



STRATEGIC PLAN
for the
2007–2011 Period

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AGENCY STRATEGIC PLAN

For the Fiscal Years 2007-11 Period

TEXAS RACING COMMISSION

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Submitted July 7, 2006

Signed: _____

Charla Ann King

CHARLA ANN KING
Executive Director

Approved: _____

R. Dyke Rogers

R. DYKE ROGERS
Chair

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Pathway to Prosperity

March 2006

The old adage remains true: If you fail to plan, you plan to fail. We must plan for prosperity. Strategic planning is critical to ensuring a future of opportunity and prosperity. We must always be willing to critically reexamine the role of Texas State Government and the efficiency of its operations. This document specifies our mission and priorities, reflects my philosophy of limited government and my belief in personal responsibility, and it is to be used as your agencies prepare their Strategic Plans. While the role of government must remain limited, governmental endeavors must be done with maximum efficiency and fairness. Our endeavors must always have an eye first for the needs of our clients – the people of Texas.

Throughout the strategic planning process and the next legislative session, policymakers will endeavor to address our state's priorities and agencies will be asked to provide great detail about their operations. I encourage you to provide not only open and complete information but also your innovative ideas about how better to deliver government services.

Working together, I know we can accomplish our mission and address the priorities of the people of Texas. My administration is dedicated to creating greater opportunity and prosperity for our citizens, and to accomplish that mission, I am focused on the following critical priorities:

Assuring open access to an educational system that not only guarantees the basic core knowledge necessary for productive citizens but also emphasizes excellence and accountability in all academic and intellectual undertakings;

Creating and retaining job opportunities and building a stronger economy that will lead to more prosperity for our people and a stable source of funding for core priorities;

Protecting and preserving the health, safety, and well-being of our citizens by ensuring healthcare is accessible and affordable and by safeguarding our neighborhoods and communities from those who intend us harm; and

Providing disciplined, principled government that invests public funds wisely and efficiently.

I appreciate your commitment to excellence in public service.

RICK PERRY

The Mission of Texas State Government

Texas State Government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

AIM HIGH...WE ARE NOT HERE TO ACHIEVE INCONSEQUENTIAL THINGS!

The Philosophy of Texas State Government

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.

Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

Relevant Goals and Benchmarks

General Government

Priority Goal:

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient, and accountable state government operations;
- Ensuring the state’s bonds attain the highest possible bond rating; and
- Conservatively managing the state’s debt.

Benchmarks:

- Number of state services accessible by Internet
- Savings realized in state spending by making reports/documents/processes available on the Internet

Regulatory

Priority Goal:

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards;
- Ensuring compliance;
- Establishing market-based solutions; and
- Reducing the regulatory burden on people and business.

Benchmarks:

- Percent of state professional licensee population with no documented violations
- Percent of new professional licensees as compared to the existing population
- Percent of documented complaints to professional licensing agencies resolved within six months
- Percent of individuals given a test for professional licensure who received a passing score
- Percent of new and renewed professional licenses issued via Internet

Mission and Philosophy

The Mission of the Texas Racing Commission

The Texas Racing Commission will enforce the Texas Racing Act and its rules to ensure safe racing facilities, fair and honest racing activities, and accountable use of economic incentives funded through pari-mutuel racing. The Commission will conduct its regulatory activities courteously and efficiently in a fair, just, and responsible manner.

The Philosophy of the Texas Racing Commission

The Texas Racing Commission accepts and affirms its responsibility to perform its duties in strict compliance with applicable state laws and with the highest integrity. We will conduct our regulatory activities consistently, courteously, and efficiently while remaining sufficiently flexible to adjust to the distinctive and changing needs of and influences on the racing industry.

Strategic Planning Assessment

Agency Purpose

The Texas Racing Commission 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.

Organizational Structure

The Commission is authorized to have 77.9 full-time equivalent positions, approximately 3/4 of which are headquartered at the racetracks. Many of these employees are seasonal, working only when the racetracks conduct live racing. The Commission workforce is comprised of several different professions, including auditors, veterinarians, stewards and racing judges, and investigators, as well as licensing staff and support personnel. (See Appendix B.)

The Commission has a field office at each of the greyhound racetracks and each of the operating Class 1 and 2 horse racetracks. As required by the Texas Racing Act (Act), the Commission's headquarters is in Austin.



Budget and Finance

The Commission is funded through occupational and racetrack license fees and fines, one-half of the breakage from wagering at greyhound racetracks, and the uncashed winning wagers.

For FY 2006, the Commission has an appropriation of approximately \$9.8 million. This includes a direct, dedicated-revenue pass-through of \$5.4 million for the Texas-Bred Incentive Program.

Service Populations

The patrons (the wagering public) desire confidence in the integrity of the pari-mutuel racing offered in this state. These individuals supply the revenue that drives the industry; therefore, they deserve pari-mutuel wagering activity that is free from manipulation, and races that are conducted fairly and honestly. Overall, on-track attendance has declined by 24 percent over the past five years; this trend is not expected to change unless a new racetrack becomes operational. More than 2.4 million patrons attended Texas racetracks in 2005.

The breeders of race animals seek an active industry in which to sell their product. Breeders invest millions of dollars in real estate, construction, and operations to supply the industry with native-bred race animals. They benefit from pari-mutuel racing through the Texas-Bred Incentive Program. This program provides economic incentives to support the industry, encouraging it to grow and compete at a national level.

The occupational licensees make their living through pari-mutuel racing. Racing participants work long hours at the state's eight racetracks. These individuals demonstrate an impressive and passionate commitment to racing as they work hard to reap the rewards of an interesting and unique industry. In FY 2005, more than 15,000 people held an occupational license. The Commission believes the total number of active occupational licensees will continue to decline over the next five years.

This population also includes the totalisator (tote) companies that provide complex computer systems, which tally and calculate the pari-mutuel wagers. A licensed racetrack will contract with one company to provide totalisator services at its facility. Only three totalisator companies operate in North America, each of which provides services in Texas.

The associations (licensed racetracks) provide the arena for the racing and wagering – the racetrack facilities. These companies have built or renovated facilities, at the cost of tens of millions of dollars, for the privilege of inviting patrons to wager. The Act limits the number of Class 1 and greyhound

licenses the Commission may issue. Therefore, under current law the only possibility for an increase in the number of associations is if the Commission issues additional Class 2, 3, or 4 licenses.

Two Class 2 racetrack licensees have not yet constructed their facilities, and two applications for a Class 2 license in Webb County are pending, as well as one application for a Class 2 license in Hidalgo County.

The citizens of Texas profit from the tax dollars and overall economic benefits derived from pari-mutuel racing. Although the amount of direct revenue to the state treasury from pari-mutuel wagering is a small part of the state's total revenues, the public may rely on the Commission to regulate the industry in a manner that secures that revenue.

In 2005, more than
\$515 million was
wagered at Texas
racetracks.

Race animals are the foundation of the pari-mutuel racing industry. Without their efforts, no wagering product would exist. Although the animals are not a service population in the traditional sense, the Commission recognizes its responsibility to protect the health and safety of these animal athletes. In FY 2005, Commission veterinarians performed more than 100,000 race animal inspections prior to the races.

Other Affected Populations

In addition to these direct service populations, the Commission's activities affect other populations. For example,

- Law enforcement agencies rely on Commission investigators to share information regarding licensees and to assist with arrests when necessary.
- Racing-related businesses, such as hay suppliers, tack vendors, and food service businesses, provide products or services either to the associations or to the occupational licensees.
- Other racing jurisdictions rely on the profitability of their own racetracks, which are affected by Commission decisions on race dates and simulcasting. In addition, neighboring racing jurisdictions often license many of the same occupational licensees as the Commission, and seek to exchange licensing and enforcement information with the Commission.
- The racing industry and its regulatory process may affect other Texas governmental entities including the judicial system and local law enforcement.

External Assessment

There are four primary factors that will affect the Texas racing industry over the next five years.

First, our neighboring states of Arkansas, Louisiana, Oklahoma, and New Mexico have taken the advantage over Texas in the competition for both wagering dollars and the breeding of horses.

Second, the accelerating rate of technology change adopted by the totalisator companies is challenging the ability of the agency to respond in ways that maintain the integrity of the wagering system, yet also provide the companies with the operating efficiencies they need to compete.

Third, the nature of the greyhound and horseracing industry, which encourages owners, trainers, kennel operators, and jockeys to compete in multiple states and transport their best animals across state lines on a regular basis, challenges the agency to work towards adapting national standards for licensing, physical facilities, training methods, and drug testing.

Fourth, the growth in the number of unregulated, and frequently illegal, gaming options imposes a substantial competitive disadvantage on the race associations for the public's entertainment dollar.

Regional Competition

There are five horse and three greyhound racetracks in Texas, and twelve horse racetracks and one greyhound racetrack in the surrounding states of Louisiana, Arkansas, Oklahoma, and New Mexico.

Since 2003, Texas is the only state in the region whose average purses for Thoroughbreds have declined, from \$14,309 per race in 2003 to \$14,254 in 2005. In contrast, the average purses for Thoroughbreds in our surrounding states have increased by \$2,699, from \$15,861 in 2003 to \$18,560 in 2005.

While the purses for Quarter Horses in Texas have improved, the increase is only \$460, from \$8,769 in 2003 to \$9,229 in 2005, while the purses in our surrounding states have increased by an average of \$1,332, from \$14,189 in 2003 to \$15,521 in 2005.

In total, the purses for all Texas horse tracks combined declined by \$3 million since 2003, from \$47.1 million in 2003 to \$44.1 million in 2005.

As a result, the number of racehorses bred in Texas is in decline. In 2005, the Texas Thoroughbred Association accredited 1,339 Thoroughbreds of

racing age, a 12 percent decline from the 1,523 that it accredited in 2003. Similarly, the American Quarter Horse Association registered 2,540 Texas Quarter Horses for racing purposes in 2005, a 13.5 percent decline from the 2,939 that it registered in 2003.

The decline in purses, and the resulting decrease in the number of horses available to Texas tracks, has detracted from the quality of racing in Texas and hindered the ability of the racetracks to offer a competitive gaming product.

Lower purses have also affected the greyhound industry. Registration of Texas-bred greyhounds continues to drop – small breeders are getting out of the business and larger operations are scaling back and/or sending their animals to run out-of-state.

The number of accredited Texas-Bred animals is declining as handle and purses fall.

Studies of racing by Dr. Margaret Ray, an economist and professor at the University of Arizona, show that the size and quality of the field drives the entertainment value of the race. Bettors prefer betting on races with more, and more evenly matched, starters, and on races with higher purses. More starters give bettors more animals to choose from and a larger pool to win.

