



Texas Racing Commission
Thursday, May 28, 2020
10:30 a.m.
By videoconference:
<https://global.gotomeeting.com/join/170472773>
Phone: (571) 317-3122 Access code: 170-472-773

AGENDA

I. CALL TO ORDER

Roll Call

II. PUBLIC COMMENT

III. GENERAL BUSINESS

Discussion and possible action to approve the Strategic Plan for fiscal years 2021-2025

IV. PROCEEDINGS ON THE HORSE INDUSTRY ESCROW ACCOUNT

Discussion and possible action to allocate funds in the horse industry escrow account to state horse breed registries under 16 TAC Chapter 303, Subchapter G

V. PROCEEDINGS ON RACETRACKS

- A. Updates from Retama Park, Lone Star Park, and Gillespie County Fair regarding 2020 race meets and discussion and possible action thereon
- B. Discussion and possible action regarding application period for race dates opened under Commission rule 303.41 on May 19, 2020

VI. EXECUTIVE SESSION

The following items may be discussed and considered in executive session or open meeting, with any action taken in the open meeting:

- A. Under Texas Government Code § 551.071(1), the Commission may enter an executive session to seek the advice of its attorney regarding pending or contemplated litigation, or regarding a settlement offer.
- B. Under Texas Government Code § 551.071(2), the Commission may enter an executive session to discuss all matters identified in this agenda where the commission seeks the advice of its attorney as privileged communications under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas. This may include, but is not limited to, legal advice regarding the Open Meetings Act, the Administrative Procedures Act, and the Texas Racing Act.

VII. SCHEDULING OF NEXT COMMISSION MEETING

VIII. ADJOURN

STRATEGIC PLAN FOR FISCAL YEARS 2021-2025

— TEXAS — RACING COMMISSION



Submitted June 1, 2020

Agency Strategic Plan

For the Fiscal Years 2021-2025 Period

Submitted by:
Texas Racing Commission

| COMMISSIONERS | TERM | HOMETOWN |
|--|--------------------------|----------------|
| John T. Steen III, Chairman | 10/03//2011 - 02/01/2019 | Houston |
| Ronald F. Ederer, Vice Chair | 07/17/2007 - 02/01/2019 | Corpus Christi |
| Margaret Martin | 11/06/2015 - 02/01/2021 | Boerne |
| Connie McNabb, D.V.M. | 09/11/2018 - 02/01/2021 | Montgomery |
| Arvel "A.J." Wright | 04/04/2019 - 02/01/2021 | Willow City |
| Robert C. Pate | 04/04/2019 - 02/01/2023 | Corpus Christi |
| Michael "Mike" Moore | 04/04/2019 - 02/01/2023 | Fort Worth |
| Ex-Officio Members | | |
| Sid Miller, Commissioner, Department of Agriculture | N/A | Stephenville |
| Stephen P. Mach, Chair, Public Safety Commission | N/A | Houston |

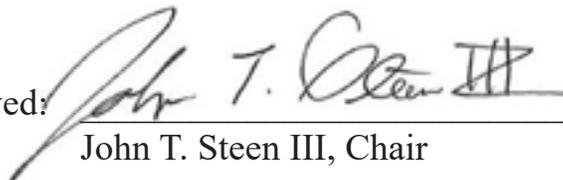
June 1, 2020

Signed:



Chuck Trout, Executive Director

Approved:



John T. Steen III, Chair

DRAFT

TABLE OF CONTENTS

STRATEGIC PLAN

| | |
|------------------------------------|----|
| Agency Mission and Philosophy..... | 1 |
| Agency Goals and Action Plan..... | 2 |
| Redundancies and Impediments..... | 10 |

SCHEDULES

| | |
|--|----|
| A. Budget Structure..... | 15 |
| B. Performance Measure Definitions..... | 18 |
| C. Historically Underutilized Business Plan..... | 37 |
| D. Workforce Plan..... | 38 |

AGENCY MISSION

THE COMMISSION

The Texas Legislature created the Texas Racing Commission in 1986 to be the state agency responsible for overseeing and regulating pari-mutuel horse and greyhound racing in Texas. The Commission functions pursuant to authority granted in the Texas Racing Act, Subtitle A-1, Title 13, Texas Occupations Code.

MISSION

To enforce the Texas Racing Act and the Rules of Racing to ensure the safety, integrity and fairness of Texas pari-mutuel racing.

PHILOSOPHY

The Texas Racing Commission performs its responsibilities in strict compliance with state laws. The agency conducts its regulatory activities fairly, consistently, efficiently and courteously.

AGENCY GOALS AND ACTION PLAN

GOAL #1: RACING SAFETY

The Texas Racing Commission (TxRC) is committed to ensuring the safety of racing for all licensees, participants and attendees of all pari-mutuel racing operations in Texas. All of the action items needed to achieve this goal are in place and ongoing as of June 1, 2020; however, the Commission remains vigilant for opportunities to improve and enhance Racing Safety standards as they arise.

ACTION ITEMS TO ACHIEVE GOAL:

- 1. Pre-race physical examinations** - Commission veterinarians perform pre-race examinations on each animal entered to race. These comprehensive exams are conducted on the day of the race and assist the commission veterinarians in determining if the animal is healthy and sound to race. On average, at horse tracks two commission veterinarians examine 70-100 horses per race day and the greyhound veterinarian will examine 80 dogs per race day.
- 2. Pre- and post-race drug testing** - On average, two horses and one greyhound from each race are selected for testing. Ordinarily, a blood and urine sample is collected from each horse and a urine sample from each greyhound to be tested for prohibited substances. Additionally, pre-race specimens are collected for TC02 testing from all horses in stakes races, and animals can also be tested for cause.
- 3. Facility/Track inspections** - The Commission helps ensure that pari-mutuel racing is safe for the participants and the public. To accomplish this, the Commission developed a comprehensive program for inspecting licensed racetracks and training facilities. Through this inspection program, the Commission oversees all pari-mutuel racetrack license holders to monitor and ensure compliance with Commission rules.
- 4. Necropsy studies** - The TxRC necropsy program for horses began in the spring of 2015 and is currently limited to the study of lower limbs harvested by commission veterinarians from those horses suffering catastrophic injuries during live-racing competition. The Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) performs gross necropsy exams and reports all acute and chronic pathologic findings. The veterinary medical director evaluates this data to identify injury patterns and create corresponding profiles for at-risk horses. The program goal is to use the necropsy findings to protect the health, safety and welfare of horse and rider alike by preventing at-risk horses from racing. To achieve this goal, the veterinary medical director can track a variety of necropsy study reports to identify the most common acute and chronic lesions identified in specific anatomical structures. In turn, this information may assist commission veterinarians in identifying horses that are at risk for suffering

race-related catastrophic injuries based on the presence of certain pre-existing pathological lesions.

5. **Observation of horses during training** - TxRC veterinarians began observing horses during morning training as a pilot program in 2019 to expand on the pre-race examination program. The purpose of the program is to reduce injuries during training and to stop injured horses from being entered into races. The number of horse deaths in 2019 dropped dramatically compared to 2018 and indications are that this program was the major factor. The program is unique in that it involves discussions between TxRC veterinarians, private veterinarians and horse trainers before a major injury has occurred. The agency plans to ask for additional appropriations to continue and expand this program.
6. **Monitor and follow current research studies and conform with national industry standards**
7. **Education/Awareness**

SUPPORTING STATEWIDE OBJECTIVES:

1. TxRC supports accountability to its fee payers through the strict adherence to well-defined and enforceable safety standards for pari-mutuel racing in Texas.
2. As TxRC is currently self-funded by the entities and licensees it regulates, no taxpayer funds are used to support the Racing Safety goal. However, as identified in the Redundancies and Impediments section of this report, agency staff recommend a more reliable funding stream that, if implemented, may utilize some tax revenue. Regardless, the agency continually monitors its policies and procedures to maximize efficiency and cost-effectiveness.
3. Ensuring the safety of all participants is one of TxRC's core functions and the agency maintains focus on the related performance measures, while also striving to identify opportunities for improvement.
4. Achieving the safety in racing goal is essential to helping the TxRC meet its customer service objective for all of the populations it serves, including the wagering public, licensees, race animals, animal breeders and more.
5. TxRC's safety in racing goal and all of the action items developed to help achieve it are fully transparent to all Texans and are in accordance with the Texas Racing Act and/or Rules of Racing.

GOAL #2: RACING INTEGRITY

TxRC is committed to ensuring the integrity of all pari-mutuel racing operations in Texas. All of the action items needed to achieve this goal are in place and ongoing as of June 1, 2020; however, the Commission remains vigilant for opportunities to improve and enhance integrity standards as they arise.

ACTION ITEMS TO ACHIEVE GOAL:

- 1. Pre-race physical examinations** - Commission veterinarians perform pre-race examinations on each animal entered to race. These comprehensive exams are conducted on the day of the race and assist the commission veterinarians in determining if the animal is healthy and sound to race. On average, at horse tracks two commission veterinarians examine 70-100 horses per race day and the greyhound veterinarian will examine 80 dogs per race day.
- 2. Pre- and post-race drug testing** - On average, two horses and one greyhound from each race are selected for testing. Ordinarily, a blood and urine sample is collected from each horse and a urine sample from each greyhound to be tested for prohibited substances. Additionally, pre-race specimens are collected for TC02 testing from all horses in stakes races, and animals can also be tested for cause.
- 3. Pari-mutuel systems testing and monitoring** - Pari-mutuel wagering inspections include a review of all aspects of the wagering operations, including the track's mutuel department, the tote company's operations and all related wagering equipment. In CY 2019, pari-mutuel auditors reviewed wagering data on 1,755 live races and 621,462 simulcast races to ensure proper reporting, collection, and distribution of funds. Audit staff reviewed a total of 1,714 import and export simulcast requests for compliance with the Texas Racing Act, the Texas Rules of Racing, and the Interstate Horse Racing Act.
- 4. Licensing (qualifications, good standing with the state)** - Agency staff issue occupational licenses to all individuals in positions with the opportunity to influence pari-mutuel wagering or likely to have significant access to the backside or restricted areas of a racetrack. In CY 2019, the Commission issued 5,450 occupational licenses. Of the licenses issued, 1,699 were new licenses and 3,761 were renewals.
- 5. Facility/Track inspections** - The Commission helps ensure that pari-mutuel racing is safe for the participants and the public. To accomplish this, the Commission developed a comprehensive program for inspecting licensed racetracks and training facilities. Through this inspection program, the Commission oversees all pari-mutuel racetrack license holders to monitor and ensure compliance with Commission rules.

SUPPORTING STATEWIDE OBJECTIVES:

1. TxRC supports accountability to its fee payers through the strict adherence to well-defined and enforceable integrity standards for pari-mutuel racing in Texas.
2. As TxRC is currently self-funded by the entities and licensees it regulates, no taxpayer funds are used to support the Racing Integrity goal. However, as identified in the Redundancies and Impediments section of this report, agency staff recommend a more reliable funding stream that, if implemented, may utilize some tax revenue. Regardless, the agency continually monitors its policies and procedures to maximize efficiency and cost-effectiveness.
3. Ensuring integrity in racing is one of TxRC's core functions and the agency maintains focus on the related performance measures, while also striving to identify opportunities for improvement.
4. Achieving the integrity in racing goal is essential to helping the TxRC meet its customer service objective for all of the populations it serves, including the wagering public, licensees, race animals, animal breeders and more.
5. TxRC's integrity in racing goal and all of the action items developed to help achieve it are fully transparent to all Texans and are in accordance with the Texas Racing Act and/or Rules of Racing.

GOAL #3: OPEN GOVERNMENT

An open government is the cornerstone of a free society. TxRC is committed to ensuring that all of its operations and activities are open and accessible to all citizens. All of the action items needed to achieve this goal are in place and ongoing as of June 1, 2020; however, the Commission remains vigilant for opportunities to improve and enhance open government standards as they arise.

ACTION ITEMS TO ACHIEVE GOAL:

1. **Public commission meetings, disciplinary hearings, ad hoc committees and working groups** - The Texas Racing Commission holds at least six public meetings annually. The Commission's meetings are open to the public and, in addition to the required postings in the Texas Register, the agendas and agenda materials are posted on the agency's website before meetings. Transcripts of each Commission meeting are also available at www.txrc.texas.gov.
2. **Rulings, financial data and other relevant information posted on website or available by request** - Financial data and most other agency-related information is available online at www.txrc.texas.gov. All rulings issued by the Board of Stewards, the Board of Judges, and the Commission from 2008 to

the present are available online through the Texas Open Data Portal located at data.texas.gov.

- 3. Timely fulfillment of Public Information Act requests** - In accordance with the Texas Public Information Act, the agency promptly responds to all open records requests for information that is not confidential by law or information for which an exception to disclosure has been sought.

