



Self-Evaluation Report Sunset Advisory Commission

August 2007

TEXAS RACING COMMISSION

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Texas Racing Commission Self-Evaluation Report

I. Agency Contact Information

A. Please fill in the following chart.

Texas Racing Commission Exhibit 1: Agency Contacts				
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II. Key Functions and Performance

Provide the following information about the overall operations of your agency. More detailed information about individual programs will be requested in a later section.

A. Provide an overview of your agency's mission, objectives, and key functions.

The Texas Racing Commission (TxRC) enforces the Texas Racing Act and its rules to ensure safe racing facilities, fair and honest racing activities, and accountable use of economic incentives.

TxRC regulates all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring, and enforcement. The Commission is required by statute and rule to:

- ♦ License racetracks that offer racing and the people who work at the racetracks or own race animals.
- ♦ Allocate race dates and supervise the conduct of all races, monitor the health and safety of the race animals, and conduct drug tests to ensure the animals race without prohibited substances.
- ♦ Oversee all pari-mutuel wagering activity, approve simulcasts, test the totalisator equipment, and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.
- ♦ Administer the Texas-Bred Incentive Program, which provides economic incentives to support a healthy and vigorous breeding industry in the state.

B. Do each of your key functions continue to serve a clear and ongoing objective? Explain why each of these functions is still needed. What harm would come from no longer performing these functions?

Each of TxRC's key functions, enforcing racing regulations, regulating participation, and regulating all aspects of pari-mutuel wagering, continues to serve the overall objective of protecting the health, safety

and welfare of all racing participants, including race animals and ensuring fair and honest racing activities.

Eliminating any of these functions may result in physical harm to both human and animal racing participants and may increase the likelihood of dishonest activities, resulting in a loss of the integrity of the sport of racing. The general wagering public would ultimately be harmed.

C. What evidence can your agency provide to show your overall effectiveness and efficiency in meeting your objectives?

Evidence of the agency’s overall effectiveness and efficiency in meeting its objectives may be seen in the results of key outcome performance measures and employee and customer service satisfaction.

RESULTS OF KEY OUTCOME PERFORMANCE MEASURES	FY04	FY05	FY06
Percentage of Investigations (individuals) resulting in disciplinary action	✓	✓	✓
Percentage of Licensees with No Recent Violations	✓	✓	✓
Percentage of Race Animals Injured or Dismissed from the Racetrack	✓	✓	✓
Average Time to Issue a New Occupational License (minutes)*	✗	✓	✓
Percentage of Compliance Audits Passed	✓	✓	✓

*In FY04, the target time for the licensing process was not met: the variance was 1 minute, 45 seconds over the targeted 7 minutes to issue a new occupational license.

EMPLOYEE AND CUSTOMER SATISFACTION

Promoting excellence through participation and accountability, the Commission finds the Survey of Organizational Excellence a meaningful and useful tool for gauging the health of the agency. Administered by the School of Social Work at the University of Texas at Austin every two years, the results reflect how TxRC staff views their total work environment. The benchmark data from the other participating agencies gives an added perspective to the results.

The survey groups its questions into twenty Survey Constructs designed to profile organizational areas of strengths and weaknesses in five areas: Work Group; Accommodations; Organizational Features; Information; and Personal. Scores in sixteen of the twenty areas in the 2006 survey increased over the 2004 survey. The areas of strength include Quality, Strategic, External, Burnout, and Job Satisfaction. The only construct that was perceived negatively by TxRC employees was “Fair Pay.” This low score was not unique to TxRC employees, as this was the lowest scoring area for all participating agencies.

Employees’ dissatisfaction with their pay did not, however, alter their attitude towards their job or in the level of service provided. The 2006 overall favorable employee survey results correlate well with the 2006 Customer Service Report with over 92% of the respondents expressing an overall satisfaction with services received. Gains were made in four of the customer service areas: staff, communications, service timeliness, and printed information. Consistent with previous surveys, the customer’s overall satisfaction score increased as the number of contacts with the Commission increased.

D. Does your agency’s enabling law continue to correctly reflect your mission, objectives, and approach to performing your functions? Have you recommended changes to the Legislature in the past to improve your agency's operations? If so, explain. Were the changes adopted?

Yes, TxRC’s enabling law correctly reflects its mission and objectives. The Commission recommended several changes to the 80th Legislature to improve agency regulation and oversight. The following are outcomes of each of the Commission’s requested change:

✓	Changes that clarify regulatory definitions
✓	Remove out-of-date provisions
✓	Give TxRC flexibility to conduct drug testing either pre-race or post-race
✓	Establish that the agency is required, by rule, to recover costs through fees for the regulation, oversight and licensing of racetracks, including both live and simulcast racing.
✗	Eliminate the provision that establishes the outstanding ticket revenue as one of the agency's revenue sources.
✓	Eliminate the provision that establishes 50 percent of the greyhound breakage as one of the agency's revenue sources.
✓	Change the expiration date for pari-mutuel tickets from 60 days after the end of a race meet to one year after their purchase. The bill also establishes a one-year expiration date for vouchers.
✓	Give the agency the authority to collect fees to cover the costs of doing criminal background checks on individuals requesting approval for a transfer of ownership in a racetrack license.
✓	Change the prohibition on a racetrack from employing former TxRC members and some former agency employees from a two-year restriction to a one-year restriction.

E. Do any of your agency's functions overlap or duplicate those of another state or federal agency? Explain if, and why, each of your key functions is most appropriately placed within your agency. How do you ensure against duplication with other related agencies?

No, the TxRC's functions do not overlap or duplicate those of another state or federal agency.

F. In general, how do other states carry out similar functions?

Generally, those states that authorize pari-mutuel racing have similar regulatory agencies that carry out similar functions.

G. What key obstacles impair your agency's ability to achieve its objectives?

The decline of the racing industry in Texas directly affects the Commission's regulation of the pari-mutuel racing and wagering. The decline does not mean less regulation, instead it often means more oversight is required to maintain industry integrity. Unfortunately as economic opportunities become more limited, meaning less purse money and fewer racing opportunities are available, some racing participants feel driven to take risks as they push to survive in the industry. The Commission needs to increase its presence and provide the most effective regulation of those individuals and entities that compromise the public's confidence in Texas racing.

In addition to overcoming past budget cuts that created unsatisfactory changes in the racing regulation, the State also needs an effective response to the growth in the amount of unregulated and frequently illegal gaming. This wagering occurs via television/telephone and the Internet, imposing a substantial competitive disadvantage on the Texas racetracks for the public's entertainment dollars. These gaming companies are not good corporate citizens of Texas. They do not employ Texans; they do not pay real estate taxes; they do not pay pari-mutuel taxes to the State of Texas; and they do not contribute to horse and greyhound industries or purses.

The expansion of gaming opportunities in our neighboring states of Arkansas, Louisiana, Oklahoma, and New Mexico places Texas racetracks at a competitive disadvantage for patrons and for high-quality race animals. With other states investing gaming revenues into breed incentive programs, Texas race animal breeding businesses are relocating to other states to take advantage of better economic opportunities. It is also having an impact on related agribusinesses.

In addition to the economic pressure from the bordering states, many racing participants view Texas as having stricter regulations than other jurisdictions. The Commission's pre-race veterinarian checks, zero tolerance in drug testing, backside requirements/prohibitions, and an active compliance inspection program create a different environment that racing participants must adjust to when coming to participate. It is important and challenging to make sure that licensees who come compete across state lines are aware of and understand Texas regulations.

Responding to and regulating an industry experiencing change challenges the agency to rebalance its regulatory priorities in a timely, flexible manner. To remain viable, racetracks need to alter their business products and approaches for live and simulcast racing. Race animal owners, trainers, breeders, and handlers modify their approaches as well. The Commission's challenge to provide staff and regulatory oversight under such conditions is unique among state agencies.

Unfortunately, the state's biennial planning and appropriations cycle is much longer than the racing industry's planning cycle. Mid-biennium changes in racing and wagering programs force the Commission to rebalance and shift its resources. If funding levels do not support the increased activity, the Commission must either reduce its regulatory programs to fit the available appropriation, which may have a negative affect on the integrity of racing, or disapprove the requested change in racing activity, which has a burdensome impact on the business economics of the racing industry.

H. Discuss any changes that could impact your agency's key functions in the future (e.g., changes in federal law or outstanding court cases).

The Jockeys' Insurance Fairness Act (H.R. 2175) was introduced in the United States House of Representatives on May 3, 2007. This bill would amend the Interstate Horseracing Act to require, as a condition to the consent for off-track wagering, that horsemen's groups and host racing Commissions offer insurance coverage for professional jockeys and other horseracing personnel. Congress has taken no further action on this bill since its introduction.

I. What are your agency's biggest opportunities for improvement in the future?

The agency has experienced continued and significant change, particularly since FY2003, due to reductions in budgetary resources and changes in personnel. Senior management has worked to identify processes and practices most in need of improvement. Audits by the State Auditor of Texas, the Civil Rights Division of the Texas Workforce Commission, and the Commission's contracted Internal Auditor have provided additional assessments of the agency, including improvements in inspections process management, information technology security, totalisator operations oversight, licensee hearings, breed registry oversight, and management staff development.

Management is exploring new ways to improve the regulatory efforts and provide enhanced support to staff. Although complete restoration of positions lost during the budget cuts is not possible, the agency did receive some additional appropriation authority for staff and this will be beneficial to continuing quality regulation.

To address improvements to the inspection process, staff leadership is working to solidify and integrate the oversight/inspection process among the divisions with the implementation of an overall assessment report for each racetrack. This project, piloted this spring, is giving TxRC track staff a mechanism for tracking more meaningful statistics, documenting issues or comments, both good and problematic, over the span of the live race meet. Formalizing this review process should continue to improve and enhance communications with not only racetrack staff, but also among TxRC staff.

In 2006, the agency rejoined Racing Commissioners International (RCI), an organization of 51 member jurisdictions, 42 from the United States and 9 international members. Established in 1935, RCI aims to protect and uphold the integrity of pari-mutuel racing through an informed membership by encouraging uniform regulation. Membership is giving the TxRC access to substantial expertise in a wide variety of racing-related subjects, from national standards for licensing, to wagering security, to drug testing and medication, to stewards' and judges' performance, and enforcement issues. Working with fellow regulators to develop a stronger, more unified approach to regulation benefits not only the regulators, but also addresses the industry's plea for consistent regulations as they go from state to state. The agency's participation, both at the board level and committee level, will aid the development of meaningful initiatives and reform.

Other opportunities for improvement include:

- better performance measures that reflect results of agency efforts instead of performance measures that tie to industry performance;
- better use of technology for drug testing, fingerprinting, and detecting wagering fraud;
- better coordination with racing veterinarians practicing on the backside to increase animal safety monitoring; and
- expanded knowledge and consideration of issues facing bettors.

J. In the following chart, provide information regarding your agency's key performance measures included in your appropriations bill pattern, including outcome, input, efficiency, and explanatory measures.

Texas Racing Commission			
Exhibit 2: Key Performance Measures — Fiscal Year 2006			
Key Performance Measures	FY 2006 Target	FY 2006 Actual Performance	FY 2006 % of Annual Target
Percentage Investigations Resulting in Disciplinary Actions	99%	99%	100%
Percent of Licensees with No Recent Violations	98%	97%	98.98%
Percent of Race Animals Injured or Dismissed from the Racetrack	0.30%	0.22%	73.33%
Number of Racetrack Inspections	65	68	104.62%
Average Regulatory Cost per Horse Racetrack	\$23,511	\$28,911	122.97%
Average Regulatory Cost per Greyhound Racetrack	\$23,511	\$28,911	122.97%
Number of Horse Tracks Regulated	7	7	100.00%

Number of Greyhound Tracks Regulated	3	3	100.00%
Number of Texas-bred Awards	27,518	25,630	93.14%
Number of Occupational Licenses Suspended or Revoked	200	201	100.50%
Number of Investigations Completed	1,300	947	72.85%
Number of Race Animals Inspected Pre-race	136,000	115,641	85.03%
Average Time Required to Issue a New Occupational License (Minutes)	8.75	5.90	67.43%
Number of New Occupational Licenses Issued	6,000	4,796	79.93%
Number of Occupational Licenses Renewed	8,500	8,087	95.14%
Average Cost per Licensee	\$30.52	\$38.27	124.17%
Percentage of Compliance Audits Passed	98%	100%	102.04%
Total Pari-mutuel Handle (In Millions)	\$548.10	\$502.69	91.72%
Total Take to the State Treasury from Pari-mutuel Wagering on Live and Simulcast Races	\$4,742,073.00	\$4,368,694.00	92.13%

III. History and Major Events

Provide a timeline of your agency's history, and key events, including:

- the date your agency was established;
- the original purpose and responsibilities of your agency;
- major changes in responsibilities or statutory authority;
- changes to your policymaking body's name or composition;
- significant changes in state/federal legislation, mandates, or funding;
- significant state/federal litigation that specifically affects your agency's operations; and
- key changes in your agency's organization (e.g., a major reorganization of the agency's divisions or program areas).

Texas Racing Commission

- 1986 Second Called Session of the 69th Legislature created the Texas Racing Commission. Unique funding as it provided for 'agency' to repay all start-up costs against future revenues plus 12% interest. Pari-mutuel tax rate was one of highest in country. Called for Sunset review in 1995.
- 1987 November state-wide referendum approved pari-mutuel wagering in Texas.
- 1988 First meeting of the Texas Racing Commission was held on 2/11/1988. Rules process began.
- 1989 Commission considered 22 racetrack license applications and granted 12 licenses. First horse racetrack opened on 10/6/1989
- 1991 HB 2263 made substantial changes to Texas Racing Act. Proponents of change said high pari-mutuel tax coupled with difficult economic environment kept Class 1 horse track investors on sideline. Changes included:
- state's portion of tax was significantly lowered for horse racing;
 - purse structure for horse purses increased;
 - tracks were allowed to simulcast to and from a licensed racetrack;
 - racetrack licenses became perpetual; and
 - additional incentives added to horse industry with additional incentives to Texas-Bred Programs
- As a result of the November 1991 referendum that authorized a state lottery, HB11 went into effect on December 1, 1991. To offset potential negative wagering effect on greyhound racing the greyhound tax rate was reduced and greyhound purse structure was increased.
- 1995 74th Legislature - Sunset legislation fails to pass. Commission is continued without changes and scheduled for review again in 1997.
- 1997 Commission reorganized under new Executive Secretary
75th Legislature – HB1445, with all of the Sunset Commission's recommendations, was adopted. Sunset provisions included:
- unified the Commission structure by eliminating the designated horse and greyhound Commissioners;
 - expanded enforcement and regulatory authority;
 - removed all references to promotion of racing industry, focused Commission activities on regulation;
 - improved inspection and enforcement oversight;

- instituted annual competitive bidding process to select the official drug-testing laboratory (Texas Veterinary Medical Diagnostic Lab had been designated as the official drug-testing laboratory for the Commission);
- provided for expanded oversight of Texas Bred funds; and
- made all 3 Stewards and Judges employees of Commission.

Other legislative changes added to HB1445 focused on promoting economic growth in the racing industry. These changes included:

- authorized cross-species simulcasting, horse tracks could offer wagering on greyhound races, greyhound tracks on horse races;
- authorized additional forms of tax dedicated to repaying the agency's debt to the General Revenue Fund;
- made greyhound and horse tax rates the same and provided tax relief on live racing by making first \$100 million in wagering tax-free; and
- authorized a Senate interim committee to study the racing industry.

2003 Agency complied with 7% mandated budget cuts for FY2003 mainly through salaries. Savings were generated through layoffs, delayed hiring, and reduced personnel hours both in Austin and at the racetracks. Other reductions included reducing travel, canceling the remainder of the internal audit contract, eliminating all money for training, and reducing consumable supplies purchases.

\$1.6 million revenue was swept to General Revenue in FY 2003. Addressed agency funding issues relating to the collection of the outstanding ticket revenue by changing the mutuel year.

The 78th Legislature passed legislation that:

- increased the number of "general business" appointees to the Commission from four to five, bringing total number of Commissioners to 9;
- eliminated the competitive bid requirement for the official drug-testing laboratory and once again designated TVMDL as the official drug-testing laboratory for the Commission; and
- required the agency to participate in TexasOnline licensing project.

2005 Mid-year reorganization under new Executive Secretary. Medication Drug Testing Working Group formed.

2006 Race Date Working groups for both Horse and Greyhound Tracks were formed to address declining wagering and attendance.

2007 The 80th Legislature amended the Racing Act to:

- clarify several regulatory definitions;
- remove out-of-date provisions;
- give TxRC flexibility to conduct drug testing either pre-race or post-race;
- establish that the agency is required, by rule, to recover costs through fees for the regulation, oversight and licensing of racetracks, including both live and simulcast racing;
- eliminate the provision that establishes 50 percent of the greyhound breakage as one of the agency's revenue sources;
- change the expiration date for pari-mutuel tickets from 60 days after the end of a race meet to one year after their purchase;
- establish a one-year expiration date for vouchers;
- give the agency the authority to collect fees to cover the costs of doing criminal background checks on individuals requesting approval for a transfer of ownership in a racetrack license;

- change the prohibition on a racetrack from employing former TxRC members and some former agency employees from a two-year restriction to a one-year restriction;
- increase the number of racetracks in which a person may hold a 5% or greater interest from two to three;
- allow a person holding license as an alcohol distributor under the Texas Alcoholic Beverage Code and who holds an interest in two or more racetrack licenses to also hold a license as an alcohol retailer on the premises of the racetracks; and
- require the Commission to review the ownership and management of each racetrack license every five years, and permits the Commission to charge fees to pay for the review.

