



**TEXAS RACING COMMISSION**

**P. O. Box 12080  
Austin, TX 78711-2080  
(512) 833-6699  
Fax (512) 833-6907**

Texas Racing Commission  
Tuesday, January 29, 2019  
10:30 a.m.  
Texas Animal Health Commission  
2105 Kramer Lane  
Austin, TX 78758

**AGENDA**

**I. CALL TO ORDER**

Roll Call

**II. PUBLIC COMMENT**

**III. GENERAL BUSINESS**

- A. Discussion and consideration of reports by the Executive Director and staff regarding administrative matters:
  - 1. Budget and finance
  - 2. Wagering statistics
  - 3. Enforcement
- B. Discussion and possible action to approve the internal audit plan for Fiscal Years 2019 and 2020

**IV. PROCEEDINGS ON RACETRACKS**

- A. Discussion and possible action to approve management and concession contract renewals for Retama Park

**V. PROCEEDINGS ON RULES**

- A. Discussion and possible action to adopt:

1. amendments to 16 TAC § 321.320, Super Hi-Five
  2. the repeal of 16 TAC § 311.52, Spouse's License
  3. the repeal of 16 TAC § 321.41, Cashing Outstanding Tickets
  4. the repeal of 16 TAC § 321.42, Cashing Outstanding Vouchers
- B. Discussion and possible action to propose:
1. amendments to 16 TAC § 313.103, Eligibility Requirements
  2. amendments to 16 TAC § 303.102, Greyhound Rules
  3. amendments to 16 TAC § 301.1, Definitions
  4. amendments to 16 TAC § 303.1, Purpose
  5. amendments to 16 TAC § 303.95, Races for Accredited Texas-Bred Horses
  6. amendments to 16 TAC § 321.321, Fortune Pick (n)
  7. new 16 TAC § 303.44, Oversight of Use of Funds Generated by Pari-Mutuel Racing

## **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**

## **I. CALL TO ORDER**

Roll Call

## **II. PUBLIC COMMENT**

## **III. GENERAL BUSINESS**

- A. Discussion and consideration of reports by the Executive Director and staff regarding administrative matters:
  - 1. Budget and finance
  - 2. Wagering statistics
  - 3. Enforcement

# Texas Racing Commission

FYE 08/31/2019  
Operating Budget Status  
by LBB Expenditure Object/Codes

OBS-1

Strategy	Program Description	FY 2019 Annual Budget	FY 2019 Expended Thru 12/31/2018	FY 2019 Unexpended Bal 8/31/2019	With 33.3% of Year Lapsed % of Budget Expended
<i>Appropriated</i> A.1.1.	- FTE's = 4.00 <u>Regulate Racetrack Owners</u>				
Base Appr =	1001 Salaries and Wages	340,041.87	110,730.32	229,311.55	32.56%
\$ 385,941.00	1002 Other Personnel Cost	5,280.00	1,620.00	3,660.00	30.68%
Sup Appr =	2001 Prof Fees and Services	-	-	-	
\$ -	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 385,941.00	2005 Travel	2,500.00	911.27	1,588.73	36.45%
Budgeted =	2006 Rent Building	-	-	-	
\$ 354,422.50	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	6,600.63	2,071.04	4,529.59	31.38%
(31,518.50)	CB Computer Equipment	-	-	-	
-8.17%	<b>Total Strategy A.1.1.</b>	<b>354,422.50</b>	<b>115,332.63</b>	<b>239,089.87</b>	<b>32.54%</b>
<i>Appropriated</i> A.2.1.	0 FTE's = 0 <u>Texas Bred Incentive</u>				
	ATB Money Expended	3,130,000.00	826,347.00	2,303,653.00	26.40%
3,130,000.00	<b>Total Strategy A.2.1.</b>	<b>3,130,000.00</b>	<b>826,347.00</b>	<b>2,303,653.00</b>	<b>26.40%</b>
<i>Appropriated</i> A.3.1.	- FTE's = 5.53 <u>Supervise Racing and Licensees</u>				
Base Appr =	1001 Salaries and Wages	372,033.13	114,333.85	257,699.28	30.73%
\$ 545,741.00	1002 Other Personnel Cost	15,280.28	3,973.88	11,306.40	26.01%
Sup Appr =	2001 Prof Fees and Services	9,900.00	1,125.00	8,775.00	11.36%
\$ -	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 545,741.00	2005 Travel	62,300.00	12,643.54	49,656.46	20.29%
Budgeted =	2006 Rent Building	-	-	-	
\$ 465,349.20	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	5,835.79	1,658.86	4,176.93	28.43%
(80,391.80)	CB Computer Equipment	-	-	-	
-14.73%	<b>Total Strategy A.3.1.</b>	<b>465,349.20</b>	<b>133,735.13</b>	<b>331,614.07</b>	<b>28.74%</b>
<i>Appropriated</i> A.3.2.	- FTE's = 3.70 <u>Monitor Occupational Licensee Act.</u>				
Base Appr =	1001 Salaries and Wages	207,488.60	69,026.55	138,462.05	33.27%
\$ 235,247.00	1002 Other Personnel Cost	8,963.31	3,420.49	5,542.82	38.16%
Sup Appr =	2001 Prof Fees and Services	500.00	-	500.00	0.00%
\$ -	2003 Consumables	800.00	505.00	295.00	63.13%
Total Appr =	2004 Utilities	-	-	-	
\$ 235,247.00	2005 Travel	37,500.00	5,223.06	32,276.94	13.93%
Budgeted =	2006 Rent Building	-	-	-	
\$ 259,169.15	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	3,917.24	2,257.13	1,660.11	57.62%
\$ 23,922.15	CB Computer Equipment	-	-	-	
10.17%	<b>Total Strategy A.3.2.</b>	<b>259,169.15</b>	<b>80,432.23</b>	<b>178,736.92</b>	<b>31.03%</b>
<i>Appropriated</i> A.4.1.	- FTE's = 3.20 <u>Inspect and Provide Emerg. Care</u>				
Base Appr =	1001 Salaries and Wages	212,985.36	70,995.12	141,990.24	33.33%
\$ 364,152.00	1002 Other Personnel Cost	3,320.00	1,040.00	2,280.00	31.33%
Sup Appr =	2001 Prof Fees and Services	41,600.00	2,400.00	39,200.00	5.77%
\$ -	2003 Consumables	300.00	-	300.00	
Total Appr =	2004 Utilities	-	-	-	
\$ 364,152.00	2005 Travel	17,375.00	5,576.57	11,798.43	32.10%
Budgeted =	2006 Rent Building	-	-	-	
\$ 281,875.14	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	6,294.78	2,642.40	3,652.38	41.98%
\$ (82,276.86)	CB Computer Equipment	-	-	-	
-22.59%	<b>Total Strategy A.4.1.</b>	<b>281,875.14</b>	<b>82,654.09</b>	<b>199,221.05</b>	<b>29.32%</b>

# Texas Racing Commission

FYE 08/31/2019  
Operating Budget Status  
by LBB Expenditure Object/Codes

OBS-2

Strategy	Program Description	FY 2019 Annual Budget	FY 2019 Expended Thru 12/31/2018	FY 2019 Unexpended Bal 8/31/2019	With 33.3% of Year Lapsed % of Budget Expended
<i>Appropriated</i> A.4.2.	- FTE's = 2.57				
	<u>Administer Drug Testing</u>				
Base Appr =	1001 Salaries and Wages	135,858.90	43,348.28	92,510.62	31.91%
\$ 215,181.00	1002 Other Personnel Cost	420.00	2,100.00	(1,680.00)	500.00%
Sup Appr =	2001 Prof Fees and Services	500.00	-	500.00	0.00%
\$ -	2003 Consumables	200.00	30.24	169.76	15.12%
Total Appr =	2004 Utilities	-	-	-	
\$ 215,181.00	2005 Travel	31,209.00	3,727.48	27,481.52	11.94%
Budgeted =	2006 Rent Building	-	-	-	
\$ 179,825.78	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	11,637.88	706.53	10,931.35	6.07%
\$ (35,355.22)	CB Computer Equipment	-	-	-	
-16.43%	<b>Total Strategy A.4.2.</b>	<b>179,825.78</b>	<b>49,912.53</b>	<b>129,913.25</b>	<b>27.76%</b>
<i>Appropriated</i> B.1.1.	- FTE's = 5.00				
	<u>Occupational Licensing</u>				
Base Appr =	1001 Salaries and Wages	206,723.88	68,843.63	137,880.25	33.30%
\$ 412,016.00	1002 Other Personnel Cost	7,093.60	2,331.77	4,761.83	32.87%
Sup Appr =	2001 Prof Fees and Services	-	-	-	
\$ -	2003 Consumables	2,500.00	221.50	2,278.50	8.86%
Total Appr =	2004 Utilities	-	-	-	
\$ 412,016.00	2005 Travel	14,500.00	1,595.89	12,904.11	11.01%
Budgeted =	2006 Rent Building	-	-	-	
\$ 343,609.53	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	110,792.06	17,132.11	93,659.95	15.46%
\$ (68,406.47)	CB Computer Equipment	-	-	-	
-16.60%	<b>Total Strategy B.1.1.</b>	<b>343,609.53</b>	<b>90,124.90</b>	<b>253,484.63</b>	<b>26.23%</b>
<i>Appropriated</i> B.1.2.	- FTE's = 0				
	<u>Texas OnLine</u>				
Base Appr =	1001 Salaries and Wages	-	-	-	
\$ 19,185.00	1002 Other Personnel Cost	-	-	-	
Sup Appr =	2001 Prof Fees and Services	-	-	-	
\$ -	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 19,185.00	2005 Travel	-	-	-	
Budgeted =	2006 Rent Building	-	-	-	
\$ 17,000.00	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	17,000.00	2,393.00	14,607.00	14.08%
\$ (2,185.00)	CB Computer Equipment	-	-	-	
-11.39%	<b>Total Strategy B.1.2.</b>	<b>17,000.00</b>	<b>2,393.00</b>	<b>14,607.00</b>	<b>14.08%</b>
<i>Appropriated</i> C.1.1.	- FTE's = 4.00				
	<u>Monitor Wagering and Audit</u>				
Base Appr =	1001 Salaries and Wages	231,225.36	77,075.12	154,150.24	33.33%
\$ 373,795.00	1002 Other Personnel Cost	7,820.00	2,560.00	5,260.00	32.74%
Sup Appr =	2001 Prof Fees and Services	-	-	-	
\$ -	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 373,795.00	2005 Travel	6,000.00	911.70	5,088.30	15.20%
Budgeted =	2006 Rent Building	-	-	-	
\$ 260,513.74	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	15,468.38	3,603.08	11,865.30	23.29%
\$ (113,281.26)	CB Computer Equipment	-	-	-	
-30.31%	<b>Total Strategy C.1.1.</b>	<b>260,513.74</b>	<b>84,149.90</b>	<b>176,363.84</b>	<b>32.30%</b>