SUPPORTING STATEWIDE OBJECTIVES:

1. TxRC supports accountability to its fee payers through the strict adherence to well-defined and enforceable open government standards.
2. As TxRC is currently self-funded by the entities and licensees it regulates, no taxpayer funds are used to support the Open Government goal. However, as identified in the Redundancies and Impediments section of this report, agency staff recommend a more reliable funding stream that, if implemented, may utilize some tax revenue. Regardless, the agency continually monitors its policies and procedures to maximize efficiency and cost-effectiveness.
3. Ensuring open government is one of TxRC's core functions and the agency maintains focus on the related performance measures, while also striving to identify opportunities for improvement.
4. Achieving the open government goal is essential to helping the TxRC meet its customer service objective for all of the populations it serves, including the wagering public, licensees, race animals, animal breeders and more.
5. TxRC's open government goal and all of the action items developed to help achieve it are fully transparent to all Texans and are in accordance with the Texas Racing Act and/or Rules of Racing, and the state's Public Information Act.

GOAL #4: FISCAL RESPONSIBILITY

TxRC emphasizes fiscal responsibility by ensuring that all expenditures fulfill regulatory requirements, enhance security, improve customer service and/or boost productivity. All of the action items needed to achieve this goal are in place and ongoing as of June 1, 2020; however, the Commission remains vigilant for opportunities to improve and enhance Fiscal Responsibility standards as they arise.

ACTION ITEMS TO ACHIEVE GOAL:

1. Establish and monitor budget for FY 2022-23 biennium to maximize efficiency

2. Review performance measures for continued usefulness and ensure accuracy of data collected and reported
3. Monitor cost effectiveness of all travel and purchases
4. Strict oversight of controls over payroll and expenditure processing
5. Pursue continuing education in Budget, Purchasing and Human Resources

SUPPORTING STATEWIDE OBJECTIVES:

1. TxRC supports accountability to its fee payers through the strict adherence to well-defined and enforceable fiscal responsibility standards.
2. As TxRC is currently self-funded by the entities and licensees it regulates, no taxpayer funds are used to support the Fiscal Responsibility goal. However, as identified in the Redundancies and Impediments section of this report, agency staff recommend a more reliable funding stream that, if implemented, may utilize some tax revenue. Regardless, the agency continually monitors its policies and procedures to maximize efficiency and cost-effectiveness.
3. Fiscal responsibility is one of TxRC's core functions and the agency maintains focus on the related performance measures, while also striving to identify opportunities for improvement.
4. Achieving the fiscal responsibility goal is essential to helping the TxRC meet its customer service objective for all of the populations it serves, including the wagering public, licensees, race animals, animal breeders and more.
5. TxRC's fiscal responsibility goal and all of the action items developed to help achieve it are fully transparent to all Texans and are in accordance with the Texas Racing Act and/or Rules of Racing.

GOAL #5: CUSTOMER SERVICE

TxRC is committed to providing high quality customer service to all of its service populations. All of the action items needed to achieve this goal are in place and ongoing as of June 1, 2020; however, the Commission remains vigilant for opportunities to improve and enhance customer service standards as they arise.

ACTION ITEMS TO ACHIEVE GOAL:

1. Streamlining licensing process with improved accessibility

2. Conducting a biennial Customer Service Survey
3. Protecting personal identifying information
4. Responding to customer complaints and concerns

SUPPORTING STATEWIDE OBJECTIVES:

1. TxRC supports accountability to its fee payers by providing high quality customer service to all of its service populations.
2. As TxRC is currently self-funded by the entities and licensees it regulates, no taxpayer funds are used to support the customer service goal. However, as identified in the Redundancies and Impediments section of this report, agency staff recommend a more reliable funding stream that, if implemented, may utilize some tax revenue. Regardless, the agency continually monitors its policies and procedures to maximize efficiency and cost-effectiveness.
3. Providing high quality Customer Service is one of TxRC's core functions and the agency maintains focus on the related performance measures, while also striving to identify opportunities for improvement.
4. The Customer Service goal provides an essential service to all of the populations TxRC serves, including the wagering public, licensees, race animals, animal breeders and more.
5. TxRC's Customer Service goal and all of the action items developed to help achieve it are fully transparent to all Texans and will be in accordance with the Texas Racing Act and/or Rules of Racing.

GOAL #6: COMBAT ORGANIZED CRIME ON RACETRACKS

TxRC develops working relationships with local, state, and federal law enforcement agencies as well as other stake holders working within the industry to identify, investigate, and disseminate intelligence critical in interdicting and halting organized crime. With the continued illegal activities of Mexican drug cartels and a sustained interest in the sport of horse racing, money laundering, hidden ownership and illegal betting schemes continues to rise. Illegal "brush tracks" operating within the state attract these criminal elements and often times the participating racehorses and individuals migrate to licensed pari-mutuel racetracks in Texas. All of the action items needed to achieve this goal are in place and ongoing as of June 1, 2020; however, the Commission remains vigilant for opportunities to improve and enhance efforts to enhance the fight against organized crime as they arise.

ACTION ITEMS TO ACHIEVE GOAL:

1. Continue to build multi-jurisdictional networks (in-state and out-of-state) capable of disseminating timely investigative and intelligence information related to organized criminal activities identified within the racing industry.
2. Enhance the state's ability to develop actionable intelligence and conduct complex criminal investigations by:
 - Increasing investigative resources through the hiring, educating, and training of additional law enforcement officers, and
 - Increasing the agency's IT capabilities to provide stronger data mining, target association, and more efficient electronic sharing with shareholders.
3. TxRC investigators can help disrupt organized criminal groups through timely license suspensions and revocations by working closely with the agency's legal staff and the Boards of Stewards.
4. Provide expert investigative resources to conduct or assist in major racing related criminal cases throughout the state.

SUPPORTING STATEWIDE OBJECTIVES:

1. TxRC supports accountability to its fee payers by seeking to reduce and/or eliminate organized crime activity at Texas pari-mutuel racetracks..
2. As TxRC is currently self-funded by the entities and licensees it regulates, no taxpayer funds are used to support the Combat Organized Crime on Tracks goal. However, as identified in the Redundancies and Impediments section of this report, agency staff recommend a more reliable funding stream that, if implemented, may utilize some tax revenue. Regardless, the agency continually monitors its policies and procedures to maximize efficiency and cost-effectiveness.
3. TxRC's Combat Organized Crime on Racetracks goal supports several of TxRC's core functions and the agency maintains focus on the related performance measures, while also striving to identify opportunities for improvement.
4. The Combat Organized Crime on Racetracks goal provides an essential service to all of the populations TxRC serves, including the wagering public, licensees, race animals, animal breeders and more.
5. TxRC's Combat Organized Crime on Racetracks goal and all of the action items developed to help achieve it are fully transparent to all Texans and will be in accordance with the Texas Racing Act and/or Rules of Racing.

REDUNDANCIES AND IMPEDIMENTS

| REDUNDANCIES AND IMPEDIMENTS #1 | |
|--|--|
| SERVICE, STATUTE, RULE, OR REGULATION | Texas Racing Act (Tex. Occ. Code Sec. 2025.001). |
| DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS | The agency's revenue stream, based on license fees and simulcast tax revenue, is not reliable. The agency's base operating expenditures, regardless of the number of racetracks, is approximately \$2.4 million per year. The recent COVID-19 pandemic depleted \$400,000 of agency reserves. State regulatory and law enforcement functions should not be entirely at the mercy of economic disturbances, especially when the protection of the wagering public and defenseless animals are involved. |
| PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION | Consider alternative funding structures (e.g.: reduce the taxation threshold for live racing so the state can collect revenues from this activity, reallocate outstanding ticket revenue back to the agency, and increase simulcast tax rates from 1 percent to 2 percent.) Deposit all race-related revenue to the state treasury, consolidate the funds into GR and appropriate GR to TxRC. This would provide certainty to the agency's revenue stream. |
| DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE | Certainty of funding to support the agency's mission of ensuring the safety, integrity, and fairness of pari-mutuel racing. |

| REDUNDANCIES AND IMPEDIMENTS #2 | |
|--|--|
| SERVICE, STATUTE, RULE, OR REGULATION | Texas Government Code Sec. 441.184. Records Management Officers, Texas Government Code Sec. 2054.136. Designated Information Security Officer. |
| DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS | The Texas Government Code mandates the designation of a Records Management Officer and Information Security Officer, but provides insufficient funding for these positions. The agency received approval to expend \$50,000 for a Records Management Officer in the 86 th Legislative Session, but this proved to be an insufficient amount to recruit qualified personnel. |
| PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION | Provide appropriate appropriations and FTEs to fund these two positions. |

| | |
|--|--|
| DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE | These two positions would benefit operations and bring the agency into compliance with the statutory requirements. |
|--|--|

| REDUNDANCIES AND IMPEDIMENTS #3 | |
|--|--|
| SERVICE, STATUTE, RULE, OR REGULATION | Texas Racing Act (Tex. Occ. Code Sec. 2021.003(38)). |
| DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS | Statutory definition of “prohibited substance” requires expert testimony to establish that the substance is, in its use or intended use, “reasonably capable of influencing or affecting the outcome of a race in a manner contrary to [the] Act or a Commission rule.” In a recent case, the Commission was unable to find an expert witness until shortly before the hearing, calling into question the ability of the agency to prosecute what was otherwise a well-established, well-documented drug positive. |
| PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION | Delete subsection (A) regarding the drug’s ability to affect the outcome of a race, leaving “is prohibited by a commission rule regulating the unlawful influence of a race.” |
| DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE | Some potential cost savings, but more importantly, this change would plug a “loophole” that could jeopardize prosecution of otherwise clear drug cases. |

| REDUNDANCIES AND IMPEDIMENTS #4 | |
|--|--|
| SERVICE, STATUTE, RULE, OR REGULATION | Texas Racing Act (Tex. Occ. Code Sec. 2025.003). |
| DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS | The Act currently requires the Commission to resubmit fingerprints every three years for occupational license renewals. However, there is no longer a Federal Bureau of Investigations (FBI) requirement for resubmitting fingerprints submitted on or after June 1, 2015. |
| PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION | Amend the Act to remove the requirement to resubmit fingerprints every three years for occupational license renewals. |
| DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE | No savings to the Commission, per se, but will make the Act consistent with current FBI requirements. Will result in a savings of \$28.25 every three years for occupational license applicants. |

| REDUNDANCIES AND IMPEDIMENTS #5 | |
|--|--|
| SERVICE, STATUTE, RULE, OR REGULATION | Texas Racing Act (Tex. Occ. Code Sec. 2028.103, 2028.105, 2028.154, 2028.202), Rules of Racing (Chapter 303, Subchapter D). |
| DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS | Approximately \$3.13 million in Texas-Bred funds flows through the agency's budget, and TxRC is charged with oversight of these funds; however, the agency does not have sufficient staff to audit and administer these funds. |
| PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION | Statutory and rule change to permit the industry to administer Texas-Bred funds with minimal oversight by the Commission. |
| DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE | Savings of Commission resources. |

| REDUNDANCIES AND IMPEDIMENTS #6 | |
|--|---|
| SERVICE, STATUTE, RULE, OR REGULATION (PROVIDE SPECIFIC CITATION IF APPLICABLE) | GAA, Article IX, Section 6.08, 85 th Leg., Regular Session, Benefits Paid Proportional by Method of Finance |
| DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS | The agency is required to pay for health insurance premiums for employees who retire from the agency and for their dependents. The larger revenue that once supported these benefits has diminished considerably over the last 10 years, but the cost to the agency continues to rise. The agency once had more than 70 FTEs, but averages about 36-39 per year now, so the cost burden has become disproportional to the revenue and size of the agency. |
| PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION | Recommend agency contribute proportionately for this benefit depending upon the agency's revenue and size. |
| DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE | This contribution is estimated to be \$414,000 in FY 2020. Agency staff recommend a cost more proportional to the revenue and size of the agency of approximately 50 percent of the current amount, or \$207,000. |

| REDUNDANCIES AND IMPEDIMENTS #7 | |
|--|---|
| SERVICE, STATUTE, RULE, OR REGULATION | Texas Racing Act (Tex. Occ. Code Sec. 2025.251). |
| DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS | FBI policies regarding background checks performed on behalf of state agencies require specific statutory authority in state law. That authority is expressed in Tex. Gov't. Code 411.096 ("The Texas Racing Commission is entitled to obtain from the department [DPS] criminal history record information maintained by the department that pertains to a person who is... an applicant for a license under the Texas Racing Act"); however, in the Racing Act the Texas Legislature delegated to the Racing Commission the determination of which occupations should be required to obtain licenses to engage in racing. The FBI has asked that the Racing Act be amended to specifically list the occupations requiring licenses. |
| PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION | Amend the Racing Act to specifically list the occupations requiring licenses from the Texas Racing Commission. |
| DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE | Continued access to multi-state and federal criminal history information. |

| REDUNDANCIES AND IMPEDIMENTS #8 | |
|--|--|
| SERVICE, STATUTE, RULE, OR REGULATION | Texas Racing Act (Tex. Occ. Code Sec. 2023.108). |
| DESCRIBE WHY THE SERVICE, STATUTE, RULE, OR REGULATION IS RESULTING IN INEFFICIENT OR INEFFECTIVE AGENCY OPERATIONS | TxRC's hearings at the State Office of Administrative Hearings (SOAH) are becoming increasingly complex and costly as more licensees choose to contest penalties, which have increased in an effort to deter violations. |
| PROVIDE AGENCY RECOMMENDATION FOR MODIFICATION OR ELIMINATION | Grant the Commission authority to recoup costs of litigation from licensees found guilty of violations who lose appeals at SOAH. |
| DESCRIBE THE ESTIMATED COST SAVINGS OR OTHER BENEFIT ASSOCIATED WITH RECOMMENDED CHANGE | Approximately \$10,000-30,000/year in savings to the agency. |

