



TEXAS RACING COMMISSION

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Texas Racing Commission
Formal Meeting Agenda
Wednesday, August 31, 2005
10:30 a.m.
Animal Health Commission
2105 Kramer Lane
Auditorium
Austin, Texas 78758

I. CALL TO ORDER

Roll Call

II. PROCEEDINGS ON RULEMAKING

Consideration of and action on the following rules:

A. Adoptions (Tab 1)

- §309.164. Accounting Practices (Amendment)
- §309.120. Parking for Licensees (Amendment)
- §311.211. Weapons Prohibited (Amendment)
- §309.8. Racetrack License Fees (Amendment)
- §313.501. Training Facility License (Amendment)
- Chapter 321. Pari-mutuel Wagering (Rule Review)

B. Proposals (Tab 2)

- §319.363. Testing for Total Carbon Dioxide (New)

III. GENERAL BUSINESS

Consideration of and possible action on the following matters:

A. Budget and Finance update (Tab 3)

Persons with disabilities planning to attend this meeting who may need auxiliary aids or services, such as sign language interpreters or large print agendas should contact Gloria Giberson no later than August 26, 2005, by phone at (512) 833-6699, by fax at (512) 833-6907, or through RELAY Texas at 1-800-735-2989.

- B. Approval of Charges for Services Performed Under the Memorandum of Understanding with Texas Veterinary Medical Diagnostic Laboratory. Texas Racing Act, Art. 179e, Sec. 3.07(d) (Tab 4)

IV. PROCEEDINGS ON RACETRACKS

Consideration of and action on the following matters:

- A. Request by Valley Race Park to Modify Its 2005 Live Race Dates (Tab 5)
- B. Allocation of 2006 Live Race Dates for Greyhound Racetracks (Tab 6)
- C. Allocation of 2006 Live Race Dates for Horse Racetracks (Tab 7)
- D. Report on Racetrack Inspections (Tab 8)

V. EXECUTIVE SESSION

Under Govt. Code §551.071, the Commission may open an executive session to confer with its attorney regarding potential litigation on any matter listed in this agenda.

VI. OLD/NEW BUSINESS

Schedule Next Commission Meeting

VII. ADJOURN

Sec. 309.164. ACCOUNTING PRACTICES.

(a) An association shall maintain an accounting system under the supervision of a certified public accountant. ~~[The system must include detailed information regarding the purchase of goods for sale, inventory of goods held for sale, and goods sold. The system must indicate the unit of measure, the unit cost of items purchased and sold and in inventory and must provide adequate control and traceability without reconstruction of detailed records. The accounting system must be approved by the executive secretary.]~~

(b) An association shall ensure that all purse money and nomination race money is distributed in accordance with the Act, the rules of the Commission, the association's rules, and the conditions for the race for which the money is payable.

(c) ~~[An association shall maintain a system of internal accounting controls approved by the executive secretary.]~~

~~[(d)]~~ The Commission may review and conduct audits of all systems maintained under this section.

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Sec. 309.120. PARKING FOR LICENSEES. An association shall provide a parking area for licensees [~~facility~~] outside the stable or kennel area [~~enclosure for licensees working on association grounds~~].

Sec. 311.211. WEAPONS PROHIBITED.

(a) Except as otherwise provided by this section, a person may not possess [~~on association grounds~~] a weapon prohibited by [listed under] Penal Code, §46.03(a) if the person is in an area on association grounds to which admission ordinarily can be obtained only on payment of an admission fee or presentation of official credentials.

(b) This section does not apply to a person who is:

- (1) a peace officer; or
- (2) a commissioned security officer licensed by the Texas Commission on Private Security Agencies and approved by the executive secretary.

Sec. 309.8. RACETRACK LICENSE FEES.

(a) Purpose of Fees. An association shall pay a license fee to the Commission to pay the Commission's costs to administer and enforce the Act and provide racing officials for the association's live races.

(b) Live Racing Fee. An association shall pay a live racing fee for each live race day conducted by the association. The fee is due to the Commission no later than 5:00 p.m. of the day following the race day. The executive secretary may waive a live racing fee for a day or performance if circumstances beyond the control of the association cause a live race day or performance to be cancelled.

(1) The live racing fee for a greyhound racing association is \$550 for each performance that is scheduled for five or more races. For a performance that is scheduled for fewer than five races, the live racing fee is \$45 per scheduled race.

(2) The live racing fee for a horse racing association is:

(A) for a Class 1 or Class 2 racetrack, \$2075 per day; and

(B) for a Class 3 or Class 4 racetrack, \$650 per day.

(c) Inactive License Fee. An association that is licensed but is not conducting live racing or simulcasting shall pay an inactive license fee. The fee is due to the Commission on September 1 of each year. The inactive license fee for a greyhound racing association is \$25,000. The inactive license fee for a horse racing association is:

- (1) for a Class 1 racetrack, \$25,000;
- (2) for a Class 2 racetrack, \$20,000 [~~\$10,000~~];
- (3) for a Class 3 racetrack, \$3,500; and
- (4) for a Class 4 racetrack, \$1,250.

(d) Simulcast Fee. An association shall pay a simulcast fee for each day on which the association offers a simulcast race for wagering. The fee is due to the Commission no later than 5:00 p.m. of the day following the day on which the simulcast is offered. The simulcast fee is:

- (1) for a Class 1, Class 2, or greyhound racetrack, \$410 [~~\$310~~] per day; and
- (2) for a Class 3 or Class 4 racetrack, \$300 [~~\$245~~] per day.

(e) Adjustment of Fee.

(1) After the end of the Commission's fiscal year, the executive secretary shall determine annually whether the total amount of the fees paid by all associations, together with

the revenues received by the Commission from all other sources, excluding occupational license fees, is sufficient to pay the Commission's costs to administer and enforce the Act and to provide racing officials for the association's live races.