# Texas Racing Commission

FYE 08/31/2019

OBS-3

Operating Budget Status  
by LBB Expenditure Object/Codes

Strategy	Program Description	FY 2019 Annual Budget	FY 2019 Expended Thru 12/31/2018	FY 2019 Unexpended Bal 8/31/2019	With 33.3% of Year Lapsed % of Budget Expended
<i>Appropriated</i> D.1.1.	- FTE's = 6.00 <u>Central Administration</u>				
Base Appr =	1001 Salaries and Wages	392,006.18	105,377.17	286,629.01	26.88%
\$ 753,512.00	1002 Other Personnel Cost	18,029.60	5,641.02	12,388.58	31.29%
Sup Appr =	2001 Prof Fees and Services	25,500.00	2,266.06	23,233.94	8.89%
\$ -	2003 Consumables	6,000.00	1,998.39	4,001.61	33.31%
Total Appr =	2004 Utilities	51,000.00	11,677.55	39,322.45	22.90%
\$ 753,512.00	2005 Travel	15,000.00	1,892.48	13,107.52	12.62%
Budgeted =	2006 Rent Building	104,470.00	43,246.25	61,223.75	41.40%
\$ 687,785.87	2007 Rent Machine	3,200.00	2,109.77	1,090.23	65.93%
Difference	2009 Other Operating Cost	72,580.09	17,844.32	54,735.77	24.59%
\$ (65,726.13)	CB Computer Equipment	-	-	-	0.00%
-8.72%	<b>Total Strategy D.1.1.</b>	<b>687,785.87</b>	<b>192,053.01</b>	<b>495,732.86</b>	<b>27.92%</b>
<i>Appropriated</i> D.1.2.	- FTE's = 3.80 <u>Information Resources</u>				
Base Appr =	1001 Salaries and Wages	262,187.72	56,572.32	205,615.40	21.58%
\$ 509,511.00	1002 Other Personnel Cost	10,082.75	2,914.24	7,168.51	28.90%
Sup Appr =	2001 Prof Fees and Services	154,185.00	9,900.00	144,285.00	6.42%
\$ -	2003 Consumables	1,500.00	9.50	1,490.50	0.63%
Total Appr =	2004 Utilities	-	-	-	
\$ 509,511.00	2005 Travel	2,500.00	244.00	2,256.00	9.76%
Budgeted =	2006 Rent Building	500.00	160.00	340.00	32.00%
\$ 515,428.15	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	84,472.68	37,829.25	46,643.43	44.78%
\$ 5,917.15	CB Computer Equipment	-	-	-	
1.16%	<b>Total Strategy D.1.2.</b>	<b>515,428.15</b>	<b>107,629.31</b>	<b>407,798.84</b>	<b>20.88%</b>
<i>Appropriated</i> D.1.3.	FTE's = 37.80 <u>Other Support Services</u>				
Base Appr =	1001 Salaries and Wages	-	-	-	
\$ 6,944,281.00	1002 Other Personnel Cost	-	-	-	
Sup Appr =	2001 Prof Fees and Services	-	-	-	
\$ -	2003 Consumables	-	-	-	
Total Appr =	2004 Utilities	-	-	-	
\$ 6,944,281.00	2005 Travel	-	-	-	
Budgeted =	2006 Rent Building	-	-	-	
\$ 6,494,979.07	2007 Rent Machine	-	-	-	
Difference	2009 Other Operating Cost	-	-	-	
\$ (449,301.93)	CB Computer Equipment	-	-	-	
-6.47%	<b>Total Strategy D.1.3.</b>	<b>-</b>	<b>-</b>	<b>-</b>	
\$ 3,814,281	Regulatory Program Operating Budget	3,364,979.07	938,416.73	2,103,305.17	27.89%
\$ 3,130,000	TX Bred Program Operating Budget	3,130,000.00	826,347.00	2,303,653.00	26.40%
\$ 6,944,281	Total M.O.F. (TXRC Acct. 597 & GR)	6,494,979.07	1,764,763.73	4,406,958.17	27.17%
	<b>Total All Programs Operating Budget</b>				

# Texas Racing Commission

FYE 08/31/2019  
Operating Budget Status  
by LBB Expenditure Object/Codes

OBS-4

Strategy	Program Description	FY 2019 Annual Budget	FY 2019 Expended Thru 12/31/2018	FY 2019 Unexpended Bal 8/31/2019	With 33.3% of Year Lapsed % of Budget Expended
\$ -	FTE's = 37.80				
<i>Appropriated</i>	<b>Direct Expense of Regulatory Programs</b>				
	1001 Salaries and Wages	2,360,551.00	716,302.36	1,644,248.64	30.34%
	1002 Other Personnel Cost	76,289.53	25,601.40	50,688.13	33.56%
	2001 Prof Fees and Services	232,185.00	15,691.06	216,493.94	6.76%
	2003 Consumables	11,300.00	2,764.63	8,535.37	24.47%
	2004 Utilities	51,000.00	11,677.55	39,322.45	22.90%
	2005 Travel	188,884.00	32,725.99	156,158.01	17.33%
	2006 Rent Building	104,970.00	43,406.25	61,563.75	41.35%
	2007 Rent Machine	5,200.00	2,109.77	3,090.23	40.57%
	2009 Other Operating Cost	334,599.54	88,137.72	246,461.82	26.34%
	CB Computer Equipment	-	-	-	0.00%
\$ 3,814,281	<b>Total Direct Expense of Regulatory Program</b>	3,364,979.07	938,416.73	2,426,562.34	27.89%
\$ 3,130,000	FTE's = - Direct Expense of TX Bred Program	3,130,000.00	826,347.00	2,303,653.00	26.40%
\$ 6,944,281	FTE's = 37.80 Total Direct Expense of All Programs	6,494,979.07	1,764,763.73	4,730,215.34	27.17%
\$ -	<b>Indirect Expense of All Programs</b>				
<i>Un-Appropriated</i>	OASI Match	180,582.15	54,322.44	126,259.71	30.08%
	Group Insurance	260,000.00	83,293.16	176,706.84	32.04%
	State Retirement	189,982.81	56,835.11	133,147.70	29.92%
	Benefit Replacement	2,053.72	887.77	1,165.95	43.23%
	ERS Retiree Insurance	409,000.00	135,869.94	273,130.06	33.22%
	SWCAP GR Reimburse	-	-	-	
	Unemployment Cost	-	-	-	
	Other	-	-	-	
\$ 1,041,619	<b>Total Indirect Expense of All Programs</b>	1,041,618.69	331,208.42	710,410.27	31.80%
\$ 7,985,900	<b>Total Direct and Indirect Expense of All Programs</b>	7,536,597.76	2,095,972.15	5,440,625.61	27.81%

Source Of Funds	Agency Method Of Finance	FY 2019 Projected Revenue	FY 2019 Actual Revenue Thru 12/31/2018	N/A	With 33.3% of Year Lapsed % of Revenue Collected
	<b>Regulatory Program MOF:</b>				
Acct. 597	Cash Balance Carry Forward	\$ 200,000.00	\$ 200,000.00		n/a
Acct. 597	Live Race Day Fees	\$ -	\$ -		
Acct. 597	Simulcast Race Day Fees	\$ -	\$ -		
Acct. 597	Annual License Fees (Active & Inactive)	\$ 3,681,855.00	\$ 1,222,473.40		33.20%
Acct. 597	Outs	\$ -	\$ -		
Acct. 597	Occupational License Fees and Fines	\$ 665,000.00	\$ 134,262.00		20.19%
Acct. 597	Other Revenue	\$ 18,000.00	\$ 6,036.65		33.54%
Acct. 1	GR Funds	\$ -	\$ -		
	<b>Sub-Total Regulatory Prgm. MOF</b>	\$ 4,564,855.00	\$ 1,562,772.05		34.23%
	<b>Texas Bred Program MOF:</b>				
Acct. 597	Cash Balance Carry Forward	\$ -	\$ -		
Acct. 597	Breakage and 1% Exotic	\$ 3,130,000.00	\$ 826,347.00		26.40%
Acct. 597	Other	\$ -	\$ -		
	<b>Sub-Total Texas Bred Prgm. MOF</b>	\$ 3,130,000.00	\$ 826,347.00		26.40%
All Sources	<b>Total MOF</b>	\$ 7,694,855.00	\$ 2,389,119.05		31.05%
	<b>MOF Estimated to Exceed or (Fall-Short of Covering) Direct &amp; Indirect Expenses of Operating Budget</b>	\$ 158,257.24	\$ 293,146.90		



## Fiscal Year 2019 Operational Budget

Updated: January 14, 2019  
Thru: December 31, 2018

### Summary of Operating Revenue

By Revenue Type:	Budget	Collected	Suspended	Uncollected Balance	%
<b>Account 597 - Racing Commission - GRD</b>	\$ 7,694,855	\$ 2,389,119	\$ -	\$ 5,305,736	69%
<b>Account 1 - State of Texas - GR</b>	\$ -	\$ -	\$ -	\$ -	
<b>TOTAL - ALL REVENUES</b>	<b>\$ 7,694,855</b>	<b>\$ 2,389,119</b>	<b>\$ -</b>	<b>\$ 5,305,736</b>	<b>69%</b>

### Summary of Appropriated Operating Expenses

Type:	Budget	Expended	Encumbered	Unexpended Balance	%
<b>1001 - Salaries and Wages:</b>	\$ 2,360,551	\$ 716,302	\$ -	\$ 1,644,249	70%
<b>1002 - Other Personnel Cost:</b>	\$ 76,290	\$ 25,601	\$ -	\$ 50,688	66%
<b>2001 - Professional Fees and Services:</b>	\$ 232,185	\$ 15,691	\$ -	\$ 216,494	93%
<b>2003 - Consumable Supplies:</b>	\$ 11,300	\$ 2,765	\$ -	\$ 8,535	76%
<b>2004 - Utilities:</b>	\$ 51,000	\$ 11,678	\$ -	\$ 39,322	77%
<b>2005 - Travel:</b>	\$ 188,884	\$ 32,726	\$ -	\$ 156,158	83%
<b>2006 - Rent Building:</b>	\$ 104,970	\$ 43,406	\$ -	\$ 61,564	59%
<b>2007 - Rent Machine and Other:</b>	\$ 5,200	\$ 2,110	\$ -	\$ 3,090	59%
<b>2009 - Other Operating Expense:</b>	\$ 334,600	\$ 88,138	\$ -	\$ 246,462	74%
<b>4000 - Grants</b>	\$ 3,130,000	\$ 826,347	\$ -	\$ 2,303,653	74%
<b>5000 - Capital Expenditures:</b>	\$ -	\$ -	\$ -	\$ -	
<b>TOTAL - ALL APPROPRIATED EXPENDITURES</b>	<b>\$ 6,494,979</b>	<b>\$ 1,764,764</b>	<b>\$ -</b>	<b>\$ 4,730,215</b>	<b>73%</b>

### Unappropriated Operating Expenses

Type:	Budget	Expended	Encumbered	Unexpended Balance	%
<b>TOTAL - ALL UNAPPROPRIATED EXPENDITURES</b>	<b>\$ 1,041,619</b>	<b>\$ 331,208</b>	<b>\$ -</b>	<b>\$ 710,410</b>	<b>68%</b>
<b>TOTAL - ALL EXPENDITURES</b>	<b>\$ 7,536,598</b>	<b>\$ 2,095,972</b>	<b>\$ -</b>	<b>\$ 5,440,626</b>	<b>72%</b>

### OPERATING SURPLUS / (DEFICIT)

	\$ 158,257	\$ 293,147	
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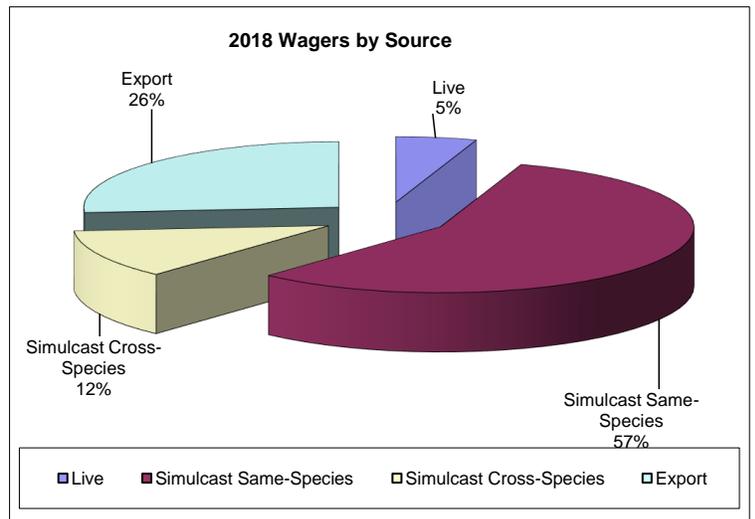
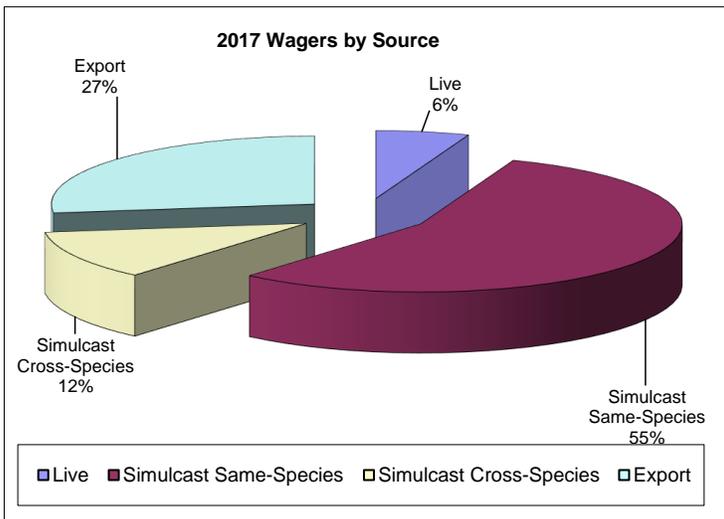
### Summary of FTE's

