

**ANNUAL REPORT**  
**2019**

**— TEXAS —**  
**RACING COMMISSION**



**January 31, 2020**

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

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# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

## TEXAS RACING COMMISSION

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January 31, 2020

The Honorable Greg Abbott  
Governor of the State of Texas  
State Capitol, Room 200  
Austin, Texas 78701

Dear Governor Abbott:

On behalf of my fellow Commissioners and staff, I am pleased to submit the Texas Racing Commission's (TxRC) 2019 Annual Report in accordance with Section 2023.061 of the Texas Racing Act, (Subtitle A-1, Title 13, Texas Occupations Code). The Annual Report covers the operations of the Commission over the last calendar year and describes the condition of horse and greyhound racing and breeding as we begin calendar year 2020.

The total amount of dollars wagered at racetracks in Texas, a critical measure of the health of a jurisdiction's pari-mutuel industry, has seen a significant decline since reaching a peak of \$633.7 million in the year 2000. This decline was reversed slightly in 2004, the year in which Lone Star Park in Grand Prairie hosted the Breeders Cup. In 2005, the decline resumed and continued through 2019, when the total amount of dollars wagered at Texas racetracks was approximately \$271 million, a decrease of 5 percent from 2018. Overall, the 2019 figure represents a decrease of approximately 57 percent compared to the total amount of dollars wagered at Texas racetracks in 2000.

Obviously, horse racing in general has struggled over the same period of time, but Texas has been particularly hard hit due to the fact that our surrounding states all offer either alternative gaming and/or additional forms of pari-mutuel wagering—off-track wagering locations (OTBs) or advance deposit wagering (ADW)—to supplement purse money.

Owners and trainers go where the bigger purses are, and they've not been not finding them in Texas. Greyhound racing has faced similar and even more difficult challenges and, in fact, the greyhound meets are now much shorter, approximately 36 race dates a year, in place of what had been year-round racing just a few years ago. As a direct byproduct, the horse- and greyhound-breeding industries, and associated agricultural businesses have also suffered.

-more-

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

## TxRC 2019 Annual Report – Page 2

Perhaps the most significant challenge facing the Texas Racing Commission over the last several years and continuing through the first nine months of calendar year 2019, was related to the agency's method of funding. Prior to Sept. 1, 2019, the Texas Racing Act specified that the agency's funding be provided by fees from the racetracks and occupational licensees. This funding method directly tied the viability of the Commission, and thus its ability to regulate horse and greyhound racing, to the viability of the industry and the industry's ability and willingness to continue payment of the licensing fees.

However, legislation passed by the 86<sup>th</sup> Texas Legislature, specifically HB 1995 and HB 2463, is likely to have a significant positive impact on the state's pari-mutuel racing industry.

In short, HB 1995 effective Sept. 1, 2019, redirects the simulcast tax (approximately \$2.8 million in FY 2018) from General Revenue to TxRC, thereby providing an additional revenue source for the Commission and less of a burden on the track licensees, while HB 2463, also effective Sept. 1, 2019, allocates up to \$50 million per biennium of the sales tax related to the purchase of horse feed, tack, supplements, etc. to a Horse Industry Escrow Account (previously the Escrowed Purse Account) to be used for horse-racing purses and events to support the horse industry.

Though this legislation went into effect on Sept. 1, 2019, it is likely to take at least until the end of FY 2021 before the full and true impact of the changes will even begin to be apparent. In the interim, if as expected, the health of the industry improves and more Texas trainers and race animal owners return to the state, TxRC staff will likely face new challenges to successfully achieving its mission. Regardless, the Commission and agency staff remain committed to performing their responsibilities in strict compliance with state laws and conducting TxRC's regulatory activities in a fair, consistent, efficient and courteous manner.

Respectfully submitted,



John T. Steen III  
Chairman

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January 31, 2020

The Honorable Greg Abbott  
Governor of the State of Texas  
State Capitol, Room 200  
Austin, Texas 78701

Dear Governor Abbott:

I respectfully submit the Commission's 2019 Annual Report.

The Commission regulates a complex industry that operates seven days a week, 365 days a year. Our Commissioners give time and energy, and, based on a wealth of professional and business expertise, provide quality leadership. Their contributions are invaluable.