(2) If the executive secretary determines the total revenue from those sources is insufficient to pay those costs, the executive secretary shall recommend a revised fee schedule to the Commission that will generate the necessary revenue.

(3) If the executive secretary determines the total revenue from those sources exceeds the amount needed to pay those costs, the executive secretary may order a moratorium on any or all license fees to any or all of the associations. Before entering a moratorium order, the executive secretary shall develop a formula for providing the moratorium in an equitable manner among the associations. In developing the formula, the executive secretary shall consider the amount of excess revenue received by the Commission, the source of the revenue, the Commission's costs associated with regulating each association, the Commission's projected receipts for the next fiscal year, and the Commission's projected expenses during the next fiscal year.

(f) Breeders' Cup Fee. Due to the additional travel, personnel, and drug testing costs incurred by the Commission in

conjunction with regulating the Breeders' Cup races, an association that conducts the Breeders' Cup races shall pay a fee of \$10,000. The fee is due not later than 5:00 p.m. on the 30th day after the date the Breeders' Cup races are conducted.

Sec. 313.501. TRAINING FACILITY LICENSE.

(a) A training facility must be licensed by the Commission in accordance with this section to provide official workouts. Except as otherwise provided by this subchapter, an official workout obtained at a training facility licensed under this section satisfies the workout requirements of §313.103 of this title (relating to Eligibility Requirements).

(b) A training facility license expires on December 31 of the year in which the license was issued. The annual fee for a training facility license is \$1,800 [~~\$1,500~~], which is due and payable to the Commission on receipt of the license certificate.

(c) A training facility license is personal to the licensee and may not be transferred.

Sec. 321.1. Definitions and General Provisions.

(a) The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

(1) - (15) (No change.)

(16) Ticketless Electronic Wagering (E-wagering) - a form of pari-mutuel wagering in which wagers are placed and cashed through an electronic ticketless account system operated through a licensed totalisator vendor in accordance with Sec. 11.04 of this Act. Wagers are automatically debited and credited to the account holder.

(17) [~~(16)~~] TIM - ticket-issuing machine.

(18) [~~(17)~~] TIM-to-Tote network - a wagering network consisting of a single central processing unit and the TIMs [~~TIMs~~] at any number of remote sites.

(19) [~~(18)~~] Totalisator system - a computer system that registers and computes the wagering and payoffs in pari-mutuel wagering.

(20) [~~(19)~~] Totalisator operator - the individual assigned to operate the totalisator system at a racetrack facility.

(21) [~~(20)~~] Tote-to-tote network - a wagering network in which each wagering location has a central processing unit.

(22) [~~21~~] User - a totalisator company employee
authorized to use the totalisator system in the normal course of
business.

(b) - (c) (No change.)

Sec. 321.3. Conduct of Wagering.

(a) (No change.)

(b) In conducting pari-mutuel wagering, an association shall use a totalisator system that:

(1) meets the requirements outlined in Subchapter B of this Chapter; and

(2) is approved by the Commission [~~and the Comptroller~~].

(c)-(d) (No change.)

Sec. 321.13. Pari-Mutuel Track Report.

(a) Daily Pari-Mutuel Summary Report.

(1)-(3) (No change.)

(4) The report must contain, by each live and simulcast performance, the following:

(A) net handle at:

(i) the association's racetrack facility; and

(ii) the outlets wagering on the association's live performance;

(B) payouts to the wagering public;

(C) breakage;

(D) settlements to the host racetrack or guest racetrack;

(E) all purses earned, broken out by source, such as live, simulcast, cross species, and export [~~type~~];

(F) Texas Bred Incentive Program revenue;

(G) state tax; and

(H) association revenue.

(b) (No change.)

Sec. 321.21. Certain Wagers Prohibited.

(a) An association may not accept a wager made by mail, ~~[or]~~ by telephone, or by internet. A data communications link for common pooling purposes is not considered a wager for purposes of this section.

(b) (No change.)

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Sec. 321.33. Expiration Date.

(a) - (c) (No change.)

~~[(d) Transition. For 2003 and 2004 only, mutuel tickets purchased on or after January 1, 2003 but before August 1, 2004, expire on September 29, 2004.]~~

Sec. 321.35. Claim For Payment.

(a) An association shall accept a claim for payment if the association has withheld payment or has refused to cash a pari-mutuel ticket or a voucher presented for payment. The claim must be made on a form prescribed by the association and signed by the claimant. The original of the claim shall be promptly forwarded to the Commission.

(b) - (e) (No change.)

Sec. 321.103. Facility Requirements.

(a) Totalisator Room. An association shall provide a totalisator room to house the main computing and communications equipment or [~~and~~] the operator's terminal at the association's facility, whichever is applicable. The room must include:

(1) air conditioning with humidity control to maintain a stable environment that meets the specifications of the computer equipment manufacturer;

(2) a master power switch that allows all or part of the equipment housed in the room to be turned off in an emergency;

(3) a smoke/fire alarm system that sounds locally and is tied into the association's master alarm system;

(4) fire extinguishers to deal with minor electrical fires;

(5) an internal communication system connecting the totalisator operator with:

(A) the stewards or racing judges;

(B) the mutuel manager;

(C) each betting line; and

(D) the pari-mutuel auditor's office; and

(6) a private outside line for communication with supervisors, programmers, or totalisator personnel at other sites.

(b) (No change.)

(c) Totalisator Room Security.