By Fiscal Quarter:	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Authorized FTE's	37.80	37.80	37.80	37.80
Budgeted FTE's	37.80	37.80	37.80	37.80
Actual FTE's	0.00	0.00	0.00	0.00
<b>Actual FTE's Over / (Under) Budget</b>	n/a	n/a	n/a	n/a
<b>Actual FTE's Over / (Under) Authorization</b>	n/a	n/a	n/a	n/a



## Texas Pari-Mutuel Racetracks Wagering Statistics Comparison Report on Total Wagers Placed in Texas & on Texas Races For the Period of January 1 through December 31

	Year 2017			Year 2018			Percentage Change	
	# Days	Wagers (Handle)*		# Days	Wagers (Handle)*		Wagers (Handle)	
Total		Average per day	Total		Average per day	Total	Average per day	
<b>Greyhound Racetracks</b>								
Live	23	\$ 506,080	\$ 22,003	37	\$ 662,778	\$ 17,913	30.96%	-18.59%
Simulcast Same-Species	891	\$ 21,223,840	\$ 23,820	927	\$ 22,277,642	\$ 24,032	4.97%	0.89%
Simulcast Cross-Species	891	\$ 16,480,706	\$ 18,497	927	\$ 16,670,025	\$ 17,983	1.15%	-2.78%
Export	23	\$ 500,474	\$ 21,760	37	\$ 1,227,332	\$ 33,171	145.23%	52.44%
<b>Total Wagers</b>		<b>\$ 38,711,100</b>			<b>\$ 40,837,777</b>		<b>5.49%</b>	
<b>Horse Racetracks</b>								
Live	181	\$ 22,049,353	\$ 121,820	143	\$ 19,133,052	\$ 133,798	-13.23%	9.83%
Simulcast Same-Species	1,279	\$ 197,237,228	\$ 154,212	1,295	\$ 196,969,350	\$ 152,100	-0.14%	-1.37%
Simulcast Cross-Species	1,274	\$ 29,380,180	\$ 23,061	1,292	\$ 29,544,878	\$ 22,868	0.56%	-0.84%
Export	174	\$ 106,090,475	\$ 609,715	135	\$ 100,511,589	\$ 744,530	-5.26%	22.11%
<b>Total Wagers</b>		<b>\$ 354,757,235</b>			<b>\$ 346,158,870</b>		<b>-2.42%</b>	
<b>All Racetracks</b>								
Live	204	\$ 22,555,433	\$ 110,566	180	\$ 19,795,830	\$ 109,977	-12.23%	-0.53%
Simulcast Same-Species	2,170	\$ 218,461,068	\$ 100,673	2,222	\$ 219,246,992	\$ 98,671	0.36%	-1.99%
Simulcast Cross-Species	2,165	\$ 45,860,886	\$ 21,183	2,219	\$ 46,214,903	\$ 20,827	0.77%	-1.68%
Export	197	\$ 106,590,949	\$ 541,071	172	\$ 101,738,921	\$ 591,505	-4.55%	9.32%
<b>Total Wagers</b>		<b>\$ 393,468,335</b>			<b>\$ 386,996,647</b>		<b>-1.64%</b>	
<b>Total Wagers Placed in Texas</b>		<b>\$ 286,877,387</b>			<b>\$ 285,257,726</b>		<b>-0.56%</b>	
<b>Total Wagers Placed on Texas Races</b>		<b>\$ 129,146,381</b>			<b>\$ 121,534,751</b>		<b>-5.89%</b>	



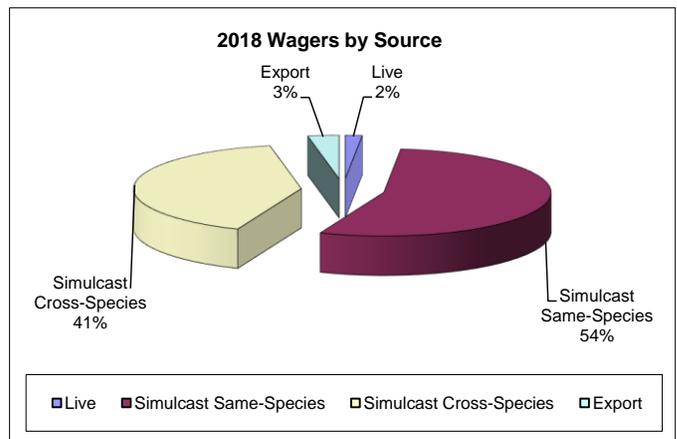
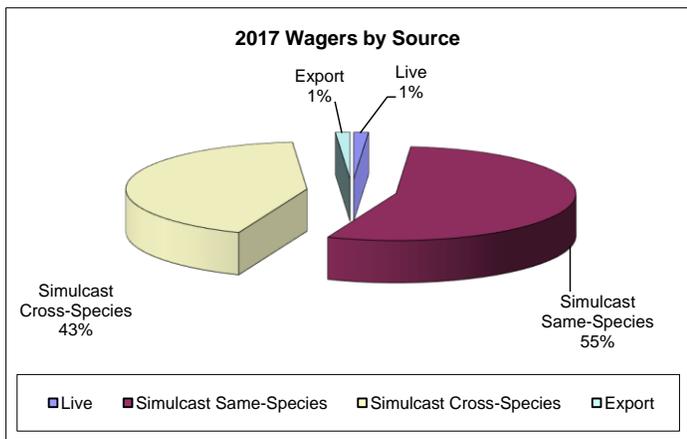
\*NOTE: All figures are based on data available at the time this report was compiled and are subject to being audited and revised.



## Greyhound Racetrack Wagering Statistics Comparison Report on Total Wagers Placed in Texas & on Texas Races

For the Period of January 1 through December 31

	Year 2017			Year 2018			Percentage Change	
	Wagers (Handle)*			Wagers (Handle)*			Wagers (Handle)	
	# Days	Total	Average per day	# Days	Total	Average per day	Total	Average per day
<b>Gulf Coast Racing</b>								
Live	0	\$ -	\$ -	0	\$ -	\$ -	0.00%	0.00%
Simulcast Same-Species	243	\$ 6,330,840	\$ 26,053	257	\$ 7,278,870	\$ 28,322	14.97%	8.71%
Simulcast Cross-Species	243	\$ 3,098,866	\$ 12,753	257	\$ 3,584,700	\$ 13,948	15.68%	9.38%
Export	0	\$ -	\$ -	0	\$ -	\$ -	0.00%	0.00%
<b>Total Wagers</b>		<b>\$ 9,429,707</b>		<b>\$ 10,863,571</b>			<b>15.21%</b>	
<b>Gulf Greyhound Park</b>								
Live	3	\$ 88,517	\$ 29,506	37	\$ 662,778	\$ 17,913	648.76%	-39.29%
Simulcast Same-Species	336	\$ 9,222,187	\$ 27,447	359	\$ 9,774,262	\$ 27,226	5.99%	-0.80%
Simulcast Cross-Species	336	\$ 8,258,665	\$ 24,579	359	\$ 8,234,504	\$ 22,937	-0.29%	-6.68%
Export	3	\$ 100,790	\$ 33,597	37	\$ 1,227,332	\$ 33,171	1117.71%	-1.27%
<b>Total Wagers</b>		<b>\$ 17,670,159</b>		<b>\$ 19,898,875</b>			<b>12.61%</b>	
<b>Valley Race Park</b>								
Live	20	\$ 417,563	\$ 20,878	0	\$ -	\$ -	-100.00%	-100.00%
Simulcast Same-Species	312	\$ 5,670,812	\$ 18,176	311	\$ 5,224,510	\$ 16,799	-7.87%	-7.57%
Simulcast Cross-Species	312	\$ 5,123,175	\$ 16,420	311	\$ 4,850,821	\$ 15,597	-5.32%	-5.01%
Export	20	\$ 399,684	\$ 19,984	0	\$ -	\$ -	-100.00%	-100.00%
<b>Total Wagers</b>		<b>\$ 11,611,234</b>		<b>\$ 10,075,330</b>			<b>-13.23%</b>	
<b>All Greyhound Tracks</b>								
Live	23	\$ 506,080	\$ 22,003	37	\$ 662,778	\$ 17,913	30.96%	-18.59%
Simulcast Same-Species	891	\$ 21,223,840	\$ 23,820	927	\$ 22,277,642	\$ 24,032	4.97%	0.89%
Simulcast Cross-Species	891	\$ 16,480,706	\$ 18,497	927	\$ 16,670,025	\$ 17,983	1.15%	-2.78%
Export	23	\$ 500,474	\$ 21,760	37	\$ 1,227,332	\$ 33,171	145.23%	52.44%
<b>Total Wagers</b>		<b>\$ 38,711,100</b>		<b>\$ 40,837,777</b>			<b>5.49%</b>	
<b>Total Wagers Placed in Texas</b>		<b>\$ 38,210,626</b>		<b>\$ 39,610,445</b>			<b>3.66%</b>	
<b>Total Wagers Placed on Texas Races</b>		<b>\$ 1,006,554</b>		<b>\$ 1,890,110</b>			<b>87.78%</b>	

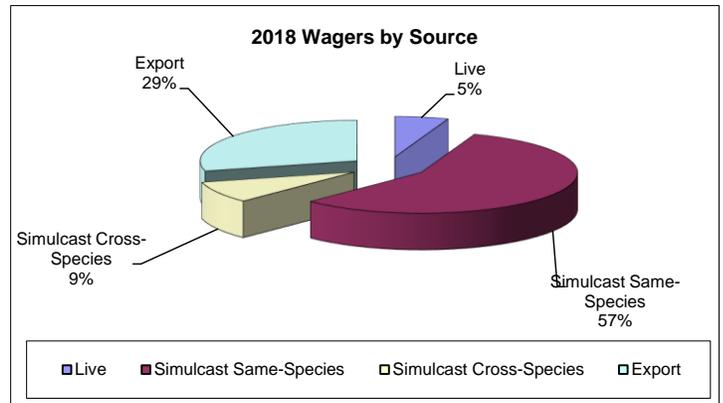
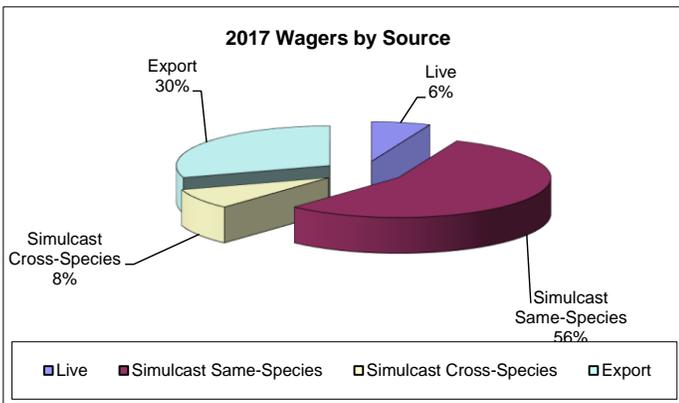


\*NOTE: All figures are based on data available at the time this report was compiled and are subject to being audited. Page 10 of 63



## Horse Racetrack Wagering Statistics Comparison Report on Total Wagers Placed in Texas & on Texas Races For the Period of January 1 through December 31

