TABC has 16 return-to-work retirees and a total of 43 active employees who are either currently eligible to retire or eligible at the end of FY2018. (Figure 9) Procedures and succession planning protocols have been established and Licensing and Law Enforcement divisions have been identified as having the greatest potential loss of employees due to retirement.
TABC conducted a workforce analysis with these divisions and implemented a “Bench Building, Succession, and Transfer of Critical Knowledge” program to avoid significant loss of empirical knowledge within the agency. With a total of 121 employees eligible to retire within the next five years, TABC will continue to build its workforce bench, develop current employees to step into critical functions or roles (succession planning), and ensure that critical knowledge is not limited to a few employees. The Law Enforcement Division has 32 employees eligible to retire in the next five years and the Licensing Division has 27 employees eligible to retire in that same timeframe.

**CRITICAL WORKFORCE SKILLS**

While the agency has maintained a current and qualified workforce, there are critical skills necessary to keep up with trends in technology. As such, the agency must focus on providing training to current members of the workforce while strengthening recruiting efforts to attract candidates with needed technical skills.

**CHALLENGES AFFECTING CRITICAL WORKFORCE SKILLS**

The ever-changing technical environment requires a technologically talented workforce well versed in the latest skills, trends, and technological developments. In order to meet the needs of a growing alcoholic beverage industry, TABC must employ new technology to efficiently process the increasing number of applications. Meeting this challenge will require TABC to develop new training programs as technology is acquired and deployed.

Finally, as TABC continues to expand alongside the alcoholic beverage industry, it is imperative the agency provide the tools to work more cohesively across the agency, not only within divisional units. It is vital that each division learns to work collaboratively, with the common focus on TABC’s mission and vision.
SECTION III
Future Workforce Profile (Demand Analysis)

TABC’s future workforce concern is multi-layered. With a high number of employees eligible to retire within the next five years (18%), the industry’s continued growth will result in an urgent need for the agency to replenish its workforce. The automation of more functions will require a new set of skills within the agency’s workforce. The biggest challenge is to stay ahead of the need for highly skilled employees while training the current workforce efficiently. These demands may outpace current workforce availability. Currently, TABC’s recruiting strategy involves attending job fairs and hiring events which cater to this segment of Texas’ population.

EXPECTED WORKFORCE CHANGES

In the Law Enforcement Division, there is a need for better public collaboration. This will require TABC agents to communicate more effectively with the public. Agents will continue to be more broadly educated and trained in that respect. TABC’s recruiting effort now focuses on hiring the top segment of the available hirable workforce: the “Best of the Best.” The high number of agents eligible to retire will present challenges to this division.

The Licensing Division will require a higher level of technical knowledge and processes. Future employees need to be more analytical and self-motivated in an environment that will continue to change rapidly due to industry demand. Assuming the Licensing Division’s pay scale remains at its current low levels, there will be significant challenges in attracting suitable talent.

Overall, the entire TABC workforce needs access to training in order to learn to work more collaboratively while using more complex technology. As the alcoholic beverage industry continues to demand reduced turnaround time for TABC’s regulatory processes, the agency must rely more and more upon automation; therefore, agency employees need appropriate training to operate comfortably in a high technology environment.

FUTURE WORKFORCE SKILL REQUIREMENTS

TABC Law Enforcement agents need to continue to communicate well – both verbally and in writing – while planning, organizing, and collaborating with internal and external customers. This segment of the TABC workforce has become more mobile, making technological proficiency a must-have qualification for all personnel.

Auditors, similar to commissioned peace officers, require investigative skills, the ability to communicate well, and the ability to plan, analyze, and organize. Additionally the Audit Division needs to work on cross-collaboration. With the ever-increasing level of complexity in essential technology, the education level of this division must be maintained and qualified candidates who already possess a high level of technical ability must be sought for hiring.
To ensure TABC’s workforce is able to function well in an ever-changing regulatory environment, future Licensing and Audit team members need experience working with local, state, and federal laws. Additional formal education requirements may include degrees in business, finance, accounting, and related fields.

