

# An Assessment of the Adult Entertainment Industry in Texas

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## EXECUTIVE SUMMARY DOCUMENT

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*Final Report • March 2009*

*Prepared in partial fulfillment of House Bill 1751 directives from the 80th Texas Legislature*

*Prepared by:*

The Bureau of Business Research, IC<sup>2</sup> Institute, and  
the Institute on Domestic Violence and Sexual Assault  
of THE UNIVERSITY OF TEXAS AT AUSTIN



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## >Project Staff

The assessment was conducted by a team of researchers headed by Dr. Bruce Kellison, Associate Director of the Bureau of Business Research, IC<sup>2</sup> Institute, The University of Texas at Austin; and Dr. Noël Busch-Armendariz, Associate Professor and Director, the Institute on Domestic Violence & Sexual Assault, School of Social Work, The University of Texas at Austin. Dr. James Jarrett, Senior Research Scientist, IC<sup>2</sup> Institute, served as the principal researcher. Other researchers included Margaret Cotrofeld, Coral Franke, Yeolib Kim, Brandon McWeeny, Alice Yu, Neely Mahapatra, and Leila Voyles. Cathy Chapaty provided thorough editorial services on the final report. The study was performed from June 2008 through early 2009.

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This project, a collaboration between the Bureau of Business Research (BBR) and the Institute on Domestic Violence and Sexual Assault (IDVSA) at The University of Texas at Austin, assesses the socio-economic impact of Texas' sexually oriented business industry on the Texas economy, analyzes the impact on Texas' economy of the Adult Entertainment Fee (AEF) imposed by the Legislature in House Bill 1751, and provides recommendations for further regulating the sexually oriented business industry in Texas.

### >Background and Significance

HB 1751, passed by the Texas Legislature in 2007 and signed by Governor Rick Perry, imposed a fee on sexually oriented businesses that provide live nude entertainment or performances, in an amount equal to \$5 for each entry by each customer admitted to the business. The legislation's intent was to provide fee revenue to dedicate to the sexual assault program fund to cover the costs of programs that relate to sexual assault prevention, intervention, and research provided by state, local, and nonprofit agencies. The legislation also called for a "third-party assessment of the sexually oriented business industry (SOB) in this state [that would include] recommendations to the legislature on how to further regulate the growth of the sexually oriented business industry in this state." The Texas Office of the Attorney General and its Crime Victim Services Division requested that the Bureau of Business Research, a research unit of The University of Texas at Austin, undertake the assessment.

This report focuses mainly on adult cabarets, including nude and partially nude live dancing establishments that have Texas Alcoholic Beverage Commission (TABC) mixed-beverage licenses and those places that do not have liquor licenses but permit the consumption of alcohol on premises. Adult book and video stores are also included in the analysis.

### >Research Goals

The research team undertook a socio-economic assessment of the sexually oriented business industry in Texas to:

- Identify, collect, and review prior policy and academic studies on the socio-economic impact of SOBs.
- Obtain information on variation in SOB regulations across jurisdictions.
- Review experiences of other states and localities with SOB regulation.

- Analyze academic studies on SOB workers.
- Develop estimates of employment in SOB and AEF-affected businesses and examine job satisfaction of employees and contractors working in the industry.
- Identify AEF-affected businesses and Texas SOB establishments by NAICS codes.
- Obtain and manipulate databases from state agencies about AEF-affected businesses and SOB establishments.
- Outline the tax requirements and other regulations with which sexually oriented businesses must comply.
- Estimate employment and size of the SOB industry in Texas, including breakdown of employment types, such as full-time, part-time, contract workers; entertainers v. managers/others.
- Identify establishment locations and prepare Geographical Information System maps by city, county, state representative districts, and Senate districts.
- Conduct survey of SOB establishment owners and operators.

The research report focuses on the economic impact of the AEF on the industry and on Texas tax collections to:

- Compile tax payment data for 2005 - 2008 AEF-affected businesses and estimate AEF impacts on tax collections in 2008/2009 using data from the Texas Alcoholic Beverage Commission and the Texas Comptroller, and estimate the impact the AEF has on state and local tax collections and on the venues.
- Develop financial estimates for operational expenses of, and investments in, AEF-affected businesses through Comptroller ownership data, aggregated sales and sales tax data, publicly traded firm data, and primary data collected from field interviews with industry association representatives and club owners.
- Assess positive and negative secondary effects from AEF-affected and SOB firms on communities in which firms are located.
- Summarize the economic impact of the AEF on state tax collections and on the industry.