(1) The totalisator room housing the CPU or operator's terminal that processes wagers made at an association's facility must be secured at all times. Annually on a date established by the executive secretary, the association shall submit to the executive secretary for approval a security plan for the totalisator room housing the CPU or operator's terminal that processes wagers made at the association's facility. The security plan must include:

(A) a security system covering the totalisator room and any other related service, electrical, or equipment room that consists of locking closed doors and detecting unauthorized entry;

(B) a system of controlled entry to the totalisator room and other related rooms, using:

(i) locking devices on all doors or entry points;

(ii) controlling the distribution of keys or codes necessary to unlock the doors; and

(iii) a sign-in log for visitors escorted by authorized personnel.

(2) If the totalisator room housing the CPU or operator's terminal processing wagers made at the association's facility is located on property owned or controlled by the association, the association shall limit entry to the totalisator room to totalisator, association, and Commission personnel approved by the executive secretary. The association shall submit a list of the individuals to be approved for totalisator room access at least two weeks before the first day of each live race meeting and each time a personnel change necessitates a change to the list.

(3) If the totalisator room housing the CPU or operator's terminal processing wagers made at the association's facility is not located on property owned or controlled by the association, the totalisator company shall limit entry to the totalisator room in accordance with the totalisator company's policy. The association shall provide a copy of the totalisator company's policy regarding totalisator room access to the executive secretary.

Sec. 321.105. Hardware Requirements.

(a)-(f) (No change.)

(g) Ticket Issuing Machines.

(1) A local area TIM, also known as a cash/sell teller terminal, is not required to be intelligent, but must have an individual identity within the network.

(2) The programming of intelligent local area and remote TIMs must be limited to communication with the main computer, maintenance routines, and dynamic terminal configuration routines.

(3) A program related to the production or verification of the wager identification number printed on a mutuel ticket or assigned by the main computer may not reside in a TIM.

(4) A TIM may not access, alter, change, or manipulate the wagering database except to conduct the wagering or cashing functions necessary [~~for a teller~~] to serve the public.

(h) Ticketless Electronic Wagering (E-wagering). An association may not use E-wagering devices unless approved by the executive secretary as required by Subchapter E of this Chapter.

(i) [~~h~~] Maintenance. A totalisator company shall provide sufficient preventative maintenance to a totalisator system to

ensure the system hardware will provide a high degree of reliability. Maintenance must include testing the UPS for battery life and power stability.

(j) [~~(i)~~] Common Pooling.

(1) An association shall use a totalisator system that operates in either a Tote-to-Tote network or a TIM-to-Tote network. The totalisator system must, without regard to the location of the CPU:

(A) meet the requirements of this chapter;

(B) comply with the Rules;

(C) use the current version of Inter-Tote Systems Protocol recognized by the ARCI Tote Standards Committee; and

(D) uses the current version of Standardized Track codes recognized by the ARCI Tote Standards Committee.

(2) An association may common pool if all equipment used is of an approved type and in an approved location.

(3) The host racetrack for which a common pool is created must also provide a totalisator system that:

(A) directs each totalisator system involved with the common pool regarding the pools offered, live and scratched race animals, common pool totals, network odds and probable payout,

start and stop wagering commands, official orders of finish,
deduction and payout calculations; and

(B) produces reports showing the amount wagered on each
race animal and pool from each site, in accordance with the
current Inter-Tote Systems Protocol.

(4) A totalisator company must have a disaster recovery
plan to allow an association to continue to conduct pari-mutuel
wagering in the event of a disaster at the CPU's location.

(k) [~~(j)~~] Emergency Procedures.

(1) The totalisator system must be supported by an
uninterruptible power supply (UPS) as described in subsection
(f) of this section.

(2) A totalisator company must have emergency procedures
to address a totalisator system failure. The procedures will
apply whether the system is operating as a stand-alone wagering
site for separate pool wagering or as a satellite in a common
pool network.

(3) In a Tote-to-Tote network, if system failure occurs at
either the remote site or the host, the pari-mutuel auditor and
the network's mutuel and system managers shall establish the
pools for the unaffected sites. The failure site shall cease

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wagering. The pari-mutuel auditor shall then determine when the failed pari-mutuel system may resume operation.

Sec. 321.121. General Management Requirements.

(a) - (c) (No change.)

(d) Business Contingency Plan. A totalisator company must submit and obtain executive secretary approval for a business contingency plan that addresses the company's ability to continue or resume operations if a catastrophic event disrupts normal business operations. The plan must be submitted annually on a date established by the executive secretary. The executive secretary may specify the types of occurrences that the plan must address.

(e) A totalisator company is subject to licensing, inspection, and regulation by the Commission to ensure the integrity of the information obtained by use of its software and equipment and employees.

Sec. 321.123. Personnel Requirements.

(a) General Requirements.

(1) A totalisator company must provide necessary personnel to perform the duties described in the Rules. The totalisator company shall employ a sufficient number of personnel to ensure an adequate segregation of duties between the personnel performing the network manager, programmer, totalisator operator, and technician duties. The totalisator company may use job titles different from those in the Rules.

(2) The totalisator company must have job descriptions containing the experience, education, and organization training requirements for each of the following totalisator positions:

- (A) network manager;
- (B) programmer / software engineer;
- (C) systems analyst;
- (D) totalisator operator; and
- (E) technicians. [~~and~~]

(3) The totalisator company must certify in writing that its personnel are properly trained to program, manage, operate, and maintain the totalisator system. The totalisator company must provide ongoing training to its personnel and document the training.

(4) The totalisator company is responsible for the actions of its personnel relating to the operations and use of the totalisator system. The totalisator company shall designate an individual to act as a point of contact for communications between the Commission and the totalisator company.

(5) The executive secretary may determine which totalisator employees must be licensed.

(6) With each license application, a totalisator company must include a list of all certified totalisator personnel assigned to work in Texas. The list must indicate the position for which each person is qualified. If a new employee is assigned to work in Texas, the totalisator company must update the list of certified personnel and provide it to the executive secretary.

(7) [~~6~~] A totalisator company employee may not hold a position of programmer and totalisator operator simultaneously unless approved by the executive secretary.