TABC’s Ports of Entry employees need to improve their skills in communications technology as well as in processes designed to reduce cash handling errors.

The agency needs structured training for the development of skills necessary for agency growth, including problem resolution, report writing, effective oral and written communication, and increased competence in computer technology.

**STAFFING NEEDS**

TABC’s current appropriations cap full-time employees (“FTEs”) at 635. With the continuing increase in the number of alcohol permits, the agency anticipates a need for increased FTEs in the Law Enforcement, Audit, and Licensing Divisions, as well as additional FTEs in related support divisions. The alcoholic beverage industry grows at a rapid pace, and the agency will need to grow to keep up with the demand. As TABC’s employee base increases, recruiting and hiring managers must focus on quality candidates. TABC’s average position vacancy rate remains low at 3%. Considering the high number of retirement-eligible employees, at any moment there could be an immediate need to backfill positions at a fast rate. A high number of sudden vacancies could lead to challenges in fulfilling the agency’s mission and ensuring the most qualified, competent personnel are hired.

**CRITICAL FUNCTIONS**

In determining the agency’s workforce needs, critical functions of agency employees have been identified.

- Conducting Enforcement activities such as investigations, inspections, monitoring of human trafficking, and public education programs.
- Processing and reviewing applications for all phases of the alcoholic beverage industry including determining each applicant’s qualifications to be issued permits, certificates, and approvals through stronger collaboration across the workforce.
- Maintaining complete and accurate information on all permit holders and providing this information in a timely manner to agency personnel, members of the industry, other law enforcement and state agencies, and to the general public.
- Maintaining current tax security and performance bonds to avoid the potential loss of revenue due to nonpayment of taxes.
- Processing all financial transactions in an efficient and timely manner and preparing necessary reports for management and as statutorily required.
- Managing agency appropriations and budgeting and administering grant
programs effectively.

- Attracting and retaining qualified and diverse applicants in the workforce.
- Developing and training current employees for future positions due to increased functions within all divisions.
- Continuing to explore and implement cost-effective changes utilizing the most current technology platforms.

**SECTION IV**

**Gap Analysis**

An examination of the geographic areas where TABC employees work and live has revealed employment gaps:

- Increased demand for TABC services and a smaller pool of eligible applicants to fill vacancies;
- Greater employment competition from higher-paying state agencies and private sector; and
- Lagging behind in competitive salaries.

With larger technology, pharmaceutical, and other global companies moving into Texas job markets, TABC is facing direct competition for well qualified applicants who find better financial incentives working in the private sector. Many private sector employers are able to offer higher salaries and better benefits than TABC. This, combined with a perceived lack of job advancement opportunities, discourages many qualified and educated employees from making long-term commitments to the agency. Due to funding restraints, it can be difficult to offer the competitive pay and bonuses needed to keep qualified staff. TABC continues to seek funding to mitigate some of these concerns.

**ANTICIPATED SURPLUS/SHORTAGE OF EMPLOYEES**

The agency will undergo a critical FTE shortfall in the next few years due to retiring personnel and underpaid employees, resulting in even higher turnover rates and more difficulty in hiring highly qualified candidates. TABC needs to develop a “bench building” program to help retain key staff members who will play pivotal support roles during this period of high turnover.

**ANTICIPATED SURPLUS/SHORTAGE OF SKILLS**

A general lack of knowledge of the Code has always been common among new hires. Therefore, developing an onboarding program for employees, especially those in Audit, Enforcement, and Licensing divisions, is essential.

Other expected skill shortages include technical competence. Even though TABC has made some progress in hiring candidates with a deep understanding of information
technology and its uses, supply has yet to catch up to demand. The agency has made some effort to ensure management teams are prepared to help employees develop these skills. This is not critical at this time, but could present a problem if TABC’s management teams are overwhelmed with turnover while training new employees.