The report concludes with recommendations and options for reform or regulation of the SOB industry.

## >Scope of Assessment

### Report Overview and Organization

This report has been prepared for different audiences using a “triage format.” For readers seeking additional elaboration, detailed materials are presented in individual chapters. Specialized materials are included in footnotes and appendices. Technical language has been avoided as much as possible, and charts and graphics have been prepared to help illustrate some of the review’s key findings. Data are presented in five chapters in the following organization:

**Chapter 1** reports descriptive data, highlighting the scope of the adult cabaret industry, the number of clubs, the number of employees in the industry, and their wage totals. It summarizes the taxes this industry contributes to the State's treasury, describes the AEF imposed in 2008, and looks at collections. Finally, a brief presentation is given on other industry segments, including the impact of adult book and video stores in Texas.

**Chapter 2** goes into further detail about the potential effects of the AEF on Texas clubs and on tax revenues. A tax sensitivity analysis is presented to show the effects on state tax collections of changes in the AEF.

**Chapter 3** analyzes a unique dataset of TABC infractions both at regular bars and at adult cabarets to present one measure of comparison between the two types of drinking establishments.

**Chapter 4** looks at regulations undertaken by other jurisdictions to regulate the adult entertainment industry and tries to put Texas's experience in comparative perspective.

**Chapter 5** presents recommendations and options for reform and regulation that policymakers might consider.

Finally, a series of Appendices are included that augment material presented elsewhere in the report, including literature reviews on the relationship between alcohol and sexual assault, one on entertainers, and another on secondary effects of adult entertainment clubs; maps of adult cabarets in Texas; a survey of Texas club owners conducted for the report, and more detail on club valuations.

### **Priorities and Types of Businesses to Include**

There are numerous categories and types of sexually oriented businesses in Texas. They vary in number, location of sales (on-premise activity in retail establishments, off-premise activity involving retail establishments, private homes, rooms in lodging establishments, etc.), degree of involvement with individuals, and level of business activity. At a minimum, the following industry segments could be examined in theory:

- Adult entertainment clubs
- Adult theaters
- Adult video stores
- Adult bookstores/magazines
- Adult motels/lodging establishments
- Escort services
- Hotel/motel video-on-demand services
- Home-based cable/video-on-demand
- Internet
- Massage parlors

- Novelties/clothing
- Nude modeling studios

The legislative intent for this assessment clearly was focused on adult entertainment clubs and the AEF. Because of language about secondary effects, site-based industry segments appeared to be a higher priority than non-site-based businesses (hotel/motel video-on-demand, home-based cable/dish video-on-demand, and the Internet).

A third factor affecting decisions about inclusion of industry segments was data availability—the difficulty in identifying establishments in that industry segment (e.g., escort services, Internet sites) and the likelihood of obtaining data from the State Comptroller through open-records requests or from some other reliable government or private source. Based upon these three considerations, the following initial priorities were established:

### ***Highest Priority***

- Adult entertainment clubs
- Adult theaters
- Adult video stores
- Adult bookstores/magazines
- Escort services
- Hotel/motel video-on-demand

### ***Secondary Priority***

- Nude modeling studios
- Massage parlors
- Novelties/clothing
- Adult motels

### ***Lowest Priority***

- Home-based cable/video-on-demand
- Internet<sup>1</sup>

After a period of early field work and attempts to obtain data, four changes were necessary:

Adult theaters – There was an insufficient number of stand-alone establishments to warrant attention (arcade-type movies are included in other categories);

Escort services – An open records request for information about 32 escort services in one metropolitan area returned inconclusive results;

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<sup>1</sup> Consideration was given to inclusion of adult internet sites. That would have presented unique challenges in terms of selecting specific sites from among thousands currently in existence, determining if any of the sites are located in Texas, identifying the taxpayers for those which are located in Texas, and obtaining relevant information in databases at the Comptroller's Office of Public Accounts. Further, the accuracy of such information, even if located within the databases, could not be assessed in any manner. Project Staff did not possess the technical expertise, time, and resources to overcome these significant hurdles. Nor are we are of any policy- or government-based organizational entities that have published information for a state of government.