Higher purses generally draw better quality animals that have more extensive racing records and offer the bettors a better opportunity to handicap the contestants. Bettors also prefer wagering on races that offer exotic bets, such as the Trifecta and Superfecta. These wagers offer better handicapping opportunities and the chance for a larger return.

The results of the industry's decline are shown by the trends in handle (total amount wagered) and total attendance: 2.8 million customers attended live racing events in 2003, but by 2005, that number had declined to 2.4 million. This decline is even more pronounced when compared to the 3.2 million who attended in 2001. When considering the amounts wagered, the total handle for all eight Texas tracks was \$114.4 million in 2003, but by 2005, that number declined to \$89.1 million. When compared to the \$146.5 million in handle of 2001, the drop is even more evident.

Overall, the racetracks' profitability continues to be negatively affected by the declining attendance and handle as Texas residents choose to wager at casinos located in the neighboring states and at eight-liner operations here in Texas.

One might question how the states surrounding Texas have been able to generate substantially more revenue and larger purses at a time when the Texas industry is facing financial hardship.

The answer lies in Video Lottery Terminals (VLTs), which are the modern version of casino-style slot machines. Although Louisiana first legalized VLTs in 1992, they did not begin implementing them on a large scale until 2002. The three combination racetrack/casinos (“racinos”) in Louisiana now boast a total of 4,500 VLTs, with 1,500 at Delta Downs, 1,600 at Evangeline Downs, and 1,400 at Harrah’s Louisiana Downs. Fifteen percent of the revenue generated by these VLTs goes to the purses.

Technological Advances in the Industry

Technology continues as a fundamental concern of the racing industry. All pari-mutuel wagering is handled through complex computer systems called totalisators (“totes”). These systems consist of a main server, which may be located off-site, that is linked to the individual wagering machines at the racetracks. The wagering machines may either be operated by human tellers or be configured as self-service machines.

Each of the three tote companies provide services to at least one racetrack in Texas, and due to the extensive simulcasting activity that has become the primary source of revenue for Texas racetracks, the various tote systems must permit wagering information to be communicated from one company's teller machines to another company's servers.

Lower wagering and increased competition from new types of gaming services are compelling the tote companies to develop cost-cutting methods. Increasingly, companies are adopting information technology models similar to the one adopted by the State of Texas, i.e., centralized mainframe operations, owned and operated by outside contractors, but with application design and programming retained by the client.

Tote companies would prefer to outsource all of their national processing operations into one or two primary data servers that are operated by industry leaders in the fields of data systems and distributed networking. This would allow the companies to reduce the expense associated with managing computer resources across multiple locations, allow them to benefit from the more secure environment provided by major data centers, and allow them to partner with companies that specialize in the implementation and analysis of large-scale computer systems.

However, from the agency’s perspective, these changes require careful assessment to ensure that they do not create new security risks. For example, the State Auditor’s Office (SAO) recently found that the agency should improve its controls to ensure the integrity of wagering data. One of the Commission’s existing controls is the requirement that tote company operators work directly for the tote company and be licensed by the Commission. This permits the agency to conduct background checks on

those operators and increases the agency's ability to monitor the conduct of pari-mutuel wagering.

Under this method of operation, tote operators would work directly for a third party, which will require either a rule amendment or a waiver from the current rule. The agency can identify methods for ensuring that this change does not jeopardize the integrity of the wagering system, but this is only one example of how evolving technologies require constant monitoring and analysis by Commission staff.

The Development of National Standards

The national nature of the industry extends to the regulators as well. Racing participants often race at tracks in several states, therefore they desire consistency in regulatory requirements. To address these requests for uniformity and to be more effective, regulatory agencies around the country are working together to develop a stronger, more unified approach.

Important to this effort was the recent merger of the North American Pari-Mutuel Regulators Association (NAPRA) with the Association of Racing Commissioners International (RCI). With the creation of a single, unified association, the Commission projects that consensus on regulatory issues will come more quickly than it has in the past.

The Commission recently joined RCI as a full member, allowing it to participate more completely in national discussions. In addition, participation in RCI allows the agency to check the status of licensees across the nation for problems, search rulings in other jurisdictions for incidents of drug use and race fixing, and take advantage of RCI's substantial expertise in a wide variety of racing-related subjects.

Racing industry stakeholders have created several groups and associations to focus on a particular aspect of racing regulation. For example, individuals from racetracks and racing industry organizations around the country formed the Racing Medication and Testing Consortium (RMTC) to study the regulation of both therapeutic and prohibited medications in race animals. After much research and work, RMTC published its recommended model rules on drug testing. These model rules were adopted by RCI in December 2005. The Commission recently established its own Medication and Drug Testing Working Group to review those model rules and consider whether the Commission should modify its own rules to align with the national recommendations. Work in this area will be ongoing in 2006 and 2007.

Competition from Unregulated Sources

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

Two recent examples resulted from operations by the Austin Police Department (APD). On May 23, 2006, the APD 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 twenty-three 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.

Not all gaming competition is clearly illegal. For example, there are several businesses that openly accept pari-mutuel wagers from Texas residents, and who assert that, as long as the bet is not on a race held within the state of Texas, the wager is legal. These businesses accept bets both through telephone-based interactive voice response systems and through the Internet. They are convenient, customer-friendly, and appeal to a tech-savvy audience, primarily those in the 21- to 40-year age bracket. 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 offer, such as Expressbet's 3% Rebate Program. At least one Louisiana track, Harrah's Louisiana Downs, has entered into a marketing partnership with an Internet-based betting service and encourages the public to wager on horse races through the service.

However, 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 RCI, 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

Unregulated, illegal gaming is siphoning money away from Texas.

2004. This was a loss in 2004 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.

This loss to these unregulated wagering services is growing. According to the most 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.

Uncertain Future

The future of racing in Texas is in question. As the pari-mutuel handle has declined over the past four years, so has the available purse money. Breeders and trainers are relocating to states where the purses are larger, leaving many suppliers and service providers without customers. The racetracks suffer because they no longer have the steady supply of quality race animals they need in order to offer a competitive gaming product.

As purse money declines, so does the number of live races the tracks can afford to offer. Occupational licensees must have a certain number of races in which to participate if they are to remain in state.

Racetracks in neighboring jurisdictions are now able to rely on other sources of gambling to supplement purses. Due to the implementation of slot machines at racetracks in Louisiana, purses in 2003 rose approximately 30 percent over 2002 levels, and they continue to rise.

As the difference in relative purse structure grows, more Texas licensees may be compelled to race outside the state just to pay their bills. If Texas racetracks remain at a competitive disadvantage with those in other states, it is unclear how long some of them may remain in business.

Internal Assessment

The agency has experienced continuous and significant change, particularly since FY 2003. Reductions in available budgetary resources and changes in personnel have resulted in a notably different regulatory program.

Since its last strategic plan, the Commission hired a new executive agency head, general counsel, chief fiscal officer, and director of racing. This new staff leadership is working with existing senior staff 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. These reviews have identified several priorities for development, including improvements in information technology security, totalisator operations oversight, licensee hearings, inspections process management, breed registry oversight, and management staff development.

Regulating with Reduced Resources

Due to the large percentage of budget dedicated to agency salaries, the expenditure reductions of 2003 had a disproportionately negative impact on staffing levels. In addition to employee layoffs, the Commission reduced work schedules for many employees, changing some positions from full-time to part-time, and changing others from regular to seasonal.

Due to financial constraints, the Commission maintained the reductions into FY 2004; the agency remained negatively affected by lower staff morale, diminished retention, and most importantly, challenges in maintaining quality regulation.

Agency still affected by prior budget reductions.

In recent assessments of the impact of the budget, it is clear that the agency remains affected in numerous ways by budget reductions and cash flow problems. Most obvious is the increase in overtime hours that have been worked by the existing staff to make up for the personnel cuts. The agency has an accrued cumulative liability of approximately \$0.5 million in compensatory-time, FLSA-overtime, and vacation time owed to current employees.

The agency has been unable to reduce this liability with existing staff due to statutory requirements that set specific levels of agency staff at the racetracks during live race days, and due to increased workloads in the areas of occupational licensing, open records requests, racetrack application reviews, and simulcast wagering.

Another obvious impact has resulted from the addition of field staff tasks to the workload of managers. While managers act as front-line workers and strive to overcome the reduction of administrative support, they must also fulfill important management responsibilities – budget and planning, performance oversight, training, review and analysis of staffing patterns, policy review and development, and communication with other agency staff and the regulated community.

Unsatisfactory changes have occurred in almost all of the regulatory areas:

- The cut in agency law enforcement personnel has reduced staff opportunities to prevent and identify violations. Fewer compliance inspections are being conducted. Normally this type of inspection will result in anywhere from eight to fifteen contraband cases being filed.
- In the area of veterinary services, budget restrictions eliminated veterinarian field visits in the morning hours. This change has limited the opportunities for veterinarians to evaluate horses for soundness, and restricted their ability to help trainers who need assistance in removing their horses from the state veterinarians' scratch list.
- In the area of animal drug testing, budget reductions at the Texas Veterinary Medical Diagnostic Laboratory eliminated 50% of the Commission's preliminary drug screening tests. This reduction increases the chances that prohibited substances will not be detected.
- In the area of live racing, stewards and judges must now focus their time at the track to those hours when the associations are conducting live racing. As a result, they have fewer hours to spend in the restricted backside areas, which include the barns, kennels, and testing areas. This change has resulted in a significant loss of interaction and important communication between racetrack personnel, horsemen, jockeys, veterinarians, kennelmen, and other racing participants.
- In the area of occupational licensing, the agency has reduced field office hours by 40% at the three greyhound racetracks, and by 25% at the five horse racetracks. This has made it more difficult for the service population to secure and maintain their licenses.
- In the area of pari-mutuel auditing, the agency reduced staffing at the racetracks from seven days per week to five, resulting in a

28.5% reduction in coverage during actual wagering hours. Additionally, the agency eliminated a senior audit position that audited and reviewed the Texas-Bred Incentive Programs. The State Auditor raised concerns about the reduced oversight of the programs in its May audit report.

Reduced staffing in the field has also generated more travel expenditures as fewer staff covered more live meets at more tracks. In-state travel is absolutely critical to providing the necessary personnel for regulating live racing. With rising transportation costs, additional budget restrictions will cause additional harm to the regulatory program.

Some racetracks have little or no agency staff for extended periods, which considerably diminishes the deterrent effect of having regulatory personnel present. The weakening of the Commission's preventative approach has resulted in increased violations and increased costs associated with enforcement. For example, the number of contraband violations increased from 11 in FY 2003 to 66 in FY 2005. These violations result when Commission investigators find forbidden items, such as alcohol, unlabeled medicines, and syringes, in the restricted areas of a racetrack. In addition, the number of animal positives for drug use increased from 120 in 2003 to 137 in 2005. In total, the number of violations found by investigators rose from 278 in FY 2003 to 393 in FY 2005, an increase of 41% over the two year period.