**NEW SKILLS NEEDED**

Besides the technology needs previously discussed, the ability to successfully navigate an ever-changing work environment while making sound business decisions is a requirement for future TABC employees. Additionally, TABC will need to ensure management teams have increased access to leadership training.

**SECTION V**

**Strategic Development**

The new executive team is addressing workforce development demands, which may also include an analysis of TABC’s leadership development needs.

**CHANGES IN ORGANIZATIONAL STRUCTURE**

Changes in FY2018 to the organizational structure stemmed from the new leadership team. Changes will continue based on the vision of the executive team and recommendations from the Sunset Advisory Commission. With the increasing reliance on technology, TABC will evaluate its overall workforce alignment with the end goal of a more educated workforce. Adjustments may include increased access to training to ensure employees are successful.

**RETENTION PROGRAMS**

In order to meet the needs of a complex and growing industry, TABC will need to increase available training to help develop the agency’s workforce and retain highly skilled staff. This training can facilitate better communication among employees at different levels, while implementing technology to increase reach. TABC Human Resources Division has begun conducting *stay interviews* and will introduce a retention and engagement training program for managers. The agency is also evolving its employee recognition program to identify top performers, teams, and projects.

**RECRUITMENT PLANS**

TABC continues to recruit applicants to fill two Agent Trainee academies each year and works to increase internal visibility for open positions within the agency. The agency is also making a dedicated effort to recruit minorities and females to its workforce. TABC is scheduled to attend job fairs and hiring events that focus on these workforce populations.

The agency works closely with the Texas Veterans Commission on placement and hiring needs. Although TABC exceeds state averages, agency leadership wishes to
continue to tap into this valuable resource.

The agency, through the Human Resources Division, continues to participate in Texas State Human Resources Association (TSHRA) and the Austin Regional Human Resources Management Association (ARHRMA) to stay abreast of overall hiring trends.

**CAREER DEVELOPMENT PROGRAMS**

TABC encourages participation in the Governor’s Management Development Program, the Governor’s Executive Development Program, and other locally conducted programs.

**SUCCESSION PLANNING**

The agency reviews all civilian job responsibilities and works with each division to determine:

- Current need;
- Future need;
- Gap analysis;
- Current skills and abilities; and
- Strategy on developing one-year, two-year, and three-year rollout plans.

**LEADERSHIP DEVELOPMENT**

TABC is in the initial planning stage of developing a new leadership development program using an outside vendor. As a first step, TABC staff will have an opportunity to provide feedback on which leadership characteristics they most value, and also which leadership aspects the agency should improve as well as specific suggestions for how to improve. This staff input will form the basis of the content of the new leadership development training, and will ensure TABC develops a tailored program targeted at the unique needs of the organization. The agency anticipates development of the program content, including a pilot of the new training, will be completed by early 2019.

**ORGANIZATIONAL TRAINING AND EMPLOYEE DEVELOPMENT**

TABC continues to provide training in-service for Audit, Licensing, and Law Enforcement divisions. The agency also provides basic training for all employees on business-appropriate communication, self-mediation, conflict resolution, and performance management.

**SURVEY OF EMPLOYEE ENGAGEMENT, 2017 SUMMARY**

Overall the agency’s areas of improvement and strengths changed by one category for each construct since the last survey cycle in 2015. The response rate for the agency was down from previous years – 79.1% from 86.9%. Like the previous survey cycle, TABC’s disengaged and moderately engaged percentages are high at 27% and 39% respectively.
Employees who participated in the Survey of Employee Engagement have identified sets of strengths and weaknesses.

**Strengths**

- **Workgroup:** Positive perception of the people they work with day-to-day and their effectiveness.
- **Direct Supervisor:** Employees feel their direct supervisors are fair, helpful, and critical to the flow of work.
- **Workplace:** Employees feel their work environment is safe and feel overall positive.