Hotel/motel video-on-demand – No reliable data could be obtained regarding the breakdown of adult-oriented total revenues for the largest provider of adult content for hotels and motels;

Nude modeling studios – A request for a list of modeling studios in one metropolitan area generated the names of 107 establishments. Yet there was no current information about these establishments in a local database of sexually oriented businesses, and staff could not distinguish between traditional studios and sexually oriented studios by other means.

Ultimately, all attention was focused on:

- Adult entertainment clubs
- Adult bookstores
- Adult video stores

## Data Limitations

The sexually oriented business industry is one that appears to have escaped thorough and conventional business/ economic analysis. Further, this is an industry in which some establishments are quite secretive and do not provide information about their operations. For these reasons, there is a paucity of prior published information and even fewer studies that are detailed and verifiable. Therefore, for the most part, all data for this assessment needed to be collected anew.

The primary source of data came from the State Comptroller. All data secured from this office was obtained in response to open-records requests made between June-December 2008. Because of current state statutes regarding confidentiality of information in databases of the State Comptroller, collecting and analyzing the data was significantly limited. Information also was obtained via an open-records request to the Texas Workforce Commission (TWC). Supplemental information was obtained about mixed-beverage sales from a private vendor.

Project researchers conducted a series of field trips to Texas metropolitan areas to interview city and county criminal justice and police vice officials, legal staffs, and select elected officials. Several Texas local governments provided databases of sexually oriented businesses in their jurisdictions. Attempts were made to obtain interviews with owners of adult entertainment clubs during these trips.

A survey of club owners was performed in conjunction with the Texas Entertainment Association (T.E.A.), a group representing some of the adult clubs within the State of Texas. The T.E.A. provided input to the survey instrument as well as contact information for club owners.

Limited information is available from SOB industry groups. Some groups seem to include only a portion of potential members. This is not surprising, given that many of these industry segments appear to be highly fragmented, without large numbers of major companies. There are some national-level data readily available from the Free Speech Coalition (State of the Industry Report, various years), which rely extensively on an annual survey by the Adult Video Network (AVN). While

these data are examined further in a later section, they rarely are documented thoroughly and have been criticized as inflated.

In the end, there are few, if any, reasons for owners of sexually oriented businesses to share information about their establishments. In addition, groups representing some owners of different industry segments have provided inadequate references and data of dubious quality—further challenging the data collection and analysis processes.<sup>2</sup>

## >Fieldwork

To better understand the context for the myriad socioeconomic and public policy issues surrounding SOBs in Texas, the research team undertook a series of trips to discuss the industry with industry representatives and local leaders around the state. We conducted interviews with adult entertainment club owners and their attorneys; city council members; city and county police, vice squad, and sheriff's office representatives; Texas Alcoholic Beverage Commission staff; and city attorneys in a number of cities and municipalities. (The interview templates that structured our discussions appear in Appendix VII of the complete report.) These interviews assisted the research team to frame the local issues surrounding SOBs, although no attributable material from these discussions appears in the report.

## >Key Facts and Findings

### **Economic Impact of Adult Entertainment Industry in Texas**

We estimate the industry has a yearly total economic impact of between \$920 million and \$1.08 billion. This includes direct and indirect effects of total output by adult cabarets and dancer income, adult book and video stores, escort services, and modeling and massage studios. Direct and indirect employment in the adult entertainment sector, including cabaret employees and dancers; bookstore; and video store outlets totaled 12,500 in 2007. Direct output by adult cabarets alone was \$216.6 million in 2007. To put that number in perspective, in 2006, adult cabaret output was approximately two-thirds as large as the Texas media industry as a whole. In 2006, the media industry – film, television, commercials, animation, and video games – spent \$330.1 million on production in Texas.

Using standard Regional Input-Output Modeling System (RIMS II) multipliers, the estimated direct and indirect employment in the adult cabaret sector (not yet including dancers) is just under 8,000 people, whose direct and indirect earnings in 2008 totaled \$170 million. Total direct taxes generated by adult cabarets were \$55.8 million in 2007, \$22.8 million of which went to the State of Texas and \$33 million of which went to cities and counties. When indirect tax payments were added, total taxes generated by adult cabarets were approximately \$70 million in 2007.