I highly commend my staff. Agency employees work long hours in a highly regulated industry and do so with an ultimate sense of teamwork. We all remain determined and dedicated to protecting the broad public interest and integrity, as well as the health, safety and welfare of all involved in racing.

On behalf of the Commissioners and agency staff, I thank the Texas Department of Public Safety and the Texas Department of Agriculture as each consistently provides critical assistance in regulating the pari-mutuel industry. These state agency partnerships effectively demonstrate the benefits derived from coordinated efforts and resources.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Trout", is written over a white background.

Chuck Trout  
Executive Director

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

## **THE COMMISSION**

The Texas Legislature created the Texas Racing Commission in 1986 to be the state agency responsible for overseeing and regulating pari-mutuel horse and greyhound racing in Texas. The Commission functions pursuant to authority granted in the Texas Racing Act, Vernon's Texas Civil Statutes, Art. 179e.

## **MISSION**

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

## **PHILOSOPHY**

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

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## THE COMMISSIONERS

Of the nine board members, the governor appoints seven with the advice and consent of the Texas Senate. Two commissioners, the Commissioner of the Department of Agriculture and the Chair of the Public Safety Commission, are ex-officio members. The seven non-salaried commissioners serve overlapping six-year terms.

Of the seven appointees, five represent the public and have general knowledge of business or agribusiness. One may be a veterinarian. One member must have experience or special knowledge of greyhound racing and one must have experience or special knowledge of horse racing. The governor designates the Commission's chairman. The nine members elect a vice chair for a two-year term.

In April 2019, Gov. Greg Abbott appointed Arvel "A.J." Wright to the Commission for a term set to expire February 1, 2021. Additionally, the Governor appointed Robert C. Pate and Michael "Mike" Moore for terms set to expire on February 1, 2023.

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

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## AGENCY OVERVIEW

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

- License racetracks that offer racing 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 and officiate 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 Program, which provides economic incentives to support the horse and greyhound breeding industry in the state.

## Texas Racetracks





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### **ORGANIZATIONAL STRUCTURE**

The General Appropriations Act authorized the agency to have 46.4 full-time equivalent positions (FTEs) in FY 2018 and FY 2019. The actual FTE count in FY 2018 was 36.9, and the actual FTE count in FY 2019 was 34.6.

While the Texas Racing Act requires the Commission's headquarters to be in Austin, a large number of staff members work at the operating racetracks. Many of the employees outside Austin are seasonal, working only when the racetracks conduct live racing.

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

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

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

### **FISCAL INFORMATION**

#### **BUDGET AND FINANCE**

The Commission is self-funded by the entities it regulates and is appropriated only General Revenue—dedicated funds. The agency's revenue primarily comes from fees assessed to racetracks,

occupational licensee's fees, and simulcast racing taxes. Simulcast racing tax revenue was added to the agency appropriation method of finance in the 86<sup>th</sup> Legislative Session and became effective on Sept. 1, 2019, FY 2020.

For FY 2019, the legislature appropriated approximately \$7.1 million to the Commission.

Of the \$7.1 million appropriations, \$3.8 million was appropriated to the Commission for its operations. The agency's actual operating expenditures totaled \$3.23 million, of which approximately 75 percent was salary and salary-related expenses. The total cost of employee benefits expended was \$1.01 million.

Additionally, of the \$7.1 million appropriations, a dedicated pass-through amount of approximately \$3.3 million was estimated in the FY 2019 appropriation for the Texas-Bred Incentive Program. However, the actual amount of Texas-Bred Incentive Program funding earned from wagering at the racetracks and paid out to breeders and owners in FY 2019 was approximately \$2.76 million.

The Texas-Bred Incentive Program is mandated by the Racing Act. It provides purse supplements and monetary awards to breeders and owners of Texas-bred greyhounds and horses to encourage economic development through agribusiness in the horse and greyhound breeding industries.

Funding for the Texas-Bred Incentive Program comes from breakage from all types of wagers and a small percentage of all exotic wagers. Generally, breakage

# TEXAS RACING COMMISSION

## 2019 ANNUAL REPORT

is the amount available after payoffs to winning ticket holders are rounded down to the nearest dime.

See pages 18-20 for more Texas-Bred Incentive Program information.