IV. Policymaking Structure

A. Complete the following chart providing information on your policymaking body members.

Texas Racing Commission Exhibit 3: Policymaking Body			
Member Name	Term/ Appointment Dates/ Appointed by	Qualification	City
Jesse R. Adams	5/16/03 – 2/1/09 by Governor Perry Appointed Chair by Governor Perry on 7/31/07	Public Member with Knowledge of Business or Agribusiness	Helotes
Ernest Angelo, Jr.	7/1/05 – 10/18/05 Designee for former PSC Chair McHugh 10/18/05 Appointed Chair of PSC by Governor Perry	Chair, Public Safety Commission	Midland
Treva J. Boyd	11/17/99 – 2/1/05 Appointed by Governor Perry	Member with Special Knowledge or Experience related to Greyhound Racing	San Angelo
G. Kent Carter, DVM	2/19/04 – 2/1/09 Appointed by Governor Perry Elected Vice-Chair on 08/08/07	Public Member – Knowledge of Business or Agribusiness as a Veterinarian	College Station
David G. Cabrales	12/14/06 – 2/1/07 Appointed by Governor Perry 2/1/07 – 2/1/13 Reappointed by Governor Perry	Public Member with Knowledge of Business or Agribusiness	Dallas
Susan Combs	1/4/07 Term is concurrent with position as Comptroller	Comptroller of Public Accounts	Austin
Ronald Ederer	7/17/07 – 2/1/13 Appointed by Governor Perry	Public Member with Knowledge or Experience related to Horse Racing	Fair Oaks Ranch
R. Dyke Rogers, Chair	11/17/99 – 5/26/03 by Governor Bush 2/20/02 – Elected Vice-Chair by Commission 5/26/03 – 2/1/05 Reappointed and Named Chair by Governor Perry	Public Member with Knowledge of Business or Agribusiness	Dalhart
Charles L. “Sonny” Sowell	8/26/03 – 2/1/09 Appointed by Governor Perry	Public Member with Knowledge of Business or Agribusiness	Houston

B. Describe the primary role and responsibilities of your policymaking body.

Under § 3.02 of the Texas Racing Act (Tex. Rev. Civ. Stat. Art. 179e), the Commission regulates and supervises every race meeting in the state involving wagering on the result of greyhound or horse racing.

This includes the authority to regulate and supervise all persons and things relating to the operation of those meetings.

The Commission adopts rules for conducting greyhound and horse racing involving racing and rules to administer the Act.

The Commission hears appeals of disciplinary decisions made by the stewards and appeals of preliminary reports issued by the Executive Secretary. Commission-level hearings on these matters are conducted by the State Office of Administrative Hearings.

The Commission employs the Executive Secretary to administer its rules and manage the agency.

C. How is the chair selected?

Under § 2.10 of the Act, the Governor designates a public member of the Commission to serve as the presiding officer. The designee serves in this capacity at the Governor's pleasure.

D. List any special circumstances or unique features about your policymaking body or its responsibilities.

Under § 2.02 of the Act, the Commission consists of seven members appointed by the Governor and two ex-officio members. The ex-officio members are the chair of the Public Safety Commission or a member of the Public Safety Commission designated by the chair, and the Comptroller of Public Accounts or the Comptroller's designee.

Under § 2.05 of the Act, five of the seven appointed members represent the public and must have general knowledge of business or agribusiness. At least one of these five may be a veterinarian, and being licensed as a veterinarian satisfies the requirement to have general knowledge of business or agribusiness. One additional appointed member must have special knowledge or experience related to greyhound racing and one additional appointed member must have special knowledge or experience related to horse racing.

E. In general, how often does your policymaking body meet? How many times did it meet in FY 2006? in FY 2007?

Section 2.11 of the Act requires the Commission to hold at least six regular meetings each year. The Commission met six times each in FY 2006 and FY 2007.

F. What type of training do members of your agency's policymaking body receive?

Section 2.074 of the Act provides that Commissioners must complete at least one course of a training program before taking the oath of office. The training program must provide information regarding the Commission's enabling legislation, programs, role and functions, rules, budget, and the most recent audit. In addition, the training program must address the requirements of the open meetings law, the open records law, the administrative procedures law, conflicts of interest laws, and applicable ethics policies.

G. Does your agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, describe these policies.

Policies describing the respective roles of the Commission and agency staff are described in Commission Rule 303.2, Commission Responsibilities, and Rule 303.8, Executive Secretary.

Under Rule 303.2, the Commission formulates policy objectives and supervises the Executive Secretary's actions to implement these policies. The Commission conducts rulemaking, approves all operating plans that are prospective in nature, issues racetrack licenses, and issues final orders on contested cases.

Under Rule 303.8, the Executive Secretary administers the programs of the agency, maintains the agency's records, establishes the agency's organizational structure and personnel policies, prepares and files agency reports that are retrospective in nature, enforces the Act and the Rules, issues occupational licenses, and issues training facility licenses.

H. What information is regularly presented to your policymaking body to keep them informed of your agency's performance?

At each Commission meeting, the Director of Administration provides an update on the agency's budget and finances, and the Director of Investigations provides the results of the agency's racetrack inspections. Between Commission meetings, the Executive Secretary provides written updates to the Commissioners on an as-needed basis. Before each meeting, the Executive Secretary and staff briefs each Commissioner on the upcoming agenda items and seeks guidance as to any additional materials that the Commissioner would like to review. The Executive Secretary maintains frequent contact with the Chair to ensure that he is knowledgeable about the status of significant administrative and policy issues.

I. How does your policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of your agency?

In accordance with Rule 303.4(f), the Commission provides an opportunity for public comment at each Commission meeting. In addition, all proposed rule changes are posted for public review in a prominent place at each track concurrently with the posting in the Texas Register. Commission staff works closely with the breed registries and the designated horsemen's representative when developing rules and policy issues for presentation to the Commission. This includes soliciting written comments and conducting informal meetings both when developing rules for proposal and when taking comments during a proposed rule's official comment period.

J. If your policymaking body uses subcommittees or advisory committees to carry out its duties, fill in the following chart.

Texas Racing Commission Exhibit 4: Subcommittees and Advisory Committees			
Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Pari-Mutuel Advisory Committee	Consists of representatives from each racetrack, each totalisator operator, the State Comptroller's Office, and Commission staff.	Advises the Commission on rules and policies for the regulation of pari-mutuel wagering.	§ 3.02(f)
Medication and Drug Testing Working Group	Consists of two Commissioners appointed by the Chair, along with representatives of the racetracks, breed registries, veterinarians, and the Texas Horsemen's Partnership.	Advises the Commission on rules and policies for the regulation of drug testing and veterinary practices.	§ 3.02(f)
Horse Race Date Working Groups	Consists of two Commissioners appointed by the Chair, along	Assists the Commission in setting race date	§ 3.02(f)

	with a representative from each horse racetrack, the breed registries, and the Texas Horsemen's Partnership.	calendars by assessing the effectiveness of the previous year's racing calendars, handle and purse statistics, racing and stabling opportunities for participants, the length of race meets, and issue of calendar overlap among tracks.	
Greyhound Race Date Working Groups	Consists of two Commissioners appointed by the Chair, along with representatives from each greyhound racetrack and the Texas Greyhound Association.	Assists the Commission in setting race date calendars by assessing the effectiveness of the previous year's racing calendars, handle and purse statistics, racing and kenneling opportunities for participants, the length of race meets, and issue of calendar overlap among tracks.	§ 3.02(f)

V. Funding

A. Provide a brief description of your agency's funding.

TxRC is self-funded by the entities it regulates and is not dependent on monies from the general revenue fund.

To date, the agency's has been funded through four basic sources of revenue:

- racetrack fees to cover the cost of providing regulation;
- occupational license fees to cover the cost of issuing and overseeing the regulated population;
- total value of uncashed winning tickets, commonly referred to as the OUTFS, after drug testing costs are paid; and
- 50% of the breakage from greyhound wagering.

FY2008 - CHANGES TO AGENCY FUNDING

HB 2701, effective September 1, 2007, eliminates the greyhound breakage as a funding source. The Commission had requested the elimination of both the OUTFS and the 50% of the greyhound breakage. The Commission's position was that revenue from these sources is too unreliable to support the costs of regulating the industry. The general decline in wagering has resulted in less money overall and innovations in betting technology are decreasing the number of uncashed tickets, thus reducing the available money. OUTFS revenue is a significant portion of the agency's funding while the greyhound breakage is not.

The introduced legislation would have allowed the racetracks to retain all of these funds. The agency would have recouped costs by adjusting the racetrack fee structure accordingly. An amendment, made on the Senate floor, changed the agency's recommendation, eliminating only the 50% of the greyhound breakage as a funding source. The OUTFS revenue was reinstated as a significant source of revenue for the agency.

However, the flow of the OUTFS revenue is going to be significantly different because HB2701 also established an expiration date of 365 days for all pari-mutuel winning tickets. Previously, tickets have expired simultaneously regardless of the date of issuance, with the agency receiving a significant lump sum of money. The Commission requested the change to the expiration date to ensure the public has a clearly defined and a fair amount of time to cash their winning tickets.

The agency will continue to have difficulty projecting its revenue streams. Additionally, the ability for the racetracks to use the OUTFS revenue for drug testing will be challenging because it will come in a little at a time.

B. List all riders that significantly impact your agency's budget.

Rider 2. Capital Budget. None of the funds appropriated above may be expended for capital budget items except as listed below. The amount shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in this provision as appropriations either for "Lease Payments to the Master Lease Purchase" or for other items with an "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to the provisions of Government Code § 1232.103. Upon approval from the Legislative Budget Board, capital budgeted funds listed below under "Acquisition of Information Resource Technologies" may be used to lease information resources

hardware and/or software versus the purchase of information resources hardware and/or software, if determined by Commission management to be in the best interest of the State of Texas.

	2006	2007
Out of the GR Dedicated - Texas Racing Commission Account No. 597:		
a. Acquisition of Information Resource Technologies		
(1) Purchase Computer Hardware and Software	\$ 32,250	\$ 32,250
(2) Rider 8 Contingency - Purchase Computer Hardware and Software	\$ 25,000	\$ 25,000
Total, Acquisition of Information Resource Technologies	\$ 57,250	\$ 57,250
Total, Capital Budget	\$ 57,250	\$ 57,250

Rider 8. Contingent Appropriation: New Horse Racetrack. In addition to the amounts appropriated above, the Texas Racing Commission shall be appropriated out of funds collected by the agency and deposited to GR Dedicated-Texas Racing Commission Account No. 597 during each fiscal year of the 2006-07 biennium, the following amounts for each new horse racetrack that begins operation for the first time during the biennium (estimated to be one new horse racetrack) contingent upon the Texas Racing Commission assessing fees sufficient to generate, during the 2006-07 biennium, \$323,978 for fiscal year 2006 and 323,978 for fiscal year 2007 for each new horse racetrack during the 2006-07 biennium in excess of \$9,932,000 in fiscal year 2006 and \$9,672,000 in fiscal year 2007 (Object Codes 3188, 3189, 3190, 3191, 3193, 3194, and 3197) contained in the Comptroller of Public Accounts' Biennial Revenue Estimate for fiscal years 2006 and 2007:

- (a) \$76,551 in Strategy A.3.1, Supervise and Conduct Live Races;
- (b) \$66,893 in Strategy A.3.2, Monitor Licensee Activities;
- (c) \$33,493 in Strategy A.4.1, Inspect and Provide Emergency Care;
- (d) \$24,946 in Strategy A.4.2, Administer Drug Tests;
- (e) \$29,132 in Strategy B.1.1, Occupational Licensing Program;
- (f) \$38,000 in Strategy C.1.1, Monitor Wagering and Audit.

Also, the "Number of Full-Time-Equivalents (FTE)" figure indicated above shall be increased by 5.0 FTEs in each fiscal year for each new horse racetrack that begins operations for the first time during the biennium contingent upon the Texas Racing Commission generating the amount of revenue indicated above for each new horse racetrack. The Texas Racing Commission upon completion of necessary actions to access or increase such additional revenue shall furnish copies of the Texas Racing Commission's minutes and other information supporting the estimated revenues to be generated for the 2006-07 biennium under the revised fee structure to the Comptroller of Public Accounts. If the Comptroller finds the information sufficient to support the projection of increased revenues, a finding of fact to that effect shall be issued and the contingent appropriation shall be made available for the intended purpose.

Also, contingent upon the Texas Racing Commission assessing fees to cover the costs of the regulation of each new horse racetrack, the Texas Racing Commission's Capital Budget authority shall be increased for the following item and in the following amounts.

	2006	2007
a. Acquisition of Information Resource Technologies		
(1) Purchase Computer Hardware and Software	\$25,000	\$25,000

C. Show your agency's expenditures by strategy.

Texas Racing Commission	
Exhibit 5: Expenditures by Strategy for Fiscal Year 2006 (Actual)	
Goal/Strategy	Amount
Goal A: Enforce Racing Regulation	
01-01-01 License/Regulate Racetracks	\$260,095
01-02-01 Texas Bred Incentive Program	5,260,613
01-03-01 Supervise & Conduct Live Races	757,584
01-03-02 Monitor Licensee Activities	427,148
01-04-01 Inspect & Provide Emergency Care	404,977
01-04-02 Administer Drug Tests	302,752
Goal B: Regulate Participation	
02-01-01 Occupational Licensing Program	509,014
02-01-02 TexasOnline	25,540
Goal C: Regulate Pari-mutuel Wagering	
03-01-01 Monitor Wagering and Audit	466,891
03-01-02 Wagering Compliance Inspections	185,828
Goal D: Indirect Administration	
04-01-01 Central Administration	786,059
04-01-02 Information Resources	267,070
04-01-03 Other Support	24,522
GRAND TOTAL	\$9,678,093

D. Show your agency's objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2007-2008.

Texas Racing Commission				
Exhibit 6: Objects of Expense by Program or Function for Fiscal Year 2007				
Object-of-Expense	Enforce Racing Regulation	Regulate Participation	Regulate Pari-Mutuel Wagering	Indirect Administration
1001 Salaries and Wages	\$2,030,061	\$421,919	\$577,786	\$677,106
1002 Other Personnel	56,822	32,880	16,540	38,520
2001 Prof Fees and Srv	41,593	0	0	45,000
2003 Consumables	250	2,500	0	26,945
2004 Utilities	0	0	0	22,500
2005 Travel	103,765	29,250	38,375	26,000
2006 Rent - Building	0	0	0	105,314
2007 Rent - Machine/Other	0	11,000	0	2,500
2009 Other Operating	28,325	59,875	23,360	181,786
4000 Grants	5,418,494	0	0	0
5000 Capital	32,250	0	0	0
TOTAL	\$7,711,560	\$557,424	\$656,061	\$1,125,671

E. Show your agency's sources of revenue. Include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency, including taxes and fines.