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<sup>2</sup> Because sexually oriented businesses need to market their services, there are several sources of information, albeit unconventional ones, readily available. These include listings and advertisements in alternative newspapers in major metro areas of Texas, listings in the business phone directories, and online. To develop lists of establishments for each industry segment for all major metro areas, however, would be very labor intensive. Focusing on several metro areas and then extrapolating results to the entire state is one option. Unfortunately, unless one is extremely confident that all establishments have been identified for a major metro area, there is a significant danger in generating an underestimate for that metro area and more importantly, for the state as a whole.

## **Alcohol, Sexual Violence, and Adult Cabarets**

Are sexually oriented businesses, alcohol, and the victimization and perpetration of sexual violence against women connected? An exhaustive review of the literature says yes. Researchers have found substantial evidence that connects alcohol with sexual violence perpetration and increased risk for victimization. The connection between alcohol and sexual violence suggests that alcohol consumption does not necessarily lead to rape and assault, but it aids beliefs and behaviors supported by perpetrators that promote aggression.

Assessing the impact of adult cabarets on their workers, mainly young women, is controversial. Many researchers believe that exotic dancing, or nude stripping, is empowering to women, offers superior economic opportunities, and increases power. Researchers have provided evidence, however, that suggests the opposite is true. Exotic dancing is not only demeaning and dangerous for women workers but also is a violent and traumatizing line of work that includes sexual, verbal, and physical violence, and exploits female workers. It is important to note that most samples used in studies of women who work at SOBs are “convenience” or so-called “snowball” samples. Researchers have cited the impossibility of finding a random sample of entertainers and dancers, but there is substantial evidence from qualitative studies that working at SOBs is potentially harmful to women, both physically and emotionally.

The correlation between sexual violence and alcohol and between prostitution and rape is well documented. However, no study has authoritatively linked alcohol, sexually oriented businesses, and the perpetration of sexual violence. Research suggests that some exotic dancers have experienced sexual violence at work, asserting that potential victimization is a concern for women in this profession. What is not known is if there is a causal relationship between sexually oriented businesses and the perpetration of sexual violence.

## **Secondary Effects of Adult Cabarets**

The literature on the socioeconomic impact of sexually oriented businesses cites positive and negative secondary effects for communities and workers. Perhaps the only clear finding is that the literature is deeply divided. There is a lack of consensus about whether sexually oriented businesses harm or benefit communities and those who work in the industry. While positive and negative secondary effects have been documented, it also is clear that many studies lack methodological rigor, and without empirical evidence, authoritative conclusions are difficult to draw.

## **Club Data**

- There are 175 adult cabaret clubs in Texas. Of that total, 133 clubs serve mixed-beverages and 42 clubs have either a beer-and-wine-only license or serve no alcohol, but allow patrons to bring their own beverage (BYOB).
- Mixed-beverage sales account for an average of 70% of sales at the clubs with mixed-beverage licenses.
- Revenues for clubs increased by 2.27% in the first three calendar quarters of 2008 compared to the same time period in 2007. Most of the gain was in the first three months of

2008. Mixed-beverage sales in the adult cabarets dropped in 2008, but taxable sales were up considerably, more than offsetting the declines in mixed-beverage sales.

- There are many small clubs and a handful of very large operations. Of the 133 clubs with mixed-beverage licenses, 90 have drink revenues of less than \$100,000 per month, with the median club selling around \$61,000 per month in mixed beverages.
- An estimated 8,272 people, including 3,181 dancers, are directly employed by adult entertainment clubs in Texas.

## Taxes and Fees

- Like all mixed-beverage permit holders, adult entertainment clubs remit a 14% gross mixed-beverage sales tax every month to the Texas Comptroller of Public Accounts. Third quarter 2008 mixed-beverage sales tax totaled \$5.02 million. Aggregate sales tax in the same quarter totaled another \$1.6 million.
- An estimated 96 adult book and video store outlets paid an estimated yearly sales taxes of about \$4.75 million on taxable sales of just over \$59 million over the four quarters ending June 30, 2008.
- Adult Entertainment Fee (AEF) collections totaled \$11.25 million in the four quarters of 2008, far less than had been anticipated in the Comptroller's Fiscal Note developed in conjunction with HB 1751 (\$34 million in FY2008).