	Year 2017				Year 2018				Percentage Change	
	# Days	Wagers (Handle)*		Average per day	# Days	Wagers (Handle)*		Average per day	Wagers (Handle)	
		Total				Total			Total	Average per day
<b>Gillespie County Fair</b>										
Live	7	\$ 970,082	\$ 138,583	8	\$ 1,186,056	\$ 148,257	22.26%	6.98%		
Simulcast Same-Species	194	\$ 2,913,713	\$ 15,019	208	\$ 4,132,849	\$ 19,869	41.84%	32.29%		
Simulcast Cross-Species	194	\$ 450,819	\$ 2,324	208	\$ 567,486	\$ 2,728	25.88%	17.41%		
Export	0	\$ -	\$ -	0	\$ -	\$ -	0.00%	0.00%		
<b>Total Wagers</b>		<b>\$ 4,334,614</b>			<b>\$ 5,886,392</b>		<b>35.80%</b>			
<b>Lone Star Park</b>										
Live	76	\$ 13,617,902	\$ 179,183	57	\$ 12,093,574	\$ 212,168	-11.19%	18.41%		
Simulcast Same-Species	363	\$ 102,479,560	\$ 282,313	363	\$ 99,919,804	\$ 275,261	-2.50%	-2.50%		
Simulcast Cross-Species	359	\$ 6,032,036	\$ 16,802	362	\$ 6,863,452	\$ 18,960	13.78%	12.84%		
Export	76	\$ 42,088,946	\$ 553,802	57	\$ 41,680,311	\$ 731,234	-0.97%	32.04%		
<b>Total Wagers</b>		<b>\$ 164,218,443</b>			<b>\$ 160,557,141</b>		<b>-2.23%</b>			
<b>Retama Park</b>										
Live	42	\$ 2,665,921	\$ 63,474	25	\$ 1,531,629	\$ 61,265	-42.55%	-3.48%		
Simulcast Same-Species	363	\$ 32,762,185	\$ 90,254	362	\$ 32,274,310	\$ 89,156	-1.49%	-1.22%		
Simulcast Cross-Species	362	\$ 6,171,467	\$ 17,048	361	\$ 5,491,810	\$ 15,213	-11.01%	-10.77%		
Export	42	\$ 11,518,049	\$ 274,239	25	\$ 9,360,393	\$ 374,416	-18.73%	36.53%		
<b>Total Wagers</b>		<b>\$ 53,117,622</b>			<b>\$ 48,658,142</b>		<b>-8.40%</b>			
<b>Sam Houston Race Park</b>										
Live	56	\$ 4,795,448	\$ 85,633	53	\$ 4,321,793	\$ 81,543	-9.88%	-4.78%		
Simulcast Same-Species	359	\$ 59,081,770	\$ 164,573	362	\$ 60,642,386	\$ 167,520	2.64%	1.79%		
Simulcast Cross-Species	359	\$ 16,725,858	\$ 46,590	361	\$ 16,622,131	\$ 46,045	-0.62%	-1.17%		
Export	56	\$ 52,483,480	\$ 937,205	53	\$ 49,470,884	\$ 933,413	-5.74%	-0.40%		
<b>Total Wagers</b>		<b>\$ 133,086,556</b>			<b>\$ 131,057,195</b>		<b>-1.52%</b>			
<b>All Horse Tracks</b>										
Live	181	\$ 22,049,353	\$ 121,820	143	\$ 19,133,052	\$ 133,798	-13.23%	9.83%		
Simulcast Same-Species	1,279	\$ 197,237,228	\$ 154,212	1,295	\$ 196,969,350	\$ 152,100	-0.14%	-1.37%		
Simulcast Cross-Species	1,274	\$ 29,380,180	\$ 23,061	1,292	\$ 29,544,878	\$ 22,868	0.56%	-0.84%		
Export	174	\$ 106,090,475	\$ 609,715	135	\$ 100,511,589	\$ 744,530	-5.26%	22.11%		
<b>Total Wagers</b>		<b>\$ 354,757,235</b>			<b>\$ 346,158,870</b>		<b>-2.42%</b>			
<b>Total Wagers Placed in Texas</b>		<b>\$ 248,666,761</b>			<b>\$ 245,647,281</b>		<b>-1.21%</b>			
<b>Total Wagers Placed on Texas Races</b>		<b>\$ 128,139,827</b>			<b>\$ 119,644,642</b>		<b>-6.63%</b>			



\*NOTE: All figures are based on data available at the time this report was compiled and are subject to being audited and revised.

## ENFORCEMENT ACTIVITY SUMMARY

Lone Star Park concluded its Quarter Horse race meet on November 10, 2018.

Gulf Greyhound Park began its 2019 race meet on December 26, 2018, running through February 23, 2019.

Sam Houston Race Park opened its Thoroughbred race meet on January 25, 2019, running through March 30, 2019.

All active status racetracks in Texas are conducting simulcast operations at this time.

### Lone Star Park – Thoroughbred Meet

Rulings Activity from 09/10/2018 through 1/01/2019

Human Drug Violation	1
Jockey – Riding Infraction	7
Trainer Infractions	6
Contraband	7
Medication Violation*	
Class 3	
Albuterol (1)	
Clenbuterol (4)	
Class 4	
Phenylbutazone (1)	6
Failure to Disclose	1
Licensing	1
Miscellaneous	2
<b>TOTAL</b>	<b>31</b>

\*Does not include any rulings that have not been finalized through the appeals process.

### **III. GENERAL BUSINESS**

- B. Discussion and possible action to approve the internal audit plan for Fiscal Years 2019 and 2020

**Internal Audit Plan  
Fiscal Years 2019 and 2020  
Texas Racing Commission**



**MONDAY RUFUS & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

**TEXAS RACING COMMISSION**  
**Internal Audit Plan – Fiscal Years 2019 and 2020**

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**TEXAS RACING COMMISSION**  
**Internal Audit Plan – Fiscal Years 2019 and 2020**

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**MONDAY RUFUS & CO., P.C.**  
**Certified Public Accountants & Advisors**

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Member: American Institute of Certified Public Accountants

November 28, 2018

Commissioners of the  
Texas Racing Commission  
Austin, Texas

Dear Commissioners:

As required by the Internal Auditing Act (Texas Government Code, Section 2102.008), we have prepared the audit plan for Fiscal Years 2019 and 2020.

We prepared a risk assessment to determine the areas in the Texas Racing Commission that should be considered for audit. Based on that risk assessment, the following areas are recommended for audit in Fiscal Years 2019 and 2020, respectively:

<u>Fiscal Year 2019</u>	<u>Hours</u>
• Personnel Processes	140
	-----
<b>Total Hours</b>	<b>140</b>

<u>Fiscal Year 2020</u>	<u>Hours</u>
• Reporting – Key Performance Measures	160
	-----
<b>Total Hours</b>	<b>160</b>

Your approval of the audit plan is required.

Sincerely,



Monday N. Rufus, CISA, CPA  
Audit Director  
MONDAY RUFUS & CO., P.C.

**TEXAS RACING COMMISSION**  
**Internal Audit Plan – Fiscal Years 2019 and 2020**

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**I. Purpose**

The Purpose of this internal audit plan is to document the development, risk assessment, scope of assignments, and implementation timetable for fiscal years 2019 and 2020 internal audit activities. This document will serve as a primary tool to carry out internal audit responsibilities in an efficient manner and prioritize the audit areas based on risk assessments agreed to by the Commissioners of the Texas Racing Commission (Agency). Due to the nature, scope and timing of audit procedures contemplated here, planning for specific aspects of the audits is a continuing process. Accordingly, the plan will be revised as necessary and reviewed at least annually.

This plan has been prepared to meet planning guidelines as required by both generally accepted auditing standards and the standards for the Professional Practice of Internal Auditing as determined by the Institute of Internal Auditors, Inc.

**II. Background Information**

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 Agency functions pursuant to authority granted in the Texas Racing Act, Vernon's Texas Civil Statutes, Art. 179e (The Racing Act). The Texas Racing Commission 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 with pari-mutuel wagering, those who participate in racing with pari-mutuel wagering and the people directly involved with pari-mutuel wagering who work at the racetracks.
- 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 tote systems (complex computer systems that register and calculate pari-mutuel payoffs or winnings), and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.
- Administer the Texas Bred Incentive Programs, which provides economic incentives to support the horse and greyhound breeding industry in the state.

The Racing Act allows pari-mutuel wagering on horse and greyhound racing and provides for the strict regulation and control of pari-mutuel wagering in connection with that racing.

Principal responsibilities of the Commission are to:

1. Adopt rules and regulations for conducting racing involving wagering;
2. Administer and enforce all laws, rules, and regulations affecting horse racing, greyhound racing, and pari-mutuel wagering;

**TEXAS RACING COMMISSION**  
**Internal Audit Plan – Fiscal Years 2019 and 2020**

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3. Adjudicate disciplinary matters arising from the enforcement of those laws and regulations dealing with horse racing and greyhound racing and pari-mutuel wagering; and
4. Regulate and supervise each racing meeting conducted in the state of Texas, the operations of racetracks, and the participants in a race meeting.

Extensive rulemaking authority is granted to the Commission throughout the Racing Act. The rulemaking authority vested in the Texas Racing Commission is authorized for administration and enforcement purposes.

The Racing Commission consists of nine members (currently one vacancy) appointed by the governor with the advice and consent of the Senate to serve overlapping six-year terms. Five members must represent the general public and have general knowledge of business or agribusiness. At least one of those appointed members may be a veterinarian and licensed as a veterinarian satisfies the requirement that the person have general knowledge of business or agribusiness. One member must have special knowledge or experience related to horse racing and one member must have special knowledge or experience related to greyhound racing. In addition to the appointed members, there are two ex-officio members, the Chair of the Public Safety Commission and the Commissioner of Agriculture. The Governor appoints the chair and the members elect the vice-chair.

The Commission appoints an Executive Director who serves at the pleasure of the Commission. The Agency's operating budget is prepared and approved by the Commission on an annual basis, whereas the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature.

The 82<sup>nd</sup> Legislature, Regular Session, passed House Bill 2271 which altered the Commission's method of finance eliminating outstanding uncashed winning tickets as a source of revenue. The Commission is now self-funded from fees assessed to racetracks and occupational licenses from the entities it regulates and is typically appropriated only General Revenue – Dedicated funds. For Fiscal Years 2018 and 2019, the estimated expenditures to be passed through the Agency to the official breed registries for the Texas Bred Incentive Program were approximately 46%, respectively. Funds collected by the Agency are directly utilized for operations, and not passed on to the State.

The agency's structure consists of an executive group and support staff headed by the Executive Director and a Deputy Executive Director responsible for regulating field staff.

#### **A. Executive Group**

- i. Executive Director** - As head of the agency, the Executive Director supervises agency activities as a whole and ensures the agency's regulatory responsibilities are carried out. The Executive Director represents the agency before the Legislature and other governmental agencies, and serves a primary role in external relations with industry stakeholders and regulators in other states.

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The Executive Director, with the assistance of the General Counsel and support staff, oversees development of agency operating policies and procedures, coordination of mandated reviews of racetrack license holders, evaluation of proposed changes in racetrack ownership or location, and assesses administrative penalties against racetrack licensees. The Executive Director's staff is also responsible for other administrative functions, including responding to public information and media requests.

**ii. General Counsel** - The General Counsel advises the Commissioners and staff on all legal and regulatory enforcement issues affecting the agency. The General Counsel coordinates all aspects of Commission meetings and rulemaking proceedings.

**iii. Information Technology** - The Information Technology Department develops and maintains the agency's network, database, and website. This department supports all hardware and software necessary for the day-to-day activities of the Commission. The custom programs and database operate 24 hours a day, seven days a week, providing staff, licensees, the Department of Public Safety, the Texas A&M Veterinary Medical Diagnostic Laboratory, the Comptroller of Public Accounts, and the general public with up-to-date information regarding all aspects of the regulatory programs.

**iv. Finance and Administration** - The Finance and Administration Department is responsible for the budget, accounting, payroll, purchasing, human resources, travel coordination, and other administrative functions. The Chief Financial Officer manages this department. This department prepares the biennial Legislative Appropriations Request (LAR), the operating budget, the annual financial report, reports on performance measures, and most other state agency required reports.

**v. Investigations** - The Director of Investigations supervises the investigators, who are responsible for investigating violations of the Texas Racing Act and Rules of Racing and administering the Commission's human drug testing program. The investigators work closely with the Department of Public Safety and local law enforcement officials to enforce the Act and the Rules. Investigations are conducted on animal drug positives, criminal histories returned on license applicants, illegal wagering, use and possession of contraband, drug abuse, narcotics trafficking, and other illicit activities that could affect the integrity of pari-mutuel racing.

**vi. Enforcement.** The Director of Enforcement prosecutes violations of the Texas Racing Act and Rules of Racing before stewards/judges and the State Office of Administrative Hearings. The Director of Enforcement works with the Director of Investigations in overseeing all aspects of the regulatory program relating to enforcement matters.