To address these issues, management is exploring ways to improve the regulatory efforts and provide enhanced support to staff. This will include restoration of some positions as possible.

In another effort to compensate for limited resources, racing regulators around the country work together throughout the year at conferences and committee meetings to share information and build better regulatory approaches. These joint efforts provide crucial improvement opportunities for all of the states charged with regulating a complex industry on limited state resources.

In recent years the Commission has not effectively participated in these valuable opportunities. Current limits on out-of-state travel have considerably diminished the Commission's ability to participate in multi-jurisdictional regulatory efforts. However, the Commission recently became a member of the Association of Racing Commissioners International (RCI), which will provide quicker, more complete access to policy and regulatory information from other jurisdictions that will assist the Commission in updating and improving the regulation of pari-mutuel racing in Texas.

Use of Technology

The Commission has been a leader in the area of employing technology for licensing, regulation, and information distribution. The agency continues to be committed to exploring technological enhancements for its customer base. Initiatives related to technological modifications or upgrades include developing and deploying technological solutions to facilitate access to agency information for both internal and external customers and to enhance the productivity of staff.

Because the Commission employs technology for licensing, regulation, and information distribution, it must also continue to enhance security measures to protect the access and storage of vital data. A recent State Auditor's Office audit made specific recommendations on ways to improve the agency's Information Technology security, and the Commission is in the process of acting on those recommendations.

Responding to Changes in the Industry

The Commission must remain flexible in its commitment of staff and resources because the racing industry makes changes in response to economic conditions and patron patterns. A racetrack may decide at any time during a year to alter its business products and approaches for live and simulcast racing. Race animal owners, trainers, and handlers modify their approaches as well.

In the past two years, the Commission has fielded requests for an increasing variety of changes. For example, the tracks regularly request Commission approval for increases and decreases to live race dates. They request changes to post-times, exotic wagering requirements, configurations of electronic wagering machines, and simulcasting opportunities. Particularly challenging are the requests related to new, innovative technologies for wagering hardware, software, and telecommunications equipment.

Technology and market changes drive racetrack requests.

In the area of race animal drug testing, the Commission established a new prohibited substance testing program to address the inappropriate use of a substance used to enhance racing performance.

These and other changes often require prompt action by the entire racing industry and by the Commission. The Commission's challenge of providing 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 its regulatory priorities. If funding levels do not support the increased activity, the Commission must either reduce its regulatory programs to fit the available appropriation, which has a negative affect on the integrity of racing, or disapprove any increases in racing activity, which has a burdensome impact on the business economics of the racing industry.

External Weaknesses Intensify Internal Challenges

As competition with the industry increases, both from racetracks in other states and from other forms of entertainment within the state, the financial pressures on individual licensees also increases. These licensees must remain competitive in order to retain a positive cash flow, but such an aggressive environment increases the temptation to seek any advantage, fair or otherwise, that will give them an edge. In order to maintain an even playing field for all competitors, and to safeguard the integrity of racing for the benefit of the wagering public, the Commission must counteract these negative influences by increasing its regulatory oversight. Considering the agency's budgetary constraints, the agency and its staff have performed well. However, the effort to develop better and more efficient methods of regulating the agency, for the benefit of both the industry and the public, will continue to become more challenging throughout the next five years.

Workforce

Excluding the Texas-Bred Incentive Program pass-through revenue, over 80% of the Commission’s operating budget is spent on salaries, making the staff the agency’s single most important resource. Most of the employment positions within the Commission do not fit the typical state employee model. Many Commission positions require a work schedule that includes evenings, weekends, and holidays to cover racetrack operations.

As a small agency, the Commission must continually face the distinct lack of back-up personnel. Employee vacations, illnesses, and other unavoidable absences create hardships for staff, and employees must work long hours to cover fellow employee absences. This situation is aggravated by the fact that many of the agency’s employees hold highly technical or specialized jobs, which do not lend themselves to cross training or temporary replacement.

Overall, according to the results from the 2006 Survey of Organizational Excellence, staff has a more favorable impression of the organization. There were significant improvements in many areas over the 2004 survey. Several of the higher scoring areas were: *Empowerment, Quality, Goal Oriented, and Working Environment.*

Over 64% of the Commission’s employees participated in the 2006 Survey of Organizational Excellence.

The lowest scoring area was *Fair Pay*. Addressing this issue will be challenging for the Commission given the already strained budget and the looming possibilities of further cuts.

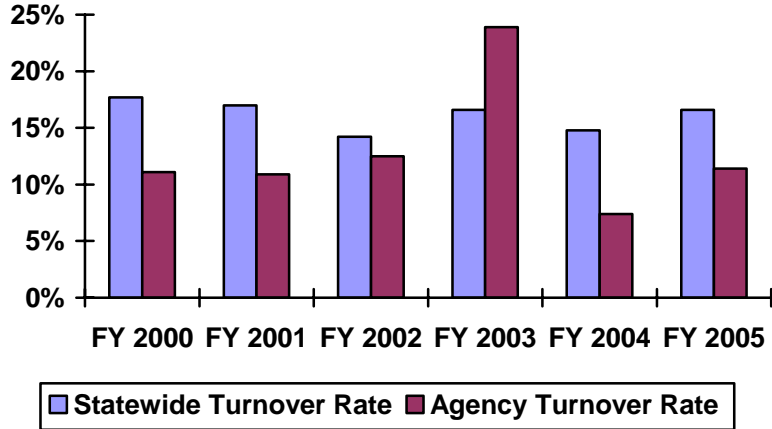
Employees’ dissatisfaction with their pay has not, however, altered their attitude towards their job or in the level of service provided. The overall favorable employee survey results correlate well with the agency’s recent Customer Service Survey, with over 92% of the respondents expressing overall satisfaction with services received.

With more than 28% of the Commission workforce eligible for retirement by FY 2011, the Commission projects a shortage in staffing and skill levels needed to meet future requirements. Staffing areas that are most likely to be affected with shortages caused by retirement eligibility include veterinarians, stewards, and judges.

Another workforce challenge facing the Commission in the next five years is the retention of those qualified and experienced staff who do not become eligible for retirement.

Between FY 2000 and FY 2003, the agency experienced an increase in turnover from 11.1% to 23.9%. The Commission’s turnover rate was slightly lower than the statewide percentage for the same time period.

In FY 2003, the Commission’s turnover rate increased significantly, due to the reduction in workforce and the retirement incentive program. In FY 2005, the Commission had a turnover rate of 11.4%.



Historically Underutilized Businesses (HUBs)

The Commission remains committed to the State’s program that encourages purchasing from these types of companies. Although the Commission is not a significant purchasing power, using less than 5% of the operating budget exclusive of the Texas-Bred pass through funds for purchases, the Commission routinely exceeds its goal of 16% of total purchases with these companies.

Racing Commission HUB Purchases as Percentage of Total Purchases

	<u>Professional Services</u>	<u>Other Purchases</u>	<u>Commodities</u>	<u>Total Purchases</u>
2001	100%	6.01%	17.86%	22.68%
2002	100%	7.08%	14.90%	16.90%
2003	100%	14.30%	39.10%	31.80%
2004	100%	6.13%	37.20%	37.20%
2005	100%	7.48%	54.80%	41.20%

Agency Goals

- Goal A. Enforce Racing Regulation
{V.T.C.S. Art. 179e, §3.02; §3.021; §15.03}

- Goal B. Regulate Participation in Racing
{V.T.C.S. Art. 179e, §3.02; §3.021; §3.16; Article 7}

- Goal C. Regulate Pari-mutuel Wagering in Texas
{V.T.C.S. Art. 179e, §11.01; §11.011}

- Goal D. Conduct Purchasing and Contracting Activities
that Foster Meaningful and Substantive Inclusion
of Historically Underutilized Businesses.
{Government Code, §2161.123}

Objectives and Outcome Measures

Goal A: Enforce Racing Regulation

Objective 1	Regulate pari-mutuel racetracks effectively so racetrack inspections show all racetracks to be in 100% compliance by the year 2011.	
Outcome Measures	1.1.1	Percentage of complaints regarding racetrack operations resolved in six months or less
	1.1.2	Percentage of racetracks with an inspection score of 100%
	1.1.3	Percentage of deficiency items closed
Objective 2	Increase the number of Texas-bred race animals competing. Encourage an increase of 2% each year in the number of Texas-bred animals competing through 2011.	
Outcome Measure	1.2.1	Percent increase in Texas-bred race animals accredited per year
Objective 3	Reduce the rate of rulings per occupational licensee to 1:30 through 2011.	
Outcome Measures	1.3.1	Average number of rulings per occupational licensee
	1.3.2	Recidivism rate for those receiving disciplinary action
	1.3.3	Percentage of investigations (individual) resulting in disciplinary action
	1.3.4	Percentage of licensees with no recent violations
Objective 4	Reduce the percentage of race animals that sustain a major injury as a result of pari-mutuel racing or are dismissed to less than 0.3% through 2011.	
Outcome Measures	1.4.1	Percentage of race animals injured or dismissed from the racetrack
	1.4.2	Number of drug positives for illegal medications per 1,000 samples

Goal B: Regulate Participation in Racing

Objective 1 Maintain the efficiency of the occupational licensing process so that all licensed individuals are qualified through 2011.

Outcome Measures	2.1.1	Average time required to issue a new occupational license
	2.1.2	Percent of license holders meeting qualifications

Goal C: Regulate Pari-mutuel Wagering in Texas

Objective 1 Increase the pass rate for initial tote tests to 97% and the pass rate for pari-mutuel compliance audits to 95% through 2011.

Outcome Measures	3.1.1	Percentage of tote tests passed on the first run
	3.1.2	Percentage of compliance audits passed

Goal D: Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses

Objective 1 Ensure purchases from historically underutilized businesses constitute at least 16% of the total value of purchases each year.