Texas Racing Commission Exhibit 7: Sources of Revenue C Fiscal Year 2006 (Actual)	
Source	Amount
3188 Race Track Licenses – Horse	\$1,262,030
3189 Racing and Wagering Licenses	825,107
3190 Race Track Licenses – Greyhound	901,530
3191 Race Track Application Fees	0
3193 Breakage – Horse Racing	4,580,354
3194 Outstanding Wager Tickets – Outs	2,055,830
3197 Breakage – Greyhound Racing	800,705
3719 Fees/Copies or Filing of Records	1,791
3802 Reimbursements – Third Party	32,484
TOTAL	\$10,459,831

F. If you receive funds from multiple federal programs, show the types of federal funding sources.

N/A

G. If applicable, provide detailed information on fees collected by your agency.

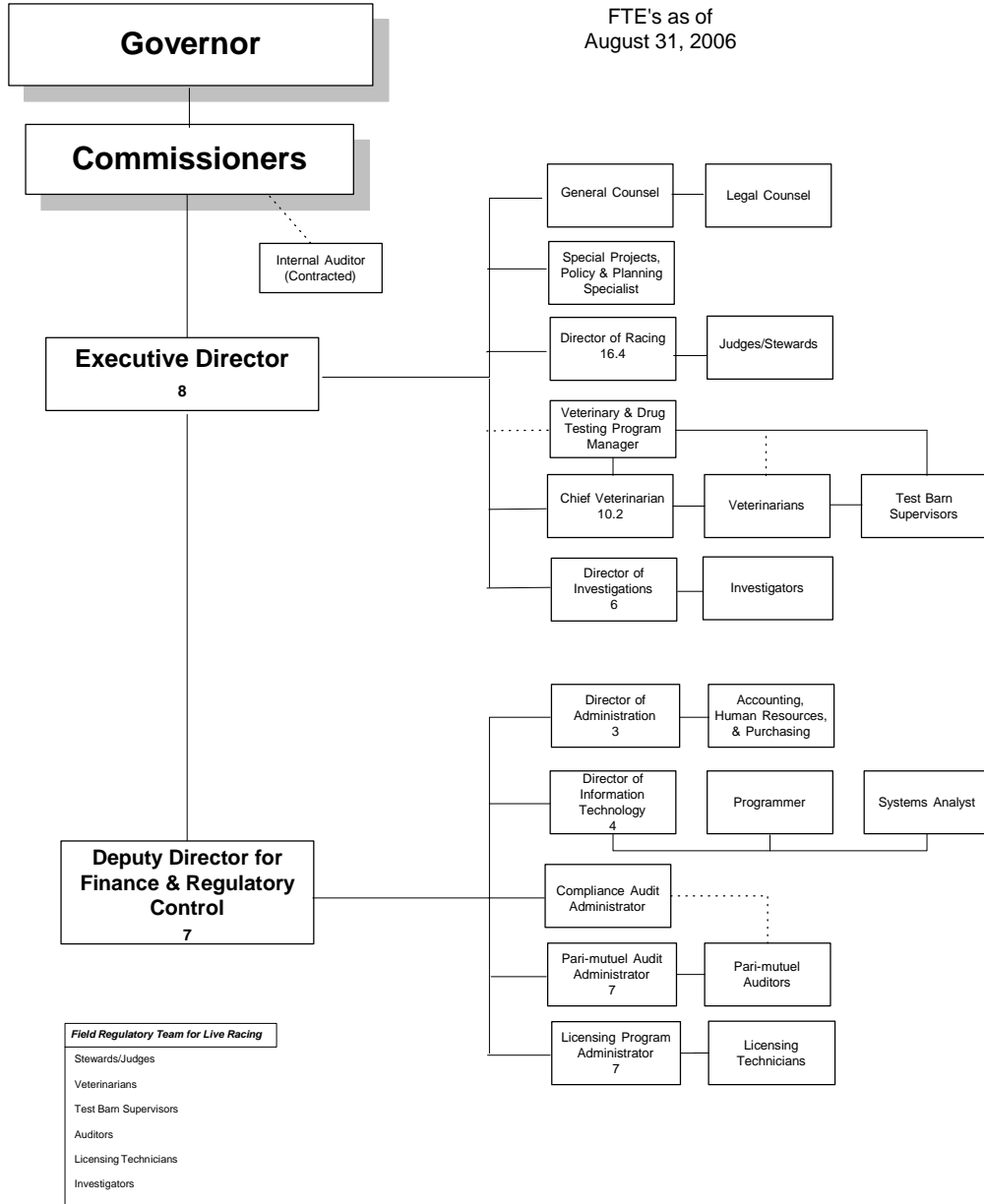
Texas Racing Commission Exhibit 9: Fee Revenue – Fiscal Year 2006				
Fee Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Licensing Fees/Article 179e, Section 7.05 VTCS	Range from \$20 to \$225	12,883	\$825,107	GR Dedicated Fund 0597
Inactive Horse Racetrack Fees/Article 179e, Section 6.18 VTCS	\$20,000	2	\$40,000	GR Dedicated Fund 0597
Horse Training Track License Fee/Article 179e, Section 7.05 VTCS	\$1,800	5	\$9,000	GR Dedicated Fund 0597

Live Race Day Fee – Horse Racetrack/Article 179e, Section 6.18 VTCS	\$2,075	5	\$631,850	GR Dedicated Fund 0597
Simulcast Race Day Fee – Horse Racetrack/Article 179e, Section 6.18 VTCS	Range from \$300 to \$410	5	\$616,665	GR Dedicated Fund 0597
Live Race Day Fee – Greyhound Racetrack/Article 179e, Section 6.18 VTCS	\$550	3	\$484,540	GR Dedicated Fund 0597
Simulcast Race Day Fee – Greyhound Racetrack/Article 179e, Section 6.18 VTCS	\$410	3	\$414,600	GR Dedicated Fund 0597
Racetrack Application Fee – Horse/Article 179e, Section 6.03 VTCS	\$20,000	0	0	GR Dedicated Fund 0597
Administrative Occupational Licensee/ Article 179e, Section 3.07, 15.03 VTCS	Varies	486	\$73,893	GR Dedicated Fund 0597
Breakage – Horse Racing/ Article 179e, Section 6.08, 6.091 VTCS	Varies	5	\$4,488,602	GR Dedicated Fund 0597
Breakage – Greyhound Racing/ Article 179e, Section 6.09, 6.091 VTCS	Varies	3	\$686,911	GR Dedicated Fund 0597
Outstanding Wager Tickets/ Article 179e, Section 11.07, 11.08 VTCS	Varies	N/A	\$2,066,591	GR Dedicated Fund 0597

VI. Organization

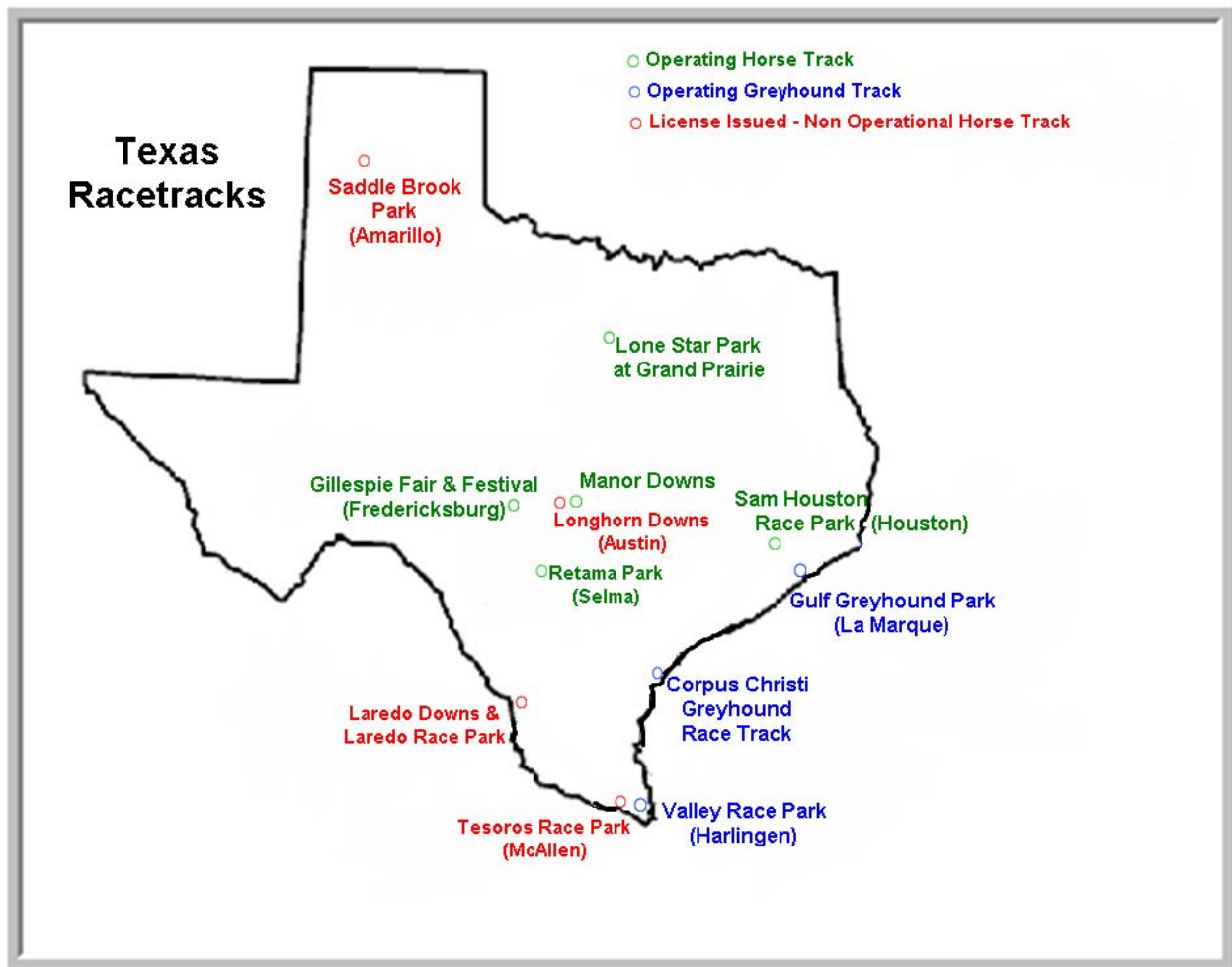
A. Provide an organizational chart that includes major programs and divisions, and shows the number of FTEs in each program or division.

Texas Racing Commission



B. If applicable, fill in the chart below listing field or regional offices.

Texas Racing Commission Exhibit 10: FTEs by Location — Fiscal Year 2006			
Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2006	Number of Actual FTEs as of August 31, 2006
Headquarters	Austin	27.0	27.0
Horse Racetracks Gillespie County Fair & Festivals, Lone Star Park at Grand Prairie, Manor Downs, Retama Park, and Sam Houston Race Park Greyhound Tracks Corpus Christi Greyhound Race Track, Gulf Greyhound Park, and Valley Race Park	Field Locations	50.9	41.6
TOTAL		77.9	68.6



C. What are your agency's FTE caps for fiscal years 2006 - 2009?

Fiscal Year 2006 – 77.9
 Fiscal Year 2007 – 77.9
 Fiscal Year 2008 – 76.6
 Fiscal Year 2009 – 76.8

D. How many temporary or contract employees did your agency have as of August 31, 2006?

As of August 31, 2006, the agency had 2 temporary/contract employees.

E. List each of your agency's key programs or functions, along with expenditures and FTEs by program.

Texas Racing Commission		
Exhibit 11: List of Program FTEs and Expenditures — Fiscal Year 2006		
Program	FTEs as of August 31, 2006	Actual Expenditures
Executive/Administration	7.0	\$786,059
License/Regulate Racetracks	2.0	94,047
Texas Bred Incentive Program	0	5,260,613
Supervise & Conduct Live Racing/Monitor Licensee Activities	16.2	1,029,394
Veterinary Practices & Drug Testing	11.4	707,729
Occupational Licensing Program/Other Support/TexasOnline	9.7	559,076
Monitor Wagering & Audit	9.0	466,891
Wagering Compliance Inspections	3.0	130,859
Investigations	6.0	340,217
Information Technology	4.3	303,208
Total	68.6	\$9,678,093

VII. A. LEGAL COMPLIANCE AND ENFORCEMENT

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Legal Compliance and Enforcement
Location/Division	Main Office – Austin Statewide support for all offices
Contact Name	Mark Fenner – General Counsel Rhonda Fritsche – Legal Counsel
Actual Expenditures, FY 2006	\$94,047
Number of FTEs as of August 31, 2006	2

B. What is the objective of this program or function? Describe the major activities performed under this program.

Legal Staff

The Legal department is responsible for:

- providing counsel and legal assistance to the Commission, Executive Secretary, and the agency on all legal matters relating to the Texas Racing Commission’s internal operations, programs, personnel matters, operations, contracts, Historically Underutilized Business programs, and rulemaking;
- providing guidance and training to the Commissioners and agency staff on ethics policies, conflicts of interest, public information and open meetings requirements, and administrative procedures;
- providing legal advice regarding state and federal laws specifically impacting horse and greyhound racing;
- providing legal assistance through drafting and analysis of new and proposed state and federal legislation;
- providing legal assistance through drafting and analysis of new and proposed agency rules;
- posting of rule proposals, rule adoptions, rule reviews, and notice of Commission meetings with the *Texas Register*;
- coordinating with the Attorney General’s Office on litigation affecting the agency;
- providing legal advice to agency staff regarding open records requests and the Public Information Act, including preparing and processing requests for Attorney General Opinions;
- providing legal support to the agency’s Human Resources staff in analyzing specific personnel matters and in developing appropriate human resources policies;
- scheduling and representing the agency in administrative hearings on license applications;
- providing legal support for agency enforcement matters, including: preparing Preliminary Reports from the Executive Secretary for rule violations by licensees; representing the agency before the Board of Stewards; prosecuting cases before the State Office of Administrative Hearings (SOAH); negotiating settlements of pending compliance actions; and representing the agency before the Commission on appealed cases.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

During fiscal year 2006, the agency processed two contested and one uncontested horse racetrack applications. The staff was required to: analyze the applications for completeness and correctness utilizing the Act and the Rules and prepare reports detailing the same; prepare requests for additional information and clarification; prepare pre-filed testimony and discovery; represent the Commission and participate in SOAH hearings; prepare motions, briefs, findings of fact and conclusions of law, and orders related to the applications. The three applications were successfully resolved and licenses issued to the racetrack applicants.

During fiscal year 2005, four preliminary reports and/or fines were issued against racetrack associations for a total of \$2,604.68. During fiscal year 2006, five preliminary reports and/or fines were issued against racetrack associations for a total of \$4,869.63. During fiscal year 2007 to date, 18 preliminary reports and/or fines were issued to vendors and/or racetrack associations for a total of \$13,335.97.

During fiscal year 2005, nine appeals from the Board of Stewards' rulings were processed, all cases were resolved. During fiscal year 2006, five appeals from the Board of Stewards' rulings were processed, three cases were resolved and two are pending resolution. During fiscal year 2007, seven appeals were received from the Stewards' rulings and three have been resolved, two are pending before SOAH, and two are in negotiation for settlement.

During fiscal year 2005, legal staff assisted the agency in the development, proposal and adoption of administrative rules, including new drug testing rules prohibiting excessive amounts of total carbon dioxide in race horses, amendments to pari-mutuel rules, and conducting formal rule reviews of Chapters 301 and 303.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The overall functionality of Legal Compliance and Enforcement section has remained generally consistent over the history of the agency, although the focus at any given time has varied in response to the variety of issues confronting the agency.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

This function affects, and directly interacts with:

- 70% Agency Staff
- 15% Industry Stakeholders
- 5% General Public
- 5% Legislators
- 5% Outside Agencies (e.g. – OAG, TWC, SORM, etc.)

The Legal staff provides legal services to the agency, the Executive Secretary, Commissioners, and the legislature and may provide legal information to the other entities listed above.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Legal Compliance and Enforcement functions of the agency require a flexible set of legal skills to address the many different types of issues that arise. This area may represent the agency before the State Office of Administrative Hearings, negotiate settlements with licensees over rule violations or contested cases, provide policy expertise on administrative matters, interpret federal and state laws and rules, ensure that the Open Meetings Act is followed, provide assistance to the Public Information Officer regarding the Public Information Act, as well as other duties on an as-needed basis. Legal services are prioritized and addressed concurrently.

These functions are managed centrally in the Austin office; however, the legal staff may travel to other locales within the state to address the agency's legal issues occurring at other staff sites as appropriate.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The agency is self-funded by those entities it regulates and is not dependent upon monies from the general revenue fund.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Every state agency engages in some similar legal functions, but there are many aspects of the Texas Racing Commission's mission that make the Legal Compliance and Enforcement area unique since TxRC is the sole agency statutorily charged with the oversight and regulation of the racing industry.

TxRC works cooperatively with other agencies such as the Texas Department of Public Safety, the Texas Veterinary Medical Diagnostic Laboratory, the Texas Animal Health Commission, and the United States Department of Agriculture regarding issues related to the health and safety of racing animals.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

While the agency works cooperatively with other agencies, there is an Interagency Agreement with the Texas Animal Health Commission to assist one another in disaster recovery efforts. The Commission has a Memorandum of Understanding with the Texas Veterinary Medical Diagnostic Laboratory for drug testing services. There is an Interagency Agreement between the Commission and the Department of Public Safety for investigatory services, including background checks and criminal investigations.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

This is N/A to the functions of this strategy.

K. If contracted expenditures are made through this program please provide:

- **the amount of those expenditures in fiscal year 2006;**
- **the number of contracts accounting for those expenditures;**
- **a short summary of the general purpose of those contracts overall;**
- **the methods used to ensure accountability for funding and performance; and**
- **a short description of any current contracting problems.**

The Commission's central administration contracts with a single company for court reporting services for its regularly scheduled Commission meetings as well as for hearings at SOAH. The amount expended for these services in fiscal year 2006 was \$19,405. (Includes the contested Class 2 horse racetrack application hearings.) The purpose of the service is to provide transcriptions of the meetings and hearings. The agency posts copies of the Commission meeting's transcript on its website for public access and viewing. The contract for court reporting services is reviewed annually; however, as services are rendered, the agency is provided a detailed invoice for review for each service provided. Staff reviews the transcriptions for completeness and correctness to assess the performance of the vendor.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

Below is a summary of potential statutory changes to the Texas Racing Act that might assist this area in improving or enhancing its performance.

1. The provisions regarding security bonds under § 6.04(b) would benefit by explicitly: allowing the Commission to condition the return of the bond upon completion of the racetrack facility; allowing the Commission to require new security if the original security is exhausted; and providing that the Commission may obtain security either before or after the license is issued.
2. The grounds specified in § 6.06 of the Act for denial, revocation and suspension of a racetrack license are designed primarily for the license application process and do not fully address issues that arise only after a license has been granted.
3. The Act would benefit from reorganization and codification by the Texas Legislative Council.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- **why the regulation is needed;**
 - **the scope of, and procedures for, inspections or audits of regulated entities;**
 - **follow-up activities conducted when non-compliance is identified;**
 - **sanctions available to the agency to ensure compliance; and**
 - **procedures for handling consumer/public complaints against regulated entities.**

Sections B and C of the "Promote Compliance/Resolve Violations" strategy section summarize the types of compliance efforts performed by the Commission. The actual rules and regulations authorizing the agency's regulatory function are included as an attachment to the SER narrative report.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

See Investigations for complaint information.