**Weaknesses**

- **Pay:** This is the same concern outlined in several previous summary cycles. Employees are displeased with overall pay compared to other agencies and organizations.
- **Internal Communication:** Employees feel that internal communication is not reasonable, candid, and helpful. Communication is not timely.
- **Employee Development:** Employees feel there is no development priority within the agency. The agency does not give any priority to their personal and job growth.

**Executive Recommendations**

The survey results (Figure 10) suggest the agency should offer job training and become a learning organization that sees the vision and benefit in a developed and well trained workforce. Furthermore, the agency should encourage training opportunities at every level, and develop formalized advancement plans with the direction of promoting within. Leadership has taken action on the aforementioned recommendations and expects to initiate programs in FY2019 to focus on leadership development and growth of employees. Survey results also indicated other areas on which the agency should focus:

- **Encourage open and honest feedback.** Establish an open door policy where employees feel comfortable and safe expressing their ideas. Conduct town hall meetings quarterly for all employees and require divisional directors to conduct statewide office visits.

- **Recognize outstanding work.** Employees will often be more motivated to work harder with better commitment if they are appreciated. Distribute awards or recognition when they are unexpected and encourage peer-to-peer recognition.

- **Treat employees fairly and without favoritism.** Maintaining fairness in the workplace helps employees feel like they’re working together and on an even playing field. Set and
communicate clear rules on policies and define clear career paths so that everyone is familiar with TABC’s expectations. Be open and honest about why certain employees are assigned tasks, and praise all employees when they are successful.

**Give employees room to do their best work.** Empower employees by granting sufficient authority to allow them to solve problems with their unique skill sets, and provide positive feedback and encouragement. Boost employee confidence with challenging tasks and promote cross-learning so employees benefit from each other’s knowledge. Assess skills and assign training if necessary to bridge skill gaps.

*Figure 10. TABC Climate per Results of Survey of Employee Engagement, 2017.*
INTRODUCTION

Pursuant to the requirements of Texas Government Code, Section 2114.002, the Texas Alcoholic Beverage Commission (“TABC”) submits this report on customer service. This report is based on feedback collected from customers of TABC’s numerous public-facing divisions, including Law Enforcement, Audit, Licensing, and from users of TABC’s Internet website.

Created by the Texas Legislature in 1935, TABC regulates all aspects of the alcoholic beverage industry including, but not limited to, the manufacture, distribution, and retail sales of alcoholic products. Working under the laws set by the Texas Alcoholic Beverage Code (“the Code”), the agency’s mission includes both regulatory and law enforcement elements. With more than 50,000 active alcohol licenses and permits in Texas, TABC employees are in near-constant contact with customers across the state every day.

TABC remains committed to continuously improving customer service. Throughout its 83-year history, the agency has worked to set high standards of customer service. Through feedback collected via surveys and face-to-face discussions, TABC employees work to identify customer concerns and set action plans toward ensuring the highest levels of service. Additionally, starting in fiscal year 2019, the agency will transition to an online survey system, making it faster and easier for customers to participate while ensuring a more efficient analysis of data collected by TABC personnel.

The services TABC provides its customers include:

- issuing more than 70 types of alcoholic beverage licenses and permits (collectively referred to as ‘licenses’) to businesses in Texas and around the world, allowing them to produce, transport, distribute, import, sell, and serve alcoholic beverages in Texas;
- inspecting more than 50,000 TABC-licensed premises to ensure compliance with the Code and TABC Rules;
- conducting source investigations following alcohol-related incidents involving serious injury or death;
- conducting investigations into organized criminal activities tied to a TABC-licensed location, including those involving prostitution, gambling, narcotics, weapons, and human trafficking;
- collecting excise taxes from manufacturing and distributing tiers when alcoholic beverages are sold to retailers or consumers;
- providing instruction to license holders and their employees, local law enforcement, and members of civic groups to promote a better understanding of, and voluntary compliance with, the Code;
• overseeing the labeling, bottling, and promotion of alcoholic beverage products;
• conducting audits to ensure adherence to the Code and confirm proper taxes are reported and paid;
• ensuring compliance with and collecting taxes and fees on personal importations of alcoholic beverages and cigarettes at international borders; and
• reviewing and prosecuting violations of the Code.

| INVENTORY OF EXTERNAL CUSTOMERS BY STRATEGY |
TABC has compiled a list of external customers by budget strategy, and has identified three distinct groups as its primary customers: the general public, the alcoholic beverage industry, and local agencies and officials.