Outcome Measure	4.1.1	Percentage of total dollar value of purchases made from HUBs
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Strategies and Other Measures

Goal A: Enforce Racing Regulation		
Strategy 1.1.1	Monitor racetrack owners and their operations through regulatory and enforcement activities.	
Output Measures	1.1.1.1	Number of complaints regarding racetrack operations closed
	1.1.1.2	Number of racetrack inspections
Efficiency Measures	1.1.1.1	Average regulatory cost per horse racetrack
	1.1.1.2	Average regulatory cost per greyhound racetrack
	1.1.1.3	Average length of time (days) to resolve complaints
Explanatory Measures	1.1.1.1	Number of horse racetracks regulated
	1.1.1.2	Number of greyhound racetracks regulated
Strategy 1.2.1	Administer the Texas-Bred Incentive Programs by monitoring the Texas-bred races and account, and through timely allocation of funds to the breed registries.	
Output Measure	1.2.1.1	Number of Texas-bred awards
Explanatory Measure	1.2.1.1	Total amount of money dedicated to Texas-Bred Incentive Programs
Strategy 1.3.1	Supervise the conduct of racing through enforcement of regulations and monitoring of races.	
Output Measure	1.3.1.1	Number of live races monitored
Strategy 1.3.2	Monitor occupational licensee activities.	
Output Measures	1.3.2.1	Number of investigations completed
	1.3.2.2	Number of rulings issued against occupational licensees
	1.3.2.3	Number of occupational licenses suspended or

		revoked
Strategy 1.4.1	Inspect and provide emergency care.	
Output Measure	1.4.1.1	Number of race animals inspected pre-race
Efficiency Measure	1.4.1.1	Average regulatory cost per animal inspected
Explanatory Measures	1.4.1.1	Number of race animals dismissed from Texas pari-mutuel racetracks
	1.4.1.2	Number of race animals injured on Texas pari-mutuel racetracks
Strategy 1.4.2	Administer the drug testing program.	
Output Measure	1.4.2.1	Number of animal specimens collected for drug testing
Goal B:	Regulate Participation in Racing	
Strategy 2.1.1	Administer the occupational licensing programs through enforcement of regulations.	
Output Measures	2.1.1.1	Number of new occupational licenses issued
	2.1.1.2	Number of occupational licenses renewed
Efficiency Measure	2.1.1.1	Average regulatory cost per individual license issued
Explanatory Measure	2.1.1.1	Total number of individuals licensed
Strategy 2.1.2	Provide for the processing of occupational licenses, registrations, or permit fees through TexasOnline.	
Goal C:	Regulate Pari-mutuel Wagering in Texas	
Strategy 3.1.1	Monitor wagering and conduct audits.	

Output Measures	3.1.1.1	Number of live and simulcast races audited and reviewed
	3.1.1.2	Number of compliance audits completed
Efficiency Measure	3.1.1.1	Average cost to audit and review a live or simulcast race
Explanatory Measures	3.1.1.1	Total pari-mutuel handle (in millions)
	3.1.1.2	Total take to the State Treasury from pari-mutuel wagering on live and simulcast races
	3.1.1.3	Ratio of simulcast handle to live handle
Strategy 3.1.2	Conduct wagering compliance inspections.	
Output Measures	3.1.2.1	Number of tote tests completed
Goal D:	Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses	
Strategy 4.1.1	Develop and implement a plan for increasing purchasing from historically underutilized businesses.	
Output Measures	4.1.1.1	Number of HUB contractors and subcontractors contacted for bid proposals
	4.1.1.2	Number of HUB contracts and subcontracts awarded
	4.1.1.3	Dollar value of HUB purchases

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Appendix A.

Agency Planning Process – 2006

February

Solicit input regarding organizational effectiveness at state-wide employee meeting.

March

Staff meeting to determine whether to request changes to budget/measure structure.

Solicit management input on staffing issues and organizational development issues.

Senior management continues solicitation of input from field employees.

April

Evaluate requests for changes to measures.

Solicit input from Horse Race Date Working Group members regarding effectiveness of current processes.

Senior management continues solicitation of input from field employees.

May

Solicit input on external/internal assessment from Commissioners and field staff.

Solicit input from Greyhound Race Date Working Group members regarding effectiveness of current processes.

Solicit input from Medication/Drug Testing Working Group members regarding effectiveness of current processes.

Discuss and draft external/internal assessment.

Prepare outcome projections.

Discuss and draft workforce plan.

June

Prepare draft report.

Submit to Commission for approval, with delegation of final approval to Chair.

July

Final review and approval by Chair.

Plan distribution to appropriate agencies.

Ongoing

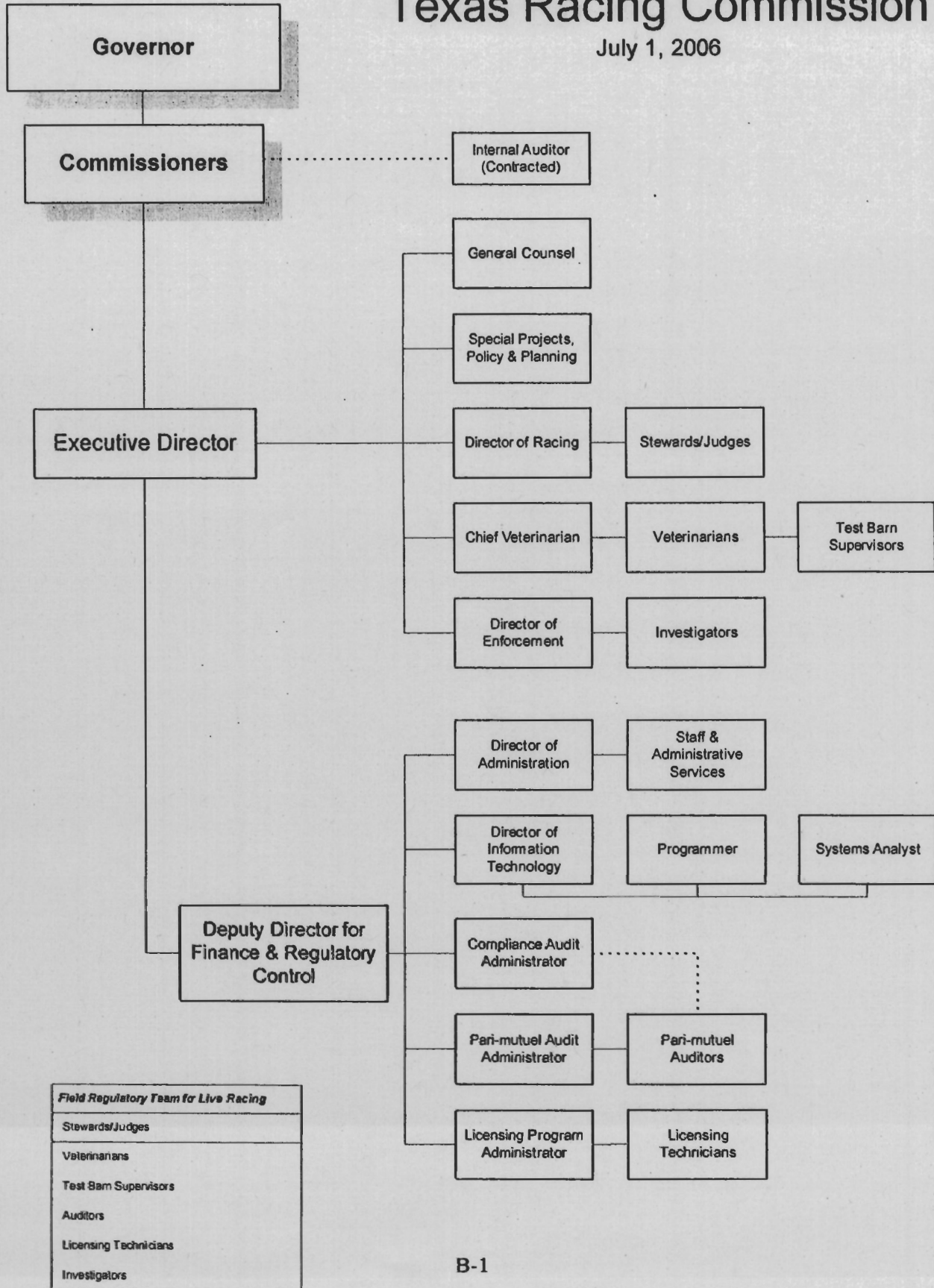
Quarterly reporting of Key Measures to Legislative Budget Board.

Quarterly management review of all measures.

Appendix B.
 Agency Organizational Chart

Texas Racing Commission

July 1, 2006



Appendix C.
Outcome Projections: 2007-2011

Outcome	Description	2007	2008	2009	2010	2011
1.1.1	Percentage of Complaints Regarding Racetrack Operations Resolved in Six Months or Less	100%	100%	100%	100%	100%
1.1.2	Percentage of Racetracks with an Inspection Score of 100 Percent	83%	87%	91%	95%	100%
1.1.3	Percentage of Deficiency Items Closed	100%	100%	100%	100%	100%
1.2.1	Percent Increase in Texas-Bred Race Animals Accredited per Year	2%	2%	2%	2%	2%
1.3.1	Average Number of Rulings per Occupational Licensee	1:30	1:30	1:30	1:30	1:30
1.3.2	Recidivism Rate for Those Receiving Disciplinary Action	10%	9%	8%	7%	6%
1.3.3	Percentage of Investigations (Individual) Resulting in Disciplinary Action	97%	97%	97%	97%	97%
1.3.4	Percentage of Licensees with No Recent Violations	98%	98%	98%	98%	98%
1.4.1	Percentage of Race Animals Injured or Dismissed from the Racetrack	0.3%	0.3%	0.3%	0.3%	0.3%
1.4.2	Number of Drug Positives for Illegal Medications per 1,000 Samples	6	6	6	6	6
2.1.1	Average Time Required to Issue a New Occupational License	10	10	10	10	10
2.1.2	Percent of License Holders Meeting Qualifications	100%	100%	100%	100%	100%
3.1.1	Percentage of Tote Tests Passed on the First Run	95%	95%	96%	96%	97%
3.1.2	Percentage of Compliance Audits Passed	85%	88%	90%	95%	97%
4.1.1	Percentage of Total Dollar Value of Purchases Made from HUBs	16%	16%	16%	16%	16%

Appendix D.

Measure Definitions

Goal A: Enforce Racing Regulation

Objective 1: Regulate pari-mutuel racetracks effectively so racetrack inspections show all racetracks to be in 100% compliance by 2011.

Outcome Measures

OC 1.1.1 Percentage of complaints regarding racetrack operations resolved in six months or less

Short definition - The percentage of complaints submitted by the public about racetrack operations resolved in six months or less. A complaint is an allegation that a specific Commission rule has been violated.

Purpose - To determine the responsiveness of racetracks to expressed regulatory concerns.

Data Source - The Investigative Unit maintains records of complaints received, including the date received, the investigator assigned to handle the investigation, and the date resolved.

Calculation Method - The number of complaints resolved in six months or less divided by the total number of complaints received, multiplied by 100, stated as a percentage.

Data Limitations - Performance will depend on some factors outside the agency's control, such as financial constraints on the racetrack and type of complaints received.

Calculation Type - Non-cumulative

New Measure - No

Desired Performance - Higher than projected

OC 1.1.2 Percentage of racetrack inspections with a score of 100%

Short definition - The percentage of racetrack inspections with a score of 100%.

Purpose - To determine the effectiveness of ongoing regulatory communication between the agency and the racetracks.