VII. B. Supervise and Conduct Live Races & Monitor Licensee Activities

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Supervise and Conduct Live Races & Monitor Licensee Activities
Location/Division	Main Office – Austin Racetracks
Contact Name	John Ferrara, Director of Racing
Actual Expenditures, FY 2006	\$1,029,394
Number of FTEs as of August 31, 2006	16.2

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Texas Racing Commission regulates and supervises every race meet in the state involving pari-mutuel wagering on greyhound or horse racing to ensure fair and honest racing activities.

A board of stewards for horse racing and a board of judges for greyhound races are present at each race meet. Each board consists of three members. They are responsible to the Executive Secretary for the conduct of the race meet and for performing the regulatory functions for the Texas Racing Commission. The stewards' and judges' authority includes regulation of all racing officials, track management and all other licensed personnel.

The stewards and judges are responsible for overseeing all live racing operations including:

- conducting hearings into such matters as misconduct or rule violations;
- determining the eligibility of race animals;
- supervising the taking of entries and the drawing of post positions;
- supervising the taking of all declarations and scratches;
- viewing each race and acting on inquiries and objections;
- reviewing the video tapes of the races with the jockeys;
- verifying the complete order of finish and declaring the race official;
- answering questions and settling conflicts and disputes among the licensees;
- administering standard examinations to first time applicants for trainers, assistant trainers and jockey agents;
- monitoring and reviewing all documents pertaining to the sale or ownership of a horse or lease agreements of a horse;
- issuing and monitoring all apprentice jockey contracts;
- overseeing the locking of all pari-mutuel betting machines not later than the moment that the starting gate opens;
- verifying the accuracy of the official program; and
- making periodic inspections of the facilities including the restricted areas of the jockey quarters and paddock.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

RESULTS OF PERFORMANCE MEASURES	FY04	FY05	FY06
Number of Live Races Monitored	15,336	14,467	15,034
Number of Rulings Issued against Occupational Licensees	654	803	773
# of Occupational Licenses Suspended or Revoked	206	220	201
Percentage of Investigations Resulting in Disciplinary Action	99%	99%	99%
Average Number of Rulings per Occupational Licensee	0.04	0.04	0.05
Percentage of Licensees with No Recent Violations	97.5%	97.4%	97.0%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The functions of this program continue to be consistent with the original purpose for this division.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Licensed racetracks – 10 horse, 3 greyhound
 Licensed training facilities – 5
 Occupational licensees – approximately 15,000
 Breed Registries – 5
 Industry related organizations and stakeholders
 Other racing jurisdictions
 General public
 Racing animals

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Director of Racing reports to the Executive Secretary. The Director of Racing supervises all of the stewards and judges who are directly responsible for regulating the conduct of live racing. Each horse race meet is supervised by a panel of 3 stewards and each greyhound race meeting is supervised by a panel of 3 judges.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The agency is self-funded by those entities it regulates and is not dependent upon monies from the general revenue fund.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

There are no other programs that provide identical or similar services in the state.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The greyhound and horseracing industry encourages owners, trainers, kennel operators, and jockeys to compete in multiple states and transport their best animals across state lines on a regular basis to compete. TxRC works with other racing jurisdictions to ensure that an occupational licensee is in good standing. For example, a trainer that has been suspended by a neighboring state is not eligible to participate in Texas racing until that suspension has been lifted.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The agency had one contract for a steward to fill-in at a racetrack when the agency did not have enough staff to cover all of the tracks running live racing. The total FY2006 expenditure for this contract was \$1,911.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

The statute requires a board of three stewards to oversee live horse racing and a board of three judges to oversee live greyhound racing. Some racing jurisdictions allow greyhound racing to be supervised by two judges as there are far fewer decisions regarding the running of a greyhound race versus a horse race. An in-depth study of this issue has merit.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- **why the regulation is needed;**
 - **the scope of, and procedures for, inspections or audits of regulated entities;**
 - **follow-up activities conducted when non-compliance is identified;**
 - **sanctions available to the agency to ensure compliance; and**
 - **procedures for handling consumer/public complaints against regulated entities.**

To participate in pari-mutuel racing in Texas, a person must be licensed. Once licensed, a person becomes subject to disciplinary actions for violations of the Racing Act or the Rules of Racing. Violations may occur both on and off the track. For example, during a race, a board of stewards may cite a jockey for interfering with the running of a race. Other violations include medication violations, both animal and human and providing false information on a license application. The board of Stewards or board of Judges has the authority to fine a person up to \$5,000 and/or suspend a person's license for up to one year.

- O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.**

See Investigations for complaint information.

VII. C. Veterinary Practices and Drug Testing

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Veterinary Practices and Drug Testing
Location/Division	Main Office – Austin Racetracks
Contact Name	Dr. Stewart Marsh or Chuck Trout
Actual Expenditures, FY 2006	\$707,729
Number of FTEs as of August 31, 2006	11.4

The objective of this division is to protect the integrity of horse and greyhound racing, to ensure the health of race animals, and to safeguard the interests of the public and the participants in racing through the exclusion of injured and sick animals and the prohibition and control of all prohibited drugs, chemicals, and other substances.

This division performs its functions by:

- performing examinations on race animals to identify those that are not physically fit to race;
- monitoring all on-track activity to ensure a safe environment for race animals and participants;
- collecting, packaging, and shipping urine and blood samples for testing to determine the presence of prohibited substances;
- supervising all veterinary practices on association grounds;
- advising TxRC's Executive Secretary and the stewards and judges on all veterinary matters;
- submitting rules changes to improve the racetrack environment for race animals;
- managing the Veterinary List program to exclude injured and sick animals from racing;
- managing the Furosemide Program;
- inputting information on race animals;
- maintaining electronic and paper files concerning the health and welfare of race animals;
- communicating in person, by phone, and in writing with individual licensees, track staff, other divisions within the Racing Commission, and regulatory agencies from other states;
- performing inspections of facilities and equipment to ensure a safe and healthy environment for race animals;
- participating in the model rule making process of the Racing Commissioners International; and
- conducting Veterinary and Drug Testing Working Group meetings with interested racing industry groups to improve the health and welfare of racing animals.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Commission veterinarians examine each animal that is entered in a pari-mutuel race to determine their health and soundness for racing. The extremely low rate of seriously injured animals shows the effectiveness of this program. Additionally, the effectiveness of the drug testing program can be seen in the low rate of positives to the number of samples taken.

RESULTS OF PERFORMANCE MEASURES	FY04	FY05	FY06
Number of Race Animals Inspected Pre-race	127,468	118,531	115,641
Number of Race Animals Dismissed from TX Pari-Mutuel Racetracks	335	275	242
Number of Race Animals Injured on TX Pari-Mutuel Racetracks	734	768	758
Percentage of Race Animals Injured or Dismissed from the Racetrack	0.31%	0.25%	0.22%
Average Regulatory Cost Per Animal Inspected	\$3.93	\$4.23	\$4.30
Number of Drug Positives for Medications per 1,000 Samples	4.5	6.07	5.1

RESULTS OF DRUG TESTING

	FY 04		FY05		FY06	
	# SAMPLES	# POSITIVES	# SAMPLES	# POSITIVES	# SAMPLES	# POSITIVES
GREYHOUND	18,595	35	17,968	16	17,131	17
HORSE	7,341	81	6,652	118	6,889	101

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

N/A

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Licensed racetracks – 10 horse, 3 greyhound
 Licensed training facilities – 5
 Occupational licensees – approximately 15,000
 Breed Registries – 5
 Industry related organizations and stakeholders
 Other racing jurisdictions
 General public
 Racing animals

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

This division is supervised by the Chief Veterinarian. The Chief Veterinarian reports to the Executive Secretary. There is a Veterinary and Drug Testing Program Manager who reports to the Chief Veterinarian. There are five equine and six greyhound veterinarians who report directly to the Chief Veterinarian and three Test Barn Supervisors who report to the Veterinary and Drug Testing Program Manager. The support staff is one administrative technician who also supports the Director of Racing. Additionally, there are a minimum of five part-time seasonal test technicians at each horse racetrack and a minimum of two part-time seasonal test technicians at each greyhound track who are employees of the tracks but who are supervised by the Commission Veterinarians and Test Barn Supervisors.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The agency is self-funded by those entities it regulates and is not dependent upon monies from the general revenue fund.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

There are no other programs that provide identical or similar services in the state.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Under the Texas Racing Act, the Texas Veterinary Medical Diagnostic Laboratory (TVMDL) must perform all animal drug testing for the Texas Racing Commission. The Commission has a Memorandum of Understanding with TVMDL.

TVMDL bills the associations for drug testing costs. The associations, in turn, deduct the costs of testing from funds they are holding to pay outstanding tickets and outstanding pari-mutuel vouchers. The associations are required to remit to the Commission the balance of these funds after deducting the cost of drug testing. If the money being held is insufficient to pay the drug testing charges, the associations must pay the remainder of the charges. All billing statements sent to the associations are simultaneously sent to the Racing Commission where they are reviewed. After reviewing the statements the Commission notifies the associations in writing to pay the charges. Currently, no later than October 31 of each year the associations must provide to the Commission an accounting of the outstanding tickets and outstanding pari-mutuel vouchers and the drug testing charges they have paid. The Commission reviews the accounting and, in the event there is an error, adjusts the amount due.

TVMDL has established a quality assurance program for drug testing. They provide greyhound and equine urine samples containing prohibited drugs to TxRC. Only one individual at the TVMDL knows what drugs are in the urine. TxRC sends the urine samples to various racetracks and it is returned to TVMDL along with their drug testing samples. TVMDL does not know when or from where these samples will be returned. When TVMDL reports its findings for the week the Commission then reports whether TVMDL found the prohibited drugs.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The greyhound and horseracing industry encourages owners, trainers, kennel operators and jockeys to compete in multiple states and transport their best animals across state lines on a regular basis to compete. TxRC cooperates with other racing jurisdictions to ensure that race animals are protected. For example, Texas will honor another racing jurisdiction's Veterinary List of injured or sick horses. Additionally, when requested, Texas Racing Commission Veterinarians will examine horses for the purpose of removing them from Veterinary Lists in other jurisdictions while accepting examination results from other jurisdictions for the purpose of removing animals from the Texas Veterinary List.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The agency contracts for veterinary services and for FY2006 had two of these contracts. These veterinarians work at the racetracks during live racing to fill-in when one of the staff veterinarians is on vacation or unavailable. The total for these two contracts for FY2006 was \$17,196.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

The Commission should have the authority to quarantine a race barn or a kennel if the Chief Veterinarian determines that a contagious disease exists that endangers animals in the stable or kennel area. Having this ability will prevent the spread of infectious disease and ensure the safety of the rest of the race animals.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

See Investigations for complaint information.

VII. D. Occupational Licensing Program

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Occupational Licensing
Location/Division	Main Office – Austin Racetracks
Contact Name	Cathy Cantrell
Actual Expenditures, FY 2006	9.7
Number of FTEs as of August 31, 2006	\$559,076

B. What is the objective of this program or function? Describe the major activities performed under this program.

The division is responsible for issuing occupational licenses and registrations to all persons involved in pari-mutuel greyhound and horse racing. In most cases, the Licensing Division is the first point of contact for the public. The Licensing Division provides customer service by providing information to the public regarding the Commission and licensing information to the racing industry. Listed below is the outline of the Licensing Division job functions:

- communicating by phone and in writing with licensees, applicants, and prospective applicants;
- preparing and mailing out monthly renewal notices for owners, trainers, and multiple owners;
- reviewing license applications for completeness;
- processing license applications received in person, by mail, fax, and online;
- processing photo identification badges for licenses processed in person;
- mailing out acknowledgement letters for licenses processed by mail;
- identifying licensees and applicants who may have eligibility issues and refer them to the Investigator and/or stewards/judges according to policy;
- identifying applicants who are required to pass a certain occupational test and refer them to the Board of stewards/judges according to policy;
- establishing and maintaining paper files for applicants for licensure;
- fingerprinting applicants;
- entering fingerprint clearances in the system;
- reconciling licensing revenue;
- contacting other States regarding fingerprint reciprocity for out-of-state owners and trainers;
- checking the racing program to ensure all owners, jockeys, trainers, and kennel owners are currently licensed and are in good standing prior to the race; and
- serving as administrative support to the Racing Division.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Performance Measures	FY 04	FY 05	FY 06
Total Number of New Occupational Licenses Issued	8,586	7,602	5,959
Total Number of Occupational License Renewed	10,225	9,671	9,005
Total Number of Individuals Licensed	16,770	17,599	15,438
Total Number of New Occupational License Issued Online	-0-	-0-	110
Total Number of Occupational License renewed Online	-0-	-0-	798
Average Time required to Issue a New Occupational License (in minutes)	8.75	7.25	9
Average Regulatory Cost per Occupational License	\$35.84	\$34.10	\$38.27
Percentage of License Holders Meeting Qualifications	100%	100%	100%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The functions of this program continue to be consistent with the original purpose for this division.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Licensed racetracks – 10 horse, 3 greyhound
 Licensed training facilities – 5
 Occupational licensees – approximately 15,000
 Breed Registries – 5
 Industry related organizations and stakeholders
 Other racing jurisdictions
 General public

Eligibility requirements for certain license types:

Trainer, Apprentice Jockey, Jockey, Pony, Exercise Rider, Farrier/Plater, Asst Trainer, Jockey Agent.	New license types listed must have a practical and/or written test or proof of licensure in another racing state.	FY 04	FY 05	FY 06
		702	799	540

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Licensing Program Administrator reports to the Deputy Director for Finance and Regulatory Control. The Licensing Program Administrator oversees one License Technician and Receptionist in the Austin office and nine Licensing Technicians located at the racetracks.

Finance and Regulatory Control	
Licensing Division	
Licensing Program Administrator	
1-Full-time Licensing Tech	
1-Full-time Receptionist	
Manor Downs Manor, Texas During Live Racing:	Gillespie County Fair & Festivals Assn. Fredericksburg, Texas During Live Racing:

1- Full-time Licensing Tech (Staff from another location or central office) During simulcast only wagering: no on-site staff	1- Full-time Licensing Tech (Staff from another location or central office) During simulcast only wagering: no on-site staff
Valley Race Park Harlingen, Texas During Live Racing: 1- Full-time Licensing Tech During simulcast only wagering: 1- Part-time Licensing Tech	Sam Houston Race Park Houston, Texas During Live Racing: 2- Full-time Licensing Tech During simulcast only wagering: 1- Part-time Licensing Tech 1- Full-time Licensing Tech
Lone Star Park Grand Prairie, Texas During Live Racing: 2- Full-time Licensing Tech During simulcast only wagering: 1- Part-time Licensing Tech 1- Full-time Licensing Tech	Retama Park Selma, Texas During Live Racing: 2- Full-time Licensing Tech During simulcast only wagering: 1- Part-time Licensing Tech 1- Full-time Licensing Tech
Corpus Christi Greyhound Corpus Christi, Texas Year-round racing 1- Part-time Licensing Tech	Gulf Greyhound Park La Marque, Texas Year-round racing 1- Part-time Licensing Tech

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The Texas Racing Commission is a self-funded agency. The licensing program is funded by assessing occupational licensing fees sufficient to cover direct and indirect costs.

H. Identify any programs, internal or external to your agency, that provides identical or similar services or functions. Describe the similarities and differences.

There are several other regulatory agencies that provide similar licensing functions. For example, the Texas Division of Licensing and Regulation provides licensing for a number of different professions. The main difference between TxRC's licensing functions and TDLR is being able to provide the services at the licensed racetracks around the state. Working in cooperation with the Board of Judges or Board of Stewards, the licensing technicians must determine who meets the eligibility requirements, verify that a person has successfully passed any required examination, and issue photo identification badges. Additionally, the licensing technicians are responsible for ensuring all racing participants are licensed before the races begin.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

Occupational licensees must undergo fingerprinting to ensure no prior criminal history record would make them ineligible to receive a license. The Licensing division works with both the Department of Public Safety and the FBI regarding the fingerprinting and criminal history clearance.

The Licensing division also works with the Texas Comptroller of Public Accounts to ensure revenue is deposited and transferred from accounts appropriately.

K. If contracted expenditures are made through this program please provide:

N/A.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

The Licensing Technicians check each race program to ensure that all participants, including owner, trainer, and in the case of horse racing, the jockey holds a valid TxRC occupational license before the race. Additionally, they routinely check that racetrack employees hold a valid license. They refer any person not holding a valid license to the Board of Stewards or Board of Judges for action.

O. For each regulatory program, if applicable, provides the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

See Investigations for complaint information.

VII.E. Monitor Wagering and Audit

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Pari-mutuel and Auditing
Location/Division	Main Office – Austin Racetracks
Contact Name	Lila Smith
Actual Expenditures, FY 2006	\$466,981
Number of FTEs as of August 31, 2006	9.0

B. What is the objective of this program or function? Describe the major activities performed under this program.

To protect the interest of the wagering public, the pari-mutuel and auditing division ensures the integrity of the wagering system.