An inventory of external customers served by each strategy is as follows:

**LAW ENFORCEMENT:** The Law Enforcement Division is responsible for the criminal and administrative enforcement of the Code. As public safety is a statewide concern affecting all Texas citizens, every person in the state is considered a primary customer. TABC agents, who are commissioned peace officers, both inspect TABC-licensed premises and investigate any alleged violation of the Code and other state laws. While many investigations involve relatively simple violations of state alcoholic beverage laws, some involve much more complex situations such as human trafficking, organized crime, or narcotics. TABC agents work with local, state, and federal law enforcement officials on these investigations, making those agencies secondary customers.

**LICENSING:** The Licensing Division issues all TABC licenses, permits, and certificates thereby ensuring certain criteria are met, including local government certification, tax security, and other regulations. A license is required for all segments of the alcoholic beverage industry, making its members the primary customers of the Licensing Division. Additionally, by ensuring each license holder meets the qualifications required by law, the division’s secondary customers include the general public and local agencies.

**COMPLIANCE MONITORING:** TABC’s Audit Division is charged with ensuring compliance with the Code and TABC Rules. Auditors conduct tax, financial, and investigative audits; conduct open compliance inspections of licensed locations and new location inspections during the licensing application process; assist with various types of investigations; monitor and enforce cash/credit law; and deal with marketing practices issues. The division also initiates administrative action when a violation of the Code occurs.

As with Enforcement, the general public is considered a primary customer when it comes to ensuring compliance with the Code. Secondary customers include the license holders who receive training and education designed to promote voluntary compliance.
with the Code.

**PORTS OF ENTRY:** The Ports of Entry Division ensures the proper taxation of alcoholic beverages brought into the state by individuals for personal consumption via land ports on the Texas/Mexico border and the Galveston seaport for international cruise ships. The division is charged with identifying high-traffic loads and positioning personnel to collect tax payments as required by law. Primary customers are the individuals paying these taxes and fees.

Through an arrangement with the Texas Comptroller of Public Accounts, TABC Ports of Entry employees also collect taxes on cigarettes brought into the state. As such, the Comptroller is considered a secondary customer of the division.

Ports of Entry personnel are also charged with ensuring any illicit beverages and beverages deemed dangerous for public consumption are not brought into the state. This function serves to uphold the health of the Texas public, making all citizens and visitors primary customers of the division.

<table>
<thead>
<tr>
<th>CUSTOMER SATISFACTION SURVEYS</th>
</tr>
</thead>
<tbody>
<tr>
<td>To monitor the level of customer satisfaction, TABC has used surveys tied to specific agency programs: Law Enforcement, Licensing, and Audit. Data collected from the surveys is used to monitor each division’s performance against accepted customer service standards, improve overall quality of service, and provide information on overall customer satisfaction.</td>
</tr>
</tbody>
</table>

In addition to the division-level surveys, TABC also employs a Customer Satisfaction Survey on its public-facing website. This online survey is used to capture data from customers who seek to provide input on their own and are not necessarily contacted for a survey.

**LAW ENFORCEMENT**

Each month the Law Enforcement Division randomly surveys five percent of license holders inspected during the previous month. Satisfaction rates are based on the percentage of survey respondents who replied positively to at least four of the six survey questions.