Data Source - The score is derived from grading a checklist. Inspections include checking the racing surface, animal facilities, track security, patron facilities, and wagering equipment and operations for compliance with the Commission's rules. The Executive Director maintains the information.

Calculation Method - The number of racetrack inspections with a score

	of 100% divided by the total number of inspections, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on factors outside the agency's control, such as regulatory responsiveness of the racetracks.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

OC 1.1.3 Percentage of deficiency items closed

Short definition	- The percentage of items confirmed to be corrected by follow-up inspection from the list of items not in compliance during the initial racetrack inspections.
Purpose	- To determine the effectiveness of regulatory communication between the agency and the racetracks after an unsatisfactory inspection.
Data Source	- The Executive Secretary maintains this information.
Calculation Method	- The number of deficiency items on inspection checklists that were corrected divided by the total number of deficiency items on inspection checklists in the report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on factors outside the agency's control, such as financial constraints on the racetrack and type of deficiency items.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Output Measures

OP 1.1.1.1 Number of racetrack operation complaints closed	
Short definition	- The number of complaints submitted by the public about racetrack operations resolved during the report period. A complaint is an allegation that a specific Commission rule has been violated.
Purpose	- To determine the responsiveness of the racetracks to expressed regulatory concerns.
Data Source	- The Investigative Unit maintains a log on all complaints received.

Calculation Method	- A physical count of all complaints regarding racetrack operations in the log that were resolved during the report period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as financial constraints on the racetracks, the type of complaint received, and the willingness of the racetracks to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 1.1.1.2 Number of racetrack inspections

Short definition	- The number of inspections conducted by agency staff of all racetrack premises.
Purpose	- To determine the rate of inspection activity by the agency.
Data Source	- Inspections include checking the racing surface, animal facilities, track security, patron facilities, and wagering equipment and operations for compliance with the Commission's rules. The Executive Division maintains a log of all inspections conducted.
Calculation Method	- A physical count of all racetrack inspections conducted during the report period.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Efficiency Measures

EFF 1.1.1.1 Average regulatory cost per horse racetrack

Short definition	- The average cost to regulate horse racetracks.
Purpose	- To determine the fiscal efficiency of regulating horse racetracks.
Data Source	- The Finance Department obtains the total strategy costs through USAS.
Calculation Method	- The total strategy costs allocated to horse racetracks divided by the total number of licensed horse racetracks. The total strategy costs are all expenditures coded to the strategy in USAS, plus 7% of indirect costs. Indirect costs are central

administration, information resources, and other support services.

- Data Limitations - None
 - Calculation Type - Cumulative
 - New Measure - No
 - Desired Performance - Lower than projected
-

EFF 1.1.1.2 Average regulatory cost per greyhound racetrack

Short definition - The average cost to regulate greyhound racetracks.

Purpose - To determine the fiscal efficiency of regulating greyhound racetracks.

Data Source - The Finance Department obtains the total strategy costs through USAS.

Calculation Method - The total strategy costs allocated to greyhound racetracks divided by the total number of licensed greyhound racetracks. The total strategy costs are all expenditures coded to the strategy in USAS, plus 7% of indirect costs. Indirect costs are central administration, information resources, and other support services.

- Data Limitations - None
 - Calculation Type - Cumulative
 - New Measure - No
 - Desired Performance - Lower than projected
-

EFF 1.1.1.3 Average length of time (days) to resolve complaints

Short definition - The average number of days taken by the agency to resolve all complaints during the report period.

Purpose - To determine the efficiency of the agency's complaint resolution process.

Data Source - The Investigative Unit maintains records of complaints received, including the date received, the investigator assigned to handle the investigation, and the date resolved.

Calculation Method - The total number of calendar days needed to resolve all complaints divided by the number of complaints resolved for the report period.

Data Limitations - Performance will depend on factors outside the agency's control, such as the type of complaints received and the willingness of the racetracks to comply with regulatory requirements.

- Calculation Type - Cumulative
- New Measure - No

Desired Performance - Lower than projected

Explanatory Measures

EX 1.1.1.1 Number of horse racetracks regulated

- Short definition - The total number of horse racetracks regulated during the report period.
- Purpose - To determine the targets of the agency's regulatory activity.
- Data Source - The Executive Division maintains a list of licensed and regulated horse racetracks.
- Calculation Method - A physical count of the horse racetracks regulated during the report period.
- Data Limitations - Performance may depend on factors outside the agency's control, such as a racetrack's financial solvency.
- Calculation Type - Cumulative
- New Measure - No
- Desired Performance - N/A
-

EX 1.1.1.2 Number of greyhound racetracks regulated

- Short definition - The total number of greyhound racetracks regulated during the report period.
- Purpose - To determine the targets of the agency's regulatory activity.
- Data Source - The Executive Division maintains a list of licensed and regulated greyhound racetracks.
- Calculation Method - A physical count of the greyhound racetracks regulated during the report period.
- Data Limitations - Performance may depend on factors outside the agency's control, such as a racetrack's financial solvency.
- Calculation Type - Cumulative
- New Measure - No
- Desired Performance - N/A
-

Objective 2: Increase the number of Texas-bred race animals competing by 2% each year through 2011.

Outcome Measure

OC 1.2.1 Percent increase in Texas-bred race animals accredited per year

- Short definition - The annual percentage change in the number of

	animals newly accredited by the Texas breed registries.
Purpose	- To determine the effectiveness of the Texas-Bred Incentive Programs.
Data Source	- The official breed registries named in the Texas Racing Act maintain this information.
Calculation Method	- The number of newly accredited Texas-bred animals for the report period divided by the number of newly accredited Texas-bred animals for the previous report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend entirely on factors outside the agency's control.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

Output Measure

OP 1.2.1.1	Number of Texas-bred awards
Short definition	- The total number of breeder awards made by the breed registries during the report period.
Purpose	- To determine the extent of the Texas Bred Incentive Programs.
Data Source	- The official breed registries named in the Texas Racing Act maintain this information and report it to the agency.
Calculation Method	- A summation of all breeder awards made by all official breed registries.
Data Limitations	- Performance will depend entirely on factors outside the agency's control, as breeder awards are based on winning animals.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Explanatory Measure

EX 1.2.1.1	Total amount of money dedicated to Texas-Bred Incentive Programs
Short definition	- The total amount of money received for the Texas-Bred Incentive Programs from pari-mutuel handle.
Purpose	- To determine the effectiveness of the Texas Bred

	Incentive Programs.
Data Source	- The Pari-mutuel and Audit Department maintains this information.
Calculation Method	- A summation of the total amount of money allocated to the Texas-Bred Incentive Programs during the report period.
Data Limitations	- Performance will depend entirely on factors outside the agency's control, since revenue for the programs is derived from pari-mutuel handle.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Objective 3: Reduce the rate of rulings per occupational licensee to 1:30 through 2011.

Outcome Measures

OC 1.3.1	Average number of rulings per occupational licensee
Short definition	- The average number of rulings issued against occupational licensees during the report period. A ruling is a disciplinary order issued by the stewards or judges.
Purpose	- To determine the rate of compliance with the agency's rules.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The total number of rulings against occupational licensees for violations divided by the total number of occupational licensees, stated as a ratio.
Data Limitations	- Performance depends on factors that are mostly outside the agency's control.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

OC 1.3.2	Recidivism rate for those receiving disciplinary action
Short definition	- The number of repeat offenders as a percentage of all offenders during the report period.
Purpose	- To determine the effectiveness of disciplinary actions as a deterrent.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The number of occupational licensees with two or more rulings that involved a fine of at least \$500

or suspension of the license divided by the number of licensees against whom any ruling was issued during the report period, multiplied by 100, stated as a percentage.

- Data Limitations - Performance will depend on factors outside the agency's control, such as the willingness of occupational licensees to comply with regulatory requirements.
 - Calculation Type - Non-cumulative
 - New Measure - No
 - Desired Performance - Lower than projected
-

OC 1.3.3 Percentage of investigations (individual) resulting in disciplinary action

- Short definition - Percentage of investigations of alleged rule violations by occupational licensees resulting in disciplinary action.
 - Purpose - To determine both the effectiveness of the investigative reports and the judicial process of the stewards' and judges' rulings.
 - Data Source - The data is maintained in the agency's database.
 - Calculation Method - The number of investigations that resulted in disciplinary action divided by the total number of investigations during the report period, multiplied by 100, stated as a percentage.
 - Data Limitations - Performance will depend on factors outside the agency's control, such as the facts derived in the investigations.
 - Calculation Type - Non-cumulative
 - New Measure - No
 - Desired Performance - Higher than projected
-

OC 1.3.4 Percentage of licensees with no recent violations

- Short definition - The percentage of licensees with no recent violations.
- Purpose - To determine the rate of compliance with the agency's law and rules.
- Data Source - The data is maintained in the agency's database.
- Calculation Method - The number of individuals currently licensed by the agency who have not committed a violation within the current year divided by the number of individuals currently licensed, multiplied by 100, stated as a percentage.

Data Limitations	- Performance will depend on factors outside the agency's control, such as the willingness of occupational licensees to comply with regulatory requirements.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

Output Measures

OP 1.3.1.1 Number of live races monitored

Short definition	- The number of live races conducted at Texas pari-mutuel racetracks and monitored by the stewards and judges.
Purpose	- To determine the volume of live racing regulatory work in Texas.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the live races conducted at the horse and greyhound pari-mutuel racetracks in Texas which were monitored by the stewards and judges during the reporting period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the number of live race dates requested by the racetracks.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 1.3.2.1 Number of investigations completed

Short definition	- A count of all investigations of alleged rule violations by occupational licensees completed during the report period. An investigation is considered completed when the supervising investigator reviews and closes the investigation.
Purpose	- To determine the rate of investigative activity.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of all investigations completed during the report period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the licensee's willingness to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 1.3.2.2	Number of rulings issued against occupational licensees
Short definition	- A physical count of all rulings issued by the judges or stewards at the racetracks after charges are made against occupational licensees.
Purpose	- To determine the complicity of the licensees with the rules and the law.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the total number of rulings issued by the stewards and judges during a reporting period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the licensee's willingness to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

OP 1.3.2.3	Number of occupational licenses suspended or revoked
Short definition	- The number of occupational licenses suspended or revoked. A license can only be revoked by the Commission, but can be suspended by the stewards or judges at the racetracks.
Purpose	- To determine the number of persons committing serious violations of the agency's rules.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A physical count of the number of licenses suspended or revoked for violations of the rules.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the licensee's willingness to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

Objective 4: Reduce the percentage of race animals that sustain a major injury or are dismissed as a result of pari-mutuel racing to less than 0.3% through 2011.