### **AGENCY HIGHLIGHTS**

#### **ADMINISTRATIVE**

During FY 2019, the agency met or exceeded all of its four key performance outcome measure targets. Those targets are related to: having a high percentage of licensees with no recent violations; percentage of compliance audits passed; overall number of race animals inspected and having a high percentage of its investigations result in disciplinary action.

The executive division coordinated five regular Commission meetings in 2019.

The general counsel coordinated rule reviews for Chapters 313 and 315 as required by Government Code §2001.039.

During calendar year 2019, the Commission proposed approximately 30 new rules or amendments to existing rules and the repeal of one rule and adopted approximately 30 new rules or amendments to existing rules and the repeal of approximately four rules.

#### **TECHNOLOGY**

The IT department supports the overall mission of the agency by providing technology services and infrastructure as

well as leadership and support via the IT staff.

The department's primary function is to support the agency's database and applications. These applications automate manual processes and perform a key role in the areas of statistical analysis, investigations, and ensuring the safety and integrity of racing. Improvements in the investigations, licensing, veterinary, and drug testing functions continue to be the primary area of application development.

Two examples are the use of statistical analysis to identify horses that may be at risk for catastrophic breakdowns and to detect illegal activity by organized crime groups operating in the racing industry.

In addition to database enhancements, work continues on several cloud-based initiatives to improve security and stability to critical agency functions, including records management and disaster recovery.

#### **REGULATORY**

In 2019, pari-mutuel auditors reviewed wagering data on 1,755 live races and 621,462 simulcast races to ensure proper reporting, collection, and distribution of funds. Audit staff reviewed a total of 1,714 import and export simulcast requests for compliance with the Texas Racing Act, the Texas Rules of Racing, and the Interstate Horse Racing Act.

In 2019, the Commission issued 5,450 occupational licenses—down slightly from 2018—and 54 business licenses. Of the occupational licenses issued,

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1,699 were new licenses and 3,761 were renewals. The 54 business licenses consisted of five kennel licenses and 49 vendor licenses.

## INVESTIGATIONS

As provided within the Texas Racing Act, the Texas Racing Commission shares an enforcement role with the Texas Department of Public Safety (DPS) for the regulation of racing within Texas. This critical cooperative effort between these agencies helps ensure the safety of the public, participants and animals involved in racing. By allocating resources tactically and partnering with DPS, the Investigations Division strives to proactively identify violations and secure voluntary compliance with Commission rules.

As reported in the DPS annual crime report, criminal organizations operating transnationally within the state remain to be a concern to law enforcement. Historically attracted by the lure of horse racing, some of these criminals participate in horse racing as bettors and through ownership. Successful prosecution of individuals associated with drug cartels have been conducted in past years and enforcement strategies continue to be challenged by the suspected presence of these individuals.

Investigators from both agencies continue to perform criminal investigations at operational racetracks throughout the year. Additionally, random compliance inspections are conducted at these facilities to identify criminal and administrative violations that can potentially effect public and animal safety as well as racing integrity.

## VETERINARY PROGRAM

The Veterinary Department contributes to TxRC's mission of ensuring the safety, integrity, and fairness of racing in Texas by performing four primary duties:

- **Perform Pre-Race Examinations**  
Commission veterinarians perform pre-race examinations on each animal entered to race. These comprehensive exams are conducted on the day of the race and assist the commission veterinarians in determining if the animal is healthy and sound to race. On average, at horse tracks two commission veterinarians examine 70-100 animals per race day and the greyhound veterinarian will examine 80 dogs per race day. In 2019, approximately 10,618 horses and 3,319 greyhounds were examined.

During pre-race examinations, commission veterinarians routinely conduct the following procedures:

### **-Evaluation of past-performance records**

Commission veterinarians may evaluate a race animal's entire racing history to identify any performance measures indicating the animal may have an underlying injury or illness adversely compromising its performance. Charts from every race are accessible and provide detailed information about how the animals performed. This information assists commission veterinarians in identifying at-risk animals.

### **-Evaluation of medical records**

Commission veterinarians input and record all significant medical findings

# TEXAS RACING COMMISSION

## 2019 ANNUAL REPORT

in each race animal's record maintained in the TxRC database. Monitoring medical records assists commission veterinarians in identifying at-risk animals.