## **B. Department Information**

In addition to assisting the Executive Director, the Deputy Executive Director is responsible for regulatory and field staff, including the stewards and judges, veterinarians and test barn personnel, licensing staff, and pari-mutuel auditors.

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**vii. Racing Department** - The Racing Department consists of the Chief Steward/Judge, Stewards, and Racing Judges who supervise all aspects of live racing. The stewards and judges have broad authority to resolve matters arising during a race, including the authority to disqualify horses and greyhounds, and redistribute purse money. The stewards and judges are authorized to conduct disciplinary hearings for violations of the Act and/or the Rules. They may suspend a person’s occupational license for not more than five years and/or fine the licensee up to \$25,000.

**viii. Veterinary Department** - The Veterinary Department, headed by the Veterinary Medical Director, administers the Commission’s drug testing program for race animals, monitors the activities of private veterinarians practicing at pari-mutuel racetracks, and implements the Rules relating to animal safety.

Commission veterinarians inspect all race animals before a race to ensure, to the extent possible, they are sound to compete, provide oversight during the races, and oversee, with the assistance of the test barn supervisors, the collection of race animals’ urine and/or blood for drug testing.

**ix. Occupational Licensing Department** – The Director of Licensing supervises the staff that issues occupational licenses to all qualified persons in positions that give a person an opportunity to influence pari-mutuel racing, or who will likely have significant access to the backside or restricted areas of a racetrack. There are more than 50 categories of occupational licenses, including owners, trainers, jockeys, grooms, racetrack management personnel, and mutuel tellers.

**x. Pari-Mutuels Department** – The Director of Pari-mutuels is responsible for all activities relating to wagering. Audits and verifications are conducted on the handle (the amount of money wagered), the earned and paid purse amounts, and deposit reports. The department is also responsible for monitoring the simulcast activity at each racetrack.

C. The Agency’s Legislative Appropriations Requests for fiscal years 2018 and 2019 are as follows:

	<u>August 31, 2018</u>	<u>August 31, 2019</u>
License/Regulate Racetracks	\$ 385,941	\$ 385,941
Texas Bred Incentive Program	3,325,343	3,325,343
Supervise & Conduct Live Races	545,741	545,741
Monitor Licensee Activities	235,247	235,247
Inspect & Provide Emergency Care	364,152	364,152
Administer Drug Tests	215,181	215,181
Occupational Licensing Program	412,016	412,016

**TEXAS RACING COMMISSION**  
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TEXASONLINE	19,185	19,185
Monitor Wagering and Compliance	373,795	373,795
Central Administration & Other Support Services	753,512	753,512
Information Resources	509,511	509,511
Supplemental Appropriation made in Riders	0	0
Total	\$ 7,139,624	\$ 7,139,624

**III. Internal Audit Plan Methodology**

This section summarizes the methodology used in preparing the fiscal years 2019 and 2020 internal audit plan. In order to understand the Agency and develop our risk assessment process, we reviewed the Agency’s:

- Enabling Legislation
- Strategic plan
- Legislative appropriations request/operating budget
- Prior internal audit reports
- Reports from the State Auditor’s Office
- Sunset Commission Report
- Other documents available to us

In planning internal audit procedures, financial, operational, as well as compliance issues are considered in determining processes/systems of interest. Functional areas that cross many divisions and the interaction between divisions are key criteria in the process of identifying areas of interest. Agency financial reports, planning documents, laws, rules, and regulations, in addition to soliciting input from management and commission members, were all considered in developing the list of areas of interest. Upon completion of this list, each area was subjected to our risk analysis process.

The following Agency processes/systems have been considered during the development of the areas of interest list:

- Cash receipts and fee processing
- Cash Disbursements
- Payroll and Personnel Processes
- Reporting – Key Performance Measures
- Budgeting and Reporting
- Licensing application and registrations
- Complaints/Investigation process

**TEXAS RACING COMMISSION**  
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- Pari-mutuel Auditing Process
- EDP Wagering Reviews/Audits
- Business Continuity/Disaster Recovery
- Information Systems - Security
- Information Technology System Development
- Drug testing
- Inspection Program
- Compliance Administrator
- Racing Administration
- Texas Bred Incentive Programs – Associations
- Texas Bred Incentive Programs – TxRC’s Policies and Procedures
- Equine Research
- Historically Underutilized Businesses (HUB)
- Fixed Asset Management
- Open Record Requests

There are numerous other areas that may be identified during the process of performing internal audit procedures during the year. Continuing input from both the Commissioners and management will be essential in identifying additional or new areas of risk that should be considered in the future.

Our risk assessment was performed through the consideration of various factors, including:

1. Exposure Level (Adverse impact of errors within the process/unit)
2. Complexity of unit (Volatility of activities)
3. Materiality (Financial and Non Financial Impact)
4. Results of last audit (Positive, Some Findings, Negative)
5. Extent of other coverage or oversight (More coverage, Some coverage, No coverage)
6. Quality of internal controls/adherence to laws (Excellent, Good, & Poor controls)
7. Changes in systems and processes (More changes, Some changes, No changes)
8. Normal audit interval (Audited in last 1 year, 2-4 years, >4 years or Never)

All of the above factors were considered in assessing risk and were taken into consideration for each process/system as to their impact on the Agency. Once each area of interest was evaluated, it was assigned a risk factor of high, moderate or low. The following is the result of our risk assessment process.

Processes Identified as High Overall Risk

Personnel Processes

Reporting – Key Performance Measures

Racing Administration

Processes Identified as Moderate Overall Risk

Cash Receipts and Fee Processing

**TEXAS RACING COMMISSION**  
**Internal Audit Plan – Fiscal Years 2019 and 2020**

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Inspection Program  
Pari-mutuel Auditing Process  
Information Systems – Security  
Business Continuity/Disaster Recovery  
Complaints/Investigation Process  
Texas Bred Incentive Programs – Associations  
Texas Bred Incentive Programs – TxRC’s Policies and Procedures  
Open Record Requests  
Cash Disbursements  
EDP Wagering Reviews/Audits  
Historically Underutilized Businesses (HUB)  
Budgeting and Reporting  
Licensing application and registrations  
Drug Testing  
Compliance Administrator  
Information Technology System Development

Processes Identified as Low Overall Risk

Fixed Asset Management  
Equine Research

**IV. Internal Audit Plan**

The internal audit plan is designed to provide a review of all areas considered risky. Although the plan is structured in this manner, it should not prevent the review of areas on a more frequent basis, in the case of future restructuring or development of new processes/systems. Also, special reviews might be added in the future as requested by the Commissioners or when deemed necessary by the internal audit function after performance of in-depth review of the specific divisions/systems and approval by the Commission.

Internal audit activities will be primarily concerned with documenting, testing and evaluating each division or system’s internal control policies and procedures and the quality of performance in carrying them out. This will include reporting conditions and suggestions to management and evaluating management’s response and plans for corrective actions. Opportunities for improved efficiency identified as a result of performing internal activities will be communicated to management and the Commissioners as part of the reporting process. Internal Audit reviews for the fiscal years 2019 and 2020 are planned for the following processes/systems:

**TEXAS RACING COMMISSION**  
**Internal Audit Plan – Fiscal Years 2019 and 2020**

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<u>Fiscal Year 2019</u>	<u>Hours</u>
• Personnel Processes	140
	-----
<b>Total Hours</b>	<b>140</b>

<u>Fiscal Year 2020</u>	<u>Hours</u>
• Reporting – Key Performance Measures	160
	-----
<b>Total Hours</b>	<b>160</b>

This audit will take place from January 2019 through August 2019 and from January 2020 through August 2020 with final reporting occurring in September 2019 and September 2020, respectively. The above plan does not preclude the internal audit function from identifying and assessing risk relating to new divisions or systems added to the Agency.

These processes/systems were identified for review through risk assessment methodology. As discussed above, this methodology included personnel inquiries, identifying financial and non-financial risk, identifying interaction of divisions amongst each other, identifying rules and regulations various divisions must comply with and identifying the volume of transactions and personnel involved with each division.

**V. Reporting**

In compliance with the Texas Internal Auditing Act, the annual internal audit report will be filed with the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor, the Commissioners of the Agency, and the Agency’s Executive Director by November 1, 2019 and November 1, 2020, respectively. The annual internal audit report will be in the form specified by the State Auditor.

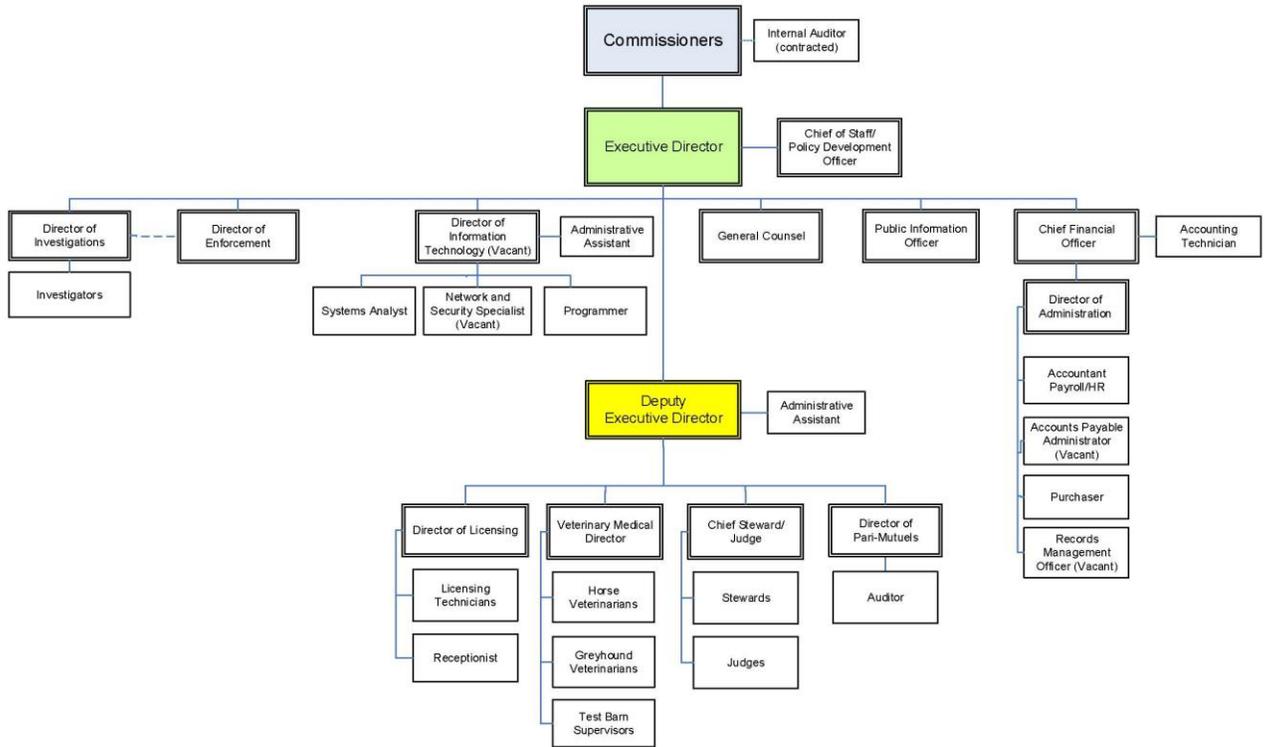
# TEXAS RACING COMMISSION

## Internal Audit Plan – Fiscal Years 2019 and 2020

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### Appendix A: Organizational Chart

TEXAS RACING COMMISSION  
Organizational Chart  
November 2018



**TEXAS RACING COMMISSION**  
**Internal Audit Plan – Fiscal Years 2019 and 2020**

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Appendix B: Risk Assessment

High = 38 and up  
Med = 30-37  
Low = less than 30

	<u>Weighed Risk</u>
Personnel Processes	39
Reporting – Key Performance Measures	39
Racing Administration	39
Cash Receipts and Fee Processing	37
Inspection Program	37
Pari-mutuel Auditing Process	37
Information Systems – Security	36
Business Continuity/Disaster Recovery	36
Complaints/Investigation Process	35
Texas Bred Incentive Programs – Associations	35
Texas Bred Incentive Programs – TxRC’s Policies and Procedures	35
Open Record Requests	34
Cash Disbursements	33
EDP Wagering Reviews/Audits	33
Historically Underutilized Businesses (HUB)	33
Budgeting and Reporting	32
Licensing Applications and Registrations	31
Drug Testing	31
Compliance Administrator	31
Information Technology System Development	30
Fixed Asset Management	28
Equine Research	28

## **IV. PROCEEDINGS ON RACETRACKS**

- A. Discussion and possible action to approve management and concession contract renewals for Retama Park

## **V. PROCEEDINGS ON RULES**

- A. Discussion and possible action to adopt:
  - 1. amendments to 16 TAC § 321.320,  
Super Hi-Five
  - 2. the repeal of 15 TAC § 311.52,  
Spouse's License
  - 3. the repeal of 16 TAC § 321.41,  
Cashing Outstanding Tickets
  - 4. the repeal of 16 TAC § 321.42,  
Cashing Outstanding Vouchers

**CHAPTER 321      PARI-MUTUEL WAGERING**  
**SUBCHAPTER C    REGULATION OF LIVE WAGERING**  
**DIVISION 2       DISTRIBUTION OF PARI-MUTUEL POOLS**  
**SECTION 321.320 SUPER HI-FIVE**

1 (a) – (c) (No change.)