Outcome Measures

OC 1.4.1	Percentage of race animals injured or dismissed from the racetrack
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Short definition	- The percentage of race animals that suffer a major injury or death as a result of pari-mutuel racing. A major injury is one which requires a prolonged or permanent layoff from racing.
Purpose	- To monitor animal welfare by determining the rate of serious injuries/deaths as a result of pari-mutuel racing.
Data Source	- The data is maintained in the agency's database. The veterinarians input data regarding physical conditions they have observed or confirmed regarding race animals on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type and severity.
Calculation Method	- The number of race animals that suffer a major injury or death as a result of pari-mutuel racing divided by the total number of race animals who raced during the report period, multiplied by 100, stated as a percentage.
Data Limitations	- None
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

OC 1.4.2 Number of drug positives for illegal medications per 1,000 samples

Short definition	- The number of drug positives for illegal medications per 1,000 samples.
Purpose	- To monitor the number of drug positives.
Data Source	- The data is maintained in the agency's database. The testing laboratory reports to the agency the number of samples that test positive for illegal medications and enters the data into the agency's database.
Calculation Method	- The number of specimens that tested positive for an illegal medication during the report period divided by the number of specimens submitted for testing during the report period, multiplied by 1,000.
Data Limitations	- Performance depends on factors outside the agency's control, such as the licensee's willingness to comply with required regulations.
Calculation Type	- Cumulative
New Measure	- Yes
Desired Performance	- Lower than projected

Output Measures

OP 1.4.1.1	Number of race animals inspected pre-race
Short definition	- The number of race animals entered and inspected by Commission veterinarians before each race.
Purpose	- To determine the number of race animals participating in racing.
Data Source	- The data is maintained in the agency's database. Veterinarians and/or test barn technicians at the racetracks enter the information into the database.
Calculation Method	- A summation of the total number of animals entered in all pari-mutuel races at all Texas pari-mutuel racetracks.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 1.4.2.1	Number of animal specimens collected for drug testing
Short definition	- The number of animal specimens collected for testing for the presence of a prohibited drug, chemical, or other substance.
Purpose	- To assess the extent of the Commission's drug testing program.
Data Source	- The data is maintained in the agency's database. The stewards and racing judges order urine and/or blood specimens to be collected from a certain number of race animals from each live race. Details of drug testing are entered into the database system by the veterinarians and/or the test barn technicians.
Calculation Method	- A summation of the total number of race animals from which post-race specimens are collected at the racetracks.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Efficiency Measure

EFF 1.4.1.1 Average regulatory cost per animal inspected

Short definition	- The average regulatory cost per animal inspected.
Purpose	- To determine the fiscal efficiency of examining every race animal before it races.
Data Source	- The data is maintained in the agency's database and USAS.
Calculation Method	- The total strategy cost divided by the total number of race animals inspected. The total strategy costs are all expenditures coded to the strategy in USAS, plus 18% of indirect costs. Indirect costs are central administration, information resources, and other support services.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

Explanatory Measures

EX 1.4.1.1 Number of race animals dismissed from Texas pari-mutuel racetracks

Short definition	- The number of race animals that suffer a major injury or death due to participating in a race. A major injury is one which requires a prolonged or permanent layoff from racing.
Purpose	- To monitor animal welfare by determining the rate of major injuries to animals while participating in a pari-mutuel race in Texas.
Data Source	- The data is maintained in the agency's database. The veterinarians input data regarding physical conditions they have observed or confirmed regarding race animals on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type and severity.
Calculation Method	- A summation of the race animals with database codes for major injury or death during the report period.
Data Limitations	- Some injuries or deaths may not be apparent during or immediately after the running of a race and may not be reported.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

EX 1.4.1.2 Number of race animals injured on Texas pari-mutuel racetracks

Short definition	- The number of race animals that suffer a minor injury due to participating in a race. A minor injury is one which requires a layoff from racing of less than one month.
Purpose	- To monitor animal welfare by determining the rate of minor injuries to animals while participating in a pari-mutuel race in Texas.
Data Source	- The data is maintained in the agency's database. The veterinarians input data regarding physical conditions they have observed or confirmed regarding race animals on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type and severity.
Calculation Method	- A summation of the race animals with database codes for minor injuries during the report period.
Data Limitations	- Some injuries may not be apparent during or immediately after the running of a race and may not be reported.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

Goal B: Regulate the Participation in Racing

Objective 1: Maintain the efficiency of the occupational licensing process so that all licensed individuals are qualified through 2011.

Outcome Measures

OC 2.1.1 Average time required to issue a new occupational license

Short definition	- The average time required to issue a new occupational license.
Purpose	- To determine the efficiency of the licensing procedure.
Data Source	- Random samples taken at each licensing office. The Licensing Program Administrator oversees the timing.
Calculation Method	- Random sampling at each licensing office. The amount of time measured in minutes that elapses from receipt of completed original license application until the time the license information

is input in the database as a valid license. The total number of minutes taken to issue a new occupational license divided by the number of licenses sampled. Does not include applications submitted by mail or online.

- Data Limitations - Variations in types of occupational licenses issued can affect the time necessary to issue the license.
- Calculation Type - Non-cumulative
- New Measure - No
- Desired Performance - Lower than projected

OC 2.1.2 Percent of license holders meeting qualifications

- Short definition - The percentage of license holders that meet all qualifications for licensing. If a person does not meet all the qualifications for an occupational license, a ruling is issued denying the license.
- Purpose - To determine the effectiveness of the Commission's licensing procedure.
- Data Source - The data is maintained in the agency's database.
- Calculation Method - The total number of applications minus the number of applications denied divided by the total number of issued licenses, multiplied by 100, stated as a percentage.
- Data Limitations - None
- Calculation Type - Cumulative
- New Measure - No
- Desired Performance - Higher than projected

Output Measures

OP 2.1.1.1 Number of new occupational licenses issued

- Short definition - The number of occupational licenses issued to individuals who were not licensed in the previous year.
- Purpose - To determine the rate of licensing activity by the agency.
- Data Source - The data is maintained in the agency's database.
- Calculation Method - A summation of the number of licenses that were issued to individuals who were not licensed in the previous year.
- Data Limitations - Performance depends on factors outside the agency's control, such as the number of applicants desiring a new occupational license.

- Calculation Type - Cumulative
 - New Measure - No
 - Desired Performance - Higher than projected
-

OP 2.1.1.2 Number of occupational licenses renewed

- Short definition - The number of occupational licenses issued to individuals who were licensed in the previous year.
 - Purpose - To determine the rate of licensing activity by the agency.
 - Data Source - The data is maintained in the agency's database.
 - Calculation Method - A summation of the number of licenses that were issued to individuals who were licensed in the previous year.
 - Data Limitations - Performance depends on factors outside the agency's control, such as the number of applicants desiring to renew an occupational license.
 - Calculation Type - Cumulative
 - New Measure - No
 - Desired Performance - Higher than projected
-

Efficiency Measure

EFF 2.1.1.1 Average regulatory cost per individual license issued

- Short definition - The average cost of issuing and maintaining an occupational license.
 - Purpose - To determine the fiscal efficiency of issuing occupational licenses.
 - Data Source - The data is maintained in the agency's database and USAS.
 - Calculation Method - The total strategy cost divided by the total number of licensees for the report period. The total strategy costs are all expenditures coded to the strategy in USAS, plus 17% of indirect costs. Indirect costs are central administration, information resources, and other support services.
 - Data Limitations - None
 - Calculation Type - Cumulative
 - New Measure - No
 - Desired Performance - Lower than projected
-

Explanatory Measure

EX 2.1.1.1 Total number of individuals licensed

- Short definition - The total number of individuals that hold

	occupational licenses.
Purpose	- To determine the rate of licensing activity.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of all current occupational licensees for the report period.
Data Limitations	- Performance depends on factors outside the agency's control, such as the number of applicants desiring occupational licenses.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

Goal C: Regulate Pari-mutuel Wagering in Texas

Objective 1: Increase the pass rate for initial tote tests to 97% and the pass rate for pari-mutuel compliance audits to 95% through 2011.

Outcome Measures

OC 3.1.1	Percentage of tote tests passed on the first run
Short definition	- The percentage of totalisator (tote) tests passed on the first run. A tote test is a simulation of wagering activity to determine whether the computer equipment that records wagers, totals wagering pools, and calculates payoffs is operating in compliance with Commission and Comptroller rules.
Purpose	- To determine the compliance rate of both the racetracks and the tote companies.
Data Source	- The Compliance Audit Administrator conducts or supervises the tests and maintains the results. If a tote test is not passed on the first run, adjustments are made and further tests are run until the systems operate with 100% accuracy.
Calculation Method	- The total number of tote tests passed the first time divided by the total number of tests performed during the reporting period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance depends on factors outside the agency's control, such as the tote companies' willingness to comply with the required regulations.
Calculation Type	- Non-cumulative
New Measure	- No

Desired Performance - Higher than projected.

OC 3.1.2 Percentage of compliance audits passed

Short definition	- The number of compliance audits with a pass rate of 80% or greater as a ratio of total compliance audits conducted. A compliance audit is a regulatory review of simulcast requests and weekly purse reports for compliance with applicable statutory and rule provisions.
Purpose	- To determine the effectiveness of ongoing regulatory communication between the agency and the racetracks.
Data Source	- The Compliance Audit Administrator maintains a record of all compliance audits.
Calculation Method	- The total number of compliance audits with a pass rate of 80% or greater divided by the total number of compliance audits conducted during the report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance depends on factors outside the agency's control, such as the racetracks' willingness to comply with the required regulations.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

Output Measures

OP 3.1.1.1 Number of live and simulcast races audited and reviewed

Short definition	- The number of live and simulcast races on which pari-mutuel wagering is audited and reviewed by agency auditors.
Purpose	- To determine the volume of pari-mutuel wagering regulatory work in Texas.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of all live and simulcast races on which pari-mutuel wagering is conducted at Texas racetracks during the report period.
Data Limitations	- Performance depends on the preferences of the racetracks regarding the amount of live races and simulcast performances it desires to offer for wagering. Those preferences can be shaped by many factors, such as the economy in the track location and competitive forces, which are outside

	the agency's control.
Calculation Type	- Cumulative
New Measure	- Yes
Desired Performance	- Higher than projected

OP 3.1.1.2 Number of compliance audits completed

Short definition	- The total number of compliance audits completed. A compliance audit is a regulatory review of simulcast requests and weekly purse reports for compliance with applicable statutory and rule provisions.
Purpose	- To determine the rate of pari-mutuel regulatory activity.
Data Source	- The Compliance Audit Administrator maintains a record of all compliance audits.
Calculation Method	- A summation of the compliance audits completed.
Data Limitations	- Performance will depend on number of pari-mutuel wagering approvals requested by the racetracks.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 3.1.2.1 Number of tote tests completed