### **-Proper identification of each race animal**

Pre-race exams begin with the proper identification of the race animal by the commission veterinarian. This procedure is vital to protecting the integrity of racing and currently consists of the commission veterinarians verifying the unique tattoo or microchip number and other unique markings and traits for each race animal. Commission veterinarians report any animal not properly identified to the racing stewards.

### **-Visual inspection**

During pre-race exams, commission veterinarians visually inspect each race animal for clinical signs of illness or injury. The commission veterinarian may consult with the animal's attending veterinarian and, if necessary, review their medical records. The visual examine continues as the animals course their way from their stalls or kennels, to the paddock, to the post-parade, and then to the starting gates or boxes. Following the race, the animals are again inspected as they exit the track for any injuries that may have occurred during the race. Lastly, those animals selected for post-race drug testing are sent to the test barn where they are once again inspected by the veterinarian in charge, whereas greyhounds may be tested pre- or post-race. The visual exam generally concludes once the animal leaves the race track or test barn and returns to its stall or kennel. Commission veterinarians input all significant findings

into the TxRC database and report all animals determined too ill or injured to race to the racing stewards or judges. Also, the commission veterinarian must notify the trainer if the animal is made ineligible to race.

### **-Pre-race examination**

Commission veterinarians physically examine each animal on race day for signs of illness or injury. Next, each animal is observed in motion to determine if it is healthy and sound to race. The commission veterinarian may perform any reasonable test or procedure necessary to assist in this evaluation. Commission veterinarians input all significant findings into the TxRC database and report all animals determined too ill or injured to race to the racing stewards. Also, the commission veterinarian must notify the trainer if the animal is made ineligible to race.

- **Conduct the Drug Testing Program**

The Veterinary Department is responsible for the collection, processing, and shipment of all biological samples submitted to the Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) for laboratory testing for prohibited substances. On race day, the Test Barn Supervisors (TBS) oversee the logistics of this program and are responsible for ordering all testing supplies; maintaining and operating the lab equipment; training and supervising all veterinary technicians employed by the race tracks for sample collections; collecting samples themselves as needed; supervising the collection and processing of all biological samples; preparing all samples for shipment to

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

TVMDL for testing; and inputting and recording all drug testing information into the TxRC database.

The TBS also assist TxRC investigators with alleged drug violation cases and are responsible for maintaining the integrity of the biological samples and the chain of custody records for each sample, including any split lab samples being tested to confirm a positive drug result. The commission veterinarians collect post-race samples and provide general supervision of all test barn personnel assisting with sample collections.

### **-Post-race testing**

On average, two horses from each race and one greyhound each race are selected for testing. Ordinarily, a blood and urine sample is collected from each horse; and a urine sample collected from each greyhound, which are to be tested for prohibited substances

### **-Vet-Work testing**

Commission veterinarians may collect blood samples from certain horses being evaluated for removal from the veterinary list. These samples are processed by the TBS and then securely shipped to the TVMDL for drug testing.

### **-Monitor drug test results**

The drug testing results from TVMDL are entered by the lab into the TxRC database. Positive test results for prohibited substances are directly reported to TxRC investigators. The medical director monitors drug testing results to identify trends warranting recommendations to the executive

## **HORSE DRUG POSITIVES 2016-2019**

YEAR	TOTAL SAMPLES	TOTAL POSITIVES	PERCENT POSITIVE
2016	3,489	100	2.9%
2017	3,422	99	2.9%
2018	2,734	60	2.2%
2019	2,802	46	2.0%

## **GREYHOUND DRUG POSITIVES 2016-2019**

YEAR	TOTAL SAMPLES	TOTAL POSITIVES	PERCENT POSITIVE
2016	166	5	3.0%
2017	294	8	2.7%
2018	362	12	3.0%
2019	378	0	0.0%

director for changes to the TxRC drug testing policy and rules.

### **-Consult with TVMDL**

The medical director routinely consults with TVMDL to discuss developments with laboratory testing in an effort to stay current with the most recent developments in drug testing matters. Recommendations for any changes to the drug testing policy or rules are provided to the executive director.