SCHEDULES

| | |
|---|-----------|
| A. BUDGET STRUCTURE..... | 15 |
| B. PERFORMANCE MEASURE DEFINITIONS..... | 18 |
| C. HISTORICALLY UNDERUTILIZED BUSINESS PLAN..... | 37 |
| D. WORKFORCE PLAN..... | 38 |

SCHEDULE A: BUDGET STRUCTURE

I. OBJECTIVES AND OUTCOME MEASURES

Goal A. Enforce Racing Regulation
{Texas Racing Act, § 2023.001; § 2033.051}

Goal B. Regulate Participation in Racing
{Texas Racing Act, § 2023.001; § 2023.003; § 2034.005}

Goal C. Regulate Pari-mutuel Wagering in Texas
{Texas Racing Act, § 2027.01; § 2027.051}

| | |
|--|---|
| Goal A: Enforce Racing Regulation | |
| Objective 1: Regulate pari-mutuel racetracks effectively so that each racetrack inspection is 100 percent compliant. | |
| Outcome Measures | 1.1.1 Percentage of racetracks with an inspection score of 100 percent 1.1.2 Percentage of deficiency items closed |
| Objective 2: Provide oversight of Texas-bred Incentive Program funds. | |
| Outcome Measure | 1.2.1 Percentage increase in Texas-bred accredited horses* 1.2.2 Percentage increase in Texas-bred accredited greyhounds |
| Objective 3: Reduce the rate of rulings per occupational licensee to 1:25. | |
| 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 catastrophic injury that results in death or euthanasia as a result of participating in pari-mutuel races to less than 0.2 percent for horses and 0.2 percent for greyhounds. | |
| Outcome Measures | 1.4.1 Percentage of race horses that sustain a catastrophic injury leading to death or euthanasia as a result of participating in a pari-mutuel race 1.4.2 Percentage of greyhounds that sustain a catastrophic injury leading to death or euthanasia as a result of participating in a pari-mutuel race 1.4.3 Ratio of drug positive tests for prohibited substances or overages of therapeutic medications in horses per 1,000 samples 1.4.4 Ratio of drug positive tests for prohibited substances or overages of therapeutic medications in greyhounds per 1,000 samples |

| | |
|---|---|
| Goal B: Regulate Participation in Racing | |
| Objective 1: Maintain the efficiency of the occupational licensing process to ensure all individuals licensed are qualified. | |
| Outcome Measures | 2.1.1 Percent of new eligible individual licenses issued online 2.1.2 Percent of licensees who renew online |
| GOAL C: Regulate Pari-Mutuel Wagering | |
| Objective 1: Increase the pass rate for initial tote tests and compliance audits | |
| Outcome Measures | 3.1.1 Percentage of scenarios within the totalizator (tote) tests passed on the first run 3.1.2 Percentage of compliance audits passed |

II. STRATEGIES AND OUTPUT, EFFICIENCY AND EXPLANATORY MEASURES

| | |
|--|---|
| Goal A: Enforce Racing Regulation | |
| Strategy 1.1.1: Provide Regulatory and Enforcement Services to Racetrack Owners. | |
| Output Measures | 1.1.1.1 Number of complaints regarding racetrack operations closed 1.1.1.2 Number of racetrack inspections |
| Explanatory Measures | 1.1.1.1 Number of horse racetracks regulated 1.1.1.2 Number of greyhound racetracks regulated |
| Strategy 1.2.1: Provide oversight of Texas-bred Incentive Program funds. | |
| Output Measure | 1.2.1.1 Number of Texas-bred awards for horses 1.2.1.2 Number of Texas-bred awards for greyhounds |
| Strategy 1.3.1: Supervise the conduct of racing through enforcement of regulations and monitoring of races. | |
| Output Measures | 1.3.1.1 Number of live races conducted 1.3.1.2 Number of rulings issued against occupational licensees 1.3.1.3 Number of occupational licenses suspended or revoked |
| Strategy 1.3.2: Monitor occupational licensee activities. | |
| Output Measures | 1.3.2.1 Number of investigations completed 1.3.2.2 Number of complaints received against licensees |
| Strategy 1.4.1: Inspect and provide emergency care. | |
| Output Measure | 1.4.1.1 Number of horses inspected pre-race 1.4.1.2 Number of greyhounds inspected pre-race |

| | |
|---|--|
| Explanatory Measures | <p>1.4.1.1 Number of horses that expire or must be euthanized as a result of participating in a pari-mutuel race</p> <p>1.4.1.2 Number of greyhounds that expire or must be euthanized as a result of participating in a pari-mutuel race</p> <p>1.4.1.3 Number of euthanized horses that are necropsied</p> |
| Strategy 1.4.2: Administer the drug testing program. | |
| Output Measure | <p>1.4.2.1 Number of horse specimens collected for testing for the presence of prohibited substances or overage of therapeutic medications</p> <p>1.4.2.2 Number of greyhound specimens collected for testing for the presence of prohibited substances or overage of therapeutic medications</p> |

| | |
|---|--|
| Goal B: Regulate the Participation in Racing | |
| Strategy 2.1.1: Administer the occupational licensing programs through enforcement of regulations. | |
| Output Measures | <p>2.1.1.1 Number of new occupational licenses issued</p> <p>2.1.1.2 Number of occupational licenses renewed</p> |
| Efficiency Measure | 2.1.1.1 Average regulatory cost of issuing and maintaining an occupational license |
| Explanatory Measure | 2.1.1.1 Total number of individuals licensed |
| Strategy 2.1.2: Provide for the processing of occupational license, registrations, or permit fees through TexasOnline. | |
| Goal C: Regulate Pari-mutuel Wagering | |
| Strategy 3.1.1: Regulate Pari-mutuel wagering to maintain an honest racing industry. | |
| Output Measures | 3.1.1.1 Number of live and simulcast races audited and reviewed |
| Efficiency Measure | 3.1.1.2 Number of compliance audits completed |
| | 3.1.1.3 Number of tote tests completed |
| Explanatory Measures | 3.1.1.1 Average cost to audit and review a live or simulcast race |
| | 3.1.1.1 Total pari-mutuel handle (amount wagered, in millions) |
| | 3.1.1.2 Total take to the State Treasury from pari-mutuel wagering |
| | 3.1.1.3 Ratio of simulcast handle to live handle |

**SCHEDULE B: PERFORMANCE MEASURE
DEFINITIONS**

Goal A: Enforce Racing Regulations

Objective 1: Regulate pari-mutuel racetracks effectively so that each racetrack inspection is 100 percent compliant.

Outcome Measures

OC 1.1.1 PERCENTAGE OF RACETRACK INSPECTIONS WITH A SCORE OF 100 percent

| | |
|--------------------|---|
| Definition | The percentage of racetrack inspections with a score of 100 percent. |
| 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 inspection program administrator maintains the information. |
| Methodology | The number of racetrack inspections with a score of 100 percent 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 Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OC 1.1.2 PERCENTAGE OF DEFICIENCY ITEMS CLOSED

| | |
|--------------------|---|
| 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 inspection program administrator maintains this information. |
| Methodology | 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 some factors outside the agency’s control, such as financial constraints on the racetrack and type of deficiency items. |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Output Measures

OP 1.1.1.1 NUMBER OF RACETRACK OPERATION COMPLAINTS CLOSED

| | |
|--------------------|---|
| Definition | The number of complaints submitted by the public about race-track 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 department maintains a log book on all complaints received. |
| Methodology | A physical count of all complaints regarding racetrack operations in the log book 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 1.1.1.2 NUMBER OF RACETRACK INSPECTIONS

| | |
|--------------------|---|
| 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 inspection program administrator maintains a log of all inspections conducted. |
| Methodology | A physical count of all racetrack inspections conducted during the report period. |
| Data Limitations | None |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Explanatory Measures

EX 1.1.1.1 NUMBER OF HORSE RACETRACKS REGULATED

| | |
|-------------|---|
| 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. |

| | |
|--------------------|---|
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | N/A |

EX 1.1.1.2 NUMBER OF GREYHOUND RACETRACKS REGULATED

| | |
|--------------------|---|
| 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. |
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | N/A |

Objective 2: Provide oversight of Texas-bred Incentive Program funds.

Outcome Measures

OC 1.2.1 PERCENTAGE INCREASE IN TEXAS-BRED ACCREDITED HORSES

| | |
|--------------------|---|
| Definition | The annual percentage change in the number of horses newly accredited by the Texas breed registries. |
| Purpose | To determine the effectiveness of the Texas-bred Incentive Program. |
| Data Source | The official breed registries for horses named in the Texas Racing Act maintain this information. |
| Methodology | The number of newly accredited Texas-bred horses for the report period divided by the number of newly accredited Texas-bred horses 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 Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OC 1.2.2 PERCENTAGE INCREASE IN TEXAS-BRED ACCREDITED GREYHOUNDS

| | |
|--------------------|---|
| Definition | The annual percentage change in the number of greyhounds newly accredited by the greyhound breed registry. |
| Purpose | To determine the effectiveness of the Texas-bred Incentive Program. |
| Data Source | The official breed registries for greyhounds named in the Texas Racing Act maintains this information. |
| Methodology | The number of newly accredited Texas-bred greyhounds for the report period divided by the number of newly accredited Texas-bred greyhounds 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 Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Output Measures

OP 1.2.1.1 NUMBER OF TEXAS-BRED AWARDS FOR HORSES

| | |
|--------------------|---|
| Definition | The total number of breeder awards made by the breed registries for horses during the report period. |
| Purpose | To determine the effectiveness of the Texas-bred Incentive Program. |
| Data Source | The official breed registries for horses named in the Texas Racing Act maintain this information and report it to the agency. |
| Methodology | A summation of all breeder awards made by all official breed registries for horses. |
| Data Limitations | Performance will depend entirely on factors outside the agency's control, as breeder awards are based on winning animals. |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 1.2.1.2 NUMBER OF TEXAS-BRED AWARDS FOR GREYHOUNDS

| | |
|-------------|---|
| Definition | The total number of breeder awards made by the greyhound breed registry for greyhounds during the report period. |
| Purpose | To determine the extent of the Texas-bred Incentive Program. |
| Data Source | The official breed registry for greyhounds named in the Texas Racing Act maintains this information and reports it to the agency. |

| | |
|--------------------|---|
| Methodology | A summation of all breeder awards made by the official greyhound breed registry. |
| Data Limitations | Performance will depend entirely on factors outside the agency's control, as breeder awards are based on winning animals. |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Objective 3: Reduce the rate of rulings per occupational licensee to 1:25.

Outcome Measures

OC 1.3.1 AVERAGE NUMBER OF RULINGS PER OCCUPATIONAL LICENSEE

| | |
|--------------------|--|
| 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. |
| Methodology | 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 Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

OC 1.3.2 RECIDIVISM RATE FOR THOSE RECEIVING DISCIPLINARY ACTION

| | |
|--------------------|--|
| 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. |
| Methodology | 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 Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

OC 1.3.3 PERCENTAGE OF INVESTIGATIONS (INDIVIDUAL) RESULTING IN DISCIPLINARY ACTION

| | |
|--------------------|--|
| 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. |
| Methodology | 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 Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OC 1.3.4 PERCENTAGE OF LICENSEES WITH NO RECENT VIOLATIONS

| | |
|--------------------|---|
| 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. |
| Methodology | 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 Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Output Measures

OP 1.3.1.1 NUMBER OF LIVE RACES CONDUCTED

| | |
|-------------|---|
| 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. |
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 1.3.1.2 NUMBER OF RULINGS ISSUED AGAINST OCCUPATIONAL LICENSEES

| | |
|--------------------|---|
| 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 compliance of the licensees with the rules and the law. |
| Data Source | The data is maintained in the agency's database. |
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

OP 1.3.1.3 NUMBER OF OCCUPATIONAL LICENSES SUSPENDED OR REVOKED

| | |
|--------------------|--|
| 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. |
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

OP 1.3.2.1 NUMBER OF INVESTIGATIONS COMPLETED

| | |
|--------------------|---|
| 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. |
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 1.3.2.2 NUMBER OF COMPLAINTS RECEIVED AGAINST LICENSEES

| | |
|--------------------|---|
| Definition | A count of all complaints received and processed regarding licensees. |
| Purpose | To determine the rate of complaints. |
| Data Source | The data is maintained in an agency log. |
| Methodology | A summation of all complaints received during the quarter. |
| Data Limitations | Performance will depend on factors outside the agency's control, such as such as the willingness of individuals to file complaints. |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

Objective 4: Reduce the percentage of race animals that sustain a catastrophic injury that results in death or euthanasia as a result of participating in pari-mutuel races to less than 0.2 percent for horses and 0.2 percent for greyhounds.