The essential program functions include:

- conducting audits on pari-mutuel wagering activity;
- auditing the racetracks' daily deposits to the state treasury;
- entering pari-mutuel data into the agency database;
- auditing simulcast requests and contracts for compliance;
- receiving and assisting the public with questions or complaints;
- serving as liaison between the agency and the racetrack's pari-mutuel division; and
- serving as liaison between the agency and the racetrack's accounting division.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Performance Measures	FY 04	FY 05	FY 06
Number of Live and Simulcast Races Audited and Reviewed	768,110	754,108	761,572
Number of Compliance Audits Completed	2,535	2,368	2,204
Percentage of Compliance Audits Passed	98.75%	99.50%	100%
Average Cost to Audit and Review a Live or Simulcast Race	\$0.89	\$0.89	\$0.91
Total Pari-Mutuel Handle (in millions)	\$546.30	\$540.72	\$502.69
Total Take to the State Treasury from Pari-Mutuel Wagering	\$4,619,514	\$4,493,593	\$4,368,694
Ratio of Simulcast Handle to Live Handle	4.80	4.70	5.0

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

While the function of the program has not changed, the division has continued to employ technology that has enhanced the tremendous amount of data collection necessary to ensure the integrity of wagering.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The Pari-Mutuel Audit Division protects the wagering public against the manipulation of odds and paying out of incorrect prices. The Pari-Mutuel Audit Division verifies the correct percentage was taken out of each pool. It audits the racing associations' figures for the correct allocation of the take out which includes the state, pool, horse-purse, greyhound-purse, escrow horse purse, Texas-bred, Texas Horsemen Partnership escrow horse purse, hub, Texas Thoroughbred Association, Texas Quarter Horse Association, simulcast fee, and the association fee.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Pari-mutuel Audit Administrator reports to the Deputy Director for Finance and Regulatory Control. The Audit Administrator manages the field auditors.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The agency is self-funded by those entities it regulates and is not dependent upon monies from the general revenue fund.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

N/A

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

To obtain and update the tremendous amount of daily wagering that takes place both nationally and internationally, the agency contracts with the three totalisator companies to provide the data electronically. In FY2006, the expenditures were: Amtote International \$6,730, Scientific Games \$1,980, and United Tote \$1,820. These files contain daily wagering information for each Texas track, including the amount each track wagered on live and simulcast signals.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

See Investigations for complaint information.

VII.F. Wagering Compliance Inspections

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Compliance Inspections
Location/Division	Main Office – Austin Racetracks
Contact Name	Carol Olewin
Actual Expenditures, FY 2006	\$130,859
Number of FTEs as of August 31, 2006	3

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objective of the Compliance Inspection is to ensure that pari-mutuel facilities operating in Texas are compliant with the Texas Racing Act (Act) and the Texas Rules of Racing (Rules). The inspections require a physical on-site inspection of the facilities. These inspections are done prior to each racing meet for each of the five horse racetracks and annually for each of the three greyhound racetracks. A portion of the compliance inspections pertain to the totalisator (tote) standards, which are contained within the agency's rules. (The tote system is a specialized computer program for calculating wagering odds and pay-offs.) A requirement of the tote standards is that the software being utilized by the totalisator system passes an EDP (Electronic Data Processing) test. This is an extensive test of the software package being used by the tote company to place, accept, and register wagers and calculate pay-offs in accordance with the Rules.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

RESULTS OF KEY PERFORMANCE MEASURES	FY04	FY05	FY06
Number of Tote Tests Completed	14	11	12
Percentage of Tote Tests Passed on the First Run	91.50%	100%	89%

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

N/A

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Licensed racetracks – 10 horse, 3 greyhound

Licensed training facilities – 5

Occupational licensees – approximately 15,000, including totalisator companies and employees

Breed Registries – 5
Industry related organizations and stakeholders
Other racing jurisdictions
General public

The racetracks must meet the many eligibility requirements set forth in the Act and Rules governing the ownership and operations of a pari-mutuel facility in the state of Texas. The totalisator system companies and their employees must be licensed by TxRC. In addition, totalisator companies entering into a contract with the racetracks for system services must have that contract approved by the Commission. All occupational licensees must be licensed by the Texas Racing Commission and in doing so must submit to a criminal background investigation and the payment of a licensing fee.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Compliance Audit Administrator reports to the Deputy Director for Finance and Regulatory Control.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The agency is self-funded by those entities it regulates and is not dependent upon monies from the general revenue fund.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Each division within the agency is responsible for the inspections specific to their function. Although the scope and rules are specific to each division, the inspections are all similar in fashion to each other.

In regards to the testing of the tote system, there are other jurisdictions in other states, which test tote software, however, usually not to the extent that our agency tests. Texas is known by the tote companies to be one of the most stringent in its rules and testing. The Racing Commissioners International (RCI) is currently in the beginning phase of developing system testing with Gaming Laboratories, Inc. (GLI). However, this testing will primarily focus on the technical aspects of the system. The Texas Racing Commission is currently a member of RCI.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

The Inspection Program, of which Compliance Inspections are just one aspect, is coordinated by an agency Inspection Coordinator.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The Compliance Inspections Program does not work with any other governmental entities.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

There are no contracted expenditures made through the Compliance Inspection Program.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

A Compliance Inspection is conducted prior to each live meet at all five of the horse racetracks in the state of Texas and once annually at each of the three greyhound racetracks in Texas. The program also allows for random inspections, usually initiated from a patron complaint or a report of a violation of the Act or the Rules. Prior to each announced inspection, the program administrator will phone the mutuel manager and set up a predetermined date for the inspection. An engagement letter is then sent to the general manager at the racetrack advising of the upcoming inspection. The letter provides the manager with all the related areas of the inspection and requests the submission of required documentation to the Austin office of the Texas Racing Commission prior to the physical inspection. The submitted documentation is reviewed and verified for accuracy and compliance with the rules for which they pertain. On the date of the inspection, the mutuel manager will accompany the inspector(s) on a walk-through of the facility. The inspector(s) will visually verify that all the requirements relative to the pari-mutuel division are in place and allow for the correction of any deficiencies prior to the completion of the inspection. Once the physical walk-through has been performed, the inspector(s) will discuss any possible areas of concern. The inspection worksheet is completed and the final inspection report is compiled and presented to the mutuel manager. Any deficiencies or areas of concern are reviewed with the mutuel manager and an appropriate course of action is determined. The mutuel manager is presented with a copy of the report. The stewards/judges for the specific racetrack are informed of the outcome of the inspection and any further measures required of the racetrack. Once back in the Austin office, the program administrator will draft a letter to the general manager of the racetrack and report on the results

of the inspection, any deficiencies found, any particular area of concern, any remediation required on the part of the racetrack, and the date by which the racetrack has to complete the additional requirements. All deficiencies are reported to the Commission at their meetings until the deficiencies have been corrected.

A tote system EDP test is usually administered in conjunction with the compliance inspection. The EDP test simulates an actual race performance using the pools and rates specific to each individual track(s) being tested. The test will reproduce all of the most common scenarios that normally happen during the course of live racing. If any deviations are discovered in the figures produced by the tote system as compared to predetermined figures then they are investigated and the tote company will be given time to correct the problem if it is just a matter of a simple solution. If a solution cannot be reached, the specific pool affected will not be approved for use until a subsequent test can be performed to the agency's satisfaction. At the conclusion of the test a report will be compiled to show which pools and rates are approved for use by the track during their meet. The report will also show any specifics requested by the track, i.e., net- or standard-pool pricing, mandatory payouts, and fractional wagering. This report will serve as the approval for the tote software, thereby meeting the requirement within the Tote Standards chapter of the Rules.

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

See Investigations for complaint information.

VII.G. Investigations

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Investigations
Location/Division	Main office – Austin Racetracks
Contact Name	Thomas Neely
Actual Expenditures, FY 2006	\$340,217
Number of FTEs as of August 31, 2006	6

B. What is the objective of this program or function? Describe the major activities performed under this program.

The Investigations Division provides support to all of the agency programs to ensure strict regulation and control of pari-mutuel wagering in connection with horse and greyhound racing.

At each pari-mutuel racetrack, Investigations Division investigators conduct regulatory compliance inspections to ensure that each licensee, including the racetrack association, comply with all conditions of their license. The overseeing of racetrack facilities construction, to confirm that structures being built are the same as were promised to Commissioners during licensing hearings, is also conducted. Safety and security plans are also evaluated to ensure the racetrack provides an environment that is safe for patrons, employees, and racing animals. All persons and things relating to the operation of race meetings are subject to regulation and supervision. Investigations may be administrative in nature or criminal depending upon the type of activity involved. Close liaison with the Texas Department of Public Safety and other law enforcement authorities is maintained. To control and track information and case investigations, state of the art computer case tracking and intelligence tracking systems are utilized. The primary goal of the division is to assure the integrity of pari-mutuel racing for the people of Texas through strict regulatory compliance. Allegations of misconduct or infractions of the Racing Act or the Rules of Racing are subject to investigation, as ordered by the Executive Secretary.

The functions of this division includes:

- investigating complaints;
- performing in-depth field investigations;
- conducting racetrack operations compliance inspections;
- testifying and participating in adjudication proceedings;
- gathering, maintaining and sharing data intelligence;
- reviewing and referring all background investigations received from DPS and FBI;
- conducting investigations regarding all animal drug positives;
- maintaining Texas Commission on Law Enforcement Officer Standards and Education; and
- conducting other special assignments and internal investigations as required.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

RESULTS OF PERFORMANCE MEASURES	FY04	FY05	FY06
Percentage of Investigations (individuals) Resulting in Disciplinary Action	99%	99%	99%
Number of Investigations Completed	1,220	1,108	947
% of Licensees with No Recent Violations	97.30%	97.44%	97%
Number of Complaints Regarding Racetrack Operations Closed	8	14	16
Average Length of Time (Days) to Resolve Complaints	6	5	2.9

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The investigation functions began to change significantly in 2003. The number of cases developed by investigators and referred to the stewards in FY 2002 totaled 356. There were only three contraband cases developed. At that time the investigator contingent was seven. In FY 2003 the cases developed and referred dropped to 278. During the course of FY2003 the investigator contingent dropped to six due to budget shortfalls. Additionally, the DPS support was significantly redirected to other responsibilities, which reduced the level of monitoring licensees and patrons at the racetracks.

When the investigator contingent was seven, two investigators were stationed in Austin and reported out to the tracks as needed to assist the track investigators and cover for vacations, etc. When the contingent dropped to six, the Director of Investigations (DOI) assumed some of the duties of an investigator and maintained management duties as well. The loss of the Austin investigator caused an increase in the number of hours each investigator was required to work, especially at Lone Star Park and Sam Houston Race Park.

The DOI developed a proactive plan to try and assist the track investigators with their responsibilities for racing enforcement that included scheduling full track compliance inspections, i.e. jockey quarters, tack rooms and vehicles in the restricted areas. The plan included the participation of the DPS personnel. The plan was effective in pointing out the number of licensees who were violating the contraband restrictions on unauthorized medications, needles and syringes.

As a result of the inspections, the contraband cases jumped from 11 in 2003 to 20 in 2004 and 66 in 2005. The number of overall cases jumped to 335 in 2004 and 392 in 2005. The major contributing tracks were LSP and SHRP with over 100 cases each.

The number of animal positive investigations jumped from 111 in 2004 to 137 in 2005. However, the majority of the cases were attributed to a minor penalty for the substance Phenylbutazone. In 2007, the penalty was enhanced and a significant reduction in Phenylbutazone positives has already become evident. This information points out the need for both monitoring and penalties to effectively deter violators. There is also a noticeable decline in available purse money. This factor alone may cause the human nature of licensees to do what one thinks is necessary to try and get an edge to get a larger piece of the decreasing pie. The track investigator is the first line of defense when it comes to making a level playing field for all of the racing participants.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Licensed racetracks – 10 horse, 3 greyhound
Licensed training facilities – 5
Occupational licensees – approximately 15,000
Breed Registries – 5
Industry related organizations and stakeholders
Other racing jurisdictions
General public

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

This division is administered by the Director of Investigations (DOI). The DOI reports directly to the Executive Secretary. The division consists of the DOI, five investigators and one administrative assistant. Two of the investigators are chief investigators and serve as supervisors in the absence of the DOI. Four of the five investigators are assigned to the field at licensed racetracks. The DOI, one investigator and one administrative assistant are headquartered in Austin. The HQ investigator also functions in the field as needed.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The division is funded through appropriation by assessed fees to racetracks and licensees sufficient to cover direct and indirect costs. NOTE: The investigators are not funded as a single division. The investigators are divided among the Commission strategies, i.e. licensing, race monitoring, regulation of racetrack owners, etc.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

Other divisions in the Commission perform inspections and are responsible for regulatory control. The Department of Public Safety shares a role in responsibility for enforcement of the Texas Racing Act.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Each division of the Commission has specific areas of responsibility for inspections and regulatory control.

The Department of Public Safety performs specific roles assigned to it by the Texas Racing Act and has primary responsibility for criminal investigations and background investigations of racetrack owners and managers. A Memorandum of Understanding is in effect to cover the requirements of the DPS dictated in the Texas Racing Act.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The division establishes and maintains a close working relationship with local law enforcement with jurisdiction of the racetrack locations. Local law enforcement is responsible for investigation of crimes not specifically related to violations of the Texas Racing Act, i.e. theft, assault, burglary, etc.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Pursuant to requirements in Commission Rule 311.306 the division has contract services for human drug testing and medical review programs through state contract with Compliance Consortium Corp. The expenditure is based on the actual number of drug tests performed at a contracted fee of \$38.00 each test. The contract is for an estimated 100 tests per year. The agency pays for the initial test; the licensee must reimburse the agency for all follow-up tests. The total amount expended during FY2006 was \$2,502.74

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

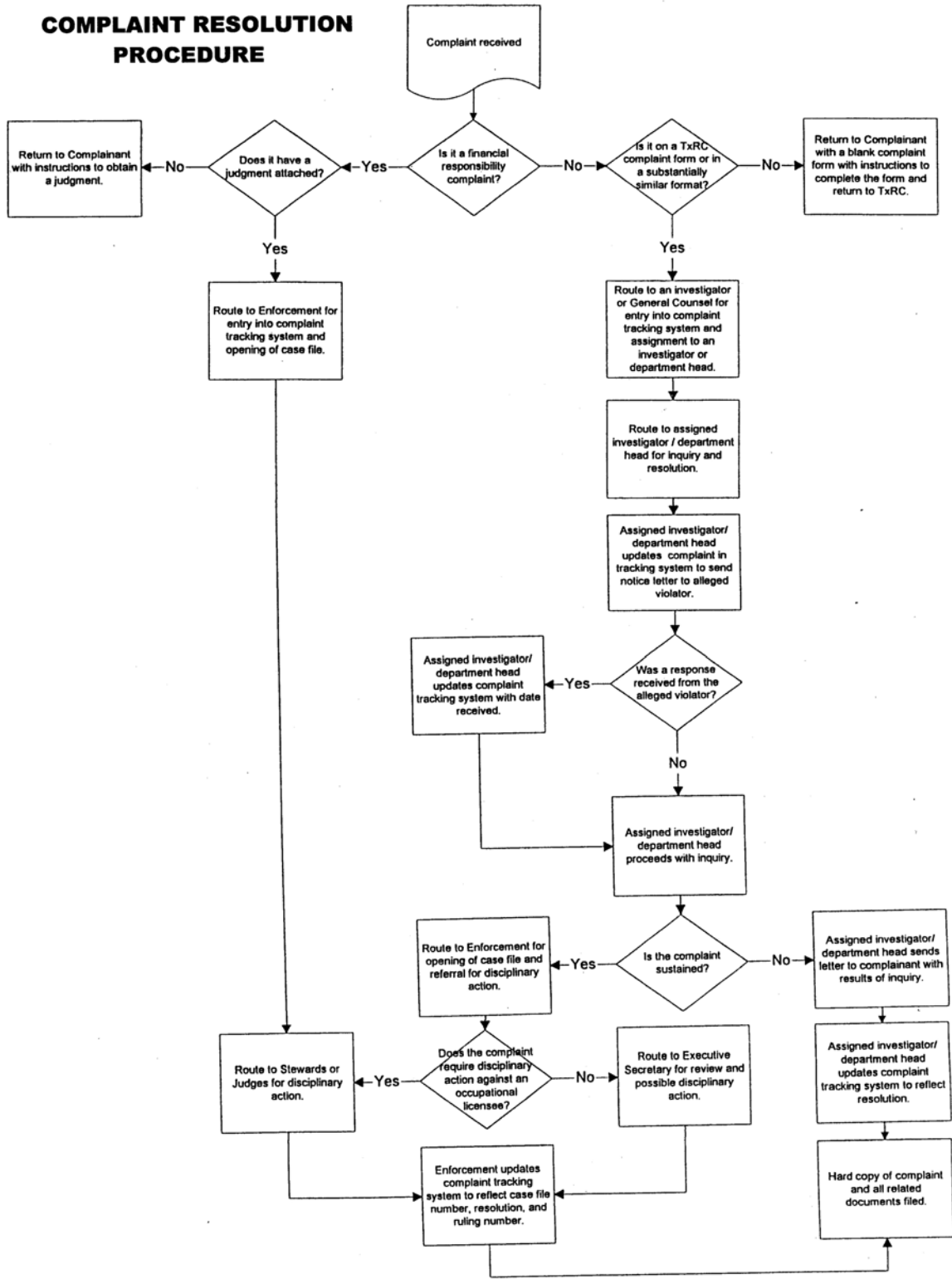
N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

Texas Racing Commission		
Exhibit 12: Information on Complaints Against Regulated Persons or Entities		
Fiscal Years 2005 and 2006		
	FY 2005	FY 2006
Number of complaints against regulated persons	11	12
Number of complaints against regulated entities	18	15
Total number of entities inspected	11	11
Total number of complaints received from the public	11	4
Total number of complaints initiated by agency *	5	2
Number of complaints pending from prior years	0	0
Number of complaints found to be non-jurisdictional	0	0
Number of jurisdictional complaints found to be without merit *	27	20
Number of complaints resolved	29	27
Average number of days for complaint resolution	5	5
Complaints resulting in disciplinary action: *		
administrative penalty	2	7
Reprimand		
Probation		
Suspension		
Revocation		
Other		

* NOTE: Without merit includes not-sustained and/or unfounded.