### *Total All Filers*

<b>1st Quarter 2008</b>	<b>\$4.16 million</b>
<b>2nd Quarter 2008</b>	<b>\$3.48</b>
<b>3rd Quarter 2008</b>	<b>\$2.18</b>
<b>4th Quarter 2008</b>	<b>\$1.43</b>
<b>Total:</b>	<b>\$11.25 million</b>

- The amounts collected have declined over the reporting periods. The third quarter amount was \$2 million less than the amount for the first quarter, an approximately 48% decline. This drop is possibly due to at least two factors: Fewer clubs are filing their fee reports with the Comptroller, and fewer customers frequent the clubs that are filing.
- Based on the ratio of club filings and fees collected in the first quarter of 2008, the estimated maximum potential fee total (even with every club filing a report) is likely to be only \$30 million, far less than the \$52 million estimated in the Fiscal Note.
- Club filings of the AEF have been intermittent. Of the 175 clubs, slightly more than one-fourth filed on time in all four reporting periods. More than 40% of clubs have never paid the AEF.
- Besides fewer filing clubs, there is some evidence that fewer customers are entering clubs. For filers who have reported in the first three periods or in all four periods, there was a drop

in the AEF collections (that is the equivalent of customers) of 11.1% from the first quarter to the second quarter and another 9% from the second quarter to the third quarter. For the 45 clubs which reported in all four periods, there was a slight increase of 1.1% between the third and fourth quarters of 2008.

- As a percentage of total club revenues, we estimate that the AEF is (or would be) about 12.8%, if all clubs paid the fee, with differential effects on revenues depending on club size.

### **Effect of the AEF on Club Sales**

- Compared to year-over-year, same-store sales data available for publicly traded clubs with national operations, such as Rick's Cabaret International, Inc., and VCG Holding Company, Texas clubs are showing smaller sales increases than clubs in other states—somewhat surprising given the relative strength overall of the Texas economy compared to other states. This could indicate that the AEF is having a slight negative effect on club revenues.
- Mixed-beverage taxes paid by all drinking establishments in Texas steadily increased in 2007 and 2008, but mixed-beverage taxes collected by adult cabarets in the state have declined, leading to the belief that the AEF is having some effect on clubs' sales.
- Which has more of an effect on club revenues, the economic downturn or the AEF? Researchers ran simple regressions on statewide club revenues and a number of standard economic indicators, such as the statewide unemployment rate, gross state product, and personal income. The results show that there is a higher correlation between the recession and the decline in club revenues than exists between the AEF and the decline in club revenues. For some smaller clubs, however, the remaining effect of the AEF on profit margins could be significant. It could be, and probably is, especially for clubs that have lower gross margins.

### **Effect of the AEF on State Tax Collections**

Using conservative assumptions about the causes of change in club revenues, our tax sensitivity model showed that at a hypothetical 4% decrease in club output caused entirely by the AEF, the State of Texas could expect a 5.2% drop in tax revenues in 2008-2009. A 10% drop in club output would cause a 13.8% decrease in total tax revenue. This does not include revenue collected by the AEF itself, of course, so even under conditions of up to a 20% reduction in club output, the AEF combined with property and state taxes still generates an overall surplus to state revenues of \$4 million. We estimate, however, that adult cabaret gross revenues will not drop by more than 4% in 2008 and may in fact show an increase overall, so the extreme scenarios are unlikely to play out, especially if AEF collections increase.

### **Owners' Survey**

To most accurately capture the perspective of the adult cabaret industry in Texas, we surveyed owners of Texas clubs with questions about the operation of their businesses and their opinions about the regulatory environment in Texas. In cooperation with the Texas Entertainment Association

(T.E.A.), the main industry association, a total of 136 owners representing virtually all 175 clubs in the state of Texas, were sent either a web-based survey (hosted by SurveyMonkey.com) or a hardcopy survey instrument at their taxpayer address obtained from the Texas Comptroller. Respondents were promised anonymity and confidentiality in return for their participation. Although the response rate was low (17%), and responses from owners of larger clubs throughout the state were overrepresented in the response pool, the survey responses help paint a more complete picture of the industry in Texas. (A complete copy of both the survey analysis and the survey instrument are included in Appendix VII of the full report.) Among the key findings, according to respondents:

- An average patron spends \$45 per club visit, not including tips to dancers.
- Employee fringe benefits: 66% of respondents say they provide at least one fringe benefit to employees, while 34% of owners do not provide any fringes.
- The average entertainer works four 7-hour shifts per week per club and is considered an “independent contractor,” not an employee of the club where she dances.
- We estimate that there are approximately 3181 dancers working in Texas’ adult entertainment clubs, earning an average of \$57,157 per year, and that total direct earnings by entertainers are approximately \$182 million per year. Some respondents report that their best dancers earn up to \$71,000 a year.
- Respondents reported that almost half of the entertainers in their clubs are single mothers, and 16% are students. Respondents reported that almost 90% of their dancers have at least a high school diploma, and 11% have a college degree.
- The most frequently cited challenges that owners face with their dancers included ensuring that entertainers abide by existing laws and regulations, and getting entertainers to come to work on a regular basis.
- Most open-ended responses to questions about the AEF and the regulatory environment in Texas indicated that both were negatively affecting the owners’ businesses. See Appendix IX for all of the responses to open-ended questions.

### **TABC Infractions Data Analysis**

Is there a difference in the prevalence of crime inside adult entertainment cabarets and inside other types of drinking establishments? As a proxy for crime data, we collected statewide Texas Alcoholic Beverage Commission violations data between 2005 and 2008 for all sexually oriented businesses in Texas with mixed-beverage licenses and a sample of non-adult entertainment club drinking establishments (bars) in Texas matched by revenue and location. The result is a comparison between the two groups regarding the number and types of TABC violations, number and length of mixed-beverage license suspensions, and the amount of fines levied on the clubs.

- There was no significant difference in the number of complaints lodged with TABC or inspections by TABC agents for the two sample groups.
- Adult cabarets had a slightly higher number of administrative violations than did the sample of bars.

- Adult cabarets paid a higher number of fines, and their fines were significantly higher than the sample of bars, because of the severity of their infractions. The length of SOB license suspensions was more severe than the sample of bars because of a higher frequency of sex and drug violations.
- The bar sample had more criminal violations brought against individuals, mostly for violations related to minors.

## >Recommendations and Options for Reform or Regulation

The research team supports the implementation of the following recommendations in the areas of the Adult Entertainment Fee, zoning and enforcement, and further research. We support the consideration of the following options for reform or regulation in three areas: zoning and land use, refinement of existing regulatory procedures and mechanisms, and new actions.

### >Recommendations on AEF

#### **Recommendation #1**      **Continue AEF at its Current Level**

Based upon the economic analysis, fieldwork interviews and visits, and survey results, the current \$5 AEF is having only a slightly negative effect on the adult entertainment industry in Texas. While it is probably true that smaller establishments have been more negatively affected by the AEF than have the larger clubs, taken as a whole, however, the industry does not appear to have suffered major economic damage from the fee. Although mixed-beverage sales of adult entertainment clubs statewide are lower in the first 9 months of 2008 than they were in 2007, total revenues of adult entertainment clubs in that same time period are up about 2-3% over the comparable period in 2007.

#### **Recommendation #2**      **Improve Collection Rates of AEF**

Based on analysis of data from the Texas Comptroller, which collects the AEF from the clubs, a significant percentage of clubs are not regularly paying the AEF or are not paying it at all.

### >Recommendations on Zoning and Enforcement

#### **Recommendation #1**      **Impose More Stringent and Mandatory Penalties of TABC Violations**

As a public safety priority, and given the findings of the infraction research in this study, TABC regulations should be reassessed to allow for more stringent and mandatory penalties of sex and drug infractions at all clubs that hold liquor licenses, including suspension of those licenses. Moreover, innovative enforcement strategies and enhanced cooperation and data sharing among and between law enforcement agencies and TABC are needed.

**Recommendation #2**      **Stricter Penalties for License Violations at “Spa” Outlets**

Interviews conducted during the study with various state law enforcement officials – including city police officers, vice squad commanders, and sheriff’s deputies – revealed a growing problem with sex crimes occurring in non-licensed “spas.” More stringent penalties and mandatory occupational licensing of spa employees should be imposed by state agencies and monitored by law enforcement officials, similar to the statutes that currently apply to employees of massage parlors.