(8) [~~7~~] A totalisator company employee is prohibited from wagering in Texas while on duty.

(b) (No change.)

(c) Totalisator operator. A totalisator operator shall:

(1) maintain the communication links to the locations to and from which the racetrack facility is simulcasting and ensure data is transmitted accurately;

(2) consult with the mutuel manager and the pari-mutuel auditor, if available, when a problem occurs in determining a pool or calculation and suggest alternatives for continued operation, including possible temporary restrictions on or suspension of the communication links;

(3) perform necessary daily performance testing, system initialization, monitoring of wagering operations, and system shutdown;

(4) execute established procedures to shutdown system software and hardware in emergency situations including loss of communication between computers or peripheral devices, power surges or failures, operating with a partial system, and restarting the system during a performance;

(5) perform necessary system maintenance;

(6) perform daily back-ups as outlined in §321.107(c) of this title (relating to Software Requirements);

(7) ensure information is entered in the tote maintenance log detailing all repairs or modifications to the totalisator system;

(8) provide to the pari-mutuel auditor an incident report, no later than 48 hours after the time of the incident, addressing [~~detailing~~] each unusual occurrence during totalisator system operations including a description of the probable cause of the occurrence and the corrective action taken;

(9) maintain a copy of the incident report or enter information about the occurrence in the system incident log for each unusual occurrence during totalisator system operations; and

(10) consult with the pari-mutuel auditor regarding any other operational issues encountered.

(d) (No change.)

Sec. 321.139. Ad Hoc Reports.

When requested by the pari-mutuel auditor or executive secretary, the totalisator operator shall produce the following reports:

(1) an Odds Progression Report showing each successive line of odds for the Win pool and the time it was displayed to the public;

(2) a Ticket History Report showing the appropriate portion of the ticket history log for the requested ticket identification numbers;

(3) a Terminal History Report showing the portion of the terminal log requested;

(4) an Outstanding Ticket Report showing the following information for uncashed winning tickets retained in the totalisator system:

(A) the ticket identification number;

(B) the wagers on the ticket;

(C) the date and performance for which the ticket is outstanding;

(D) the value of the winning wagers; and

(E) the TIM location and number;

(5) an Outstanding Tickets Cashed Report, for a performance, race, or pool, showing each outstanding ticket cashed that day, in the form of the Outstanding Ticket Report, including the identity of the TIM that cashed the ticket and an indication as to whether the ticket was cashed using a manual keyboard entry or an automatic machine read;

(6) a Manually Cashed Tickets Report, for a performance, race, or pool, showing every ticket cashed that day in the form of the Ticket History Report, the identity of the TIM that cashed the ticket, and an indication as to whether the ticket was cashed using a manual keyboard entry or an automatic machine read;

(7) a Canceled Tickets Report, for a performance or race, showing each ticket canceled that day in the form of the Ticket History Report, the identity of the TIM that cashed the ticket, and an indication as to whether the ticket was cashed using a manual keyboard entry or an automatic machine read; ~~and~~

(8) a Network Balance Report summarizing the activity and liabilities for each site within a Tote-to-Tote network; and

(9) an Account Activity Report showing the following information for each E-wagering account:

(A) the unique account number;

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(B) the date and time of each transaction;

(C) the location of each wager;

(D) the amount of each transaction;

(E) the type of pool, animal number, and amount of each

wager;

(F) the account balance; and

(G) the account holders name.

Sec. 321.143. Logs.

(a) On-Line Logs. The totalisator system must produce various daily on-line logs. The totalisator operator shall provide a printed copy of a daily log to the pari-mutuel auditor on request. The totalisator system must produce the following logs:

(1) a Teller/Machine History Log showing for every TIM operated during a performance:

(A) the time the TIM was opened and closed;

(B) for each wagering transaction, the wagers made, tickets issued, and total value of the transaction;

(C) for each cashing, canceling, or refunding transaction, the identification numbers of the tickets processed, the wagers paid out, and the value of the wagers paid out;

(D) for each cashing transaction, an indication as to whether the ticket was cashed using a manual keyboard entry or an automatic machine read;

(E) the amount of each cash draw and return;

(F) any special function, including Teller Balance, accessed through the TIM; and

(G) the times of day each of the transactions listed in this subdivision were made;

(2) a Ticket History Log showing for every ticket issued:

(A) the identification number of each cashed/canceled
ticket;

(B) the TIM location and number;

(C) the wagers and their values;

(D) the cashing/canceling machine location and number;

(E) the amount paid out;

(F) the time of day each transaction occurred; and

(G) an indication as to whether each transaction was
manual or automatic;

(3) a User Terminal Log showing the time of day of each
entry for:

(A) each terminal other than a TIM operating during a
day:

(i) each log-on/log-off and the operator's ID code;

(ii) each command or transaction entered;

(iii) each Stop Betting, Order of Finish, Official,
and Sales Open command and the device that issued it;

(iv) each occurrence of loss/restoration of
communication between computers or sites; and

(v) each occurrence of discrepancy between computers
or sites when comparing databases;

(B) each TIM operated during a performance:

(i) each log-on/log-off and the teller's ID code, if applicable; and

(ii) each instance of loss/restoration of communication and the TIM; [~~and~~]

(4) a System Error Log showing the date and time of each error; and

(5) an Account Activity Log showing the following information for each E-wagering account:

(A) the unique account number;

(B) the date and time of each transaction;

(C) the location of each wager;

(D) the amount of each transaction;

(E) the type of pool, animal number, and amount of each wager;

(F) the account balance; and

(G) the account holders name.

(b) (No change.)

Sec. 321.312. Pick (N).

(a)-(j) (No change.)