Outcome Measures

OC 1.4.1 PERCENTAGE OF RACE HORSES THAT SUSTAIN A CATASTROPHIC INJURY

| | |
|------------|--|
| Definition | The percentage of race horses that sustain a catastrophic injury leading to death or euthanasia as a result of participating in pari-mutuel races. |
| Purpose | To monitor horse welfare by determining the rate of catastrophic injuries to horses while participating in pari-mutuel races in Texas. |

| | |
|--------------------|---|
| Data Source | The data is maintained in the agency's database. The Commission veterinarians input data regarding horses that expire or are euthanized as a result of participating in races on the grounds of Texas pari-mutuel racetracks. |
| Methodology | The number of race horses that expire or are euthanized as a result of participating in a pari-mutuel race divided by the total number of starts during the report period, multiplied by 100, stated as a percentage. |
| Data Limitations | Performance depends on some factors outside the agency's control. |
| Calculation Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

OC 1.4.2 PERCENTAGE OF GREYHOUNDS THAT SUSTAIN A CATASTROPHIC INJURY

| | |
|--------------------|---|
| Definition | The percentage of greyhounds that sustain a catastrophic injury leading to death or euthanasia as a result of participating in pari-mutuel races. |
| Purpose | To monitor greyhound welfare by determining the rate of catastrophic injuries to greyhounds while participating in pari-mutuel races in Texas. |
| Data Source | The data is maintained in the agency's database. The Commission veterinarians input data regarding greyhounds that expire or are euthanized as a result of participating in races on the grounds of Texas pari-mutuel racetracks. |
| Methodology | The number of greyhounds that expire or are euthanized as a result of participating in a pari-mutuel race divided by the total number of starts during the report period, multiplied by 100, stated as a percentage. |
| Data Limitations | Performance depends on some factors outside the agency's control. |
| Calculation Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

OC 1.4.3 RATIO OF DRUG POSITIVES FOR PROHIBITED SUBSTANCES OR OVERAGES OF THERAPEUTIC IN HORSES

| | |
|------------|--|
| Definition | The number of drug positives for prohibited substances or overages of therapeutic medications in horses 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 prohibited substances or overages of therapeutic medications and enters the data into the agency's database. |
| Methodology | The number of specimens that tested positive for prohibited substances or overages of therapeutic medications 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

OC 1.4.4 NUMBER OF DRUG POSITIVES FOR PROHIBITED SUBSTANCES OR OVERAGES OF THERAPEUTIC IN GREYHOUNDS

| | |
|--------------------|---|
| Definition | The ratio of drug positives for prohibited substances or overages of therapeutic medications in greyhounds 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 prohibited substances or overages of therapeutic medications and enters the data into the agency's database. |
| Methodology | The number of specimens that tested positive for prohibited substances or overages of therapeutic medications 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

Output Measures

OP 1.4.1.1 NUMBER OF HORSES INSPECTED PRE-RACE

| | |
|------------|--|
| Definition | The number of horses entered and inspected by Commission veterinarians before each pari-mutuel race. |
| Purpose | To determine the number of horses 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. |
| Methodology | A summation of the total number of horses entered in all pari-mutuel races at all Texas pari-mutuel racetracks. |
| Data Limitations | None |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 1.4.1.2 NUMBER OF GREYHOUNDS INSPECTED PRE-RACE

| | |
|--------------------|---|
| Definition | The number of greyhounds entered and inspected by Commission veterinarians before each pari-mutuel race. |
| Purpose | To determine the number of greyhounds participating in racing. |
| Data Source | The data is maintained in the agency's database. Commission staff enters the information into the database. |
| Methodology | A summation of the total number of greyhounds entered in all pari-mutuel races at all Texas pari-mutuel racetracks. |
| Data Limitations | None |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 1.4.2.1 NUMBER OF HORSE SPECIMENS COLLECTED FOR DRUG TESTING

| | |
|--------------------|--|
| Definition | The number of horse specimens collected for testing for the presence of prohibited substances or overage of therapeutic medications. |
| Purpose | To assess the effectiveness of the Commission's drug testing program. |
| Data Source | The data is maintained in the agency's database. The stewards order urine and/or blood specimens to be collected from a certain number of race horses from each live race. Details of drug testing are entered into the database system by the veterinarians and/or the test barn technicians. |
| Methodology | A summation of the total number of horses from which post-race specimens are collected at the racetracks. |
| Data Limitations | None |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 1.4.2.1 NUMBER OF GREYHOUND SPECIMENS COLLECTED FOR DRUG TESTING

| | |
|--------------------|--|
| Definition | The number of greyhound specimens collected for testing for the presence of prohibited substances or overage of therapeutic medications. |
| Purpose | To assess the effectiveness of the Commission's drug testing program. |
| Data Source | The data is maintained in the agency's database. The racing judges order urine specimens to be collected from each kennel participating in a performance. Details of drug testing are entered into the database system by the veterinarians. |
| Methodology | A summation of the total number of greyhounds from which post-race specimens are collected at the racetracks. |
| Data Limitations | None |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Explanatory Measures

EX 1.4.1.1 NUMBER OF HORSES THAT EXPIRE OR MUST BE EUTHANIZED

| | |
|--------------------|---|
| Definition | The number of horses that expire or must be euthanized as a result of participating in a pari-mutuel race |
| Purpose | To monitor horse welfare by determining the rate of catastrophic injuries to horses while participating in a pari-mutuel race in Texas. |
| Data Source | The data is maintained in the agency's database. The Commission 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. |
| Methodology | A summation of the horses with database codes for death during the report period. |
| Data Limitations | Some catastrophic injuries that lead to deaths may not be apparent during or immediately after the running of a race and may not be reported. |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

EX 1.4.1.2 NUMBER OF GREYHOUNDS THAT EXPIRE OR MUST BE EUTHANIZED

| | |
|--------------------|---|
| Definition | The number of greyhounds that expire or must be euthanized as a result of participating in a pari-mutuel race |
| Purpose | To monitor greyhound welfare by determining the rate of catastrophic injuries to greyhounds while participating in a pari-mutuel race in Texas. |
| Data Source | The data is maintained in the agency's database. The Commission veterinarians input data regarding physical conditions they have observed or confirmed greyhounds on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type. |
| Methodology | A summation of the greyhounds with database codes for death during the report period. |
| Data Limitations | Some catastrophic injuries that lead to deaths may not be apparent during or immediately after the running of a race and may not be reported. |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

OC 2.1.1 PERCENTAGE OF NEW ELIGIBLE INDIVIDUAL LICENSES ISSUED ONLINE

| | |
|--------------------|--|
| Definition | The percentage of all new licenses issued online to individuals for whom online application was available during the reporting period. |
| Purpose | To track use of online license issuance technology by the licensee population. |
| Data Source | The data is maintained in the agency database. |
| Methodology | The total number of new licenses issued to individuals online divided by the total number of new licenses issued to individuals for who online application was available during the reporting period. The result is multiplied by 100 to achieve the percentage. |
| Data Limitations | External Factors: General market and economic conditions, statutory changes, changes in the number of those licensees with access to both the Internet and credit cards. Those factors are beyond TxRC's control. |
| Calculation Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OC 2.1.2 PERCENTAGE OF LICENSEES WHO RENEW ONLINE

| | |
|--------------------|--|
| Definition | The percentage of the total number of licensed individuals who may renew online that did renew their license online during the reporting period. |
| Purpose | To track use of online license renewal technology by the licensee population. |
| Data Source | The data is maintained in the agency database. |
| Methodology | The total number of individual licenses renewed online divided by the total number of renewed licenses issued to individuals for whom online renewal was available. The result is multiplied by 100 to achieve the percentage. |
| Data Limitations | External Factors: General market and economic conditions, statutory changes, changes in the number of those licensees with access to both the Internet and credit cards. Those factors are beyond TRC's control. |
| Calculation Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Output Measures

OP 2.1.1.1 NUMBER OF NEW OCCUPATIONAL LICENSES ISSUED

| | |
|--------------------|--|
| 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. |
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 2.1.1.2 NUMBER OF OCCUPATIONAL LICENSES RENEWED

| | |
|-------------|---|
| 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. |
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Efficiency Measure

EFF 2.1.1.1 AVERAGE REGULATORY COST PER INDIVIDUAL LICENSE ISSUED

| | |
|--------------------|---|
| 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. |
| Methodology | The total cost of the licensing strategy costs divided by the total number of licensees for the report period. The total strategy cost are all expenditures coded to the strategy in USAS, plus a percentage of indirect cost based on FTE allocations to the related strategy. Indirect cost are central administration and information resources. |
| Data Limitations | None |
| Calculation Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

Explanatory Measure

EX 2.1.1.1 TOTAL NUMBER OF INDIVIDUALS LICENSED

| | |
|--------------------|---|
| 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. |
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | N/A |

GOAL C: REGULATE PARI-MUTUEL WAGERING IN TEXAS

Objective 1: Increase the pass rate for initial totalizator (tote) test and compliance audits.

Outcome Measures

OC 3.1.1 PERCENTAGE OF SCENARIOS WITHIN TOTE TESTS PASSED ON THE FIRST RUN

| | |
|--------------------|--|
| Definition | The percentage of scenarios within the 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 Director of Pari-Mutuels conducts or supervises the tests and maintains the results. If a scenario within the tote test is not passed on the first run, adjustments are made and further tests are run until the systems operate with 100 percent accuracy. |
| Methodology | The total number of scenarios passed on the first time divided by the total number of scenarios tested 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 Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OC 3.1.2 PERCENTAGE OF COMPLIANCE AUDITS PASSED

| | |
|--------------------|--|
| Definition | The number of compliance audits (pari-mutuel procedural reviews) with a pass rate of 95 percent or greater as a ratio of total compliance audits conducted. |
| Purpose | To determine the effectiveness of ongoing regulatory communication between the agency and the racetracks. |
| Data Source | The Director of Pari-Mutuels maintains records of all compliance audits. |
| Methodology | The number of compliance audits with a pass rate of 95 percent or greater divided by the total number of compliance audits conducted during the report period. |
| Data Limitations | Performance depends on factors outside the agency's control, such as the racetracks willingness to comply with the required regulations. |
| Calculation Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Output Measures

OP 3.1.1.1 NUMBER OF LIVE AND SIMULCAST RACES AUDITED AND REVIEWED

| | |
|--------------------|---|
| 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. |
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 3.1.1.2 NUMBER OF COMPLIANCE AUDITS COMPLETED

| | |
|--------------------|--|
| Definition | The total number of compliance audits completed. |
| Purpose | To determine the rate of pari-mutuel regulatory activity. |
| Data Source | The Director of Pari-Mutuels maintains a log of all audits. |
| Methodology | A summation of the number of compliance audits completed. |
| Data Limitations | Performance will depend on number of pari-mutuel wagering approvals requested by the racetracks. |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

OP 3.1.2.1 NUMBER OF TOTE TESTS COMPLETED

| | |
|--------------------|---|
| Definition | The total number of tote tests performed. |
| Purpose | To determine the rate of pari-mutuel activity. |
| Data Source | The Director of Pari-Mutuels maintains a log of all tote tests. |
| Methodology | A summation of the number of tests performed on tote equipment at the racetracks. This test is performed at least once a year and/or before the opening of each live race meet and after any system change has been made. |
| Data Limitations | None |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

Efficiency Measure

EFF 3.1.1.1 AVERAGE COST TO AUDIT AND REVIEW A LIVE OR SIMULCAST RACE

| | |
|--------------------|--|
| 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. |
| Methodology | 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 cost are all expenditures coded to the strategy in USAS, plus a percentage of indirect cost based on FTE allocations to the related strategy. Indirect cost are central administration and information resources. |
| Data Limitations | None |
| Calculation Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

Explanatory Measures

EX 3.1.1.1 TOTAL PARI-MUTUEL HANDLE (IN MILLIONS)

| | |
|--------------------|---|
| 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. |
| Methodology | A summation of the total amount wagered at each track for the report period. |
| Data Limitations | Performance is completely outside the agency's control. |
| Calculation Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

EX 3.1.1.2 TOTAL TAKE TO THE STATE TREASURY FROM PARI-MUTUEL WAGERING ON LIVE AND SIMULCAST RACES

| | |
|-------------|--|
| Definition | The amount of revenue to the state from pari-mutuel wagering on both live and simulcast races. 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. |

| | |
|--------------------|---|
| Methodology | 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 Method | Cumulative |
| New Measure | No |
| Target Attainment | Higher than projected |

EX 3.1.1.3 RATIO OF SIMULCAST HANDLE TO LIVE HANDLE

| | |
|--------------------|--|
| Definition | The ratio of amount wagered on simulcast races compared 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. |
| Methodology | The total amount wagered on simulcast races is 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 Method | Non-cumulative |
| New Measure | No |
| Target Attainment | Lower than projected |

SCHEDULE C. HISTORICALLY UNDERUTILIZED BUSINESS (HUB) PLAN

The Commission remains committed to the state’s program that encourages purchasing from historically underutilized businesses. The Commission will make a good faith effort to utilize HUBs in the procurement process of all goods and services whenever applicable, for any dollar amount. The Commission will always strive to exceed the HUB Statewide goals whenever possible. Although not a significant purchasing power, using less than 5 percent of its operating budget for purchases, the Commission routinely exceeds its goal of 23 percent of total purchases with HUBs.