COMPLAINT RESOLUTION PROCEDURE



VII.H. Executive/Administration

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Indirect Administration
Location/Division	Central office - Austin
Contact Name	Shelley Harris-Curtsinger Jean Cook
Actual Expenditures, FY 2006	\$786,059
Number of FTEs as of August 31, 2006	7

C. What is the objective of this program or function? Describe the major activities performed under this program.

The agency's indirect administrative functions include the Executive Secretary and staff and the Administration Division.

The Executive Secretary serves as the chief executive officer of the TxRC and reports directly to the Texas Racing Commission, composed of seven governor-appointed Commissioners, the Comptroller of Public Accounts and the Chair of the Public Safety Commission. While the Commissioners determine the overall policy directions for the Texas Racing Commission, the Executive Secretary provides executive leadership and day-to-day management of the agency.

The Executive Division is responsible for:

- providing support and information to the nine member Commission;
- administering the statutory provisions of the Texas Racing Act;
- providing administrative supervision and support for division managers;
- assisting in the development of sound policies and procedures;
- developing the strategic operating plan;
- coordinating and providing support to the Commission's established working groups;
- working with regulated racetracks, licensees and industry stakeholders; and establishing working relationships with public officials and other agencies; and
- responding to public information requests.

The Administration Division is responsible for the following functions:

- development of the Legislative Appropriations Request;
- administration and business operations;
- facilities and asset management;
- accounting;
- human resources and payroll;
- purchasing; and
- performance measure reporting.

•

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Overall, the agency has met or exceeded its key outcome performance measures and this directly relates to the executive offices and the management style of the executive team. Further effectiveness and efficiency can be seen through the Cash Receipts and Fee Processing Audit performed by the internal auditors dated April 30, 2006, which found no deficiencies in the procedures and processes used to safeguard the agency assets. In addition, the agency had a post-procurement review by the Texas Building and Procurement Commission in which the agency scored 95%.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

The functions of this strategy continue to be consistent with the original purpose set out for each area.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

This program affects:
Commissioners - 9
Agency Staff – 68.6 FTEs
Licensed racetracks – 10 horse, 3 greyhound
Licensed training facilities – 5
Occupational licensees – approximately 15,000
Breed Registries – 5
Industry related organizations and stakeholders
Other racing jurisdictions
General public
Legislature
Other state agencies

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Executive Secretary reports directly to the Racing Commission. An administrative assistant and a Policy and Planning Specialist report to the Executive Secretary.

The Director of Administration reports to the Deputy Director for Finance and Regulatory Control. Staff includes a supervisor, accountant, purchaser and staff services officer.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The agency is self-funded by those entities it regulates and is not dependent upon monies from the general revenue fund.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

While every state agency has administrative functions similar to the TxRC; the functions provided by this strategy are uniquely designed to serve and support the TxRC's mission.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

The agency has outsourced the internal auditing function. The internal auditor reports to the Commission members who approve an audit plan provided by the contract auditor as required by the Internal Auditing Act (Texas Government Code, Section 2102.008). The total FY2006 expenditure for this contract was \$19,990.75

The agency has outsourced the preparation of the annual financial report. It is coordinated through the Administration Division to meet the requirements of the Office of the Comptroller. The total FY2006 expenditure for this contract was \$5,000.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- **why the regulation is needed;**
 - **the scope of, and procedures for, inspections or audits of regulated entities;**
 - **follow-up activities conducted when non-compliance is identified;**
 - **sanctions available to the agency to ensure compliance; and**
 - **procedures for handling consumer/public complaints against regulated entities.**

Each division is responsible for on-going inspections of the various components of racetrack facilities and operations, including the operations of the totalisator companies.

The results of these inspections are reported to the Commissioners at each regularly scheduled meeting.

The Executive Secretary has the authority to assess administrative penalties up to \$10,000 for violations found during these inspections.

Additionally, the statute gives the Executive Secretary the authority to issue a Cease and Desist Order to respond to actions by an association or other licensee that violates the Racing Act or a Commission rule in a manner that threatens immediate and irreparable public harm.

- O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.**

See Investigations for complaint information.

VII.I. Information Technology

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Information Technology
Location/Division	Main office - Austin
Contact Name	Patricia Nalle
Actual Expenditures, FY 2006	\$303,208
Number of FTEs as of August 31, 2006	4.3

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objective of the I.T. Division is to support the agency's applications and services through the use of information resources.

The I.T. division is responsible for:

- monitoring and maintaining agency telecommunications and network infrastructure;
- monitoring and providing security for agency resources;
- providing support and managing access for agency and non-agency users to the agency's database;
- providing help desk support for agency PCs, peripherals, and software applications;
- maintaining agency website and intranet site;
- developing, managing, and maintaining the agency's database including the development of all agency automated forms and reports;
- managing and maintaining the agency's email server and services;
- maintaining and managing the agency's servers;
- developing and preparing I.T. Strategic Plan, Biennial Operating Plan, Planned Procurement Schedule, and the Disaster Recovery Plan;
- performing regular backups of agency electronic information.;
- analyzing need, budgeting and procuring agency technology hardware, software, and services; and
- assisting and advising agency in the development of new applications or processes through the use of automated services.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

The I.T. Division strives to provide maximum access to agency services and applications by maintaining a 24x7 network which includes email and access to the agency's database. While upgrades and unexpected interruptions do occur, the division maintains a 24x7 network which includes email and access to the agency's database. The following table summarizes downtime in the areas monitored.

Area of Service	FY06 Scheduled Downtime	FY06 Unscheduled Downtime
Network access – Racetrack offices	1 hour	4.5 hours
Network access – All locations	30 minutes	4 hours
Database Access	10 hours *	3.25 hours
Public Website	30 minutes	1 hour

E-mail	31 hours **	5 hours
* Database server down 6.5 hours for a one-time upgrade and server migration.	** E-mail server down for 20 hours for a one-time upgrade and application conversion.	

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

While legislation, technology and the agency's need for technology may change, the I.T. division's function is to adapt to these changes and support agency functions.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The I.T. Division's function affects all members of the agency as well as users outside the agency, including the public. One of the most important functions of the I.T. Division is to maintain the agency's database. The service population consists of approximately 130 users. Approximately 60% of these users are TxRC staff. The remaining 40% are employees at racetracks, breed registries, or staff at other State agencies. The I.T. Division also maintains the agency's website. This website is accessible by the public and is used to access general information about the agency including the rules and regulations governing racing, race dates, licensing forms, and access and information for the online licensing process provided by TexasOnline. Approximately 10% of the agency's licensees used the website to file online applications. In FY07, 100% of the racetrack's simulcast contract requests were filed via the agency's web application.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The I.T. Division is administered by the Director of Information Technology who also serves as the database and systems administrator. In addition to this position, the agency has a full-time database developer who maintains and assists in the development of any database applications as well as a Full-time systems analyst to support the agency's PC hardware and software. The division also has an administrative assistant. The network and I.T. security administration duties are currently shared by the I.T. Director and a part-time outside contractor. The agency has a policy for the use of I.T. resources. This policy is posted on the agency's intranet site. A copy is available upon request. A diagram depicting supported users and hardware is also available upon request.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The agency is self-funded by those entities it regulates and is not dependent on monies from the general revenue fund.

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

While many agencies have I.T. divisions that maintain networks, servers, and databases, the services provided by the I.T. division are customized to the needs of the agency. The database itself is unique to the agency and to other racing jurisdictions around the country.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Where possible, the I.T. Division strives to avoid unnecessary costs or overhead. The division evaluates its core services and analyzes the costs and benefits to outsourcing these services periodically. In 2006, the agency ceased to maintain its own DNS server and instead procured that service from the D.I.R. The Division has a Memorandum of Understanding with the Texas Animal Health Commission to provide a short-term disaster recovery site.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

N/A

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

Each year the I.T. Division has approximately \$40,000 in hardware and software maintenance contracts for the agency's critical servers and software applications. In addition to these recurring costs, the agency usually expends an additional \$20,000 - \$25,000 in contract services for one-time installations or upgrades.

In FY06, the agency had several applications that needed to be tuned or upgraded. In addition, the agency's entire network infrastructure of routers had reached an age that the vendors would no longer support the items under the existing maintenance contracts. Since these applications and equipment were all part of the agency's critical applications and services, these items were all replaced or upgraded. In addition, a new programming project using Oracle's HTML-DB language was contracted out to automate a manual process of faxing in and hand entering simulcast contracts.

In total, nine separate professional contracts were used in FY06 for a total of \$67,025. The contracts were as follows:

- Install three new UNIX servers and convert system from NIS+ to LDAP (2 contracts)
- Replace eight end-of-life routers and installed new firewall and DMZ (1 contract)
- Network Assessment (1 contract)
- Installation and training for Cisco routers, firewall; Install DMZ and NAT the network (1 contract)
- HTML-DB Simulcast Contract project (1 contract)
- Contract for phone installation and software modifications (1 contract)

- UNIX tape backup and LDAP assistance (1 contract)
- Oracle security assessment and OCS training (1 contract)

Generally, each contractor works and is supervised by the I.T. Director. The I.T. Director determines when the work has been completed to the agency's satisfaction and also evaluates the work to ensure that the work satisfactorily met the contract's Statement of Work.

The agency is not currently experiencing problems with any contracts.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

None at this time.

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

None at this time.

- N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:**
- why the regulation is needed;
 - the scope of, and procedures for, inspections or audits of regulated entities;
 - follow-up activities conducted when non-compliance is identified;
 - sanctions available to the agency to ensure compliance; and
 - procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

N/A

VII.J. Texas Bred Incentive Program

A. Provide the following information at the beginning of each program description.

Name of Program or Function	Texas Bred Incentive Program
Location/Division	Wagering & Compliance Inspections
Contact Name	Carol Olewin
Actual Expenditures, FY 2006	\$5,260,613
Number of FTEs as of August 31, 2006	0

B. What is the objective of this program or function? Describe the major activities performed under this program.

The objective of the Accredited Texas Bred Incentive (ATB) Program is to administer the program established by the Texas Racing Act (Act) in a manner consistent with the purposes of the Act.

The major activities involved with the administering of the program include:

- reconciling funds received from the racetracks into the ATB accounts;
- allocating funds in accordance with the criteria approved by the Commission;
- issuing payments to the official breed organizations as provided in the Rules of Racing; and
- auditing the recipients of those payments for compliance with the Act and Rules.

C. What evidence can you provide that shows the effectiveness and efficiency of this program or function? Provide a summary of key statistics and performance measures that best convey the effectiveness and efficiency of this function or program.

Through the ATB Program, the agency allocated and disbursed a total of \$5,260,612.78, to the official breed organizations in Texas during fiscal year 2006.

Funds are collected, reconciled, allocated, and disbursed each month for the previous month. Payments are made to each of the official breed organizations by mid-month of the following month that the funds are received from the racetracks.

D. Describe any important history regarding this program not included in the general agency history section, including how the services or functions have changed from the original intent.

During the 78th Legislative Session the agency's budget, along with all other state agencies, was reduced. This resulted in both a cap being implemented for the ATB Program and the loss of a full-time auditor that was responsible for auditing the official breed organizations. Although the ATB Program funds are pass-through funds, the agency was required to withhold funds from the program in order to meet the requirements imposed by the legislature. The cap has remained in place since that time. To meet the requirement of the Rules in regards to the auditing of the breed organizations, each breed organization is required to submit to the agency by June 15 each year, a copy of an independent audit report. The agency has also contracted with an independent auditor to perform an audit of the ATB program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The ATB Program affects many people and entities including the racetracks, the various official breed organizations in the state of Texas, the horse owners, the stallion and broodmare owners, the breeders, and the greyhound owners. The racetracks must meet the many eligibility requirements set forth in the Act and Rules governing the ownership and operations of a pari-mutuel facility in the state of Texas. The various official breed organizations must go before the Commission to testify in order to be recognized as the official breed organization for their specific breed. The animal owners must be licensed by the Texas Racing Commission and in doing so must submit to a criminal background investigation and the payment of a licensing fee.

F. Describe how your program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The ATB Program is multifaceted. Each day that a racetrack is open for live or simulcast racing the racetrack is required to deposit into the ATB accounts, which are collected by the Texas Comptroller of Public Accounts, the funds due to the program. The amount of funds due is determined by the amount of handle (wagers) made at the racetracks. Once the deposits are made with the Comptroller's office, the racetrack will submit a daily worksheet showing the amounts of their deposits. This worksheet is provided to both our field auditors and the ATB auditor in our Austin office. The field auditors verify the figures contained on the racetrack's worksheet against the agency's database for accuracy. The Comptroller's office then sends a deposit record to the ATB auditor in our Austin office who then verifies the Comptroller's figures with the figures submitted by the racetrack and the figures in our database. Once the month has ended and the agency has received all deposit records from the Comptroller's office and the figures have been reconciled, the allocation of the funds is done. The program auditor will gather and total all funds received by the various racetracks and summarize the figures, which then are verified and approved by the program administrator. Once the initial approval is granted, the program auditor will run the required reports from the agency's database and, using a spreadsheet program, will allocate the ATB funds in accordance with the approved "breed split" percentages. All worksheets used to calculate the allocations are printed and summarized. All information is provided to the program administrator who then verifies all the figures and allocations for accuracy. Once the final approval is granted for the allocations, the payment requests are then submitted to the agency's accounting division for processing and notifications are faxed to each of the official breed organizations with the amount of funds they will be receiving from the ATB Program for the previous month. The entire process is usually completed by mid-month for the previous month's awards.

G. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

All funds received for the ATB Program are pass-through funds. Administration of the ATB Program falls under the Wagering and Compliance Inspections Division of the agency (Strategy C.1.2).

H. Identify any programs, internal or external to your agency, that provide identical or similar services or functions. Describe the similarities and differences.

There are no programs either internal or external to the agency that provide identical or similar services or functions to that of the ATB Program.

I. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question H and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

There are no duplications or conflicts with other programs.

J. If the program or function works with local, regional, or federal units of government include a brief description of these entities and their relationship to the agency.

The ATB Program funds are deposited in accounts collected by the Texas Comptroller of Public Accounts. Funds are held in these accounts until distributions are made each month.

K. If contracted expenditures are made through this program please provide:

- the amount of those expenditures in fiscal year 2006;
- the number of contracts accounting for those expenditures;
- a short summary of the general purpose of those contracts overall;
- the methods used to ensure accountability for funding and performance; and
- a short description of any current contracting problems.

There were no contracted expenditures made through this program.

L. What statutory changes could be made to assist this program in performing its functions? Explain.

N/A

M. Provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

N. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. For each regulatory program, if applicable, describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

O. For each regulatory program, if applicable, provide the following complaint information. The chart headings may be changed if needed to better reflect your agency's practices.

See Investigations for complaint information.

VIII. Statutory Authority and Recent Legislation

A. Fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact your agency. Do not include general state statutes that apply to all agencies, such as the Public Information Act, the Open Meetings Act, or the Administrative Procedure Act. Provide information on Attorney General opinions from FY 2003 - 2007, or earlier significant Attorney General opinions, that affect your agency's operations.