(k) If a pick (n) ticket designates a selection and the selection is scratched or otherwise prevented from racing, the favorite, as determined by the largest amount wagered in the win pool at the start of the race, will be substituted for the nonstarting selection for all purposes, including mutuel pool calculations and payoffs to the public. If there are two or more [~~identical~~] favorites in the win pool, both favorites will be substituted for the nonstarting selection.

(l)-(q) (No change.)

Sec. 321.313. Select Three, Four, or Five.

(a) - (h) (No change.)

(i) If a selection on a select three, four, or five ticket in one or more of the races is scratched or determined by the stewards or racing judges to be a nonstarter in the race, the actual favorite, as shown by the largest amount wagered in the win pool at the time of the start of the race, will be substituted for the non starting selection for all purposes, including pool calculations and payoffs. If there are two or more favorites in the win pool, both favorites will be substituted for the non-starting selection.

(j) - (k) (No change.)

Sec. 321.315. Tri-Superfecta.

(a)-(c) (No change.)

(d) In the first tri-superfecta race [æee] only, the first-half tri-superfecta pool shall be distributed according to the following precedence, based upon the official order of finish for the first tri-superfecta race:

(e)-(q) (No change.)

(r) Distribution on Mandatory Payout.

(1) Notwithstanding subsections (e) and (t) of this section, on the last performance of a race meet or a designated mandatory payout performance, exchange tickets will be issued for those combinations selecting the greatest number of betting interests in the first tri-superfecta race in the following order:

(A) As a single price pool to those whose combination finished in correct sequence as the first three betting interests; but if there are no such wagers, then

(B) As a single price pool to those whose combination included, in correct sequence, the first two betting interests; but if there are no such wagers, then

(C) As a single price pool to those whose combination included, in correct sequence, the first and third betting interests; but if there are no such wagers, then

(D) As a single price pool to those whose combination correctly selected the first-place betting interest; but if there are no such wagers, then

(E) As a single price pool to those whose combination included, in correct sequence, the second and third betting interests; but if there are no such wagers, then

(F) As a single price pool to those whose combination correctly selected the second-place betting interest; but if there are no such wagers, then

(G) As a single price pool to those whose combination correctly selected the third-place betting interest.

(2) Notwithstanding subsections (e) and (t) of this section, on the last performance of a race meeting or a designated mandatory payout performance, if there are no wagers selecting the finishers in the order described in Paragraph (1) of this subsection and there is a carryover, all first-half tickets are considered winners and the tri-superfecta pool for that performance and the tri-superfecta carryover shall be distributed equally among them.

(3) Notwithstanding subsections (e) and (t) of this section, on the last performance of a race meeting or a designated mandatory payout performance, if there are no wagers selecting the finishers in the order described in Paragraph (1)

of this subsection and there is no carryover, the tri-superfecta shall be canceled and the entire tri-superfecta pool shall be refunded.

(s) [~~(s)~~] Notwithstanding subsections (f) and (t) of this section, on the last performance of a race meeting or on a designated mandatory payout performance, the following precedence will be followed in determining winning tickets for the second-half of the tri-superfecta:

(1) As a single price pool to those whose combination finished in correct sequence as the first four betting interests; but if there are no such wagers, then

(2) As a single price pool to those whose combination included, in correct sequence, the first three betting interests; but if there are no such wagers, then

(3) As a single price pool to those whose combination included, in correct sequence, the first two betting interests; but if there are no such wagers, then

(4) As a single price pool to those whose combination correctly selected the first-place betting interest; but if there are no such wagers, then

(5) As a single price pool to those whose combination included, in correct sequence, the second-place betting interests; but if there are no such wagers, then

(6) As a single price pool to those whose combination correctly selected the third-place betting interest; but if there are no such wagers, then

(7) As a single price pool to those whose combination correctly selected the fourth-place betting interest; but if there are no such wagers, then

(8) As a single price pool to holders of valid exchange tickets; but if there are no such persons, then

(9) As a single price pool to holders of outstanding first-half winning tickets.

~~[(s) Distribution on Mandatory Payout.]~~

~~[(1) Notwithstanding subsections (c) and (t) of this section, on the last performance of a race meet or a designated mandatory payout performance, exchange tickets will be issued for those combinations selecting the greatest number of betting interests in the first tri superfecta race in the following order:]~~

~~[(A) As a single price pool to those whose combination finished in correct sequence as the first three betting interests; but if there are no such wagers, then]~~

~~[(B) As a single price pool to those whose combination included, in correct sequence, the first two betting interests; but if there are no such wagers, then]~~

~~[(C) As a single price pool to those whose combination included, in correct sequence, the first and third betting interests, but if there are no such wagers, then]~~

~~[(D) As a single price pool to those whose combination correctly selected the first place betting interest, but if there are no such wagers, then]~~

~~[(E) As a single price pool to those whose combination included, in correct sequence, the second and third betting interests, but if there are no such wagers, then]~~

~~[(F) As a single price pool to those whose combination correctly selected the second place betting interest, but if there are no such wagers, then]~~

~~[(G) As a single price pool to those whose combination correctly selected the third place betting interest.]~~

~~(2) Notwithstanding subsections (c) and (t) of this section, on the last performance of a race meeting or a designated mandatory payout performance, if there are no wagers selecting the finishers in the order described in Paragraph (1) of this subsection and there is a carryover, all first half tickets are considered winners and the tri superfecta pool for that performance and the tri superfecta carryover shall be distributed equally among them.]~~

~~[(3) Notwithstanding subsections (e) and (t) of this section, on the last performance of a race meeting or a designated mandatory payout performance, if there are no wagers selecting the finishers in the order described in Paragraph (1) of this subsection and there is no carryover, the tri superfecta shall be canceled and the entire tri superfecta pool shall be refunded.]~~

(t) - (w) (No change.)

Division 1. Conduct of E-Wagering.