### **-Research drug information**

The medical director researches drug information and partners with TxRC investigators in monitoring trending developments related to the use of

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prohibited substances in race animals. Prohibited substances can enhance an animal's performance and influence the outcome of the race thereby threatening the integrity, safety, and fairness of racing. A partial list of emerging threats to the racing industry includes:

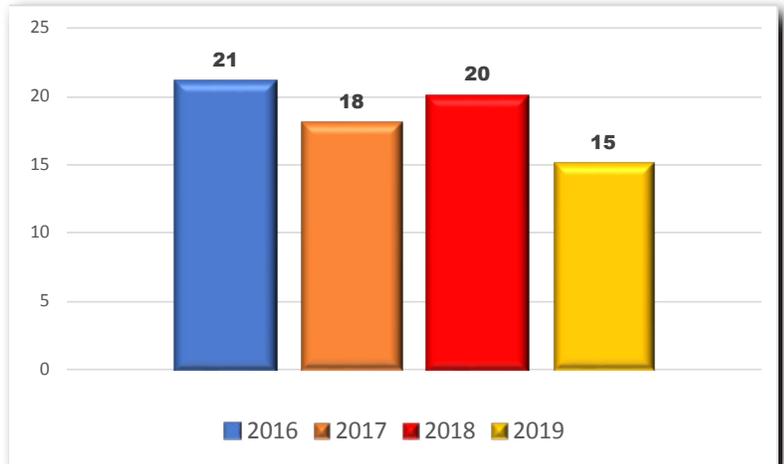
1. Gene doping
2. Designer steroids
3. Designer stimulants
4. Gene manipulation
5. Peptide hormones
6. Peptide drugs
7. Noble gases (e.g., cobalt, nickel, xenon, krypton)

The commission veterinarian advises the executive director of emerging concerns.

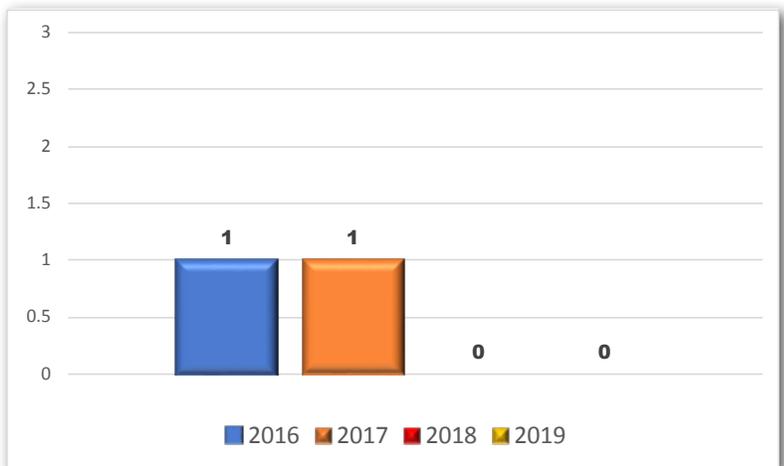
### **-Review ARCI and RMTc drug policy recommendations**

TxRC monitors drug policy developments promulgated by the Racing Medication & Testing Consortium (RMTc) and the Association of Racing Commissioners International (ARCI). Generally speaking, RMTc is a national association of racing stakeholders who conduct drug research and evaluate scientific data to develop recommendations for maximum drug concentrations for permissible therapeutics and to identify prohibited substances. RMTc forwards its recommendations to ARCI for regulatory consideration. ARCI is a national umbrella organization of

### **ANNUAL HORSE RACE RELATED EUTHANASIAS AND DEATHS 2016-2019**



### **ANNUAL GREYHOUND RACE RELATED EUTHANASIAS AND DEATHS 2016-2019**



racing industry stakeholders that develop penalty and policy guidelines based on RMTc recommendations. TxRC considers the ARCI recommendations for incorporation in its drug testing policies and rules

- **Conduct the Necropsy Program and Catastrophic Injury Study**

### **-Necropsy program**

The TxRC necropsy program for horses began the spring of 2015 and is in its infancy relative to some

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other racing jurisdictions such as California and Kentucky. The program is currently limited to the study of lower limbs by commission veterinarians from those horses suffering catastrophic injuries during live-racing competition. TVMDL performs gross necropsy exams and reports all acute and chronic pathologic findings. The medical director evaluates this data to identify injury patterns and create corresponding profiles for at-risk horses. The program goal is to use the necropsy findings to protect the health, safety and welfare of horse and rider alike by preventing at-risk horses from racing.