2 (d) Unique winning wager [~~ticket~~] option.

3 (1) Unique wager [~~ticket~~], as used in this subsection, shall be defined as having  
4 occurred when there is one and only one winning wager [~~ticket~~] whose combination  
5 finished in correct sequence as the first five betting interests based upon the official  
6 order of finish and is equal to the minimum allowable wager, ~~to be verified by the~~  
7 ~~unique serial number assigned by the totalisator company that issued the winning~~  
8 ~~ticket~~]. In the event that there is more than one winning wager [~~ticket~~] whose  
9 combination finished in correct sequence as the first five betting interests, a unique  
10 winning wager [~~ticket~~] shall be deemed to not have occurred.

11 (2) If an association elects to offer the unique winning wager [~~ticket~~] option, the net  
12 super hi-five pool shall be distributed to winning wagers in the following order of  
13 precedence, based on the official order of finish:

14 (A) as a single price pool, including any applicable carry-over, to the holder of a  
15 unique winning wager [~~ticket~~] whose combination finished in correct sequence as the  
16 first five betting interests, but if there is no such unique winning wager [~~ticket~~], then

17 (B) the net pool shall be divided into two separate pools. The major pool of the net  
18 pool shall be paid as a carryover into the next regularly scheduled super hi-five pool.  
19 The remaining minor pool shall be paid as a super hi-five consolation pool, which shall  
20 be equally divided among those wager [~~ticket~~] holders who correctly select the first five  
21 interests in order, but if there are no such wagers, then

22 (C) the entire net pool shall be carried over into the next regularly scheduled super hi-  
23 five pool.

24 (3) The association shall specify the minimum monetary amount of a unique winning  
25 [~~ticket~~] wager with prior approval of the executive secretary.

26 (4) Prior to the start of the race meet, the association shall specify the percentages for  
27 a major and minor pool with prior approval of the executive secretary.

28 (5) A written request to distribute the super hi-five pool plus any carryover on a specific  
29 date and performance may be submitted by the association to the executive secretary  
30 for approval. The request must be for a specified date no greater than one year from the  
31 date the request is submitted and contain justification for the distribution, an explanation  
32 of the benefit to be derived, and the intended date and performance for the distribution.  
33 Should the super hi-five net pool and any applicable carryover be designated for  
34 distribution on a specified date and performance in which there is no unique winning  
35 wager [~~ticket~~], the entire pool shall be distributed using the method described in  
36 subsection (i) of this section.

37 (6) Unless otherwise stated in writing by the Commission under paragraph (5) of this  
38 subsection, on the last super hi-five race on the final day of the meeting, the net pool,  
39 including any applicable carryover, shall be distributed using the method described in  
40 subsection (i) of this section.

41 (e) – (m) (No change.)

**CHAPTER 311      OTHER LICENSES**

**SUBCHAPTER A    LICENSING PROVISIONS**

**DIVISION 2        OTHER LICENSES**

**~~[SECTION 311.52 SPOUSE'S LICENSE]~~**

- 1 ~~[The spouse of a licensed owner may apply for a Spouse's License by completing the~~
- 2 ~~license application, a fingerprint card, and paying the license fee. The Spouse's License~~
- 3 ~~does not allow the spouse to participate in racing.]~~

**CHAPTER 321 PARI-MUTUEL WAGERING**

**SUBCHAPTER A MUTUEL OPERATIONS**

**DIVISION 3 MUTUEL TICKETS AND VOUCHERS**

1 ~~**[SECTION 321.41 CASHING OUTSTANDING TICKETS]**~~

2 ~~[(a) For purposes of this section, an outstanding ticket is one that was purchased for a~~  
3 ~~race held at least 21 days before the date the ticket is presented for payment.~~

4 ~~(b) An association shall designate one ticket window where a patron must cash an~~  
5 ~~outstanding ticket. If the association needs more than one window, the association must~~  
6 ~~submit a written request for approval from the executive secretary for additional~~  
7 ~~windows.~~

8 ~~(c) The association may not permit an outstanding ticket to be cashed at a ticket window~~  
9 ~~other than a designated window.]~~

10

11 ~~**[SECTION 321.42 CASHING OUTSTANDING VOUCHERS]**~~

12 ~~[(a) For purposes of this section, an outstanding voucher is one that was issued at least~~  
13 ~~21 days before the date the voucher is presented for payment.~~

14 ~~(b) An association shall designate one mutuel window where a patron must cash an~~  
15 ~~outstanding voucher. If the association needs more than one window, the association~~  
16 ~~must submit a written request for approval from the executive secretary for additional~~  
17 ~~windows.~~

18 ~~(c) The association may not permit an outstanding voucher to be cashed at a mutuel~~  
19 ~~window other than a designated window.]~~

## **V. PROCEEDINGS ON RULES**

### **B. Discussion and possible action to propose:**

1. amendments to 16 TAC § 313.103, Eligibility Requirements
2. amendments to 16 TAC § 303.102, Greyhound Rules
3. amendments to 16 TAC § 301.1, Definitions
4. amendments to 16 TAC § 303.1, Purpose
5. amendments to 16 TAC § 303.95, Races for Accredited Texas-Bred Horses
6. amendments to 16 TAC § 321.321, Fortune Pick (n)
7. new 16 TAC § 303.44, Oversight of Use of Funds Generated by Pari-Mutuel Racing

Chapter 313. Officials and Rules of Horse Racing  
Subchapter B. Entries, Scratches, and Allowances  
313.103. Eligibility Requirements.

- 1 (a) – (g) (No change.)
- 2 (h) To be eligible to start in a race, a horse must be properly tattooed and/or
- 3 microchipped and the horse's registration certificate, or certificates if dually registered,
- 4 showing the tattoo number or microchip number of the horse must be on file with the
- 5 racing secretary before scratch time for the race, unless the stewards authorize the
- 6 certificate or certificates to be filed at a later time.

**TEXAS RACING COMMISSION  
COMMITTEE ON RULES**

Date of Request: 11/09/18

***Request for Proposed Change to an Existing Rule or  
Addition of a New Rule to the Rules of Racing***

Please submit this information to the attention of the Executive Director *at least 14 days* in advance of the next scheduled Committee on Rules meeting. An electronic form is available to assist in your submission or feel free to add additional pages as necessary in order to provide as much detail as possible. Filing this request does not guarantee that your proposal will be considered by the Committee on Rules, and failure to complete all sections may delay consideration of your request.

Texas Racing Commission  
8505 Cross Park Drive, Suite 110  
Austin, TX 78754-4552  
Phone: 512/833-6699 Fax: 512-833-6907  
email: [info@txrc.texas.gov](mailto:info@txrc.texas.gov)

**Contact Information:**

Name:	David Peck		
Phone Number:	(254) 592-3813	Fax number:	(254) 968-0908
Mailing address:	2274 PR 935 Stephenville, TX 76401		

Check appropriate box(es):

Personal Submission *OR*  
 Submission on Behalf of Texas Greyhound Association  
(Name of Organization)

Proposed Change to (if known): Chapter: 303 Rule: 102(b) (4)  
 Proposed Addition to (if known): Chapter: \_\_\_\_\_ Rule: \_\_\_\_\_

Other Rules Affected by Proposal (if any): Chapter: \_\_\_\_\_ Rule: \_\_\_\_\_  
 Chapter: \_\_\_\_\_ Rule: \_\_\_\_\_

Statutory Authority for Proposed Change: \_\_\_\_\_

**A. Summary of the Issue and Proposed Solution**

1. Summarize the issue. Address the following:

- What specific problems or concerns are involved in this issue?
- Do any existing model rules (such as from ARCI) relate to this issue?

The current rule on Texas-bred owner awards makes it possible for the owner of a greyhound which finishes last to collect a share of the Texas-bred award. The proposed rule will provide participation in the Texas-bred award to only those owning Texas-bred among the top four finishers.

There are no existing model rules relevant to this issue.

2. Summarize proposed solution(s). Address the following:

- How will the solution fix the problem?
- What are the benefits of the proposed change?
- What are the possible drawbacks of the proposed change?

The purpose of the Texas-bred owner award is to encourage breeding and development of greyhounds in Texas by rewarding outstanding performance. The present rule was drafted with the understanding that all greyhounds participating in the race would be Texas-bred. While this occurred in the initial racing following adoption of the rule, it has been disregarded in the subsequent racing season when there was only nominal concern for inclusion of Texas-bred. As a result, Texas-bred hounds could trail the field and still earn an owner award. The proposed change will provide owner awards only to those also eligible for point awards paid to the first through fourth finishers.

**B. Impact of Proposal**

Please answer the following questions to the best of your ability. Explain all “yes” answers below.

1. Is this change likely to have any fiscal impact on state or local government over the next five years?
2. Is there likely to be any cost to persons or businesses required to comply with the change?
3. Is the change likely to result in the creation or elimination of a government program?
4. Is the change likely to create any new employee positions or eliminate any existing employee positions within the Texas Racing Commission?
5. Is the change likely to require an increase or decrease in future legislative appropriations to the agency?
6. Is the change likely to require a substantial increase or decrease in the total amount of fees paid to the agency?
7. Does the change create any new regulations or expand any existing regulations?
8. Is the change likely to increase the number of individuals subject to the rule's applicability?
9. Is the change likely to have an impact on the Texas economy?

Yes	No
<input type="checkbox"/>	<input checked="" type="checkbox"/>

- 10. Is the change likely to have a negative economic effect on small businesses?
- 11. Is the change likely to have a negative impact on micro-businesses (independently owned businesses with no more than 20 employees)?
- 12. Is the change likely to have a negative impact on the local economy?
- 13. Is the change likely to have a negative impact on rural communities (communities with a population of less than 25,000)?
- 14. Is the change likely to have a negative impact on employment conditions in Texas?
- 15. Is the change likely to restrict, limit, or impose a burden an owner's right to his or her private real property?

	X
	X
	X
	X
	X
	X

16. Explain any "yes" answers, including estimates of cost where appropriate.

17. If you answered "yes" to any questions above, is there another way to achieve the same goal that would not result in a "yes" answer?

18. What is the anticipated public benefit of this change?

Rewarding performance and not mere participation should encourage commitment to better breeding and development.

**D. Support or Opposition**

Please identify any affected stakeholder groups that expressed support or opposition. (These stakeholders may include the racetracks, breed registries, owners, kennel owners, trainers, jockeys, veterinarians, members of the public, or others.)

- For those stakeholder groups that have expressed an opinion, please state their opinion(s) and submit any formal letters of support or opposition.
- Are there any affected stakeholder groups that have not been consulted on this proposal?

The Texas Greyhound Association board of directors is unanimous in support for the proposed rule change. The TGA is not aware of any opposition to this proposal.

## Proposal

Provide rule language you are proposing. Please show any language to be added with underlined text (example: new text) and any current rule language to be eliminated in brackets with strikethroughs (example: [~~text to be deleted~~]). To substitute text, show the new text first (example: new text [~~old text~~]).

(1) The owner of a registered Texas-bred greyhound is eligible to receive an owner's award if the greyhound is among the first four ~~Texas-bred~~ greyhounds to finish a pari-mutuel race in Texas. For purposes of this subdivision, each elimination and final in a stakes race competition is considered a pari-mutuel race. A dead heat for any position is considered a placement in that position for each greyhound involved in the dead heat.