Short definition	- The total number of tote tests performed. A tote test is a simulation of wagering activity to determine whether the computer equipment that records wagers, totals wagering pools, and calculates payoffs is operating in compliance with Commission and Comptroller rules.
Purpose	- To determine the rate of pari-mutuel regulatory activity.
Data Source	- The Compliance Audit Administrator maintains a log of all tote tests.
Calculation Method	- A summation of the number of tests performed on tote equipment at the racetracks.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Efficiency Measure

EFF 3.1.1.1 Average cost to audit and review a live or simulcast race	
Short definition	- The average cost of reviewing for regulatory compliance a live or simulcast race on which pari-mutuel wagering is conducted.
Purpose	- To determine the fiscal efficiency of performing audits on live and simulcast races.
Data Source	- The data is maintained in the agency's database and USAS.
Calculation Method	- The total strategy cost divided by the number of live and simulcast races on which pari-mutuel wagering is conducted in Texas during the report period. The total strategy costs are all expenditures coded to the strategy in USAS, plus 32% of indirect costs. Indirect costs are central administration, information resources, and other support services.
Data Limitations	- None
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

Explanatory Measures

EX 3.1.1.1 Total pari-mutuel handle (in millions)

Short definition	- The total amount wagered, in millions, at Texas racetracks on both live and simulcast races.
Purpose	- To determine the amount of money wagered in Texas.
Data Source	- The data is maintained in the agency's database. This data is updated daily by Commission auditors.
Calculation Method	- A summation of the amount wagered at all Texas pari-mutuel racetracks for the report period.
Data Limitations	- Performance is completely outside the agency's control.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

EX 3.1.1.2 Total take to the State Treasury from pari-mutuel wagering on live and simulcast races

Short definition	- The amount of revenue to the state from pari-mutuel wagering on both live and simulcast races.
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	The tax rate is determined by the Texas Racing Act.
Purpose	- To determine the amount of revenue due to the state.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the state's share of the total amount wagered for the report period.
Data Limitations	- Performance is completely outside the agency's control.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

EX 3.1.1.3 Ratio of simulcast handle to live handle

Short definition	- The ratio of the amount wagered on simulcast races to the amount wagered on live races.
Purpose	- To assess the relative wagering activity on simulcast races and live races.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The total amount wagered on simulcast races divided by the total amount wagered on live races, stated as a ratio.
Data Limitations	- Performance depends on factors outside the agency's control, such as the amount of simulcast activity requested by the racetracks.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- N/A

Goal D: Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses.

Objective 1: Ensure purchases from historically underutilized businesses constitute at least 16% of the total value of purchases each year.

Outcome Measure

OC 4.1.1	Percentage of total dollar value of purchases made from HUBs
Short definition	- The percentage of purchases made from HUBs by

	the agency.
Purpose	- To determine the percentage of business done with HUBs during the report period.
Data Source	- The information is provided by the Texas Building and Procurement Commission.
Calculation Method	- The dollar value of purchases made to HUBs divided by the total dollar value of all purchases made during the report period.
Data Limitations	- None
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

Output Measures

OP 4.1.1.1 Number of HUB contractors and subcontractors contacted for bid proposals

Short definition	- The number of HUB contractors and subcontractors that the agency contacts for bid proposals.
Purpose	- To assess the agency's efforts to include HUBs in purchasing and contracting activities.
Data Source	- The information is provided by the Texas Building and Procurement Commission.
Calculation Method	- A summation of all HUBs contacted for bids on goods and services.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 4.1.1.2 Number of HUB contracts and subcontracts awarded

Short definition	- The number of HUBs awarded contracts by the agency.
Purpose	- To determine the agency's level of participation with HUBs.
Data Source	- The information is provided by the Texas Building and Procurement Commission.
Calculation Method	- A summation of all contracts awarded to HUBs.
Data Limitations	- Performance will depend on the quality and cost of bids received from HUBs.
Calculation Type	- Cumulative

New Measure	- No
Desired Performance	- Higher than projected
<hr/>	
OP 4.1.1.3 Dollar value of HUB purchases	
Short definition	- The dollar value of all HUB purchases.
Purpose	- To determine the amount spent by the agency on purchases from HUBs.
Data Source	- The Texas Building and Procurement Commission maintains and provides the information.
Calculation Method	- The summation of total dollar amount spent of purchases of goods and services from HUBs during the report period.
Data Limitations	- Performance will depend on the quality and cost of bids received from HUBs.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Appendix E.

Workforce Plan

Agency Overview

The Texas Racing Commission 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.

Pari-mutuel racing was originally authorized by the Legislature in 1986 and endorsed by statewide referendum in 1987. Currently, the agency is authorized to employ 77.9 FTEs.

The agency is composed of seven departments. Five departments are directly responsible for the activities described above; two departments provide administrative and information technology support.

The agency is funded through revenue derived from the pari-mutuel racing industry and receives no general revenue funds. Excluding the Texas-Bred Incentive Program pass-through funds, approximately 80% of the agency's operating budget is used for salaries.

Agency Mission

The Texas Racing Commission will enforce the Texas Racing Act and its rules to ensure safe racing facilities, fair and honest racing activities, and accountable use of economic incentives funded through pari-mutuel racing. The Commission will conduct its regulatory activities courteously and efficiently in a fair, just and responsible manner.

Strategic Goals and Objectives

Goal A. Enforce Racing Regulation
Objective 1: Regulate Pari-mutuel Racetracks Effectively
Strategy 1: Provide Regulatory and Enforcement Services to Racetrack Owners
Objective 2: Increase the Number of Texas-Bred Race Animals Competing
Strategy 1: Allocate Texas Bred Funds to Breed Registries
Objective 3: Reduce the Rate of Rulings per Occupational Licensee
Strategy 1: Supervise the Conduct of Racing through Enforcement and Monitoring
Strategy 2: Monitor Occupational Licensee Activities
Objective 4: Reduce the Percentage of Race Animals Injured or Dismissed
Strategy 1: Inspect and Provide Emergency Care
Strategy 2: Administer Drug Tests

Goal B. Regulate Participation in Racing
Objective 1: Maintain the Efficiency of the Occupational Licensing Process
Strategy 1: Administer the Occupational Licensing Programs through Enforcement
Strategy 2: TexasOnline

Goal C. Regulate Pari-mutuel Wagering in Texas
Objective 1: Increase Pass Rate for Initial Tote Test and Compliance Audits
Strategy 1: Regulate Pari-mutuel Wagering to Maintain an Honest Racing Industry
Strategy 2: Conduct Wagering Compliance Inspections

Goal D. Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses
Objective 1: Ensure purchases from historically underutilized businesses constitute at least 16% of the total value of purchases each year.

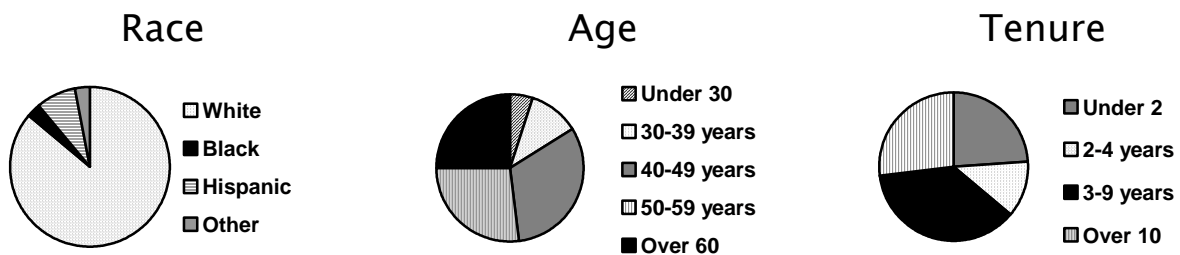
Anticipated Changes in Strategies

The agency anticipates no changes to its goals or strategies over the next five years, unless the Texas Racing Act is amended to change the Commission’s regulatory responsibilities.

Current Workforce Profile (Supply Analysis)

Workforce Demographics

The Commission’s workforce is 60% male, 40% female. The charts below further break down the Commission’s workforce:



Compared to the statewide civilian figures supplied by the Texas Workforce Commission, Civil Rights Division, the Commission’s workforce breaks down as follows:

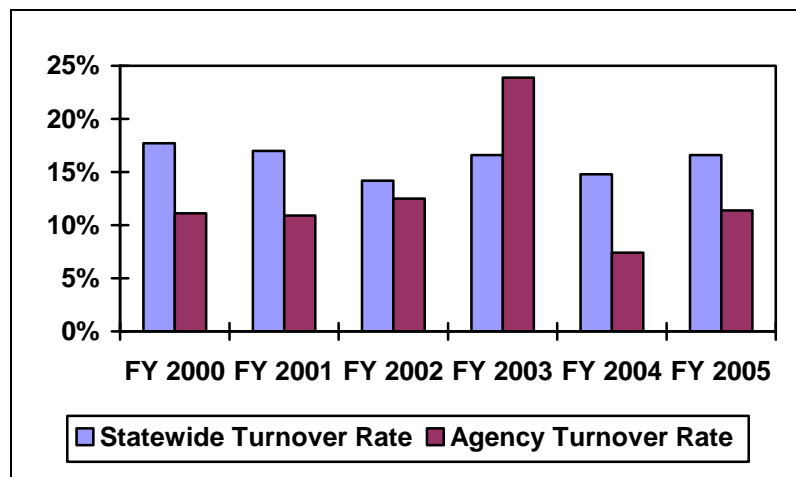
		Administration	Professional	Technical	Para-professional	Administrative Support
White	Agency	100.00%	86.70%	89.50%	75.00%	66.70%
	State	77.80%	77.80%	69.80%	47.16%	66.90%
African American	Agency	0.00%	4.00%	0.00%	0.00%	16.70%
	State	7.10%	7.90%	10.40%	17.86%	9.90%
Hispanic	Agency	0.00%	8.00%	10.50%	25.00%	16.70%
	State	32.89%	14.40%	19.80%	31.78%	23.20%
Female	Agency	60.00%	40.00%	0.00%	58.30%	66.70%
	State	44.10%	54.40%	47.50%	55.61%	61.50%
Male	Agency	40.00%	60.00%	100.00%	41.70%	33.30%
	State	55.90%	45.60%	52.50%	44.39%	38.50%

Retirement Eligibility

According to Employee Retirement System projections, 20 of the agency's current employees or 27 percent of the authorized FTEs will be eligible to retire between 2007 and 2011. Almost half of the agency occupies positions that require specialized skills or professional training that cannot be supplied by the agency through on-the-job training.