## -Catastrophic injury study

Catastrophic injuries (CI) in race animals are complex biomechanical events and their elimination remains the primary goal of the veterinary department. In 2013, there were 24 catastrophic injuries on Texas tracks, compared to 14 in 2019 – a 41 percent decline. Some contributing factors identified thus far include:

1. Pre-existing musculoskeletal injuries
2. Track composition, maintenance and condition
3. Conditioning and training

4. Horse shoes and shoeing techniques\*
5. Pharmaceuticals
6. Rider Behavior\*
7. Racing accidents

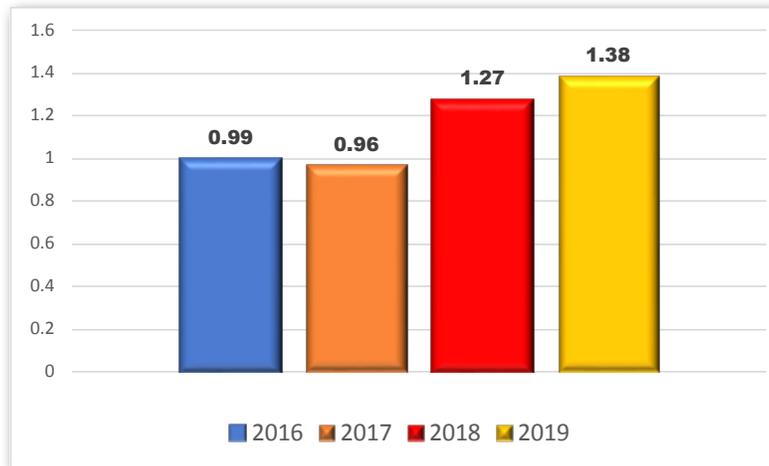
\* Note: These factors only apply to horse racing.

- **Perform Miscellaneous Duties**

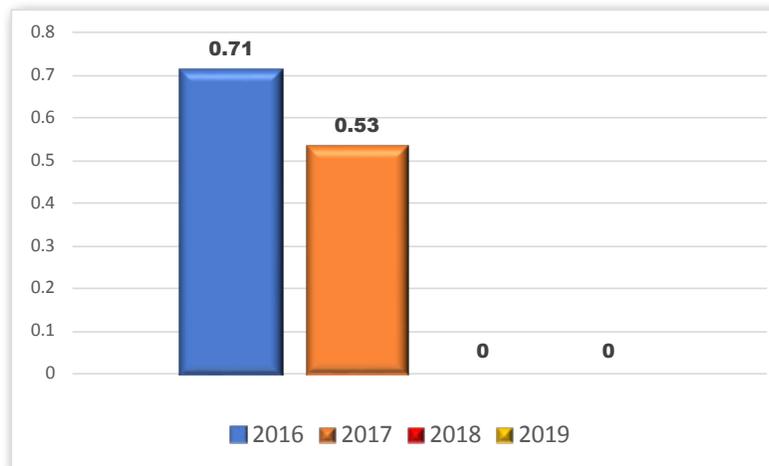
### -Maintain a veterinarian's list

Race animals determined by commission veterinarians as too ill or injured to race are placed on a veterinarian's list maintained in the

## ANNUAL HORSE RACING CATASTROPHIC INJURY RATE 2016-2019



## ANNUAL GREYHOUND RACING CATASTROPHIC INJURY RATE 2016-2019



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TxRC database. Also, animals reported to the TBS by attending veterinarians as too ill or injured to race are placed on the veterinarian's list and entered into the TxRC database by a commission veterinarian. Commission veterinarians are responsible for maintaining the veterinarian's list and for notifying trainers when their animals have been placed-on and removed from the list. The animals on the veterinarians list are ineligible to race until they have satisfied certain conditions prescribed by the commission veterinarian.

### **-Perform veterinary work exams**

Certain animals placed on the veterinarian's list are required to have an official work for time on the track and recorded by the official clocker. The animal must perform a sufficient time and be satisfactorily examined by the commission veterinarian. These vet work exams are usually conducted by the commission veterinarian in the early morning and prior to the pre-race exams.