Texas Racing Commission Exhibit 13: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	Authority/Impact on Agency
V.T.C.S. Article 179e (Texas Racing Act)	Creates the Texas Racing Commission. Provides for the strict regulation of horse and greyhound racing and for the control of pari-mutuel wagering in connection with that racing.
V.T.C.S. Article 179e-2	Prohibits the use of state appropriated funds for capital improvements to track facilities or interest payments on track facilities except for tracks that were publicly owned on September 1, 1986.
Texas Penal Code, Chapter 47, § 47.09	Provides a defense to prosecution for gambling if the conduct was authorized by the Texas Racing Act.
Texas Government Code, Chapter 411, § 411.096	Provides that the Commission is entitled to obtain criminal history information from the Department of Public Safety.
Texas Education Code, Chapter 88, Subchapter F	Creates the Equine Research Account and the Equine Research Account Advisory Committee.
15 U.S.C. § 3001 <i>et. seq.</i> (Interstate Horse Racing Act of 1978)	Authorizes and regulates interstate simulcasting.
Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency
GA-0286 (December 20, 2004) Regarding whether the Texas Racing Commission may grant a license for a racetrack without a formal certification of election results to the Secretary of State; and whether the Commission may initiate a license application process for a county following a formal election certification that occurs more than ten days after the canvass of returns.	Certification of local option election results must be made to the Secretary of State before the Texas Racing Commission may accept or act on a license application. The Texas Racing Commission has the discretion to determine whether a given action or document preceding a license application constitutes certification.
LO 93-29 (April 13, 1993) Whether the Texas Racing Commission must investigate an individual who requests reinstatement of a racetrack license and who has not been subject to a prior investigation.	It is not unreasonable to read section 6.19 of the Texas Racing Act, V.T.C.S. article 179e, to require the Texas Racing Commission to investigate any individual who requests reinstatement of a racetrack license under section 6.19 and who was unassociated with a racetrack licensee at the time the racetrack was licensed or was operating.
LO 96-137 (December 13, 1996)	The Texas Racing Commission may approve the application

<p>Whether the Texas Racing Commission may approve an application for wagering on simulcast races by a facility that is as yet incapable of hosting live racing events.</p>	<p>of a licensed racetrack for wagering on simulcast races so long as the Commission has granted the racetrack live race dates. Under the statute, the fact that the racetrack facilities are under construction, incomplete, or otherwise incapable of accommodating a live race event at the time the racetrack begins accepting wagers on simulcast races is inconsequential.</p> <p>Similarly, nothing in the act requires a licensed racetrack to conduct a live race event at the facility before it may offer simulcast racing. The only statutory prerequisite is that the Commission has granted live race dates to the licensed racetrack.</p>
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B. Provide a summary of recent legislation regarding your agency by filling in the chart below or attaching information already available in an agency-developed format. Briefly summarize the key provisions. For bills that did not pass, briefly explain the key provisions and issues that resulted in failure of the bill to pass (e.g., opposition to a new fee, or high cost of implementation).

<p style="text-align: center;">Texas Racing Commission Exhibit 14: 80th Legislative Session Chart</p>		
<p style="text-align: center;">Legislation Enacted - 80th Legislative Session</p>		
<p>Bill Number</p>	<p>Author</p>	<p>Summary of Key Provisions</p>
<p>HB 2701</p>	<p>Flores</p>	<p>H.B. 2701 includes changes that clarify regulatory definitions.</p> <p>The bill removes out-of-date provisions.</p> <p>The bill gives TxRC flexibility to conduct drug testing either pre-race or post-race.</p> <p>The bill establishes that the agency is required, by rule, to recover costs through fees for the regulation, oversight and licensing of racetracks, including both live and simulcast racing.</p> <p>The bill eliminates the provision that establishes 50 percent of the greyhound breakage as one of the agency's revenue sources.</p> <p>The bill changes the expiration date for pari-mutuel tickets from 60 days after the end of a race meet to one year after their purchase. The bill also establishes a one-year expiration date for vouchers.</p> <p>The bill gives the agency the authority to collect fees to cover the costs of doing criminal background checks on individuals requesting approval for a transfer of ownership in a racetrack license.</p> <p>The bill changes the prohibition on a racetrack from employing former TxRC members and some former agency employees from a two-year restriction to a one-year restriction.</p> <p>The bill increases the number of racetracks in which a person may hold a 5% or greater interest from two to three.</p> <p>The bill allows a person holding license as an alcohol distributor under the Texas Alcoholic Beverage Code and who holds an interest in two or more racetrack licenses to also hold a license as an alcohol retailer on the premises of the racetracks.</p> <p>The bill requires the Commission to review the ownership and</p>

		management of each racetrack license every five years, and permits the Commission to charge fees to pay for the review.
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IX. Policy Issues

Issue #1

Should the agency's method of finance be further modified?

A. Brief Description of Issue

The agency's revenue that is derived from uncashed ticket revenue is becoming too unreliable to support the costs of regulating the industry.

B. Discussion

As of September 1, 2007, the Commission's method of finance includes racetrack fees, occupational license fees, and uncashed tickets. The revenue derived from the uncashed tickets has become too unreliable to remain as a major source of funding. The decline in wagering and innovations in wagering technology have contributed to an overall reduction in the number of uncashed tickets.

HB 2701 as introduced in the 80th Legislative Session, eliminated two of the agency's funding sources, uncashed tickets or outstanding tickets, more commonly referred to as the OUTS, and 50% of the greyhound breakage. The OUTS revenue is first used for drug testing costs by the racetracks and then the remainder comes to the agency. OUTS revenue has been 40% of the agency's funding; while the greyhound breakage is only 3% of the agency funding. The introduced legislation would have allowed the racetracks to retain these funds. The agency planned to recoup the funds by adjusting the racetrack fee structure.

The amendment, made on the Senate floor, changed the recommendation, eliminating only the 50% of the greyhound breakage as a funding source. The OUTS revenue was reinstated as a major source of revenue for the agency.

The flow of the outstanding ticket revenue will be significantly disrupted because the bill also established an expiration date of 365 days for all pari-mutuel winning tickets. Previously, tickets have all expired simultaneously regardless of the date of issuance and the agency received a large lump sum of money. The agency anticipates that it will continue to be difficult to project the revenue stream. The ability for the tracks to use OUTS revenue for drug testing will be more challenging because it will be collected in small amounts.

C. Possible Solutions and Impact

Eliminate the uncashed tickets as a source of revenue to the Commission. If the uncashed ticket has not been cashed within one year from the date of purchase, the money would revert to the racetrack where the wager was made. By rule, the Commission will recover costs through racetrack fees for the regulation, oversight, and licensing of racetracks, including both live and simulcast racing. Collection of revenue entirely through fees will provide the Commission a more consistent revenue stream. It will also give the Commission the ability to develop all of the fees based on cost recovery.

Each racetrack will be affected differently by this change, as it will depend on the amount of uncashed tickets each racetrack retains.

Issue #2

Should the Texas Bred Incentive Program Funds be paid directly to the Breed Registries and not collected and administered by the Texas Racing Commission?

A. Brief Description of Issue

Currently, the Texas Racing Act authorizes the Texas Racing Commission to collect the Texas Bred Incentive Program Funds from the racetracks daily and to pay these funds to the appropriate breed registries. Because these funds are collected by the Racing Commission, they are subject to the legislative appropriations process and have been targeted for state budget cuts over the past legislative sessions. The breed registries feel as though the Texas Racing Act designates these funds for their use and should not be subject to state budget cuts.

B. Discussion

The Texas Greyhound Association, The Texas Arabian Breeders Association, The Texas Paint Horse Association, The Texas Quarter Horse Association and The Texas Thoroughbred Association are the designated official breed registries that receive these funds.

The Racing Commission is responsible for collecting the funds from the racetracks, paying the funds to the appropriate breed registry and reporting the revenues/expenditures to the State Comptrollers Office and Legislative Budget Board.

There has been no previous legislative action related to this issue.

C. Possible Solutions and Impact

A possible solution would be for the Texas Racing Act to be revised to remove the Racing Commission as the collector/administrator of the Texas Bred Incentive Program Funds and require the racetracks to pay the funds directly to the appropriate breed registry.

By requiring the racetracks to pay the Texas Bred Incentive Program Funds to the breed registries and not to the Racing Commission, the revenue and expenditure would be removed from the Racing Commission's Legislative Appropriations Request (LAR.)

The proposed change would affect the breed registries by requiring them to have additional administrative procedures and cost to collect the funds from the racetracks.

The agency would benefit by not having to expend resources on auditing the program or maintaining information required to explain the pass-through nature of the program funds.

The fiscal impact of this change would reduce the agency's revenue by approximately \$5.4 million and would reduce the agency's expenditures by an equal amount.

Issue #3

Should the allocation of revenue from a Cross-Species Signal be realigned to make it more equitable to the racetrack and to the species of animal that participates in racing where the wager is made?

A. Brief Description of Issue

The allocation of revenue from a simulcast cross-species wager, as outlined under § 6.091. of the Texas Racing Act, causes economic problems to both the participants and the racetracks.

B. Discussion

The first and most important problem is the negative impact to the purse accounts at the racetrack where the wager is made. The second problem is the reduced revenue to the racetrack. This issue primarily affects the participants in racing who run for purse money at either a greyhound or horse racetrack. At a greyhound racetrack, purse money is paid to the kennel owners and the greyhound owners. The kennel owners hire the greyhound trainers and the staff who feed and take care of the greyhounds. At a horse racetrack, purse money is paid to the horse owners and the jockeys. The horse owners pay the trainers who in turn hires the staff to feed and take care of the horses.

Second, this issue affects the racetrack's bottom line. The revenue allocation of a wager is different for live, simulcast same-species and simulcast cross-species. These differences have resulted in as much as a 50% reduction in revenue to the racetrack's bottom line on wagers made on simulcast cross-species wagering.

The agency's role in this issue lies within the simulcast approval process. In approving a simulcast request for a cross-species signal, the agency is put in the position of approving a simulcast request that may be in the interest of the wagering public, but is detrimental to the purse accounts and at times to the detriment of the requesting racetrack.

The industry proposed clean-up legislation in 2001 that would have resolved these problems. However, the legislation had an amendment attached that would have legalized eight-liners that caused the legislation to be vetoed.

C. Possible Solutions and Impact

A possible solution would be for § 6.091 of the Texas Racing Act to be amended so that either all or some significant portion of the total purse money set aside from a wager placed on a cross-species signal remains at the racetrack where the wager was placed for use in purses at that racetrack. This section should also be amended so that the base revenue streams to the racetrack are similar to revenue streams retained from other simulcast signals offered. To achieve these two goals, elimination of the Commission's escrowed horse purse account as required by this section of the Texas Racing Act should be considered.

This solution will help stabilize the purses at the location where the wager was made. This solution will also make the simulcast revenue streams similar. Thus, providing the racetracks a more stable revenue model to plan and budget for operational needs.

The change caused by the proposed solution will impact each entity differently, but the overall impact would be revenue stability and more reliable purse streams. This proposed solution would ease the purse account stress and revenue model stress caused to racetracks that currently choose to offer cross-species signals.

The agency's performance would be impacted in a positive manner by this proposed solution, because the agency would no longer have to administer the escrowed purse account. Additionally, the agency's performance would also be impacted positively by being able to simplify its simulcast request and approval process to make it more efficient.

This solution will be beneficial to the agency, because it would resolve a highly contentious issue that the Commission must address each year when determining which racetrack receives the purse money and when determining to which breed of horse the purse money will be allocated.

The possible drawbacks of this recommended change will be the industry's unwillingness to embrace change. The current cross-species language is seen as complicated and is not very well understood by all the affected parties. Due to this lack of understanding, the affected parties disagree over the impact that the current language has had on the industry.

Fiscal impact to the agency would be the elimination of the Escrowed Purse Account of approximately \$1.25 million. These funds were collected from the greyhound racetracks and then paid to the horse racetracks for purse money.

Issue #4

Should the Racetrack License Process be modified to better address change of location/ownership/revocation and transferability?

A. Brief Description of Issue

The Texas Racing Act does not provide clear authority or flexibility to the Commission to effectively oversee significant business aspects of racetrack licenses.

B. Discussion

The grounds specified by the Texas Racing Act for denial, revocation, and suspension of a racetrack license limit the Commission's ability to revoke or suspend an existing racetrack license. Section 6.06(a) of the Act lists seventeen specific grounds by which the Commission may deny, revoke or suspend a license. However, these grounds are written as if the license holder or applicant were an individual person, while all license holders have been business organizations, primarily corporations and partnerships. For example, under § 6.06(a)(9), the Commission may deny, revoke or suspend a license if the applicant has not yet reached the minimum age to purchase alcoholic beverages, which is inapplicable to a business organization.

In addition, § 6.06(a)'s grounds are aimed primarily at the new license applicant, and are of limited value when addressing more complex issues that arise after a license has been granted. For example, two Texas companies have held racetrack licenses since 1989, yet have never constructed their racetracks or conducted a single day of live racing. One of these companies does not have an approved site on which it could construct a racetrack. The primary provision of the Act to which the Commission can turn for authority, should it resolve to address these problems, is § 6.06(a)(4), which allows the Commission to deny, suspend, or revoke a license if the applicant is "unqualified, by experience or otherwise, to perform the duties of a licensee under this Act". While the Commission may ultimately be able to successfully revoke these licensees as "unqualified" due to their lack of a racing facility, the position relies upon an interpretation that is subject to legitimate debate.

An alternative approach for the Commission to take in addressing the issue of these inactive licenses is to require racetrack licensees to post security under § 6.04(b) to ensure that they comply with the Act and the Commission's rules. In fact, the Commission has recently adopted a rule that expands and enhances its ability to require security from these licensees.

Finally, the Commission lacks authority to extend its review of existing racetrack stakeholders to include creditors who, in effect, have become *de facto* owners of a racetrack's facility and license. In one case, the racetrack track has been unable to meet its annual debt service for several years, and the interest has grown so large that it has become extremely unlikely that the track will ever be able to repay the accumulated principal and interest. The creditor is not subject to the Commission's regulation because it has no formal ownership interest in the licensee, yet it exerts considerable influence over the track's operations through its financial position and through its majority ownership in the separate company that operates the track.

C. Possible Solutions and Impact

The Act should be amended to provide the Commission with clear authority to address the integrity of racetrack ownership and augment its ability to require licensees to build their facilities and conduct live racing. Those licensees who ultimately build their tracks will serve the public interest for which the license

was granted by contributing to local economic development and by enhancing the state's horse breeding and training opportunities.

Issue #5

Should the Racing Act be amended to expressly prohibit illegal wagering on horse and greyhound racing?

A. Brief Description of Issue

The racing industry suffers from competition with gaming alternatives that are unregulated at best, and are frequently illegal.

B. Discussion

Across Texas, there are numerous recorded incidents of illegal and unregulated wagering. The greater Austin area provides several recent examples. On May 23, 2006, the Austin Police Department arrested thirty-four people on charges of money laundering and gambling promotion in connection with the use of eight-liners. This raid was closely followed by the confiscation of 1,000 eight-liners from 23 Austin locations on June 8, 2006. According to the police press release, the defendants took in over \$15 million in illegal gambling dollars over the course of the previous two years. On November 30, 2006, Austin police raided eight game rooms, confiscated 352 eight-liners and \$80,997 in cash, and arrested 47 people. On April 26, 2007, Hays County and San Marcos law enforcement officers raided three game rooms, seized 105 eight-liners, and arrested two people.

Not all gaming competition is clearly illegal. For example, there are several out-of-state businesses that openly accept pari-mutuel wagers from Texas residents placed over the telephone or over the Internet. These companies claim that, as long as the bet is not placed on a race held within the state of Texas, the wager is legal. Their services are convenient and customer-friendly, and they offer free training on how to wager, using systems such as YouBet's learn-to-play, play-for-points, website. They also frequently offer prizes and rebates to bettors that Texas racetracks cannot afford to match, such as Expressbet's 3% Rebate Program. These online- and telephone-based services also prevent the Texas racing industry, and Texas government, from participating in the revenue stream. On wagers placed on out-of-state races through a Texas simulcasting facility, the state of Texas receives 1 to 1.25 percent, the breeders' associations receive 1 percent, the purse accounts receive 5 to 7 percent, and the receiving track receives 9 to 15 percent. However, when these bets are placed through an independent service, they contribute nothing to the Texas racing industry or the state government's general revenue.

According to Racing Commissioners International, the national level of wagering through these services reached \$1.5 to \$2.0 billion in 2004. If the Texas share of those wagers is proportionate to its share of the reported pari-mutuel handle, then Texans wagered over \$50 million in unregulated bets in 2004. This was a loss of \$500,000 to \$625,000 to state revenues alone, and a loss of \$7.5 to \$11.5 million to the tracks, breeders' associations, kennelmen, and horsemen.

The loss to these unregulated wagering services is growing. According to the recent financial reports of YouBet.com, a leading online wagering service, the company's total pari-mutuel handle for the first quarter of 2006 was \$103.3 million, a 66 percent increase from the same period of 2005. TVG, a competitor of YouBet.com, processed \$71.5 million in pari-mutuel wagers during the first quarter of 2006, a 16 percent increase from 2005. Sportsbook.com, an offshore company that is traded on the London Stock Exchange, reported that its total handle, including sports betting and online poker and casino-style games, increased to 507.3 million GBP in the first quarter of 2006, an increase of 31 percent from 2005.

C. Possible Solutions and Impact

The section of the Penal Code defining “gambling device” is ambiguous and should be rewritten to more clearly express the legislature’s intent. Texas Penal Code § 47.01(4)(B) creates the so-called “fuzzy animal” exception to the definition, and legalizes machines “adapted solely for bona fide amusement purposes if the contrivance rewards the player exclusively with noncash merchandise prizes, toys, or novelties, or a representation of value redeemable for those items, that have a wholesale value available from a single play of the game or device of not more than 10 times the amount charged to play the game or device once or \$5, whichever is less.” Numerous cases and Attorney General opinions have dealt with this definition, yet entrepreneurs continue to develop novel approaches that test the boundaries of this law.