To establish procurement and contracting good faith efforts the Commission will identify, solicit, and utilize qualified HUBs in all applicable procurement opportunities. The Commission will use the Centralized Master Bidders List (CMBL) to determine the availability of HUBs. The Commission also will utilize statewide contracts generated by the Comptroller of Public Accounts and Department of Information Resources when available.

HUB Expenditures as a Percentage of Total (HUB Eligible) Expenditures by Procurement Category

| | PROFESSIONAL SERVICES | OTHER SERVICES | COMMODITIES | TOTAL EXPENDITURES |
|------|-----------------------|----------------|-------------|--------------------|
| 2015 | 100.0% | 10.3% | 59.7% | 26.8% |
| 2016 | 100.0% | 24.8% | 41.2% | 31.4% |
| 2017 | 100.0% | 26.9% | 82.0% | 34.4% |
| 2018 | 100.0% | 41.2% | 67.3% | 45.0% |
| 2019 | 92.2% | 59.6% | 24.0% | 57.0% |

SCHEDULE D: WORKFORCE PLAN

AGENCY OVERVIEW

The Texas Racing Commission (TxRC) regulates all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring and enforcement. Statute and rule require the Commission to:

- License racetracks that offer racing and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- Allocate race dates, 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 systems (complex computer systems that tally and calculate pari-mutuel wagers), 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.

The General Appropriations Act authorized the agency to have 46.4 full-time equivalent positions (FTEs) in FY 2018 and FY 2019. The actual FTE count in FY 2018 was 36.9, and the actual FTE count in FY 2019 was 34.6. While the Racing Act requires the Commission's headquarters to be in Austin, a large number of staff members work at the operating racetracks. Many of the employees outside Austin are seasonal, working only when the racetracks conduct live racing.

TxRC's workforce features a diverse collection of professions that includes auditors, veterinarians, stewards, racing judges, investigators, licensing staff and support personnel.

TxRC maintains field offices at the three operating Class 1 horse tracks. Additionally, staff is always present when any track is conducting live racing.

The agency's structure features an executive group and support staff headed by the executive director, as well as a deputy executive director responsible for regulatory and field staff.

The Commission is self-funded by the entities it regulates and is appropriated only General Revenue—dedicated funds. The agency's revenue primarily comes from fees assessed to racetracks, occupational licensees fees and, effective Sept. 1, 2019, simulcast wagering taxes. Simulcast wagering tax revenue was added to the agency appropriation method of finance in the 86th Legislative Session.

Excluding Texas-bred Incentive Program pass-through funds, approximately 70 percent of the agency's operating budget is used for salaries.

AGENCY MISSION AND PHILOSOPHY

The mission of the Texas Racing Commission is to enforce the Texas Racing Act and its rules to ensure the safety, integrity, and fairness of Texas pari-mutuel racing. The Texas Racing Commission performs its responsibilities in strict compliance with state laws. The agency conducts its regulatory activities fairly, consistently, efficiently, and courteously.

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 Licensees 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 | |
| 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 | |
| Objective 1: | Increase Pass Rate for Initial Tote Test and Compliance Audits |
| Strategy 1: | Regulate Pari-mutuel Wagering to Maintain an Honest Racing Industry |
| Goal D. Indirect Administration | |
| Objective 1: | Indirect Administration |
| Strategy 1: | Central Administration and Other Support Services |
| Strategy 2: | Information Resources |

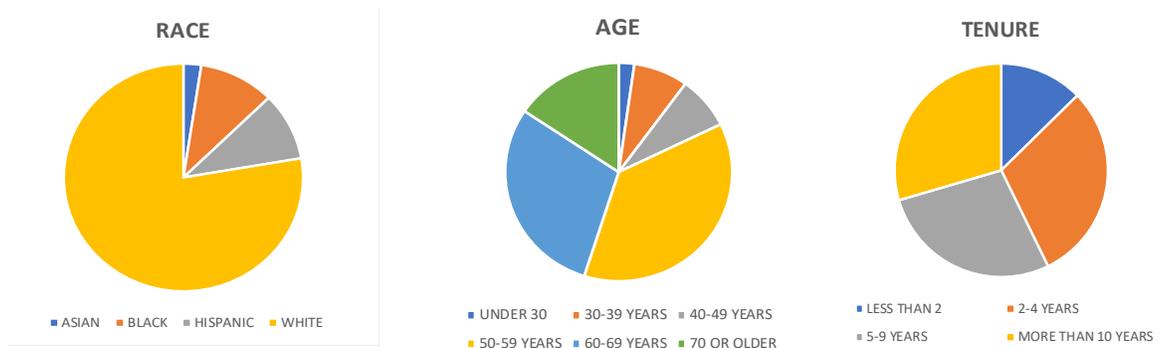
Anticipated Changes in Strategies

The agency may require changes to its goals or strategies over the next five years in order to mirror any changes to the Texas Racing Act that affect the Commission's regulatory responsibilities.

CURRENT WORKFORCE PROFILE (SUPPLY ANALYSIS)

Demographics (Fiscal Year 2019)

The Commission's workforce is 59 percent male, 41 percent female. The charts below further breakdown 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 | PROFESSIONALS | PARA-PROFESSIONALS | ADMINISTRATIVE SUPPORT |
|------------------|--------|----------------|---------------|--------------------|------------------------|
| White | Agency | 11.62% | 27.9% | 27.9% | 9.3% |
| | State | 60.5% | 54.1% | 32.0% | 41.0% |
| African American | Agency | 2.32% | 2.32% | 2.32% | 4.65% |
| | State | 11.4% | 11.1% | 36.2% | 17.7% |
| Hispanic | Agency | 0.0% | 0.0% | 2.32% | 9.3% |
| | State | 15.2% | 16.4% | 29.8% | 33.5% |
| Female | Agency | 6.97% | 9.3% | 2.32% | 23.25% |
| | State | 54.2% | 56.3% | 71.4% | 81.8% |
| Male | Agency | 6.97% | 20.93% | 30.23% | 0.00% |
| | State | 45.8% | 43.7% | 28.6% | 18.2% |

Retirement Eligibility

According to the information from the state's USPS payroll system using age and years of state service, 12 of the agency's current employees, or 30 percent of FTEs, will be eligible to retire between 2020 and 2025. During current FY 2020, the agency employs 12 'return-to-work' retirees. Almost half of the staff 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 2019, the Commission had a turnover rate of 12.3 percent, down from 27.1 percent in 2018, with a five-year average of 20.8 percent. Retaining qualified and experienced staff will be the biggest workforce challenge the Commission will face for the next five years. The following table compares the average of the Commission turnover to the state as a whole.

TURNOVER RATES

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | AVG. |
|-----------|---------|---------|---------|---------|---------|-------|
| AGENCY | 21.9% | 31.1% | 11.8% | 27.1% | 12.3% | 20.8% |
| STATEWIDE | 17.5% | 17.6% | 18.6% | 19.3% | 20.3% | 18.7% |

SOURCE: SAO Electronic Classification Analysis System (E-Class)

Critical Workforce Skills

In addition to general administrative and clerical abilities, the agency's workforce must possess the following skills for the Commission 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
- Practicing conflict resolution
- Enforcement of the Texas Racing Act and Rules of Racing

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 that offer racing and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- 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.

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 five FTEs to effectively regulate the wagering and racing activities in accordance with the Texas Racing Act and the Commission's rules.

Future Workforce Skills Required

In the future, the Commission will need to accomplish more with less in an increasingly tight budgetary environment. As the racing industry matures and changes with technology, the Commission's workforce must remain keenly aware of its regulatory role. All of the critical skills listed below will continue to be needed and, as technology moves ahead, advanced competencies in these skills will need to be obtained and maintained:

- Creativity and problem solving
- Communication
- Commitment to learning
- Leadership and team-building

- Organizational awareness
- External awareness
- Flexibility
- Integrity and honesty
- Computer literacy
- Software proficiency
- Web development and maintenance expertise

GAP ANALYSIS

Anticipated Surplus/Shortage of Employees or Skills

With approximately 30 percent of its workforce eligible for retirement by FY 2025 and with another 30 percent consisting of return-to-work retirees, the Commission projects a shortage in staffing and skill levels needed to meet future requirements. These shortages will be across the agency staffing in all departments. Additionally, the Commission continues to have difficulty retaining qualified veterinarians due to significant differences in agency salaries compared to those in the private sector.



— TEXAS —
RACING COMMISSION

**8505 CROSS PARK DRIVE, SUITE 110
AUSTIN, TEXAS 78754-4552
PHONE: 512.833.6699
FAX 512.833.6907**

WWW.TXRC.TEXAS.GOV



APPLICATION FOR BREED REGISTRY FUNDING
FROM THE HORSE INDUSTRY ESCROW ACCOUNT

PROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)
(Must be accompanied by Form HIEA-2, Project Narrative)

APPLICANT NAME: TEXAS ARABIAN BREEDERS ASSOCIATION

This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.

Project Title (Event Name): Arabian Juvinal Stakes at Lone star Park

Event Date(s) or Approximate Date(s): October 24, 2020

Total Amount Requested For this Event: 27,030

When Are Funds Needed? *If funding can be provided in multiple phases, please explain.*
September 1, 2020

Project Background

Project Summary

Please provide a summary of the event for which funding is sought and the project(s) that will be achieved as a result of this funding.

Project Description

Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.

The Texas Arabian Breeders Association has hired an experienced Promotional Manager to manage the social media blast, advertisement, e-mail blast, etc to get Arabian Owners or racing enthusiasts to the Races. These promotional activities will be taking place in the weeks prior to and thru the event at the track.

Anticipated Project Results/Economic Impact on the Horse Industry

Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.

We expect to introduce Arabian racing to some that are not familiar with it. To make Arabian owner realize the enjoyment of having their horse race, The fellowship from meeting with other Arabian owners attracts new Arabian race Horse owners and develops new race fans.

Project Oversight

Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?

Ed Wilson

Project Budget

This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.

Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:

- (1) capital improvements;*
- (2) donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation;*
- (3) costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities;*
- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations;*
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account;*
- (6) expenses related to litigation;*
- (7) professional association fees or dues for the breed registry or an individual;*
- (8) legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or*
- (9) fundraising.*

Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:

- (1) operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and*
- (2) the purchase of capital assets.*

| EXPENSE CATEGORIES | AMOUNT |
|--|---------------------------|
| Event Production Costs | \$ |
| Purse Supplements/Prizes | \$25,000.00 |
| Advertising | \$1,500.00 |
| Donations (include most recent IRS Form 990 for any non-profit) | \$ |
| Other Direct Expenses (itemize below): | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| Total Direct Costs | \$26,500.00 |
| Administrative Expenses/Capital Assets (may not exceed 5% of project total) | \$530.00 |
| Total | <u>\$27,030.00</u> |

Event Production Costs (\$ total) For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.

Purse Supplements/Prizes (\$25000 total) Provide a breakdown of purses/purse supplements, prizes, and Texas-bred supplements from HIEA funding.
\$12,500 is being added to the track purse for each of the two Graded Stakes Races.

Advertising (\$1500 total) Provide an explanation of advertising costs.
We will be paying our Promotional Manager for providing publicity and promotion upto and thru the event.

Donations (\$0 total) For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.

Other direct expenses – first category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Other direct expenses – second category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Other direct expenses – third category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Administrative Expenses/Capital Assets (\$530 total; may not exceed 5% of total) *Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.*

| | | |
|--|---------------|-------|
| Planning , making application, making arrangements | 8 hrs at \$25 | \$200 |
| Secretary | 2hrs. at \$15 | \$30 |
| Share of Audit: 1/6 of projected audit cost | | \$300 |



APPLICATION FOR BREED REGISTRY FUNDING
FROM THE HORSE INDUSTRY ESCROW ACCOUNT

PROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)
(Must be accompanied by Form HIEA-2, Project Narrative)

APPLICANT NAME: TEXAS ARABIAN BREEDERS ASSOCIATION

This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.

Project Title (Event Name): Arabian Stakes Night at Lone Star Park

Event Date(s) or Approximate Date(s): November 20, 2020

Total Amount Requested For this Event: 27,030

When Are Funds Needed? *If funding can be provided in multiple phases, please explain.*
September 1, 2020

Project Background

Project Summary

Please provide a summary of the event for which funding is sought and the project(s) that will be achieved as a result of this funding.

Project Description

Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.

The Texas Arabian Breeders Association has hired an experienced Promotional Manager to manage the social media blast, advertisement, e-mail blast, etc to get Arabian Owners or racing enthusiasts to the Races. participation at these events demonstrates the effect of our promotional effort.

Anticipated Project Results/Economic Impact on the Horse Industry

Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.