### **-Report horses to InCompass**

Any horse placed on the TxRC veterinarian's list must be reported by a commission veterinarian to InCompass, a national database maintained by The Jockey Club. Horses listed in InCompass become ineligible to race in racing jurisdiction throughout the United States.

### **-Provide emergency medical care to all race animals**

On race day, during live-racing a commission veterinarian is on the track and provides emergency care to any horse injured on the paddock or race track. Depending on the extent of the injuries, animals sustaining

minor injuries may be inspected and ordered led from the track, while more serious injuries may require emergency treatment by the commission veterinarian and are then transported from the track in an equine ambulance. Those animals suffering a catastrophic injury resulting in death or euthanasia are removed from the race track in an equine ambulance. Commission veterinarians must maintain adequate supplies of emergency medications and equipment such as bandages and splints. In some cases, the commission veterinarian may refer treatment to its attending veterinarian.

### **-Monitor health of all animals at the track**

Race track officials report any ill or injured animals to the TxRC. These cases are investigated by the commission veterinarian and appropriate measures such as removal of an animal, isolation, quarantine, or testing may be ordered by the medical director if warranted. In addition, the medical director monitors disease reports nationwide and advises the executive director as needed. The medical director may consult with the Texas Animal Health Commission as required if disease conditions are detected or reported at a track.

### **-Perform race track inspections**

Commission veterinarians perform a comprehensive annual inspection of each race track prior to the start of their respective race meets. Any problems are reported to the director of investigations and the commission veterinarian must re-inspect the track to confirm all recommended repairs have been completed.

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## **-Advise the commissioners, executive director, and TxRC department directors on veterinary related matters**

The medical director is responsible for advising TxRC commissioners, executive director, and department directors on all veterinary related matters.

## **-Conduct studies and report findings**

The medical director routinely analyzes drug testing, necropsy, and CI data to identify problems, trends, and at-risk animals. These reports are regularly updated and discussed with the executive director. These reports may lead to subsequent changes to the drug policy or Rules of Racing.

## **INSPECTION PROGRAM**

The Commission helps ensure that pari-mutuel racing is safe for the participants and the public. To accomplish this, the Commission developed a comprehensive program for inspecting licensed racetracks and training facilities. Through this inspection program, the Commission oversees all pari-mutuel racetrack license holders to monitor and ensure compliance with Commission rules.

## **INSPECTIONS BY AREA**

The Commission's inspection program is separated into six inspection areas:

- Live racing operations inspections focus on the condition of the track surface, starting gates and boxes, rails and distance markers, and all aspects of animal housing, including

maintenance and cleanliness of barns and kennel areas.

- Animal health and safety/drug testing operations inspections cover the sample-collection facilities and equipment, the treatment areas and the equine ambulance. The inspections include a review of the overall maintenance of the backside areas with emphasis on ensuring a safe environment for both animals and licensees.
- Pari-mutuel wagering inspections include a review of all aspects of the wagering operations, including the track's mutuel department, the tote company's operations and all related wagering equipment.
- Safety and security inspections focus on all security aspects of the facility, including outdoor lighting, fencing, medical and first aid services, and fire prevention measures, including inspecting the barns to ensure proper storage of hay and feed.
- Administrative inspections center on association ownership records, bookkeeping and accounting systems. These inspections include a review from the patron's viewpoint, including cleanliness of patron facilities and amenities, posting of pertinent public notices and proper signage on automatic banking machines.
- Training track inspections focus on the facility's overall track condition, including the track surface, starting gate, rails and distance markers. Other areas of focus include checking for proper licensing of training facility

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personnel and those bringing horses for official works.

### **TEXAS-BRED INCENTIVE PROGRAM**

The Racing Act provides purse supplements and monetary awards to breeders and owners of accredited Texas-bred horses and greyhounds to encourage the horse and greyhound breeding industries.

### **GREYHOUND PROGRAM**

Funding for the Texas-Bred Greyhound Incentive Program is derived from:

- 50 percent of the total breakage from live, simulcast same-species and simulcast cross-species handle; and
- 1 percent of all multiple two and multiple three wagers from simulcast same-species and simulcast cross-species handle.