(4) Owners' awards for each live race during a month shall be paid out as follows:

(A) [~~First Texas-bred greyhound—~~] each Texas-bred greyhound finishing first [~~finish for first among Texas-bred greyhounds that compete~~] in a Texas pari-mutuel race shall receive an equal share of 50% of the award funds available under paragraph (3) of this subsection; [-]

(B) [~~Second Texas-bred greyhound—~~] each Texas-bred greyhound finishing second [~~finish for second among Texas-bred greyhounds that compete~~] in a Texas pari-mutuel race shall receive an equal share of 25% of the award funds available under paragraph (3) of this subsection; [-]

(C) [~~Third Texas-bred greyhound—~~] each Texas-bred greyhound finishing third [~~finish for third among Texas-bred greyhounds that compete~~] in a Texas pari-mutuel race shall receive an equal share of 15% of the award funds available under paragraph (3) of this subsection; and [-]

(D) [~~Fourth Texas-bred greyhound—~~] each Texas-bred greyhound finishing fourth [~~finish for fourth among Texas-bred greyhounds that compete~~] in a Texas pari-mutuel race shall receive an equal share of 10% of the award funds available under paragraph (3) of this subsection.

Chapter 303. General Provisions

Subchapter D. Texas Bred Incentive Programs

Division 3. Programs for Greyhounds

303.102. Greyhound Rules.

1 (a) (No change.)

2 (b) Owners' Awards.

3 (1) The owner of a registered Texas-bred greyhound is eligible to receive an owner's  
4 award if the greyhound is among the first four [~~Texas-bred~~] greyhounds to finish a pari-  
5 mutuel race in Texas. For purposes of this subdivision, each elimination and final in a  
6 stakes race competition is considered a pari-mutuel race. A dead heat for any position  
7 is considered a placement in that position for each greyhound involved in the dead heat.

8 (2) TGA will pay owners' awards no later than the last business day of each month  
9 for the previous month's awards. TGA will issue the check for each award to the person  
10 in whose name the Texas-bred greyhound is registered.

11 (3) Determination of Available Award Funds. Available owners' awards for each  
12 month are composed of the sum of the following two amounts:

13 (A) the total amount of money received from the Commission for the Texas Bred  
14 Incentive Program for the period between the dates that the last Texas greyhound meet  
15 ended and the current Texas greyhound meet began, minus the statutorily permitted  
16 amount for administrative expenses, multiplied by the ratio of the live pari-mutuel races  
17 proposed for the month to the number of live pari-mutuel races proposed in the current  
18 greyhound meet; and

19 (B) the total amount of money received from the Commission for the Texas Bred  
20 Incentive Program during the current greyhound meet for the month, minus the  
21 statutorily permitted amount for administrative expenses.

22 (4) Owners' awards for each live race during a month shall be paid out as follows:

23 (A) [~~First Texas-bred greyhound—~~] each Texas-bred greyhound **finishing first**  
24 [~~finish for first among Texas-bred greyhounds that compete~~] in a Texas pari-mutuel race  
25 shall receive an equal share of 50% of the award funds available under paragraph (3) of  
26 this subsection; [-]

27 (B) [~~Second Texas-bred greyhound—~~] each Texas-bred greyhound **finishing**  
28 **second** [~~finish for second among Texas-bred greyhounds that compete~~] in a Texas

Chapter 303. General Provisions

Subchapter D. Texas Bred Incentive Programs

Division 3. Programs for Greyhounds

303.102. Greyhound Rules.

29 pari-mutuel race shall receive an equal share of 25% of the award funds available under  
30 paragraph (3) of this subsection; [.]

31 (C) [~~Third Texas-bred greyhound~~] each Texas-bred greyhound **finishing third**  
32 [~~finish for third among Texas-bred greyhounds that compete~~] in a Texas pari-mutuel  
33 race shall receive an equal share of 15% of the award funds available under paragraph  
34 (3) of this subsection; **and** [.]

35 (D) [~~Fourth Texas-bred greyhound~~] each Texas-bred greyhound **finishing**  
36 **fourth** [~~finish for fourth among Texas-bred greyhounds that compete~~] in a Texas pari-  
37 mutuel race shall receive an equal share of 10% of the award funds available under  
38 paragraph (3) of this subsection.

39 (5) – (8) (No change.)

40 (c) – (d) (No change.)

1 CHAPTER 301. DEFINITIONS

2 301.1. Definitions.

3 (a) Words and terms defined in the Act shall have the same meaning when used in this  
4 part unless otherwise defined below.

5 (b) The following words and terms, when used in this part, shall have the following  
6 meanings, unless the context clearly indicates otherwise:

7 (1) Act--The Texas Racing Act, Subtitle A-1, Title 13, Texas Occupations Code [~~Article~~  
8 ~~179e, Texas Civil Statutes~~].

9 (2) – (92) (No change.)

10

11

12 CHAPTER 303. GENERAL PROVISIONS

13 SUBCHAPTER A. ORGANIZATION OF THE COMMISSION

14 303.1. Purpose.

15 (a) The Texas Racing Commission [~~created by the Texas Racing Act, Texas Civil~~  
16 ~~Statutes, Article 179e,~~] is charged with implementing, administering, and enforcing the Act.  
17 It is the intent of the commission that the rules of the commission be interpreted in the best  
18 interests of the public and the state.

19 (b) (No change.)

20

21

22 CHAPTER 303. GENERAL PROVISIONS

23 SUBCHAPTER D. TEXAS BRED INCENTIVE PROGRAMS

24 DIVISION 2. PROGRAMS FOR HORSES

25 303.95. Races for Accredited Texas-Bred Horses.

26 [~~The commission finds that, pursuant to the Texas Racing Act, Texas Civil Statutes, Article~~  
27 ~~179e, §9.03, on] On each race day, an association shall provide for the running of at least  
28 two races limited to accredited Texas-bred horses, one of which shall be restricted to  
29 maidens. An association may defer, with the approval of the executive secretary, the  
30 running of one or both of the two races required by this section for each race day, but the  
31 association must provide that the total number of accredited Texas-bred races conducted  
32 in a race meeting is equal to or greater than twice the total number of race dates in the  
33 race meeting.~~

**TEXAS RACING COMMISSION  
COMMITTEE ON RULES**

Date of Request: 11/10/2018

***Request for Proposed Change to an Existing Rule or  
Addition of a New Rule to the Rules of Racing***

Please submit this information to the attention of the Executive Director *at least 14 days* in advance of the next scheduled Committee on Rules meeting. An electronic form is available to assist in your submission or feel free to add additional pages as necessary in order to provide as much detail as possible. Filing this request does not guarantee that your proposal will be considered by the Committee on Rules, and failure to complete all sections may delay consideration of your request.

Texas Racing Commission  
8505 Cross Park Drive, Suite 110  
Austin, TX 78754-4552  
Phone: 512/833-6699 Fax: 512-833-6907  
email: [info@txrc.texas.gov](mailto:info@txrc.texas.gov)

**Contact Information:**

Name:	Carl Reeves		
Phone Number:	972-237-5088	Fax number:	972-237-5022
Mailing address:	1000 Lone Star Parkway, Grand Prairie, TX 75050		

Check appropriate box(es):

Personal Submission *OR*

Submission on Behalf of Lone Star Park at Grand Prairie  
(Name of Organization)

Proposed Change to (if known): Chapter: \_\_\_\_\_ Rule: \_\_\_\_\_

Proposed Addition to (if known): Chapter: 321 Rule: 321 (g)

Other Rules Affected by Proposal (if any): Chapter: \_\_\_\_\_ Rule: \_\_\_\_\_

Chapter: \_\_\_\_\_ Rule: \_\_\_\_\_

Statutory Authority for Proposed Change: \_\_\_\_\_

**A. Summary of the Issue and Proposed Solution**

1. Summarize the issue. Address the following:
  - What specific problems or concerns are involved in this issue?
  - Do any existing model rules (such as from ARCI) relate to this issue?

**Increase interest in the Fortune Pick (n) pool by aligning with other established race tracks in the way we treat the carryover and minor pool. In the event that there is not a ticket with every Fortune Pick (n) winner (i.e. six-out-of-six), we would like to have 100% of the pool carried over. This will increase carryover amounts, and subsequently, increase interest leading to a correlated increase in handle.**

2. Summarize proposed solution(s). Address the following:
  - How will the solution fix the problem?
  - What are the benefits of the proposed change?
  - What are the possible drawbacks of the proposed change?

**We would like to give Texas associations the option to eliminate the payout of partial winners (less than six-out-of-six, etc.) in order to enhance the carryover amounts and engender larger handle numbers for Fortune Pick (n) wagers.**

**B. Impact of Proposal**

Please answer the following questions to the best of your ability. Explain all “yes” answers below.

1. Is this change likely to have any fiscal impact on state or local government over the next five years?
2. Is there likely to be any cost to persons or businesses required to comply with the change?
3. Is the change likely to result in the creation or elimination of a government program?
4. Is the change likely to create any new employee positions or eliminate any existing employee positions within the Texas Racing Commission?
5. Is the change likely to require an increase or decrease in future legislative appropriations to the agency?
6. Is the change likely to require a substantial increase or decrease in the total amount of fees paid to the agency?
7. Does the change create any new regulations or expand any existing regulations?
8. Is the change likely to increase the number of individuals subject to the rule's applicability?
9. Is the change likely to have an impact on the Texas economy?
10. Is the change likely to have a negative economic effect on small businesses?
11. Is the change likely to have a negative impact on micro-businesses (independently owned businesses with no more than 20 employees)?
12. Is the change likely to have a negative impact on the local economy?
13. Is the change likely to have a negative impact on rural communities (communities with a population of less than 25,000)?
14. Is the change likely to have a negative impact on employment conditions in Texas?
15. Is the change likely to restrict, limit, or impose a burden an owner’s right

Yes	No
	X
	X
	X
	X
	X
	X
	X
	X
	X
	X
	X
	X
	X
	X
	X

to his or her private real property?

--	--

16. Explain any “yes” answers, including estimates of cost where appropriate.

17. If you answered “yes” to any questions above, is there another way to achieve the same goal that would not result in a “yes” answer?

18. What is the anticipated public benefit of this change?

**This will create a larger carryover, leading to increased interest, increased handle, and larger jackpot payouts.**

### C. Proposal

Provide rule language you are proposing. Please show any language to be added with underlined text (example: new text) and any current rule language to be eliminated with strikethroughs (example: ~~text to be deleted~~).

#### **Sec. 321.321 Fortune Pick (n). (subsection g)**

**(g) Fortune pick (n) with minor pool and carryover with unique wager:**

- (1) the entire net fortune pick (n) pool and carryover, if any, shall be distributed to the holder of a unique wager selecting the first place finisher in each of the selected fortune pick (n) contests, based upon the official order of finish. If there is no unique wager selecting the first place finisher in all fortune pick (n) contests, the minor share of the net fortune pick (n) pool, at the association’s discretion with approval of the executive secretary, shall ~~either~~ be distributed as a single price pool to those who selected the first place finisher in the greatest number of fortune pick (n) contests or distributed as a single price pool to those who selected the first-place finisher in all of the Pick (n) contests, based on the official order of finish; and the major share shall be added to the carryover;**
- (2) if the fortune pick (n) minor pool cannot be distributed in accordance with paragraph (1) of this subsection, the minor pool shall be combined with the major pool and added to the previous day’s carryover. The entire pool plus carryover shall be carried forward to the next fortune pick (n) pool.**

### D. Support or Opposition

Please identify any affected stakeholder groups that expressed support or opposition. (These stakeholders may include the racetracks, breed registries, owners, kennel owners, trainers, jockeys, veterinarians, members of the public, or others.)

- For those stakeholder groups that have expressed an opinion, please state their opinion(s) and submit any formal letters of support or opposition.
- Are there any affected stakeholder groups that have not been consulted on this proposal?

**The reasons for changing this are listed above, and there has been no opposition to a possible change.**

**TEXAS RACING COMMISSION  
COMMITTEE ON RULES**

Date of Request: 11/10/2018

***Request for Proposed Change to an Existing Rule or  
Addition of a New Rule to the Rules of Racing***

Please submit this information to the attention of the Executive Director *at least 14 days* in advance of the next scheduled Committee on Rules meeting. An electronic form is available to assist in your submission or feel free to add additional pages as necessary in order to provide as much detail as possible. Filing this request does not guarantee that your proposal will be considered by the Committee on Rules, and failure to complete all sections may delay consideration of your request.