We expect to introduce Arabian racing to some that are not familiar with it. To make Arabian owner realize the enjoyment of having their horse race. The fellowship from meeting with other

Arabian owners. Attract new Arabian Race Horse owners and develop new race fans, this is essential to grow the Horse and racing industry.

Project Oversight

Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?

Ed Wilson

Project Budget

This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.

Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:

- (1) capital improvements;*
- (2) donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation;*
- (3) costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities;*
- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations;*
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account;*
- (6) expenses related to litigation;*
- (7) professional association fees or dues for the breed registry or an individual;*
- (8) legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or*
- (9) fundraising.*

Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:

- (1) operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and*
- (2) the purchase of capital assets.*

| EXPENSE CATEGORIES | AMOUNT |
|--|--------------------|
| Event Production Costs | \$ |
| Purse Supplements/Prizes | \$25,000.00 |
| Advertising | \$1,500.00 |
| Donations (include most recent IRS Form 990 for any non-profit) | \$ |
| Other Direct Expenses (itemize below): | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| Total Direct Costs | \$26,500.00 |
| Administrative Expenses/Capital Assets (may not exceed 5% of project total) | \$530.00 |
| Total | \$27,030.00 |

Event Production Costs (\$ total) *For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.*

Purse Supplements/Prizes (\$25000 total) *Provide a breakdown of purses/purse supplements, prizes, and Texas-bred supplements from HIEA funding.*

\$12,500 is being added to the track purse for each of the two Graded Stakes races.

Advertising (\$1500 total) *Provide an explanation of advertising costs.*

We will be paying our Promotional Manager for providing publicity and promotion activities.

Donations (\$0 total) *For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.*

Other direct expenses – first category _____ (\$0 total) *Provide a detailed description of any other category of direct expenses.*

Other direct expenses – second category _____ (\$0 total) *Provide a detailed description of any other category of direct expenses.*

Other direct expenses – third category _____ (\$0 total) *Provide a detailed description of any other category of direct expenses.*

Administrative Expenses/Capital Assets (\$530 total; may not exceed 5% of total) *Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.*

| | | |
|--|----------------|-------|
| Planning, making arrangements, preparing application | 8hrs at \$25 | \$200 |
| Secretary | 2 hrs. at \$15 | \$ 30 |
| Share of Audit: 1/6 of projected audit cost | | \$300 |



APPLICATION FOR BREED REGISTRY FUNDING
FROM THE HORSE INDUSTRY ESCROW ACCOUNT

PROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)
(Must be accompanied by Form HIEA-2, Project Narrative)

APPLICANT NAME: TEXAS QUARTER HORSE ASSOCIATION (TQHA)

This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.

Project Title (Event Name): 4-H Judging Team

Event Date(s) or Approximate Date(s): Texas State 4-H Horse Show (July 2020); AQHA Youth World Show (August 2020), and AQHA Quarter Horse Congress (October 2020)

Total Amount Requested For this Event: \$9,450

When Are Funds Needed? *If funding can be provided in multiple phases, please explain.*
Funding can not be provided in multiple phases due to the up-front cost of ordering the prizes.

Project Background

Project Summary

Please provide a summary of the event for which funding is sought and the project(s) that will be achieved as a result of this funding.

4-H is a vital youth program and partnering with 4-H would encourage ongoing participation and exposure to quarter horse related activities. In addition, this partnership would potentially increase TQHA memberships and future participants in TQHA shows and activities.

Project Description

Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.

Funding under this request would incorporate three (3) events:

1. AQHA Youth World Show in Oklahoma City, Oklahoma – August 2020
2. AQHA Congress in Columbus, Ohio – October 2020
3. Texas State 4-H Horse Show in Bryan/College Station, Texas – July 2020

A 4-H judging team judges specific horse classes to learn confirmation and form to function in an ideal horse. They compete on a local level in their county, then move on to larger events such as the Fort Worth Stock Show against other counties in the state of Texas with the big goal of competing against other 4-H teams in the nation at the AQHA World Show and AQHA Congress. Each state can only send two 4-H teams (one team being a state 4-H team i.e. TQHA) out of state. The 4-H members that participate under TQHA Team Texas banner are TQHA youth members.

For the judging contests at the AQHA World Show and AQHA Congress, scholarship money would be awarded to each team member as well as an award jacket. Scholarships & jackets are sent to the county 4-H club before the event to help cover costs.

For the State 4-H Horse Show, scholarships would be awarded to the highest placing TQHA member riding a registered AQHA horse in each of the six major divisions (judged western, speed, roping, hunter flat, hunter over fences and stock horse). Scholarship money will be sent to the State 4-H/ Extension Horse Program to distribute.

Anticipated Project Results/Economic Impact on the Horse Industry

Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.

The value of the 4-H youth program is often focused on the leadership, citizenship, and life skills that members receive as they participate in the program. Many 4-H members contribute to the well-being of their communities through individual efforts and as a member of a local club, but those with animal-related projects also contribute to the economic health of their rural communities and agriculture.

Few other youth development programs can make the direct economic contribution to their local communities that 4-H members make each and every year in addition to leadership skills that will benefit the horse industry in future years.

Project Oversight

Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?

Project oversight will be provided by Val Clark, Executive Director of the TQHA.

Project Budget

This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.

Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:

- (1) capital improvements;
- (2) donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation;
- (3) costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities;
- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations;
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account;
- (6) expenses related to litigation;
- (7) professional association fees or dues for the breed registry or an individual;
- (8) legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or
- (9) fundraising.

Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:

- (1) operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and
- (2) the purchase of capital assets.

| EXPENSE CATEGORIES | AMOUNT |
|--|-------------------|
| Event Production Costs | \$0.00 |
| Purse Supplements/Prizes | \$0.00 |
| Advertising | \$0.00 |
| Donations (include most recent IRS Form 990 for any non-profit) | \$9,000.00 |
| Other Direct Expenses (itemize below): | \$0.00 |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| Total Direct Costs | \$ |
| Administrative Expenses/Capital Assets (may not exceed 5% of project total) | \$450.00 |
| Total | \$9,450.00 |

Event Production Costs (\$0 total) For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.

Purse Supplements/Prizes (\$ total) Provide a breakdown of purses/purse supplements, prizes, and Texas-bred supplements from HIEA funding.

Advertising (\$0 total) Provide an explanation of advertising costs.

Donations (\$9000 total) For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.

Judging Team:

TQHA Scholarship for each team member - \$500 x 4 members = \$2,000

Award TQHA logoed jackets for the team attending AQHA World Show and Congress = \$1,000 to market the Texas Quarter Horse Association

State 4-H Horse Show:

\$1,000 scholarship to the winner of each division = \$6,000

Other direct expenses – first category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Other direct expenses – second category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Other direct expenses – third category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Administrative Expenses/Capital Assets (\$450 total; may not exceed 5% of total) Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.

\$450 total to cover TQHA staff (Membership/Youth - 10 hours @ \$15/hour - processing and communicating with the 4-H Club & winning team members after initial results from the Agrilife Extension office; Ordering custom jackets per Congress team member, shipping jackets.

Controller/accountant - 8 hours @ \$37/hour -Identifying and paying scholarship recipients; reporting to

Agrilife Extension & TQHA Show committe



APPLICATION FOR BREED REGISTRY FUNDING
FROM THE HORSE INDUSTRY ESCROW ACCOUNT

PROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)
(Must be accompanied by Form HIEA-2, Project Narrative)

APPLICANT NAME: TEXAS QUARTER HORSE ASSOCIATION (TQHA)

This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.

Project Title (Event Name): 2020 QH Meet @ LONE STAR PARK - Accredited Texas Bred (ATB) Owners, Breeders & Stallion Owner Awards

Event Date(s) or Approximate Date(s): 2020 Texas pari-mutual races

Total Amount Requested For this Event: \$973,135

When Are Funds Needed? *If funding can be provided in multiple phases, please explain.*
Due to the need to create new and incorporate into existing software, build the financial structure and advertise the program, TQHA respectfully requests \$100,000 upon approval and the remainder of the funds in November.

Project Background

Project Summary

Please provide a summary of the event for which funding is sought and the project(s) that will be achieved as a result of this funding.

TQHA proposes increasing incentive money to the owners, breeders and stallion owners of accredited Texas-bred horses that finish first, second or third in a Texas pari-mutuel race during the 2020 Lone Star Park QH meet (September 11-November 28). These funds will supplement the current accredited Texas-bred incentive award payouts, mandated by the Texas Racing Act Sec. 2030.004.

In an effort to increase national exposure and increase simulcast handle to these races, TQHA will partner with Lone Star Park with promotions geared toward American Quarter Horse racing for increased media exposure and marketing during the meet to attract patrons.

Project Description

Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.

Texas- bred horses finishing within the top 3 places in a Texas pari-mutual race at Lone Star Park will be eligible for the following enrollment incentive breakdown:

\$900,000 ATB Awards:

40% Owner Award - \$360,000

40% Breeder Award -\$360,000

20% Stallion Owner Award -\$180,000

\$55,000 Daily Racing Form promotion (DRF) (based on # of days racing):

TVG and other opportunities for increased exposure for live and simulcast wagering (150 racetracks worldwide); Added coverage for big race day events

Anticipated Project Results/Economic Impact on the Horse Industry

Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.

By increasing Accredited Texas Bred awards to owners, breeders, and stallions of Accredited Texas Bred horses, Texas will be in a much better position to be able to compete with surrounding states where state bred awards are supplemented by Slot machine revenue.

The addition of the Accredited Texas Bred Owner, Breeder and Stallion Owner Awards will incentivize the increase of ATB horses over the next breeding cycle and beyond. The increased ATB awards will attract new breeders to Texas as well as see the return of many breeders who left the state for larger purses. TQHA estimates an increase of 50% of horses accredited as Texas breds. Texas will benefit from the direct and indirect costs related to participate in the Agriculture and Equine industry, in particular rural Texans. Funds will be put back into the Texas economy through such purchases as horse feed, bedding, equipment, grooming products, insurance, facility expenses, veterinary services, farrier services, and labor, fuel etc.

With increased national exposure to these races through TVG, fiscal measurements will be demonstrated in entries and handle increases in comparison to the 2019 meet. TVG has over 201,000 active customers in top 20 U.S. markets

Project Oversight

Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?

Project oversight will be provided by Val Clark, Executive Director of the Texas Quarter Horse Association along with Rob Werstler, Director of Racing. TQHA will create and install new software enhancements for thorough reporting of the ATB award project that will be readily available for review.

Reports will be provided to the TQHA Board of Directors, TQHA's independent auditing firm and TRC's Quarterly & Annual Performance Measures.

TQHA's Rob Werstler will work directly with Lone Star Park management to oversee all promotional activities. Lone Star Park will provide reports to TQHA as funds are expended and interim reports on the said affect of.

Project Budget

This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.

Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:

- (1) capital improvements;*
- (2) donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation;*
- (3) costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities;*
- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations;*
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account;*
- (6) expenses related to litigation;*
- (7) professional association fees or dues for the breed registry or an individual;*
- (8) legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or*
- (9) fundraising.*

Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:

- (1) operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and*
- (2) the purchase of capital assets.*

| EXPENSE CATEGORIES | AMOUNT |
|---------------------------------|---------------------|
| Event Production Costs | \$ |
| Purse Supplements/Prizes | \$900,000.00 |

| | |
|--|----------------------------|
| Advertising | \$60,000.00 |
| Donations (include most recent IRS Form 990 for any non-profit) | \$0.00 |
| Other Direct Expenses (itemize below): | \$3,335.00 |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| Total Direct Costs | \$963,335.00 |
| Administrative Expenses/Capital Assets (may not exceed 5% of project total) | \$9,800.00 |
| Total | <u>\$973,135.00</u> |

Event Production Costs (\$ total) For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.

Purse Supplements/Prizes (\$900000 total) Provide a breakdown of purses/purse supplements, prizes, and Texas-bred supplements from HIEA funding.

- 40% Owner Award - \$360,000
- 40% Breeder Award -\$360,000
- 20% Stallion Owner Award -\$180,000

Advertising (\$60000 total) Provide an explanation of advertising costs.

\$5,000 TQHA Direct costs:

Advertisements - magazines - TRACK, Speedhorse, Stallionsearch.com

Online - Constant Contact, use of advertising platforms on FaceBook

Update the Website to be a more effective communication tool to inform members and improve their user experience

Update will include gathering analytics and intelligence of the users and optimize performance and integrate with other channels

\$55,000 - LSP Daily Racing Form promotion (DRF) (based on # of days racing):

TVG and other opportunities for increased exposure for live and simulcast wagering (150 racetracks worldwide); Added coverage for big race day events

Donations (\$0 total) For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.

Other direct expenses – first category _____ (\$3335 total) Provide a detailed description of any other category of direct expenses.

Data Analysis

Collect and store data on past and new numbers

Process, present, design reporting to ensure quality and accuracy

Monitor performance to identify improvements

Other direct expenses – second category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Other direct expenses – third category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Administrative Expenses/Capital Assets (\$9800 total; may not exceed 5% of total) Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.