In fiscal year 2016, a total of 3,156 surveys were mailed, of which 579 were returned, resulting in an overall satisfaction rate of 99.5% percent. This is a significant achievement on its own, as well as an increase of more than two points from the fiscal year 2014 satisfaction rate of 97.43 percent. In fiscal year 2017, a total of 2,281 surveys were mailed, of which 439 were returned, resulting in a customer satisfaction rate of
Responses to specific questions for fiscal years 2016 and 2017 combined:

<table>
<thead>
<tr>
<th>Survey Question</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Was the disruption to your business minimal?</td>
<td>93.1%</td>
</tr>
<tr>
<td>Did the agents treat you and your employees with courtesy and respect?</td>
<td>99.2%</td>
</tr>
<tr>
<td>Did the agents treat your customers with courtesy and respect?</td>
<td>98.8%</td>
</tr>
<tr>
<td>Were the actions of the agents fair and reasonable?</td>
<td>98.7%</td>
</tr>
<tr>
<td>Did the agents seem as interested in helping you obey the law as they were in finding violations?</td>
<td>98.1%</td>
</tr>
<tr>
<td>Overall, did the experience leave you with a favorable impression of the TABC and its enforcement agents?</td>
<td>98.6%</td>
</tr>
</tbody>
</table>

Overall, Law Enforcement’s customer satisfaction rating has remained slightly higher than 98.6 percent for the last four years. This high rate of customer satisfaction is expected to remain steady for the foreseeable future.

**LICENSING**

The Licensing Division mails surveys to retailers, distributors, and manufacturers who have applied for an original license or permit. Customer satisfaction percentages are based on the ratio of ‘yes’ responses to the sum of the ‘yes’ and ‘no’ responses. Questions left blank were not counted as part of the total.

During fiscal year 2016, 562 out of 7133 surveys were returned, constituting a response rate of 7.87 percent. The percentage of respondents who were satisfied with the licensing process was 97.3 percent, a decrease from 99.01 percent in fiscal year 2015. For fiscal year 2017, of 6,572 surveys sent, 402 were returned for a response rate of 6.12 percent. Of those responding, 96.69 percent were satisfied with the service, another slight decrease from fiscal year 2016.

Results for fiscal years 2016 and 2017 combined:

<table>
<thead>
<tr>
<th>Survey Question</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>At your interview, were you given a contact name and phone number to assist you with future questions or concerns?</td>
<td>95.39%</td>
</tr>
<tr>
<td>Did you leave the interview with a basic understanding of the information discussed?</td>
<td>99.22%</td>
</tr>
<tr>
<td>Were you given an opportunity to ask questions?</td>
<td>96.93%</td>
</tr>
<tr>
<td>General impressions</td>
<td></td>
</tr>
<tr>
<td>Did the TABC employees with whom you had contact during the licensing process seem knowledgeable?</td>
<td>97.28%</td>
</tr>
<tr>
<td>Were the TABC employees with whom you had contact during the licensing process seem knowledgeable?</td>
<td>98.35%</td>
</tr>
</tbody>
</table>
Overall, the level of customer satisfaction for Licensing has remained steady in the 97 to 99 percent range for the last four years.

**AUDIT**

The Audit Division randomly surveys 10 percent of license holders who were either inspected by TABC auditors or were the subject of an audit or analysis. Satisfaction rates are based on the percentage of survey respondents who replied positively to at least four of the six survey questions.

In fiscal year 2016, a total of 1,622 surveys were mailed to agency license holders, and 323 surveys were completed and returned, producing an overall customer satisfaction rate of 97.8 percent. In fiscal year 2017, 1,772 surveys were mailed to license holders of which 360 were completed and returned, with 99.2 percent of the respondents expressing overall satisfaction with their contacts with agency auditors.