## >Recommendations for Future Research

**Recommendation #1**      **Research on Perpetrators of Sexual Violence**

New research should focus on sexual assault perpetrators, particularly those that are never reported or arrested for their crimes, and whether and how often they visit SOB’s, their use of the sex industry, and their consumption of alcohol as causes for the sexual violence they commit.

**Recommendation #2**      **Research on Women Entertainers**

More research is needed to better understand and appreciate the experiences of female SOB industry workers, including risk factors for victimization and the pernicious effects of alcohol on both perpetrators and victims.

**Recommendation #3**      **Minimize Virtual Prostitution Advertising**

There is a need for research-based strategies to minimize prostitution advertising in print and online publications, similar to the agreement reached for the online site Craig’s List (included in Appendix IX).

**Recommendation #4**      **Additional Study on SOB’s**

A number of special studies are needed regarding SOB’s, including an infractions data analysis by size of adult cabaret, an economic analysis of the AEF on small and medium-sized establishments, a detailed analysis of law enforcement data pertaining to a sample of adult entertainment establishments; a review of the impact of an increase in alcohol taxes on adult entertainment revenues in other states; and a specialized review of legislative initiatives pertaining to the adult entertainment industry in other jurisdictions.

**Recommendation #5**      **Study on Escort Services and Other Industry Segments**

There is virtually no information available about other industry segments such as escort services. There is a need to understand these services in the context of the larger social and economic structures.

## >Options for Reform or Regulation

This section outlines the following options for consideration by policymakers:

### >Zoning and Land Use

**Option #1** Establish statewide distance requirements for siting of new adult entertainment facilities.

**Option #2** Same as above but allow for more stringent requirements by local governments if desired.

**Option #3** Monitor closely the City of Houston’s legal strategy of using the city’s nuisance laws to force closure of “bikini bars” located in residential areas and operating without SOB licenses.

### >Refinement of Existing Regulatory Procedures and Mechanisms

**Option #1** Enhance enforcement of occupational requirements, such as Harris County’s dancers’ licenses.

**Option #2** Allow local city attorneys to petition for TABC action against specific clubs rather than administrative law judges only in Austin and Houston.

**Option #3** Prohibit closed rooms and other private areas in clubs, allowing only space that is visible to most patrons.

### >New Actions

**Option #1** Implement a statewide registry of sexually oriented businesses.

**Option #2** Implement a statewide registry of dancers and performers similar to New York State’s bill, outlined here in Chapter 4.

**Option #3** Implement a drug testing policy on entertainers and other employees of adult cabarets.

**Option #4** Develop a special statewide Crime Stoppers phone number and outreach initiative to anonymously report incidents at SOBs.

**Option #5** Consider an initiative similar to New Jersey's bill on outdoor lighting and indoor video surveillance, or one like Scotland's proposal for mandatory indoor closed-circuit TV surveillance.







## **Bureau of Business Research & the IC<sup>2</sup> Institute:**

Organized Research Units at The University of Texas at Austin

The Bureau of Business Research (BBR) was established in 1926 to provide Texans with applied economic research and data to strengthen the state's business environment. The BBR moved to the IC<sup>2</sup> Institute in 2005, where it continues its mission to contribute to the competitiveness of Texas industries. The IC<sup>2</sup> Institute was established in 1977 with the vision that science and technology are resources for economic development and enterprise growth. In addition to the BBR, the Institute oversees several targeted research programs that include the Austin Technology Incubator (with industry-specific incubation assistance for business start-ups in the *software, clean energy, wireless,* and *bioscience* technology sectors), the Master of Science in Technology Commercialization degree program, the Global Commercialization Group, and more. The IC<sup>2</sup> Institute is directed by Professor John Sibley Butler.

## **Institute on Domestic Violence and Sexual Assault**

Also part of The University of Texas at Austin

The mission of the Institute on Domestic Violence and Sexual Assault (IDVSA) is to advance the knowledge base related to domestic violence and sexual assault in an effort to end violence. IDVSA accomplishes this through supporting research on domestic violence and sexual assault and by providing training, technical assistance, and information dissemination to the practitioner community and the community at large. It is the vision of IDVSA that its multi-disciplinary, researcher-practitioner, collaborative approach will enhance the quality and relevance of research efforts and their application in service provision.