\$1200 - Checks, envelopes, IRS Reporting, copier paper, postage for checks; postage for letters to ATB recipients who need additional paperwork to complete transaction such as SS#, etc

\$1,100 total - TQHA staff time Personnel -

- Race Programs Coordinator - 20 hours x 18/hour = \$360

Data entry – calculation of percentages of dark day and live meets; review ownership of horse with AQHA, verification of payment for each vendor, Calculating & Producing incentive pay-out - Printing, mailing, signing checks

- Controller/Accountant - 20 hours x 37/hour = \$740

Separate fund Reporting for TRC, Board of Directors, Internal Revenue Service, auditors

Software Upgrade - \$7,500

- Create software to accommodate calculating new funds separate from current simulcast funds
- Create software for the TRC reporting that reflects this money as separate from current pay-out.
- Improve performance to adapt the current product to a modified environment
- Upgrade software of hardware capabilities beyond original specification. The enhancements will allow software and hardware product performance scalability.



APPLICATION FOR BREED REGISTRY FUNDING
FROM THE HORSE INDUSTRY ESCROW ACCOUNT

PROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)
(Must be accompanied by Form HIEA-2, Project Narrative)

APPLICANT NAME: TEXAS QUARTER HORSE ASSOCIATION (TQHA)

This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.

Project Title (Event Name): 2020 QH Meet @ RETAMA - Accredited Texas Bred (ATB) Owners, Breeders & Stallion Owner Awards

Event Date(s) or Approximate Date(s): 2020 Texas pari-mutual races

Total Amount Requested For this Event: \$400,160

When Are Funds Needed? *If funding can be provided in multiple phases, please explain.*

Due to the need to create new software and enfold into existing program, build the financial structure and advertise the program, TQHA respectfully requests \$60,000 upon approval and the remainder of funds in August.

Project Background

Project Summary

Please provide a summary of the event for which funding is sought and the project(s) that will be achieved as a result of this funding.

TQHA proposes increasing incentive money to the owners, breeders and stallion owners of accredited Texas-bred horses that finish first, second or third in a Texas pari-mutuel race during the 2020 Retama Park QH meet (July 3- September 5). These funds will supplement the current accredited Texas-bred incentive award payouts, mandated by the Texas Racing Act Sec. 2030.004.

In an effort to increase national exposure and increase simulcast handle to these races, TQHA will partner with Retama Park with promotions geared toward American Quarter Horse racing for increased media exposure and marketing during the meet to attract patrons.

Project Description

Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.

Texas- bred horses finishing within the top 3 places in a Texas pari-mutual race at Retama Park will be eligible for the following enrollment incentive breakdown:

\$350,000 ATB Awards:

40% Owner Award

40% Breeder Award

20% Stallion Owner Award

\$35,000 Daily Racing Form promotion (DRF) (based on # of days racing):

TVG and other opportunities for increased exposure for live and simulcast wagering (150 racetracks worldwide); Added coverage for big race day events

Anticipated Project Results/Economic Impact on the Horse Industry

Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.

By increasing Accredited Texas Bred awards to owners, breeders, and stallions of Accredited Texas Bred horses, Texas will be in a much better position to be able to compete with surrounding states where state bred awards are supplemented by Slot machine revenue.

The addition of the Accredited Texas Bred Owner, Breeder and Stallion Owner Awards will incentivize the increase of ATB horses over the next breeding cycle and beyond. The increased ATB awards will attract new breeders to Texas as well as see the return of many breeders who left the state for larger purses. TQHA estimates an increase of 50% of horses accredited as Texas breds. Texas will benefit from the direct and indirect costs related to participate in the Agriculture and Equine industry, in particular rural Texans. Funds will be put back into the Texas economy through such purchases as horse feed, bedding, equipment, grooming products, insurance, facility expenses, veterinary services, farrier services, and labor, fuel etc.

With increased national exposure to these races through TVG, fiscal measurements will be demonstrated in entries and handle increases in comparison to the 2019 meet. TVG has over 201,000 active customers in top 20 U.S. markets

Project Oversight

Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?

Project oversight will be provided by Val Clark, Executive Director of the Texas Quarter Horse Association along with Rob Werstler, Director of Racing. TQHA will create and install new software enhancements for thorough reporting of the ATB award project that will be readily available for review.

Reports will be provided to the TQHA Board of Directors, TQHA's independent auditing firm and TRC's Quarterly & Annual Performance Measures.

TQHA's Rob Werstler will work directly with Retama Park to oversee all promotional activities. Retama Park will provide reports to TQHA as funds are expended and interim reports on the said affect of.

Project Budget

This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.

Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:

- (1) capital improvements;*
- (2) donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation;*
- (3) costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities;*
- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations;*
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account;*
- (6) expenses related to litigation;*
- (7) professional association fees or dues for the breed registry or an individual;*
- (8) legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or*
- (9) fundraising.*

Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:

- (1) operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and*
- (2) the purchase of capital assets.*

| EXPENSE CATEGORIES | AMOUNT |
|---------------------------------|---------------------|
| Event Production Costs | \$ |
| Purse Supplements/Prizes | \$350,000.00 |

| | |
|--|---------------------|
| Advertising | \$40,000.00 |
| Donations (include most recent IRS Form 990 for any non-profit) | \$0.00 |
| Other Direct Expenses (itemize below): | \$3,335.00 |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| Total Direct Costs | \$393,335.00 |
| Administrative Expenses/Capital Assets (may not exceed 5% of project total) | \$6,825.00 |
| Total | \$400,160.00 |

Event Production Costs (\$ total) For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.

Purse Supplements/Prizes (\$350000 total) Provide a breakdown of purses/purse supplements, prizes, and Texas-bred supplements from HIEA funding.

40% Owner Award - \$140,000

40% Breeder Award - \$140,000

20% Stallion Owner Award - \$70,000

Advertising (\$40000 total) Provide an explanation of advertising costs.

\$5,000 TQHA Direct costs:

Advertisements - magazines - TRACK, Speedhorse, Stallionsearch.com

Online - Constant Contact, use of advertising platforms on FaceBook

Update the Website to be a more effective communication tool to inform members and improve their user experience

Update will include gathering analytics and intelligence of the users and optimize performance and integrate with other channels

\$35,000 - Retama Daily Racing Form promotion (DRF) (based on # of days racing):

TVG and other opportunities for increased exposure for live and simulcast wagering (150 racetracks worldwide); Added coverage for big race day events

Donations (\$0 total) For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.

Other direct expenses – first category _____ (\$3335 total) Provide a detailed description of any other category of direct expenses.

Data Analysis

Collect and store data on past and new numbers

Process, present, design reporting to ensure quality and accuracy

Monitor performance to identify improvements

Other direct expenses – second category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Other direct expenses – third category _____ (\$0 total) Provide a detailed description of any other category of direct expenses.

Administrative Expenses/Capital Assets (\$6825 total; may not exceed 5% of total) Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.

\$1000 - Checks, envelopes, IRS Reporting, copier paper, postage for checks; postage for letters to ATB recipients who need additional paperwork to complete transaction such as SS#, etc

\$825 -TQHA Personnel

- Race Programs Coordinator 15 hours x 18 = \$270

Data entry – calculation of percentages of dark day and live meets; review ownership of horse with AQHA, verification of payment for each vendor, Calculating & Producing Pay-out - Printing, mailing, signing checks

- Controller/Accountant 15 hours x \$37 = \$555

Separate Reporting of funds - TRC, Board of Directors, Internal Revenue Service, auditors

\$5000 -Software Upgrade

- Create software to accommodate calculating new funds separate from current simulcast funds
- Create software for the TRC reporting that reflects this money as separate from current pay-out.
- Improve performance to adapt the current product to a modified environment
- Upgrade software of hardware capabilities beyond original specification. The enhancements will allow software and hardware product performance scalability.



APPLICATION FOR BREED REGISTRY FUNDING
FROM THE HORSE INDUSTRY ESCROW ACCOUNT

PROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)
(Must be accompanied by Form HIEA-2, Project Narrative)

APPLICANT NAME: TEXAS QUARTER HORSE ASSOCIATION (TQHA)

This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.

Project Title (Event Name): TQHA State Championship Year-End Awards

Event Date(s) or Approximate Date(s): 2020 Point-Year (December 1 - November 30)

Total Amount Requested For this Event: \$51,775.00

When Are Funds Needed? *If funding can be provided in multiple phases, please explain.*

Approval is needed immediately to announce and market the program to exhibitors to increase the amount of shows they attend in anticipation of Year End Award program. To adequately plan award items according to budget with the up-front cost of ordering the prizes and awards, Funding is needed by July 2020

Project Background

Project Summary

Please provide a summary of the event for which funding is sought and the project(s) that will be achieved as a result of this funding.

The Texas Quarter Horse Association currently has a limited budget and program to recognize year-end high point winners that show at the TQHA Horse Show Series Approved Shows.

In order to be eligible, owners and riders must be TQHA members to accumulate points. Points are accumulated when exhibitors show and place in their respective classes and divisions throughout the showing calendar year (December 1 – November 30) at approved shows in Texas. A list of eligible shows can be found at www.tqha.com. On average, over 400 TQHA members actively participate in this program with division awards being given to 1st and 2nd place. Due to the existing budget constraints, the value of the awards has been limited to a dollar value of \$40 - \$60.

Project Description

Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.

The leadership of TQHA recognizes the substantial financial commitment of owners and riders who wish to show Quarter Horses. It can be estimated that an average participant spends approximately \$141 per day of their horse show between food, lodging, and other taxable purchases (Highland Market Research, LLC 2019). To that end, TQHA wishes to expand its existing program to recognize and encourage the members that are committed to showing their Quarter Horses on the TQHA circuit. It is anticipated that the expansion of the program would increase the number of participants and TQHA members and incentivize people to keep their dollars recirculating in the Texas economy, as opposed to driving to other States for their horse show experience.

It is envisioned that these funds would allow the association to spread awards down through five (5) placings with more valuable and coveted items like monogrammed championship jackets. Winners of the youth divisions would be eligible to receive scholarships valued at \$500.

Anticipated Project Results/Economic Impact on the Horse Industry

Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.

To be eligible for TQHA year end awards, exhibitors must be current in their TQHA membership. Based on initial feedback, it is anticipated that TQHA memberships may increase 20 – 30%. In addition, TQHA will benefit from increased entries within all divisions at the statewide approved shows. The ripple effect of this increase will flow into the local shows and thus local economies through increased purchases on items eligible for sales, hotel/motel and mixed beverage taxes.

Project Oversight

Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?

Project oversight will be provided by Val Clark, Executive Director of the TQHA. It is anticipated that a year-end review regarding the overall entry numbers will be conducted by TQHA.

Project Budget

This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.

Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:

- (1) capital improvements;
- (2) donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation;
- (3) costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities;
- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations;
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account;
- (6) expenses related to litigation;
- (7) professional association fees or dues for the breed registry or an individual;
- (8) legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or
- (9) fundraising.

Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:

- (1) operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and
- (2) the purchase of capital assets.

| EXPENSE CATEGORIES | AMOUNT |
|--|--------------------|
| Event Production Costs | \$1,300.00 |
| Purse Supplements/Prizes | \$45,000.00 |
| Advertising | \$2000.00 |
| Donations (include most recent IRS Form 990 for any non-profit) | \$0.00 |
| Other Direct Expenses (itemize below): | \$1200.00 |
| | \$1,500.00 |
| | \$ |
| | \$ |
| | \$ |
| Total Direct Costs | \$51,000.00 |
| Administrative Expenses/Capital Assets (may not exceed 5% of project total) | \$775.00 |

| | |
|--------------|--------------------|
| Total | \$51,775.00 |
|--------------|--------------------|

Event Production Costs (\$1300 total) *For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.*

Year End Award Banquet - invitation & information mail-out for banquet, awards magazine for recipients at dinner (250 - 300 count), name badges for attendees

Purse Supplements/Prizes (\$45000 total) *Provide a breakdown of purses/purse supplements, prizes, and Texas-bred supplements from HIEA funding.*

May include, but not limited to, monogrammed championship jackets, trophies, buckles, other championship memorabilia to be determined by the Texas Quarter Horse Association in the event of funding approval. Cash prizes are also being considered depending on points awarded.

Advertising (\$2000 total) *Provide an explanation of advertising costs.*

Paid FB ads

Constant Contact Enews Blasts

Magazine advertising - Equine Chronicle, Southwest Horse Trader

Mail-out fliers to each show member

Donations (\$0 total) *For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.*

Other direct expenses – first category _____ (\$1200 total) *Provide a detailed description of any other category of direct expenses.*

Equitek point program software - \$100/ month

Greg Bahry

Other direct expenses – second category _____ (\$1500 total) *Provide a detailed description of any other category of direct expenses.*

AQHA show points - \$15/ show #. 100 show #s (1-6 show #s per show)

AQHA charges \$15 per show # to download results from their website. The overall figure of \$1500 is based on how many show #s there are to download. This used to be a free service of AQHA to Affiliates. It currently is not.