Texas Racing Commission  
8505 Cross Park Drive, Suite 110  
Austin, TX 78754-4552  
Phone: 512/833-6699 Fax: 512-833-6907  
email: [info@txrc.texas.gov](mailto:info@txrc.texas.gov)

**Contact Information:**

Name:	Carl Reeves		
Phone Number:	972-237-5088	Fax number:	972-237-5022
Mailing address:	1000 Lone Star Parkway, Grand Prairie, TX 75050		

Check appropriate box(es):

Personal Submission *OR*  
 Submission on Behalf of Lone Star Park at Grand Prairie  
(Name of Organization)

Proposed Change to (if known): Chapter: \_\_\_\_\_ Rule: \_\_\_\_\_  
 Proposed Addition to (if known): Chapter: 321 Rule: 321 (n.)

Other Rules Affected by Proposal (if any): Chapter: \_\_\_\_\_ Rule: \_\_\_\_\_  
 Chapter: \_\_\_\_\_ Rule: \_\_\_\_\_

Statutory Authority for Proposed Change: \_\_\_\_\_

**A. Summary of the Issue and Proposed Solution**

1. Summarize the issue. Address the following:

- What specific problems or concerns are involved in this issue?
- Do any existing model rules (such as from ARCI) relate to this issue?

**In the 2018 Spring Thoroughbred meet at Lone Star Park, the final weekend of racing was cancelled due to extreme heat. The carryover for the Fortune Pick 6 (as well as the Super Hi-Five carryover) was forced to be placed in an interest-bearing account and applied to the next live racing day in the following race meeting. In Lone Star Park’s case, the next race day was our fall meeting for quarter horses, Arabian horses and other breeds dissimilar to thoroughbreds.**

**Our typical patron for the spring and fall meets differ greatly. Even though this was an extremely rare case of heat causing racing to be cancelled, Lone Star Park would like to add the option to choose the most similar live racing meet to apply any remaining carryover. For example, if the final day(s) of Lone Star’s 2019 thoroughbred meet were to be cancelled again, it would be beneficial if there was an option to apply the remaining carryover to the 2020 thoroughbred meet.**

2. Summarize proposed solution(s). Address the following:

- How will the solution fix the problem?
- What are the benefits of the proposed change?
- What are the possible drawbacks of the proposed change?

**Again, this is a very rare scenario, but we have obviously seen it is possible with Texas’ weather extremes. We do not necessarily want to change the rule, just add the option to select an appropriate meet to make it more equitable to our customer base. Many of the “regular” patrons during Lone Star Park’s thoroughbred season would not have the opportunity to wager on a similar racing product and possibly win the carryover to which they contributed to during the thoroughbred season if it is applied to the quarter horse season.**

**B. Impact of Proposal**

Please answer the following questions to the best of your ability. Explain all “yes” answers below.

1. Is this change likely to have any fiscal impact on state or local government over the next five years?
2. Is there likely to be any cost to persons or businesses required to comply with the change?
3. Is the change likely to result in the creation or elimination of a government program?
4. Is the change likely to create any new employee positions or eliminate any existing employee positions within the Texas Racing Commission?
5. Is the change likely to require an increase or decrease in future legislative appropriations to the agency?
6. Is the change likely to require a substantial increase or decrease in the total amount of fees paid to the agency?
7. Does the change create any new regulations or expand any existing regulations?

Yes	No
	X
	X
	X
	X
	X
	X
	X

- 8. Is the change likely to increase the number of individuals subject to the rule's applicability?
- 9. Is the change likely to have an impact on the Texas economy?
- 10. Is the change likely to have a negative economic effect on small businesses?
- 11. Is the change likely to have a negative impact on micro-businesses (independently owned businesses with no more than 20 employees)?
- 12. Is the change likely to have a negative impact on the local economy?
- 13. Is the change likely to have a negative impact on rural communities (communities with a population of less than 25,000)?
- 14. Is the change likely to have a negative impact on employment conditions in Texas?
- 15. Is the change likely to restrict, limit, or impose a burden an owner's right to his or her private real property?

	X
	X
	X
	X
	X
	X
	X
	X

16. Explain any “yes” answers, including estimates of cost where appropriate.

17. If you answered “yes” to any questions above, is there another way to achieve the same goal that would not result in a “yes” answer?

18. What is the anticipated public benefit of this change?

**Season-specific patrons would have an equitable chance to win a carryover to which they contributed to in a given season.**

**C. Proposal**

Provide rule language you are proposing. Please show any language to be added with underlined text (example: new text) and any current rule language to be eliminated with strikethroughs (example: ~~text to be deleted~~).

**Sec. 321.321 Fortune Pick (n). Subsection (n)**

**If the final or designated mandatory payoff performance is canceled or the major pool has not been distributed, the major pool shall be deposited in an interest-bearing account approved by the executive secretary. The major pool plus all accrued interest shall then be carried over and included in a major pool offered on one of the first five days of the next subsequent race meeting on the next performance after the undistributed mandatory payout performance or one of the first five days of the next most similar race meeting based on animal breed, as approved by the executive secretary.**

**D. Support or Opposition**

Please identify any affected stakeholder groups that expressed support or opposition. (These stakeholders may include the racetracks, breed registries, owners, kennel owners, trainers, jockeys, veterinarians, members of the public, or others.)

- For those stakeholder groups that have expressed an opinion, please state their opinion(s) and submit any formal letters of support or opposition.
- Are there any affected stakeholder groups that have not been consulted on this proposal?

**The reasons for changing this are listed above, and there has been no opposition to a possible change.**

Chapter 321.321. Pari-Mutuel Wagering  
Subchapter C. Regulation of Live Wagering  
Division 2. Distribution of Pari-Mutuel Pools  
321.321. Fortune Pick (n)

1 (a) – (g) (No change.)

2 (h) If the association elects to designate the major pool at one hundred percent (100%)  
3 and the minor pool at zero percent (0%), the entire net fortune pick (n) pool and  
4 carryover, if any, shall be distributed to the holder of a unique wager selecting the first  
5 place finisher in each of the selected fortune pick (n) contests, based upon the official  
6 order of finish. If there is no unique wager selecting the first place finisher in all fortune  
7 pick (n) contests, the entire pool shall be combined with the previous day's carryover.  
8 The entire pool plus carryover shall be carried forward to the next fortune pick (n) pool.

9 (i) Unique wager, as used in this rule, shall be defined as having occurred when the  
10 total amount wagered on a winning combination selecting the first place finisher in each  
11 of the selected fortune pick (n) contests, based upon the official order of finish, is equal  
12 to the minimum allowable wager.

13 (j) [(+)] If there is a dead heat for first in any of the fortune pick (n) contests involving:

14 (1) Contestants representing the same betting interest, the fortune pick (n) pool shall  
15 be distributed as if no dead heat occurred.

16 (2) Contestants representing two or more betting interests, the fortune pick (n) pool  
17 shall be distributed as a single price pool with each unique winning wager receiving an  
18 equal share of the profit.

19 (k) [(+)] Should a betting interest in any of the fortune pick (n) contests be scratched,  
20 excused, or determined to be a non-starter, the actual favorite, as shown by the largest  
21 amount wagered in the win pool at the time of the start of the race, will be substituted for  
22 the non-starting selection for all purposes, including pool calculations and payoffs. If  
23 there are two or more favorites in the win pool, both favorites will be substituted for the  
24 non-starting selection.

25 (l) [(k)] Except as otherwise provided by this subsection, if one or more races in the  
26 fortune pick (n) are canceled or declared a "no race", the amount contributed to the  
27 major pool for that performance shall be added to the minor pool for that performance

28 and distributed as an extra amount in the minor pool to the holders of the tickets that  
29 designate the most winners in the remaining races. All contributions to the major pool  
30 from prior performances shall remain in the major pool, to be carried forward to the next  
31 performance to be paid in the major pool for that performance. If the stewards or racing  
32 judges cancel or declare a "no race" in three or more of the races comprising a fortune  
33 pick six, seven, or eight, four or more of the races comprising the fortune pick nine, or  
34 five or more of the races comprising the fortune pick 10, the fortune pick (n) is canceled  
35 and the association shall refund all fortune pick (n) tickets. A person may not win the  
36 major pool unless the person holds a fortune pick (n) ticket that correctly designates the  
37 official winners of all the scheduled races comprising the fortune pick (n) for that  
38 performance unless it is on the last performance of the race meeting or a designated  
39 mandatory payout performance. On the last performance of a race meeting or on a  
40 designated mandatory payout performance, if one or more races comprising the fortune  
41 pick (n) are canceled or declared a "no race", the major pool and the minor pool for that  
42 performance shall be combined with the prior performance major pool and be paid to  
43 those holders of tickets who correctly designated the most winners of the remaining  
44 races of the fortune pick (n). If on the last performance of the race meeting or on a  
45 designated mandatory payout performance the major pool and the minor pool cannot be  
46 distributed in accordance with this subsection then the major and minor pool shall be  
47 handled in accordance with subsection (n) of the section.

48 (m) [~~(+)~~] When the condition of the turf course warrants a change of racing surface in any  
49 of the races open to fortune pick (n) wagering, and such change has not been made  
50 known to the betting public prior to the close of wagering for the first fortune pick (n)  
51 race, the Stewards shall declare the changed races a "no contest" for fortune pick (n)  
52 wagering purposes and the pool shall be distributed in accordance with subsection (k)  
53 of this section. Following the designation of a race as a "no contest", no tickets shall be  
54 sold selecting a horse in such "no contest" race.

55 (n) [~~(+)~~] If on the last performance of the race meeting or on a designated mandatory  
56 payout performance the major pool is not distributable under subsection (g) or (h) of this  
57 section, the major pool and all money carried forward into that pool from previous  
58 performances shall be combined with the minor pool and distributed to the holders of

59 tickets correctly designating the most winners of the races comprising the fortune pick  
60 (n) for that performance.

61 (o) [~~(n)~~] If the final or designated mandatory payoff performance is canceled or the  
62 [~~major~~] pool has not been distributed in accordance with this section, the [~~major~~] pool  
63 shall be deposited in an interest-bearing account approved by the executive secretary.  
64 The [~~major~~] pool plus all accrued interest shall then be carried over and added to a  
65 fortune pick (n) [included in a major] pool with the same number of (n) contests in a  
66 subsequent race meeting within the following twelve months, on a date and  
67 performance designated by the association with the approval of [~~offered on one of the~~  
68 ~~first five days of the next subsequent race meeting or on the next performance after the~~  
69 ~~undistributed mandatory payout performance, as approved by]~~ the executive secretary.  
70 The designation of the date and performance must be made prior to the start of the  
71 association's next live racing meet.

72 (p) [~~(e)~~] Except for refunds required by this section, a fortune pick (n) ticket may not be  
73 sold, exchanged, or canceled after the close of wagering on the first of the fortune pick  
74 (n) races.

75 (q) [~~(p)~~] A person may not disclose the number of tickets sold in the fortune pick (n) pool  
76 or the number or amount of tickets selecting winners of the races comprising the fortune  
77 pick (n) until the results of the last race comprising the fortune pick (n) are official. The  
78 totalisator equipment shall be programmed or constructed to suppress the publication or  
79 printing of any such information, except the total number of dollars wagered in the  
80 fortune pick (n), until the results of the last race comprising the fortune pick (n) are  
81 official.

Chapter 303. General Provisions

Subchapter B. Powers and Duties of the Commission

303.44. Oversight of Use of Funds Generated by Pari-Mutuel Racing.

- 1 The commission may suspend or withhold funds from an organization:
- 2     (1) that it determines has failed to comply with the requirements or performance
- 3 measures adopted under Section 2028.001, Tex. Occ Code; or
- 4     (2) for which material questions on the use of funds by the organization are raised
- 5 following an independent audit or other report to the commission.

[Note: Section 2028.001, Tex. Occ. Code, effective April 1, 2019, replaces Section 6.092(a), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), which was codified in S.B. 1969 (85<sup>th</sup> Regular Legislative Session, 2017).

## **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**