Responses to specific questions for fiscal years 2016 and 2017 combined:

<table>
<thead>
<tr>
<th>Survey Question</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did the auditor behave in a courteous and professional manner?</td>
<td>99.1</td>
</tr>
<tr>
<td>Did the auditor explain the purpose of the visit and outline the steps that he or she would follow?</td>
<td>98.4</td>
</tr>
<tr>
<td>Did the auditor give you the opportunity to ask questions and adequately respond to the questions asked?</td>
<td>98.4</td>
</tr>
<tr>
<td>Was the visit conducted with a minimum disruption to your business?</td>
<td>94.6</td>
</tr>
<tr>
<td>Were the auditor’s actions fair and reasonable?</td>
<td>98.0</td>
</tr>
<tr>
<td>Overall, did the auditor leave you with a favorable impression of the TABC and its employees?</td>
<td>97.4</td>
</tr>
</tbody>
</table>

Historically, survey results have hovered in the 98 to 99 percent range, leaving small room for improvement.

**WEB SURVEY**

An additional survey instrument is available on the TABC website. It is designed to gauge customer satisfaction with respect to certain categories: service timeliness, staff, facilities, printed materials, communication, complaint-handling processes, website, and overall satisfaction with TABC.
Because a user must actively seek out the online survey on the TABC website rather than receive a direct solicitation to participate in a survey as in previous methods, the participation rate is comparatively low: approximately 49 surveys were available to calculate the results for fiscal years 2016 and 2017. Another 979 surveys were submitted for the same timeframe, but could not be used because either participants used the free-form text box to register general opinions of the agency and did not address the survey statements or the questions were addressed but the text in the free-form boxes made it obvious that the data was created by automated spambots.

The initial questions in the survey offer drop-down menu options which allow the agency to pinpoint the applicable TABC division and office location, the type of interaction (phone, in-person, etc.), and the type of relationship with TABC (license holder, employee of license holder, citizen, etc.). The website survey then asks individuals how they agree with 19 positively phrased statements. Responses are given on a scale of one (strongly disagree) to five (strongly agree). If the individual did not have an opinion or the item did not apply, presumably ‘Not Applicable’ was selected. The percent of survey participants in agreement with each statement was calculated by dividing the number of participants who agreed with the item (selecting agree or strongly agree) by the total number of valid responses. Although ‘Not Applicable’ is a valid response, it was not included in this calculation.

The percentage of positive responses for fiscal years 2016 and 2017 combined are:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percent Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>TABC employees were knowledgeable and helpful.</td>
<td>71%</td>
</tr>
<tr>
<td>TABC employees were courteous and respectful.</td>
<td>81%</td>
</tr>
<tr>
<td>TABC employees were responsive to my needs and concerns.</td>
<td>69%</td>
</tr>
<tr>
<td>The TABC office was convenient and easily accessible.</td>
<td>66%</td>
</tr>
<tr>
<td>The TABC office was clean and orderly.</td>
<td>79%</td>
</tr>
<tr>
<td>I was given clear explanations about the services available.</td>
<td>67%</td>
</tr>
<tr>
<td>I received answers to all of my questions.</td>
<td>68%</td>
</tr>
<tr>
<td>I received printed materials (i.e., brochures, newsletters, instructions, forms, etc.) explaining the services available.</td>
<td>67%</td>
</tr>
<tr>
<td>TABC materials were clear and understandable.</td>
<td>75%</td>
</tr>
<tr>
<td>TABC services were offered at convenient times.</td>
<td>64%</td>
</tr>
<tr>
<td>TABC services were delivered within a reasonable amount of time.</td>
<td>59%</td>
</tr>
<tr>
<td>I received a response by telephone (including ‘on-hold’ time) within a reasonable time.</td>
<td>85%</td>
</tr>
<tr>
<td>I received a response by e-mail within a reasonable time.</td>
<td>84%</td>
</tr>
<tr>
<td>I received a response by U.S. mail within a reasonable time.</td>
<td>67%</td>
</tr>
<tr>
<td>I was able to find helpful, clear and accurate information on the TABC</td>
<td>67%</td>
</tr>
</tbody>
</table>
The TABC website was easy-to-use and well organized. 57%
I know how to make a complaint regarding services at TABC. 52%
I believe TABC would handle my complaint in a fair manner. 50%
Overall, I am satisfied with the services I received from TABC. 62%

As indicated previously, this type of survey is unscientific. The individuals who choose to participate are not necessarily representative of the agency’s customer base as a whole. In general, those who take the survey have had either very good or, more often, very bad experiences with the TABC, leading them to take the survey in an effort to raise awareness of their experience before agency leadership. This limits survey participants’ usefulness as an objective control group. However, in comparison to fiscal years 2014 and 2015, cumulative total of positive responses increased by 48 points.