Other direct expenses – third category _____ (\$0 total) *Provide a detailed description of any other category of direct expenses.*

Administrative Expenses/Capital Assets (\$775 total; may not exceed 5% of total) *Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted*

costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.

TQHA staff - membership/youth - 35 hours x \$15 per hour - Calculating points per exhibitor and publishing; Getting bids on product per each category; Choosing most suitable awards for budget & discipline; Purchasing process until delivery; Notifying award winners

Contract labor at banquet: \$250 flat fee - Catagorizing & Organizing awards for recipients at Award Banquet; setting display; assisting with awards ceremony



TEXAS RACING COMMISSION

APPLICATION FOR BREED REGISTRY FUNDING FROM THE HORSE INDUSTRY ESCROW ACCOUNT

PROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)
(Must be accompanied by Form H1EA-1, General Information)

APPLICANT NAME: TEXAS QUARTER HORSE ASSOCIATION

This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.

Project Title (Event Name): TQHA Yearling Sale

Event Date(s) or Approximate Date(s): July 25, 2020

Total Amount Requested For this Event: 148,480

When Are Funds Needed? *If funding can be provided in multiple phases, please explain.*

****Immediate approval is needed to appropriately and successfully plan event.**

Funds are needed in July.

Project Background

Project Summary

Please provide a summary of the event for which funding is sought and the project(s) that will be achieved as a result of this funding.

The TQHA Yearling Sale is a flagship event for the Texas Quarter Horse Association. It is a horse sale restricted to racing Accredited Texas bred Quarter Horse yearlings which results in the very purpose and foundation of supporting breeding, selling and training of horses bred in Texas. Horses that go through the sale ring are eligible to enter an ATB Futurity race the following year. So this sale not only encourages breeding and selling in Texas, but racing those horses in Texas rather than out of state.

Due to COVID-19, the Quarter Horse industry and horsemen are financially hurting. This application helps horsemen in giving them a rebate to relieve some of the financial hardship that many are going through - similar to the Federal relief programs. Horsemen have been reluctant to consign their horses this year in the TQHA sale because of Covid -19. TQHA hopes that this rebate will incentivize consignors to keep their horses in the TQHA sale rather than choose sales that are later in the year when the economy and assurance of buyers has settled. (TQHA is the first QH race horse sale of the calendar year in the nation). This application also allows for TQHA to adapt and adjust to new Corona Virus restrictions for the safety of sellers and buyers. The costs are extra and above what TQHA normally incurs.

Consignors are very tentative about selling their horses in the TQHA sale because of economic instability. Selling prices will be down. TQHA would like to offer a pro-rated rebate (consignor rate is \$650/horse) to each horse consigned that goes through the sale ring based on the amount of horses consigned.

Project Description

Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.

As mentioned above, this race horse sale is restricted to Texas accredited horses only. It supports breeders in Texas as it gives value to their horses within the state; and allows buyers to purchase and own a Texas bred with the intent to run in Texas. Horses that go through this sale are eligible to run the following year in the prestigious Sale Futurity so there is incentive to not only sell in this sale, but to own a horse to run in this race! The sale is scheduled for July 24&25 in San Antonio with buyers from in & out of state. This year the sale will be different than previous years, to adapt to the restrictions and safety measures necessary for Covid 19. Horses will be featured live online so that bidders will be able to make bids from a remote location on the horses due to Covid 19 distancing. A sale software program specific to horse sales will be leased to document sellers and buyers for a timely & correct financial response. Sale expert contract labor is needed in order to run this sale. Due to Covid-19, this sale has many challenges this year. An incentive to keep consignors from choosing sales later in the year in other states and increased technology to adjust to new restrictions are desperately needed. TQHA is proposing a prorated based on # of horses: approximately \$400 rebate per consignment based on 250 head or \$500 rebate if 200 head. This is out of the realm of TQHA's typical annual sale. This is the only QH race horse sale in the state of Texas. If Texas does not have the commerce of horses, our industry is not furthered and rather than being stagnant during difficult times, declines. TQHA began advertising this sale with updates in March. We feel an aggressive advertising campaign is necessary for the confidence of sellers and buyers in addition to giving updates in an ever changing environment. The incentives and costs listed are above the normal costs of running this sale and TQHA anticipates that they are unique only to 2020.

Anticipated Project Results/Economic Impact on the Horse Industry

Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.

This sale will keep the Accredited Texas Program viable for breeders and owners in Texas. Not only will it continue to hold the value of Texas breds and give them an avenue to race in 2021, but it is also a very needed commerce outlet for ranches and horse owners as they struggle financially with the Covid-19 crisis. In a normal year, the consignment fee is acceptable, but this year owners cannot afford to consign their stock so a rebate is especially needed. The economic impact of keeping horses breeding and racing in Texas has a direct impact on the many aspects of agriculture, racing, and all the individuals employed by this industry which includes and is not limited to ranches and their employees, vets, farrier, feed/tack stores, trainers, track employees, etc.

Project Oversight

Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?

Project oversight will be provided by Val Clark, Executive Director of the Texas Quarter Horse Association and Rob Werstler, Director of Racing.

The TQHA Finance Committee currently holds weekly meetings to assess and adjust as needed due to Covid-19. They will continue meetings until the completion of the sale.

Reports will be provided to the TQHA Board of Directors, TQHA's independent auditing firm and TRC's Quarterly & Annual Performance Measures.

Project Budget

This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.

Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:

- (1) capital improvements;*
- (2) donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation;*
- (3) costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities;*
- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations;*
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account;*
- (6) expenses related to litigation;*
- (7) professional association fees or dues for the breed registry or an individual;*
- (8) legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or*
- (9) fundraising.*

Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:

- (1) operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and*
- (2) the purchase of capital assets.*

| EXPENSE CATEGORIES | AMOUNT |
|--|---------------------|
| Event Production Costs | \$23500.00 |
| Purse Supplements/Prizes | \$100,000.00 |
| Advertising | \$10,000.00 |
| Donations (include most recent IRS Form 990 for any non-profit) | \$ |
| Other Direct Expenses (itemize below): | \$14,980 |
| Sale Software Program lease | \$4,000.00 |
| *Sale catalog with online phone app - \$20 per horse - 245 horses | \$4,900.00 |
| Contract labor | \$4,080.00 |
| Covid-19 Protections put in place | \$2,000.00 |
| Total Direct Costs | \$148,480.00 |
| Administrative Expenses/Capital Assets (may not exceed 5% of project total) | \$0 |
| Total | \$148,480.00 |

Event Production Costs (\$23500 total) For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.

*Superior Sales online bidding platform - video and live bids - \$2000/ hour x 9 hours = \$20,000

*Auction screens, mics, sound system (additional equipment needed for spacing – i.e. TV screens, and live streaming) -\$3000

*Golf Carts Help with unloading due to crowding -\$500

Purse Supplements/Prizes (\$100000 total) Provide a breakdown of purses/purse supplements, prizes, and Texas-bred supplements from HIEA funding.

Rebate to consignors if horse goes through sale ring:

Prorate based on # of horses approximately \$400 rebate based on 250 head or \$500 rebate if 200 head

Advertising (\$10000 total) Provide an explanation of advertising costs.

Additional advertising above 2019 - including Covid pre-cautions and changes at the sale in procedures

Donations (\$ total) For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.

Other direct expenses – first category _____ (\$10080 total) Provide a detailed description of any other category of direct expenses.

Sale Software program lease - Esales - \$4000

Covid-19 Set-up materials (masks, check-out shields, distant stations, sanitizer, etc) - \$2000

Contract labor - additional staff to handle Covid restrictions -2 additional check-out staff, off-duty police to direct consignors & buyers during sale; additional security lines at gate check out , additional horse identifier and runner- \$4,080

*Sale catalog with online phone app - \$20 per horse - 245 horses

Other direct expenses – second category _____ (\$ **total**)

Provide a detailed description of any other category of direct expenses.

Other direct expenses – third category _____ (\$ **total**) *Provide*

a detailed description of any other category of direct expenses.

Administrative Expenses/Capital Assets (\$0 total; may not exceed 5% of total) *Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.*



TEXAS RACING COMMISSION

1 of 1

APPLICATION FOR BREED REGISTRY FUNDING
FROM THE HORSE INDUSTRY ESCROW ACCOUNT

PROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)

(Must be accompanied by Form H1EA-1, General Information)

APPLICANT NAME: Texas Thoroughbred Association

This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.

Project Title (Event Name): Texas 4-H Horse Leadership Program**Event Date(s) or Approximate Date(s):** June 2021**Total Amount Requested For this Event:** \$110,000**When Are Funds Needed?** *If funding can be provided in multiple phases, please explain.*

June 2020

Project Background**Project Summary**

Please provide a summary of the event for which funding is sought and the project(s) that will be achieved as a result of this funding.

The Texas 4-H Horse Leadership Program encompasses over 3,600 youth who participate in educational events and competitions at the county, district and state level. The program consists of several educational activities designed by and made available through the Texas 4-H Development Foundation to enhance the knowledge and advanced leadership skill of the youth so they can become proponents for the Texas equine industry.

Project Description

Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.

The mission of the program is to prepare youth to serve in leadership capacities in equine projects and programs across Texas; prepare and provide opportunities for youth to serve in advocacy roles for the equine industry, 4-H and its programs and events; and develop a heightened awareness of career opportunities in the equine industry and advocacy. The programs encompass horsemanship, horse judging, horse quiz bowl, (a competition of knowledge), public speaking, educational presentations, veterinary science and a hippology contest which ties all aspects together in one annual competition at the end of the 4-H year in June. The Program will

consist of the following educational opportunities: Horsemanship School Program, Horse Judging Workshop, Ranch Horse Program, Equine Ambassador Short Course, Volunteer Leader Training, and the new Horseless Program, which is offered through Agrilifelearn. This Online Horse Judging Course is designed for youth and collegiate horse judging team members, their coaches and others. It will focus on understanding rules for each class, applying judging guidelines to each class by judging video classes and learning to articulate placings during oral reasons.

Anticipated Project Results/Economic Impact on the Horse Industry

Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.

We conservatively estimate adding 1,650 participants, impacting 550 horses. In addition, as a group, the Equine/Livestock Ambassadors contacted 231,303 people in 2019 and we estimate increasing that number by 10 - 20%. Participation will result in increased interest and direct participation in the equine industry, with related increases in sales of equine goods and products, tack and equipment, veterinary and farrier services, feed, hay, bedding, transportation, etc. The Texas Comptroller's office will be able to provide comparative statistics for these expenditures and taxes.

Project Oversight

Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?

This program will be administered within the Texas-4H Program office and will be open to all areas of Texas that provide local educational opportunities for youth. TTA Executive Director Mary Ruyle will work directly with Texas 4-H Youth Development Foundation Executive Director David White, Dr. Chelsie Huseman and Student Technicians Courtlyn Ranly and Kelley Ranly, who will provide regular updates on expenditure of funds. Reports will be provided to the TTA Board of Directors. the firm of Alexander and Lievens, PC will include this initiative in the annual financial audit of TTA. Documentation will also be included as part of TTA's quarterly and annual Performance Measures Report to the Texas Racing Commission. Ruyle will also personally attend events throughout the Texas 4-H year.

Project Budget

This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.

Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:

- (1) capital improvements;*
- (2) donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation;*

- (3) costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities;
- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations;
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account;
- (6) expenses related to litigation;
- (7) professional association fees or dues for the breed registry or an individual;
- (8) legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or
- (9) fundraising.

Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:

- (1) operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and
- (2) the purchase of capital assets.

| EXPENSE CATEGORIES | AMOUNT |
|--|---------------------|
| Event Production Costs | \$ |
| Purse Supplements/Prizes | \$ |
| Advertising | \$ |
| Donations (include most recent IRS Form 990 for any non-profit) | \$110,000.00 |
| Other Direct Expenses (itemize below): | \$ |
| | \$ |
| | \$ |
| | \$ |
| | \$ |
| Total Direct Costs | \$ |
| Administrative Expenses/Capital Assets (may not exceed 5% of project total) | \$ |
| Total | \$110,000.00 |

Event Production Costs (\$ total) For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.

Purse Supplements/Prizes (\$ _____ **total**) *Provide a breakdown of purses/purse supplements, prizes, and Texas-bred supplements from HIEA funding.*

Advertising (\$ _____ **total**) *Provide an explanation of advertising costs.*

Donations (\$110000 **total**) *For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.*

Funding will provide new educational opportunities with positive financial impact on the Texas equine industry. Funds will go to the Texas 4-H Youth Development Foundation, for which a copy of their most recent for 990 has already been sent to the Texas Racing Commission.

Other direct expenses – first category _____ (\$ _____ **total**) *Provide a detailed description of any other category of direct expenses.*

Other direct expenses – second category _____ (\$ _____ **total**) *Provide a detailed description of any other category of direct expenses.*

Other direct expenses – third category _____ (\$ _____ **total**) *Provide a detailed description of any other category of direct expenses.*

Administrative Expenses/Capital Assets (\$ _____ **total; may not exceed 5% of total**) *Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.*