Sec. 321.601. Purpose.

(a) The Commission recognizes that the technology for placing wagers is ever changing. The Commission adopts these rules as guidelines to conduct E-wagering that maintains the integrity of pari-mutuel wagering.

(b) E-wagering may be conducted only within the enclosure of an association.

(c) Only persons meeting the age restriction in §321.17 of this title (relating to Activities by Minors Restricted) may participate in E-wagering. E-wagers must be made in person.

Sec. 321.603. Authorization for E-Wagering.

An association may not conduct E-wagering unless approved by the executive secretary.

Sec. 321.605. E-Wagering Plan.

(a) To be approved to conduct E-wagering, an association must submit a plan to the executive secretary. The plan must include:

- (1) the procedures for opening an account;
- (2) the procedures for establishing identity of account holder;
- (3) the procedures for making deposits to the account;
- (4) the procedures for making withdrawals from the account;

(5) the procedures for closing an account; and

(6) a description of the totalisator system and E-wagering access system.

(b) The executive secretary may approve a plan to conduct E-wagering if the executive secretary determines that the association's plan meets the requirements of this section and does not conflict with the Rules or the Act.

Sec. 321.607. E-Wagering Account Restrictions.

(a) The mutuel manager of an association shall establish and manage E-wagering within an association's enclosure.

(b) The making and acceptance of wagers over the communications facility known as the "Internet" or "telephone" is prohibited.

(c) An association may accept deposits to an account only in the form of cash, cashier's check, money order, or other method determined by the executive secretary to be a cash equivalent.

(d) The association may not accept wagers in an amount that exceeds the account balance.

(e) An account holder must be at least 21 years of age.

(f) An account holder is responsible for all activity associated with his or her account.

(g) An association may use E-wagering devices only if the devices are connected to the totalisator system.

Sec. 321.609. Testing E-Wagering.

An association's E-wagering system is subject to testing and inspection by the Commission. All forms of access to an account, including hardware used directly by the account holder for E-wagering are subject to testing and inspection by the Commission.

Division 2. Operational Requirements.

Sec. 321.621. Ticketless Electronic Wagering Hardware.

An E-wagering device must be configured for loss of signal when removed from an association's enclosure.

Sec. 321.623. Cancellation of E-Wagers.

An account holder may cancel an E-wager only as provided by Sec. 321.43 of this title, (relating to Cancellation of Win Wagers.) A statement approved by the executive secretary must appear in or accompany the account wagering application form advising the wagering account applicant of this requirement.

Sec. 321.625. Discrepancy/Dispute Resolution.

If an account holder believes a discrepancy exists in his or her account, the account holder may file a claim for payment with the executive secretary. The executive secretary shall investigate all claims for payment and the executive secretary's determination is final.

Sec. 321.627. Suspension or Termination of E-Wagering.

(a) The executive secretary may issue a cease and desist order terminating the E-wagering system if the executive secretary determines that the operation of the E-wagering system:

(1) violates the Rules, the Act, or other state law;

(2) is detrimental to the integrity of pari-mutuel wagering; or

(3) does not comply with the requirements of an E-wagering system as defined in this Act or a Commission rule.

(b) The executive secretary may deny, suspend, or terminate an individual's E-wagering account if the executive secretary determines the activities on the account:

(1) violate the Rules, the Act, or other state law; or

(2) are inconsistent with maintaining the integrity of pari-mutuel wagering.



Chapter 319. Veterinary Practices and Drug Testing.

Subchapter D. Drug Testing.

Subdivision 3. Provisions for Horses.

Sec. 319.363. TESTING FOR TOTAL CARBON DIOXIDE.

(a) Findings.

(1) The Commission finds that an excess level of total carbon dioxide in a race horse is adverse to the best interests of racing. A horse participating in a race may not carry in its body an excess level of total carbon dioxide.

(2) A positive finding by a chemist of total carbon dioxide level at or above 38 millimoles per liter in a race horse serum specimen is an excess level of total carbon dioxide in violation of this section.

(b) Testing Authorized.

(1) The executive secretary may implement a program to collect specimens from race horses and test the specimens for the presence of total carbon dioxide.

(2) In a program implemented under this section:

(A) Specimens may be collected on a random basis, including randomly selected race dates, randomly selected races, and randomly selected horses; and

(B) Specimens may be collected prerace or postrace.

(c) Split Specimen Prohibited. Split specimen testing shall not apply to testing for total carbon dioxide.

Chapter 319. Veterinary Practices and Drug Testing.
Subchapter D. Drug Testing.
Subdivision 3. Provisions for Horses.

(d) Penalties. The stewards shall impose the following disciplinary action against the trainer for violation of this section:

(1) First Offense. \$2,500 fine, 15 day suspension, disqualification of the race horse, and redistribution of the purse.

(2) Second Offense. \$3,500 fine, 90 day suspension, disqualification of the race horse, and redistribution of the purse.

(3) Third Offense. \$5,000 fine, one year suspension, disqualification of the race horse, and redistribution of the purse.

(e) Conflict with Other Rules. To the extent that this rule conflicts with any other Commission rule, this rule controls.