Regarding online wagering, the Texas Racing Act should be amended to expressly prohibit companies from accepting wagers on horse or greyhound races from bettors within Texas, regardless of where the race is run, unless the bettor is within the enclosure of a licensed Texas racetrack and placing the bet through the pari-mutuel system of that racetrack. This will decrease the amount of unregulated competition and increase the revenue to racetracks, kennelmen and horsemen, breeders’ associations, and the state’s general revenue fund.

X. Other Contacts

A. Fill in the following chart with updated information on people with an interest in your agency, and be sure to include the most recent e-mail address.

Texas Racing Commission Contacts			
INTEREST GROUPS (groups affected by agency actions or that represent others served by or affected by agency actions)			
Group or Association Name/ Contact Person	Address	Telephone/ Fax	E-mail Address
Corpus Christi Greyhound Race Track, Jacques Triplett	P.O. Box 9087 Corpus Christi, TX 78469	361-289-9333 361-289-4307	
Gillespie Co. Fair & Festivals Assn. Lee DeLong	P.O. Box 526 Fredericksburg, TX 78624	830-997-2118 830-997-4923	
Gulf Greyhound Park Sally Briggs	P.O. Box 488 La Marque, TX 77568	409-986-9500 409-986-9700	sbriggs@gulfgreyhound.com
Laredo Downs Steve LaMantia	7220 CPL Road Laredo, TX 78041	956-723-6354 956-725-1949	
Laredo Race Park, LLP Robert Bork	7575 N. Sam Houston Pkwy W Houston, TX 77064	512-230-9200 512-320-9292	bbork@shrp.com
Lone Star Park at Grand Prairie Drew Shubeck	1000 Lone Star Parkway Grand Prairie, TX 75050	972-263-7223 972-262-5622	
Longhorn Downs (Austin Jockey Club) Bryan Brown	P.O. Box 47535 San Antonio, TX 78265	210-651-7000 210-651-7097	
Magna Entertainment Center Gene Chabrier	200 Race Track Road, Building 26 Washington, PA 15301	412-232-6916 724-986-4304	gene.chabrier@expressbet.com
Manor Downs Howard Phillips	P.O. Box 141309 Austin, TX 78714	512-272-5581 512-278-1892	
Retama Park Bryan Brown	P.O. Box 47535 San Antonio, TX 78265	210-651-7000 210-651-7097	
Saddle Brook Park Drew Alexander	P.O. Box 50597 Amarillo, TX 79159	806-359-9546 806-359-5239	
Sam Houston Race Park Robert Bork	7575 N. Sam Houston Pkwy W Houston, TX 77064	281-807-8700 281-807-8777	bbork@shrp.com
Tesoros Race Park Greg LaMantia	L&F Distributions, Ltd. 3900 N. McColl Road McAllen, TX 78501	956-687-7751 956-687-8569	
Valley Race Park Milton Roth	2601 South Ed Carey Dr. Harlingen, TX 78552	956-412-7223 956-428-0143	
Diamond D Ranch Training Center Jimmy Ed Dodwell	4509 Diamond D Road Lone Oak, TX 75453	903-662-5111 903-662-5676	
El Primero Training Center Keith Asmussen	P.O. Box 1785 Laredo, TX 78044	956-722-4532 956-717-1357	

Oak Leaf Training Center Royce Roberts	County Road 412 South Tyler, TX 75704	903-881-0180 903-881-0445	
Valhalla Farms Training Center Jim Jackson	Route 3, Box 95A Rockdale, TX 76567	512-446-4145 512-446-2723	
American Quarter Horse Assn. Trey Buck	P.O. Box 200 Amarillo, TX 79168	806-376-4888 806-349-6402	
Equine Research Advisory Committee Dr. David Forrest	Texas Agricultural Experiment Station, Texas A&M Univ. 2142 TAMU College Station, TX 77843	979-845-3713 978-862-1637	
Jockey's Guild John Beech	P.O. Box 487 Leander, TX 78646	512-914-3411 512-260-6361	
Texas Arabian Breeders' Assn. Ed Wilson	P.O. Box 215 Forney, TX 75126	972-564-9430 972-552-3613	
Texas Greyhound Assn. Diane Whiteley	P.O. Box 40 Lorena, TX 76655	254-857-4377 254-857-4299	
Texas Horsemen's Partnership, LLP Tommy Azopardi	P.O. Box 142533 Austin, TX 78714	512-467-9799 512-467-9790	tommyazopardi@texashorsemen.com
Texas Paint Horse Breeders Assn. Trigg Rentfro	P.O. Box 161746 Fort Worth, TX 76161	817-8134-2742 817-222-8489	
Texas Quarter Horse Assn. Robert Werstler	P.O. Box 9449 Austin, TX 78766	512-458-5202 512-458-1713	robwerstler@hotmail.com
Texas Thoroughbred Assn. David Hooper	P.O. Box 14967 Austin, TX 78761	512-458-6133 512-453-5919	davidh@texasthoroughbred.com
United Tote Jeff True	5901 DeSoto Ave Woodland Hills, CA 91367	818-668-2100 818-668-2101	
Scientific Games Racing LLC William Huntley	1500 Bluegrass Lakes Pkwy Alpharetta, GA 30004	800-355-8693	
AmTote International, Inc. Michael Neuman	11200 Pepper Road Hunt Valley, MD 21031	410-785-5157	

INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS
(that serve as an information clearinghouse or regularly interact with your agency)

Group or Association Name/ Contact Person	Address	Telephone	E-mail Address
Racing Commissioners International Ed Martin	2343 Alexandria Dr, Ste 200 Lexington, KY 40504	859-224-7070 859-224-7071	emartin@arci.com
TX A&M Veterinary Medical Diagnostic Laboratory Ken Peck	Texas A&M University P.O. Drawer 3040 College Station, TX 77841	979-845-3414 979-845-1794	
American Horse Council Jay Hickey	1616 H Street NW, 7 th Floor Washington, D.C. 20006	202-296-4031 202-296-1970	
American Assn. of Equine Practitioners Gary Carpenter	4075 Iron Works Pike Lexington, KY 40511	606-233-0147 606-233-1968	
Regional Organized Crime Information Center Charles D. Lowe	545 Marriott Drive, Ste 850 Nashville, TN 37214-5019	1800-238-7985 1800-366-3658	

Racetrack Medication Testing Consortium Dr. Scot Waterman	2525 Harrodsburg Rd. Lexington, KY 40504	859-422-2675 859-296-5275	swaterman@ntra.com
Board of Veterinary Medical Examiners Dewey Helmcamp	333 Guadalupe, Ste 3-810 Austin, TX 78701	512-305-7555 512-305-7556	
Thoroughbred Owners & Breeders Assn. Dan Metzger	P.O. Box 91068 Lexington, KY 40591	859-276-2291 859-276-2462	
LIAISONS AT OTHER STATE AGENCIES (with which your agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General's office)			
Agency Name/Relationship/ Contact Person	Address	Telephone	E-mail Address
Comptroller of Public Accounts Jimmy Archer	TJ Rusk Building 208 E. 10 th Street, Ste. 206 Austin, TX 78701	512-463-3869 512-936-6242	
State Comptroller Audit Division Nancy Wilkins	Steven F Austin Bldg 1700 N Congress, Ste 300	512-475-0245 512-475-0349	
Attorney General George Warner, General Counsel	300 W. 15 th Street Austin, TX 78701	512-475-4300 512-475-8301	
Department of Public Safety Criminal Intelligence Service Capt. James Blodgett	5805 N. Lamar Blvd. P.O. Box 4087 Austin, TX 78773	512-465-2200 512-453-5715	
Legislative Budget Board Sarah Keyton	1501 N. Congress, 5 th Fl. Austin, TX 78701	512-463-1200 512-475-2902	sarah.keyton@lbb.state.tx.us
Governor's Office of Budget & Planning Cristen Wohlgemuth	Capitol Building P.O. Box 12428 Austin, TX 78711	512-463-1778 512-463-1975	
Animal Health Commission Dr. Bob Hillman	P.O. Box 12966 Austin, TX 78711	512-719-0700	
State Office of Risk Management Joseph Deering	P.O. Box 13777 Austin, TX 78711	512-475-1440 512-472-0234	joseph.deering@sorm.state.tx.us
Texas Ethics Commission Disclosure Filing Division Becky Levy	P.O. Box 12070 Capitol Station Austin, TX 78711	512-463-5800 512-463-5777	
Texas Workforce Commission Civil Rights Division Robert Gomez	101 East 15 th St. , Ste. 144-T Austin, TX 78779	512-463-2642 512-463-2643	
State Office of Administrative Hearings Shelia Bailey Taylor	300 W. 15 th St., Ste 502 Austin, TX 78711	512-475-4993 512-475-4994	shelia.taylor@soah.state.tx.us

XI. Additional Information

A. Fill in the following chart detailing information on complaints regarding your agency. Do not include complaints received against people or entities you regulate. The chart headings may be changed if needed to better reflect your agency's practices.

Texas Racing Commission Exhibit 16: Complaints Against the Agency — Fiscal Years 2005 and 2006		
	FY 2005	FY 2006
Number of complaints received	2	2
Number of complaints resolved	2	2
Number of complaints dropped/found to be without merit	0	2
Number of complaints pending from prior years	0	0
Average time period for resolution of a complaint	25	3.5

B. Fill in the following chart detailing your agency's Historically Underutilized Business (HUB) purchases.

Texas Racing Commission Exhibit 17: Purchases from HUBs				
FISCAL YEAR 2004				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	N/A	0	0	11.9%
Building Construction	N/A	0	0	26.1%
Special Trade	N/A	0	0	57.2%
Professional Services	\$12,638	\$12,638	100.0 %	20.0%
Other Services	115,393	7,083	6.1%	33.0%
Commodities	65,440	24,357	37.2%	12.6%
TOTAL	\$193,471	\$44,078	22.8%	

FISCAL YEAR 2005				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	N/A	0	0	11.9%
Building Construction	N/A	0	0	26.1%
Special Trade	N/A	0	0	57.2%
Professional Services	\$21,947	\$21,947	100.0%	20.0%
Other Services	99,520	7,448	7.5%	33.0%
Commodities	151,430	83,120	54.9%	12.6%
TOTAL	\$272,897	\$112,515	41.2%	
FISCAL YEAR 2006				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	N/A	0	0	11.9%
Building Construction	N/A	0	0	26.1%
Special Trade	\$2,409	\$0	0.0%	57.2%
Professional Services	29,917	29,917	100.0%	20.0%
Other Services	145,036	16,637	11.5%	33.0%
Commodities	120,965	84,978	70.3%	12.6%
TOTAL	\$298,327	\$131,532	44.1%	

C. Does your agency have a HUB policy? How does your agency address performance shortfalls related to the policy?

Yes. Performance shortfall(s) are identified and recommendations are sent as a part of the monthly HUB report to the Executive Secretary & the Director of Administration. In addition, the TxRC HUB Coordinator attends HUB Regional Forums, Conferences and Small Business Summits to attempt to increase the “other services” HUB category shortfall. The HUB Coordinator meets with both HUB and non-HUB vendors at TxRC headquarters in Austin to familiarize vendors with products and services utilized by the agency and possible bidding opportunities.

D. For agencies with contracts valued at \$100,000 or more: Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available for contracts of \$100,000 or more? (Tex. Government Code, Sec. 2161.252; TAC 111.14)

N/A

E. For agencies with biennial appropriations exceeding \$10 million, answer the following HUB questions.

	Response / Agency Contact
1. Do you have a HUB coordinator? (Tex. Government Code, Sec. 2161.062; TAC 111.126)	Yes – John Altman 512-490-4031, jaltman@txrc.state.tx.us
2. Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Tex. Government Code, Sec. 2161.066; TAC 111.127)	Yes, the HUB Coordinator has had forums with HUB and other vendors.
3. Has your agency developed a mentor-protege program to foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Tex. Government Code, Sec. 2161.065; TAC 111.128)	Up until now the agency has been exempt as its biennial budget has been under \$20 million. The FY08/FY09 budget has now reached the threshold and the the agency will develop and implement the program during this time.

F. Fill in the chart below detailing your agency's Equal Employment Opportunity (EEO) statistics. See Exhibit 18 Example or [click here to link directly to the example.](#)

Texas Racing Commission							
Exhibit 18: Equal Employment Opportunity Statistics							
FISCAL YEAR 2004							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	11	9.09%	7%	9.09%	11%	27.27%	31%
Professional	32	3.13%	9%	0	10%	34.38%	47%
Technical	18	0	14%	11.11%	18%	0	39%
Protective Services	0	0	18%	0	21%	0	21%
Para-Professionals	26	0	18%	19.23%	31%	61.54%	56%
Administrative Support	3	33.33%	19%	0	27%	66.67%	80%
Skilled Craft	0	0	10%	0	28%	0	10%
Service/Maintenance	0	0	18%	0	44%	0	26%

FISCAL YEAR 2005							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	5	0	7%	0	11%	60.00%	31%
Professional	33	3.03%	9%	9.09%	10%	36.36%	47%
Technical	20	0	14%	10.00%	18%	0	39%
Protective Services	0	0	18%	0	21%	0	21%
Para-Professionals	25	0	18%	24.00%	31%	60.00%	56%
Administrative Support	4	25.00%	19%	25.00%	27%	50.00%	80%
Skilled Craft	0	0	10%	0	28%	0	10%
Service/Maintenance	0	0	18%	0	44%	0	26%
FISCAL YEAR 2006							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	10	10.00%	7%	10.00%	11%	80.00%	31%
Professional	33	3.03%	9%	6.06%	10%	36.36%	47%
Technical	20	0	14%	10.00%	18%	0	39%
Protective Services	0	0	18%	0	21%	0	21%
Para-Professionals	20	0	18%	20.00%	31%	65.00%	56%
Administrative Support	10	10.00%	19%	20.00%	27%	80.00%	80%
Skilled Craft	0	0	10%	0	28%	0	10%
Service/Maintenance	0	0	18%	0	44%	0	26%

G. Does your agency have an equal employment opportunity policy? How does your agency address performance shortfalls related to the policy?

Yes, the agency has an equal employment opportunity policy. The agency posts all of the employment opportunities on the agency website and on the Work-in-Texas site. Since many of the positions are in the racing and veterinarian fields and have seasonal schedules with non-traditional work schedules, the agency does advertise with universities and numerous racing related publications.

XII. Agency Comments

Additional information will be provided upon request. Site visits to the operating racetracks will provide an excellent opportunity to observe the Commission's regulatory functions and the racetrack operations.

ATTACHMENTS

Submit the following supplemental data or documents with the hard copy of the Self-Evaluation Report. Label each attachment with its number (e.g., Attachment 1). As part of the electronic version, attach a list of items submitted, but do not attach the actual documents to the electronic submission.

Attachments Relating to Key Functions, Powers, and Duties

1. Texas Racing Act and Rules of Racing
2. Annual Reports
 - A. Annual Report - Calendar Year 2002
 - B. Annual Report - Calendar Year 2003
 - C. Annual Report - Calendar Year 2004
 - D. Annual Report - Calendar Year 2005
 - E. Annual Report - Calendar Year 2006
3. Brochure – What is the Texas Racing Commission?

Attachments Relating to Policymaking Structure

4. Biographical information (e.g., education, employment, affiliations, and honors) or resumes of all policymaking body members.
5. See Attachment 1 for Rules of Racing.

Attachments Relating to Funding

6. Legislative Appropriations Request for FY 2008 and 2009.
7. Annual Financial Reports
 - A. Annual Financial Report – FY 2004
 - B. Annual Financial Report – FY 2005
 - C. Annual Financial Report – FY 2006
8. Operating Budgets
 - A. Operating Budget for FY 2005 (Legislative Appropriations Request for FY 2006 and 2007)
 - B. Operating Budget for FY 2006
 - C. Operating Budget for FY 2007 – see Attachment 6, Legislative Appropriations Request for FY 2008 and 2009

Attachments Relating to Organization

9. Map showing location of all licensed racetracks

Attachments Relating to Agency Performance Evaluation

10. Key Performance Measures Report
 - A. FY 2004
 - B. FY 2005
 - C. FY 2006
11. FY 2007 and 2008 Internal Audit Plan
12. List of internal audit reports from FY 2003 - 2007 completed by or in progress at the agency.

- A. Internal Audit of disaster Recovery and Security for Information Systems as of August 31, 2004
 - B. Internal Audit of Inspection Processes as of April 12, 2005
 - C. Internal Audit of Cash Disbursements as of August 17, 2005
 - D. Internal Audit of Cash Receipts and Fee Processing Functions as of April 30, 2006
 - E. Internal Audit – Follow-up as of August 3, 2006: Prior Internal Audit Recommendations on the Licensing Application and Registration Process dated November 15, 2002
 - F. Internal Audit of the Racing Administration as of August 8, 2006
 - G. Internal Audit of the Texas Bred Incentive Program as of May 25, 2007
13. List of State Auditor reports from FY 2003 – 2007.
- A. An Audit Report on The Texas Racing Commission, May 2006, Report No. 06-039
14. Customer Service Report, June 1, 2006