Employee Turnover

Turnover is an important issue in any organization and the Commission is no exception. In 2005, the Commission returned to a low turnover rate of 11.4%. The biggest workforce challenge facing the Commission in the next five years is the retention of qualified and experienced staff. Between FY 2000 and FY 2003 the agency has seen an increase in turnover from 11.1% to 23.9% in FY 2003. The Commission's turnover rate was slightly lower than the statewide percentage for FY 2000 through 2002. In FY 2003 the Commission's turnover rate increased significantly. This increase is due to a reduction in workforce and the retirement incentive program. In FY 2004 and 2005 the Commission continued to recover from the high rate of turnover in FY 2003. The following graph compares the average of the Commission turnover to the state as a whole.



Critical Workforce Skills

In addition to general administrative and clerical skills, the Commission's workforce must have the following skills to accomplish its mission:

- Monitoring/reviewing live races for interference/misconduct
- Inspecting race animals for fitness
- Performing audits on pari-mutuel wagering activity
- Conducting racing-related investigations

- Developing and maintaining a specialized database and agency-wide computer network
- Interpreting statutes/drafting rules
- Conflict resolution skills

Future Workforce Profile (Demand Analysis)

Critical Functions

Assuming no change in statutory responsibilities, the Commission expects its current functions to continue in the future:

- Licensing racetracks and the occupational licensees who own race animals or work at the racetracks.
- Monitoring activities by racetrack personnel and occupational licensees for compliance with regulatory requirements.
- Supervising the conduct of the races.
- Monitoring the health and safety of the race animals and collecting specimens for drug tests.
- Overseeing all pari-mutuel wagering activity and testing totalisator equipment.
- Investigating and resolving complaints about licensees.
- Auditing the operation of racetracks and official breed registries' incentive programs.

Expected Workforce Changes

The State Auditor's Office (SAO) audited the Commission and the audit was released May 2006. This audit pointed out the need to improve controls in the information technology division. The agency is in the process of acting on this issue to resolve the security and network issues identified. In the same audit, the electronic data processing audit programs used to review the data from the totalisator systems was identified as needing to perform additional tests on system security to ensure the integrity of the data from these systems. The agency will need to look at the possibility of an additional FTE to perform these tests or entering into a contract for this work to be accomplished.

The Commission established "working groups" to address race date allocations for both horse and greyhound racetracks. The working groups identified the need to have the licensing offices opened longer hours at the greyhound racetracks to facilitate renewals of greyhound owner's and trainer's licenses. The agency is currently reviewing the best response to this issue.

The Commission management is in the process of an internal review of the agency's \$0.5 million dollar cumulative liability of comp-time, FLSA-overtime and vacation time. The Commission may need an additional FTE in the Supervise Racing Strategy to accomplish the elimination of this liability.

Change in Number of Employees Required to Accomplish Mission

Assuming no significant increase in wagering or live racing activity, the Commission expects no increase in the number of FTEs required to accomplish its mission beyond what has been appropriated. For each new horse racetrack that begins simulcasting and live racing, the Commission will require up to an additional seven FTEs to effectively regulate the wagering and racing activities in accordance with the Texas Racing Act and the Commission's rules. The Commission does have a possibility of two, maybe even three, class 2 racetracks opening in the next biennium.

Future Workforce Skills Required

In the future, the Commission will need to accomplish more with less in an increasingly tight budgetary environment. Further, as the racing industry matures and changes with technology, the Commission's workforce must be keenly aware of its regulatory role. Therefore, Commission employees will be required to use more of the following skills:

- Creativity and problem solving
- Communication
- Commitment to learning
- Leadership and team-building
- Organizational awareness
- External awareness
- Flexibility
- Integrity and honesty

Gap Analysis

Anticipated Surplus/Shortage of Employees or Skills

With over 28% of the Commission workforce eligible for retirement by FY 2011, the Commission projects a shortage in staffing and skill levels needed to meet future requirements. Staffing areas with anticipated shortages of employees that are most likely to be affected by the retirement eligibility include: veterinarians, stewards, and judges.

In addition, the Commission continues to have difficulty retaining qualified veterinarians due to significant differences in salaries compared to the private sector.

Appendix F.

Survey of Organizational Excellence

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, the results reflect how staff views their total work environment. The benchmark data from all participating agencies gives an added perspective to the results.

Participation Rate

In addition to the standard questions provided by the University of Texas School of Social Work, the Commission asked each respondent to identify the department in which the respondent works, as well as whether the respondent is assigned to the Austin headquarters or a racetrack field office.

The agency distributed to 72 employees an e-mail with a link to the survey on the UT School of Social Work's website. Forty-six employees completed the survey for a response rate of 64%. This response rate, although down from a high of 78% in 2004, indicates a high degree of reliability.

According to The Survey of Organizational Excellence, one of the values of participating in multiple iterations of the Survey is the opportunity to measure organizational change over time. *If organizational health is sound*, rates tend to plateau above the 50% level.

Participation Rate			
2000	2002	2004	2006
47%	52%	78%	64%

The demographic information provided by the 46 respondents gives insight into the agency's staff: over 60% have worked for the Commission 6 years or longer; over 82% plan to be working for the Commission in two years; and almost 89% are 40 years or older.

The Commission has staff located at the 8 operating racetracks and at the Austin headquarters. The survey respondents were split evenly between the field and headquarters staff.

Survey Results

The survey groups its questions into twenty Survey Constructs designed to profile organizational areas of strengths and weaknesses. These constructs are designed to measure five workplace dimensions: Work Group; Accommodations; Organizational Features; Information; and Personal.

Scores for the constructs range from a low of 100 (negative) to a high of 500 (positive). Scores above 300 suggests that employees perceive the issue more positively than negatively; scores below 300 indicate employees view the issue more negatively. Scores below 200 indicate a significant source of concern.

Overall, Commission employees have a more favorable impression of the organization than they did two years ago. Scores in sixteen of the twenty constructs increased from the 2004 survey, with nine of the areas having a positive change of ten or more points. The most significant improvements were in the following areas:

Strategic – Measures employees’ thinking about how the Commission responds to external influence, including those which play a role in defining the mission, services, and products provided by the agency.

Positive score increased from 372 to 392.

Burnout – Refers to a feeling of extreme mental exhaustion that negatively impacts employees’ physical health and job performance, leading to lost organizational resources and opportunities. Higher scores means employees perceive a lower level of burnout.

Positive score increased from 357 to 375 and noted area of strength.

Change Oriented – Measures employee’s perceptions of the organization’s capability and readiness to change based on new information and ideas.

Positive score increased from 326 to 344 and noted area of strength.

Holographic – Refers to the degree to which all Commission actions “hang together” and are understood by all. It reflects staff perceptions of the consistency of decision-making and activity within the agency.

Positive score increased from 333 to 350.

Goal Oriented – Addresses the Commission’s ability to include the entire staff in focusing resources towards goal accomplishment.

Positive score increased from 353 to 367.

In addition to two of the above constructs, Strategic and Burnout, the 2006 survey results show the Commission's strengths are in the following areas:

Quality – Focuses on the degree to which quality principles, such as customer service and continuous improvement are a part of the organizational culture. Addresses the extent to which Commission employees feel they have the resources to deliver quality services.

Highest scoring construct at 393, up 7 points.

External – Addresses how information flows between the organization and outside sources and the ability of the Commission to synthesize and apply external information to the agency's work.

High scoring construct at 377, up 13 points.

Physical Environment – Captures perceptions of the total work atmosphere and the degree to which employees believe it is a "safe" working environment.

High scoring construct at 373, up 8 points.

In reviewing the lower scores, the only construct that was perceived negatively was "fair pay." This score, 254, fell eighteen points from 272 in 2004. This low score is, however, not unique to Commission employees. All respondents from all participating organizations also scored "fair pay" lowest at 241; similar sized agencies scored it at 249; and similar mission agencies scored at 259.

Following are the areas that the survey results suggest that the Commission can improve:

Fair Pay – Addresses perceptions of the Commission's overall compensation package. It describes how employees feel the compensation package "holds up" when compared to similar jobs in other organizations.

Lowest scoring construct at 254, down 18 points.

Internal – Captures the extent to which communication exchanges are open and candid and move the organization toward goal achievement.

Lower scoring construct at 314, down 4 points.

Employment Development – Assessment of the priority given to employees' personal and job growth.

Although a lower scoring construct at 329, it improved 10 points over 2004.

Team Effectiveness – Captures employees’ perceptions of the people they work with on a daily basis and how effective they think the work group is and the extent to which the environment supports cooperation among employees.

Although a lower scoring construct at 338, it improved 5 points.

Diversity - Addresses the extent employees feel that personal differences, including ethnicity, social class, or lifestyle, may result in alienation and missed opportunities for learning or advancement.

Lower scoring construct at 338, down 3 points.

The following charts compare the agency’s 2006 scores with the state average and with prior agency scores.

<i>Work Group: Describes the employees’ immediate work environment</i>					
Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	All Agencies 2006
Supervisor Effectiveness	294	320	333	345	324
Fairness	295	361	362	366	343
Team Effectiveness	315	319	333	338	325
Diversity	322	337	345	342	342

<i>Accommodations: Describes the employees’ “total benefit package”</i>					
Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	All Agencies 2006
Fair Pay	338	291	272	254	241
Physical Environment	363	377	365	373	364
Benefits	388	392	341	343	342
Employment Development	388	392	341	343	342

Organizational Features: Evaluation of the agency's ability to assess changes and make adjustments; describes the "corporate culture"

Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	All Agencies 2006
Change Oriented	314	317	326	344	329
Goal Oriented	329	345	353	367	348
Holographic	315	329	333	350	336
Strategic	378	359	372	392	376
Quality	359	373	386	393	377

Information: Describes how focused, effective and accessible information is to employees

Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	All Agencies 2006
Internal	323	303	318	314	316
Availability	328	361	370	369	356
External	351	356	362	375	359

Personal: Addresses interface between employees' home and work lives and how this relationship may impact job performance and organizational efficiency.

Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	All Agencies 2006
Job Satisfaction	363	366	372	373	350
Time and Stress	337	358	364	368	349
Burnout	322	350	357	375	353
Empowerment	307	342	356	368	346

Management Plan

With almost two-thirds of its employees participating in the survey, management is pleased with the overall positive results of the 2006 survey. Viewing the data from multiple iterations of the survey has given the survey further credence. Judging from the continued high participation rate, employees have seen the value in the process.

Addressing the “fair pay” issue will be challenging for the Commission given the already strained budget and the looming possibilities of further cuts during upcoming biennium. Providing opportunities to discuss this issue may be beneficial to finding ways other than monetary compensation to offset the negativity.

Employees’ dissatisfaction with their pay has not, however, altered their attitude towards their job or in the level of service provided. The overall favorable employee survey results correlate well with the agency’s recent customer service survey with over 92% of the respondents expressing an overall satisfaction with services received. As we continue to ask our employees to do more with less, it speaks well of staff to continue to deliver a high level of customer service.

Management will be conducting round-table meetings with staff at all locations to share the results of the survey and to solicit their input for organizational improvements.