Texas Racing Commission

FYE 8/31/2005

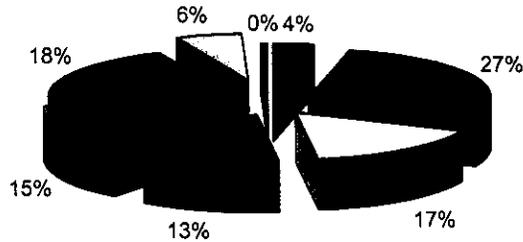
Budget Status by LBB Expenditure Object/Codes

Strategy	Description	FY 2005 Annual Budget	FY 2005 Expended Thru 7/31/2005	FY 2005 Unexpended Bal 7/31/2005	With 91.66% of Year Lapsed % of Budget Expended
\$ 0	GR Dedicated Fund 597 (Operational) <u>Sum Of All Strategies other than A.2.1</u>				
	1001 Salaries and Wages	3,287,161	2,898,999	388,162	88.19%
	1002 Other Personnel Cost	213,450	44,293	169,157	20.75%
	2001 Prof Fees and Services	116,178	26,434	89,744	22.75%
	2003 Consumables	28,600	5,801	22,799	20.28%
	2004 Utilities	28,250	17,558	10,692	62.15%
	2005 Travel	187,646	121,263	66,383	64.62%
	2006 Rent Building	169,750	156,172	13,578	92.00%
	2007 Rent Machine	15,000	11,489	3,511	76.60%
	2009 Other Operating Cost	256,479	188,918	67,561	73.66%
	CB Computer Equipment	34,457	25,007	9,450	72.57%
\$ 4,336,971	Total Operational Budget	\$ 4,336,971	\$ 3,495,934	\$ 841,037	80.61%
\$ 5,418,494	GR Dedicated Fund 597 (Tx Bred) Strategy A.2.1. TX Bred Incentive	\$ 5,418,494	\$ 4,954,468	\$ 464,026	91.44%
\$ 9,755,465	GR Dedicated Fund 597 (All Strategies) Total Expenditures for FYE 8/31/2005	\$ 9,755,465	\$ 8,450,402	\$ 1,305,063	86.62%
\$ 2,000,000	GR Fund "Breeder Cup Development" Total Breeders Cup Reimbursement	\$ 2,000,000	\$ 1,835,887	\$ 164,113	91.79%
\$ 11,755,465	Total Appropriated Funds Expended	\$ 11,755,465	\$ 10,286,289	\$ 1,469,176	87.50%

Expended Operational Budget By Strategy

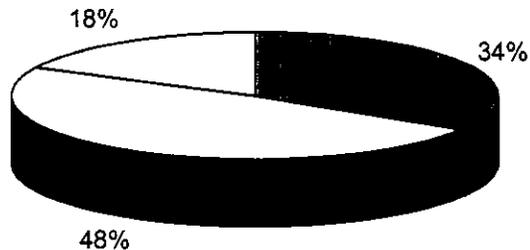
Regulate Racetrack Owners	\$	124,258
Supervise Racing Conduct	\$	979,094
Health & Drug Testing	\$	578,565
Occupational Licensing	\$	437,910
Pari-Mutuel Wagering	\$	531,128
Central Administration	\$	625,928
Information Resources	\$	203,006
Other Support Services	\$	16,045

Expended Operational Budget



■ Regulate Racetrack Owners	■ Supervise Racing Conduct
□ Health & Drug Testing	■ Occupational Licensing
■ Pari-Mutuel Wagering	■ Central Administration
□ Information Resources	■ Other Support Services

Expended Appropriations



■ Operational Budget	□ ATB Budget	□ Breeders Cup
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Expended Appropriations

Operational Budget	\$	3,495,934
ATB Budget	\$	4,954,468
Breeders Cup	\$	1,835,887

Texas Racing Commission

FYE 8/31/2005

Budget Status by LBB Expenditure Object/Codes

Strategy	Description	FY 2005 Annual Budget	FY 2005 Expended Thru 7/31/2005	FY 2005 Unexpended Bal 7/31/2005	With 91.66% of Year Lapsed % of Budget Expended
A.1.1.	<u>Regulate Racetrack Owners</u>				
	1001 Salaries and Wages	143,088	117,537	25,551	82.14%
	1002 Other Personnel Cost	5,180	1,440	3,740	27.80%
	2001 Prof Fees and Services	2,928	1,984	944	67.75%
	2003 Consumables	350	-	350	0.00%
	2004 Utilities	-	-	-	
	2005 Travel	5,000	1,163	3,837	23.26%
	2006 Rent Building	-	-	-	
	2007 Rent Machine	-	-	-	
\$ 160,546	2009 Other Operating Cost	4,000	2,135	1,865	53.37%
\$ -	CB Computer Equipment	-	-	-	
\$ 160,546	Total Strategy A.1.1.	160,546	124,258	36,288	77.40%
A.2.1.	<u>Texas Bred Incentive</u>				
	ATB Money Expended	5,418,494	4,954,468	464,026	91.44%
\$ 5,418,494	Total Strategy A.2.1.	5,418,494	4,954,468	464,026	91.44%
A.3.1.	<u>Supervise Racing Conduct</u>				
	1001 Salaries and Wages	1,020,982	902,198	118,784	88.37%
	1002 Other Personnel Cost	77,297	8,080	69,217	10.45%
	2001 Prof Fees and Services	10,000	400	9,600	4.00%
	2003 Consumables	250	18	232	7.26%
	2004 Utilities	2,500	-	2,500	0.00%
	2005 Travel	76,850	42,270	34,580	55.00%
	2006 Rent Building	-	-	-	
	2007 Rent Machine	-	-	-	
\$ 1,383,736	2009 Other Operating Cost	30,323	1,122	29,201	3.70%
\$ (131,077)	CB Computer Equipment	34,457	25,007	9,450	72.57%
\$ 1,252,659	Total Strategy A.3.1.	1,252,659	979,094	273,565	78.16%
A.4.1.	<u>Health and Drug Testing</u>				
	1001 Salaries and Wages	595,159	534,664	60,495	89.84%
	1002 Other Personnel Cost	51,273	6,317	44,956	12.32%
	2001 Prof Fees and Services	32,500	9,114	23,386	28.04%
	2003 Consumables	250	-	250	0.00%
	2004 Utilities	250	-	250	0.00%
	2005 Travel	29,006	21,641	7,366	74.61%
	2006 Rent Building	-	-	-	
	2007 Rent Machine	-	-	-	
\$ 645,402	2009 Other Operating Cost	10,000	6,829	3,171	68.29%
\$ 73,036	CB Computer Equipment	-	-	-	
\$ 718,438	Total Strategy A.4.1.	718,438	578,565	139,873	80.53%
B.1.1.	<u>Occupational Licensing</u>				
	1001 Salaries and Wages	388,082	342,320	45,762	88.21%
	1002 Other Personnel Cost	20,500	10,798	9,702	52.67%
	2001 Prof Fees and Services	4,000	-	4,000	0.00%
	2003 Consumables	10,000	1,828	8,172	18.28%
	2004 Utilities	250	-	250	0.00%
	2005 Travel	18,720	22,000	(3,280)	117.52%
	2006 Rent Building	-	-	-	
	2007 Rent Machine	12,000	9,357	2,643	77.97%
\$ 444,420	2009 Other Operating Cost	44,690	51,607	(6,917)	115.48%
\$ 53,822	CB Computer Equipment	-	-	-	
\$ 498,242	Total Strategy B.1.1.	498,242	437,910	60,332	87.89%