Considering this type of survey, the agency focuses less on the actual customer satisfaction percentages and more on the individual comments in the text boxes, scoring averages for divisions and office locations, and the relationship between TABC and participants. More importantly, this analysis is then used to determine areas of focus and the strategies to employ to make customers happier.

| CONCLUSION |
Based on these evaluations by agency customers, there is clear evidence of good customer service by the agency and substantial improvement over time. The agency’s Law Enforcement, Licensing, and Audit staff all received positive survey results. These employees were considered to be courteous, knowledgeable, and responsive to customer needs, in addition to providing clear explanations about the agency’s services when answering customer questions. Additionally, the agency is evaluating the possibility of adding a customer satisfaction survey for the Ports of Entry Division. TABC staff is working to determine which survey method would best suit the fast-paced environment of an international border crossing, while inviting consistent response rates and accurate results.

| CUSTOMER-RELATED PERFORMANCE MEASURES |
The Legislative Budget Board has created generic customer-related performance measures for all state agencies. Data represents surveys of Law Enforcement, Licensing, and Audit divisions and excludes the web survey.
<table>
<thead>
<tr>
<th><strong>Outcome Measures</strong></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018 (Expected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of Survey Customer Respondents Expressing Overall Satisfaction with Services Received</td>
<td>97%</td>
<td>98%</td>
<td>99%</td>
<td>98%</td>
</tr>
<tr>
<td>Percentage of Surveyed Customer Respondents Identifying Ways to Improve Service Delivery</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Output Measures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Customers Surveyed(^1)</td>
<td>16,329</td>
<td>11,036</td>
<td>11,500</td>
<td>11,550</td>
</tr>
<tr>
<td>Number of Customers Served(^2)</td>
<td>1,257,218</td>
<td>1,386,187</td>
<td>1,434,047</td>
<td>1,406,065</td>
</tr>
<tr>
<td>Average Number of Days to Approve an Original Application(^3)</td>
<td>37.00</td>
<td>35.14</td>
<td>40.66</td>
<td>46.00</td>
</tr>
<tr>
<td>Average Number of Days to Close a Law Enforcement Complaint Investigation(^3)</td>
<td>47.45</td>
<td>45.95</td>
<td>46.42</td>
<td>58.50</td>
</tr>
<tr>
<td><strong>Efficiency Measure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost per Customer Surveyed</td>
<td>$0.77</td>
<td>$0.76</td>
<td>$0.78</td>
<td>$0.76</td>
</tr>
<tr>
<td><strong>Explanatory Measures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Customers Identified(^4)</td>
<td>27,000,199</td>
<td>27,379,214</td>
<td>27,760,955</td>
<td>28,145,356</td>
</tr>
<tr>
<td>Total Customer Groups Inventoried</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

\(^1\) Due to customer surveys no longer comprising a reportable measure for the Enforcement and Compliance strategies in TABC’s approved budget structure (as of 2016), the agency has resorted to using a smaller random sample size when mailing out surveys, as a cost-saving measure.

\(^2\) Represents the number of licensed businesses inspected or audited, complaints, persons attending TABC-led educational programs, seller/server training certificates issued, license/permit applications processed, and transactions at a port of entry.

\(^3\) Represents performance measures added by TABC.

\(^4\) State Population. Source: Texas Demographic Center (Migration Rate 0.5 2010-2020).