Texas Racing Commission

FYE 8/31/2005

Budget Status by LBB Expenditure Object/Codes

Strategy	Description	FY 2005 Annual Budget	FY 2005 Expended Thru 7/31/2005	FY 2005 Unexpended Bal 7/31/2005	With 91.66% of Year Lapsed % of Budget Expended
C.1.1.	<u>Regulate Pari-Mutuel Wagering</u>				
	1001 Salaries and Wages	547,421	491,827	55,593	89.84%
	1002 Other Personnel Cost	13,800	6,879	6,921	49.85%
	2001 Prof Fees and Services	3,500	-	3,500	0.00%
	2003 Consumables	250	467	(217)	186.63%
	2004 Utilities	250	-	250	0.00%
	2005 Travel	38,070	23,579	14,491	61.94%
	2006 Rent Building	-	-	-	
	2007 Rent Machine	-	-	-	
\$ 697,679	2009 Other Operating Cost	25,000	8,376	16,624	33.50%
\$ (69,388)	CB Computer Equipment	-	-	-	
\$ 628,291	Total Strategy C.1.1.	628,291	531,128	97,163	84.54%
D.1.1.	<u>Central Administration</u>				
	1001 Salaries and Wages	352,268	302,837	49,431	85.97%
	1002 Other Personnel Cost	39,500	8,100	31,400	20.51%
	2001 Prof Fees and Services	40,000	14,936	25,064	37.34%
	2003 Consumables	15,000	3,471	11,529	23.14%
	2004 Utilities	25,000	17,558	7,442	70.23%
	2005 Travel	17,000	8,968	8,032	52.76%
	2006 Rent Building	166,750	153,472	13,278	92.04%
	2007 Rent Machine	3,000	2,132	868	71.08%
\$ 772,249	2009 Other Operating Cost	130,216	114,454	15,762	87.90%
\$ 16,485	CB Computer Equipment	-	-	-	
\$ 788,734	Total Strategy D.1.1.	788,734	625,928	162,806	79.36%
D.2.1.	<u>Information Resources</u>				
	1001 Salaries and Wages	215,141	191,572	23,569	89.05%
	1002 Other Personnel Cost	5,900	2,680	3,220	45.42%
	2001 Prof Fees and Services	23,250	-	23,250	0.00%
	2003 Consumables	2,500	17	2,483	0.68%
	2004 Utilities	-	-	-	
	2005 Travel	3,000	1,641	1,359	54.71%
	2006 Rent Building	3,000	2,700	300	90.00%
	2007 Rent Machine	-	-	-	
\$ 255,978	2009 Other Operating Cost	12,250	4,395	7,855	35.87%
\$ 9,063	CB Computer Equipment	-	-	-	
\$ 265,041	Total Strategy D.2.1.	265,041	203,006	62,035	76.59%
D.1.3.	<u>Other Support Services</u>				
	1001 Salaries and Wages	25,020	16,045	8,975	64.13%
	1002 Other Personnel Cost	-	-	-	
	2001 Prof Fees and Services	-	-	-	
	2003 Consumables	-	-	-	
	2004 Utilities	-	-	-	
	2005 Travel	-	-	-	
	2006 Rent Building	-	-	-	
	2007 Rent Machine	-	-	-	
\$ 22,368	2009 Other Operating Cost	-	-	-	
\$ 2,652	CB Computer Equipment	-	-	-	
\$ 25,020	Total Strategy D.1.3.	25,020	16,045	8,975	64.13%
\$ 4,336,971	All Strategies other than A.2.1.	4,336,971	3,495,934	841,037	80.61%
\$ 5,418,494	Strategy A.2.1. TX Bred Incentive	5,418,494	4,954,468	464,026	91.44%
\$ 9,755,465					
\$ 9,755,465	Total All Strategies FYE 8/31/2005	9,755,465	8,450,402	1,305,063	86.62%

Location

TxRC Office -

TEXAS RACING COMMISSION



Fax

MEMO

To: Commissioners
From: Stewart Marsh DVM
Date: 8/17/2005
Subject: Memorandum of Understanding for Drug Testing

The Memorandum of Understanding between the Texas Racing Commission and The Texas Veterinary Medical Diagnostic Laboratory must be renewed for fiscal year 2005-2006.

The testing procedures for equine drug samples will remain the same as this year with the price rate remaining the same at \$71.00 per sample

Testing procedures for total carbon dioxide in serum for equine testing will be implemented at a cost of \$9.50 per sample.

The testing procedures for greyhound samples will increase the number of ELISA tests per sample. The ELISA tests will increase from five to ten. The cost will remain the same at \$32.00 per sample.

All other provisions of the memorandum will remain the same.

4-1