The 50 percent of breakage and the 1 percent of multiple two and three wagers are paid to the Texas Greyhound Association (TGA). The breakage money is dedicated 50 percent to stakes races and 50 percent for administration of the Accredited Texas-Bred (ATB) program. The money received from multiple two and three wagers is paid as awards to those owners of the first four Texas-bred greyhounds to finish in races run at Texas tracks. Once a month, these funds are distributed by dividing the monthly total available for awards by the number of eligible Texas-bred greyhounds for that month.

Of the total money from breakage received by the TGA, two percent must be set aside

for grants for the rehabilitation or locating of homes for greyhounds. For calendar year 2019, a total of \$666.97 was earmarked for the grant program from this source of funds. Of this amount, \$650 was applied toward grants distributed to qualified Texas non-profit rehabilitation and adoption groups. The TGA contributed an additional \$4,300 in funds to bring the total distribution of grants to \$4,950 for calendar year 2019.

Purse money earned at a horse track from interstate simulcast wagering on greyhound races is also paid to the TGA for use at Texas greyhound racetracks. This source of purse funding accounted for approximately \$1,137,979 of added purse money to Gulf Greyhound Park for calendar year 2019.

### **HORSE PROGRAM**

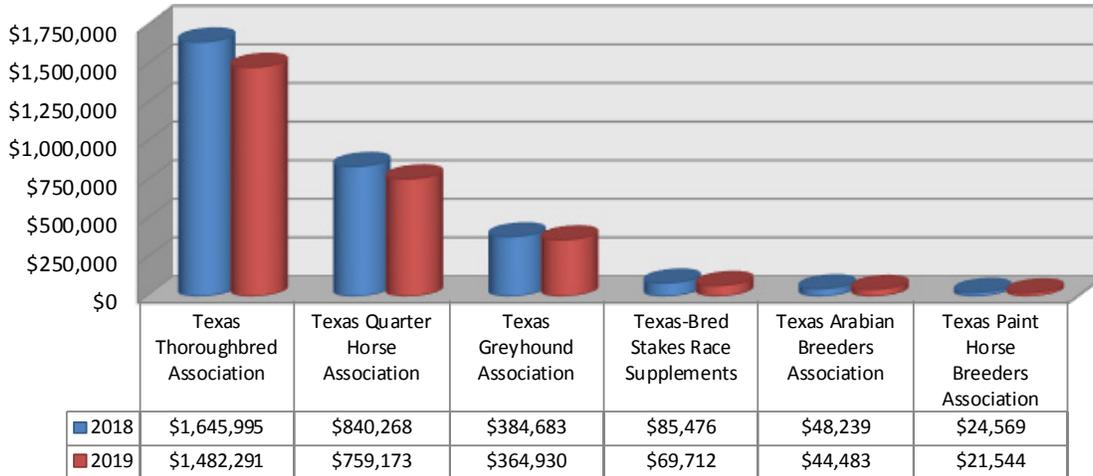
The Racing Act provides an incentive award for each owner, breeder and stallion owner of an accredited Texas-bred horse that finishes first, second or third in any race other than a Texas-bred stakes race. The awards are funded (less 2 percent set aside for the Equine Research Fund) from:

- breakage from all pari-mutuel pools; and
- 1 percent of all multiple two and multiple three wagers from live, simulcast same-species and simulcast cross-species handle.

Texas-bred stakes race supplements are funded from 9.8 percent of the breakage from all pari-mutuel pools. This money is retained by the racetracks for distribution through the horsemen's bookkeeper. Horses finishing in an accredited Texas-bred stakes race receive an incentive award as a purse supplement according to the payout conditions of the race.

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

## TEXAS-BRED COMPARATIVE DISTRIBUTION



The remaining money is distributed on a 40 percent, 40 percent and 20 percent split, respectively, among the owners, breeders and stallion owners of accredited Texas-bred horses that finish first, second or third in a race.

The Racing Act names the official breed registries responsible for determining qualifications for Texas-bred accreditation, maintaining the eligibility lists and distributing the monetary awards: the Texas Thoroughbred Association, the Texas Quarter Horse Association, the Texas Appaloosa Horse Club, the Texas Arabian

## COMPARATIVE DISTRIBUTIONS YEAR 2018 VS. YEAR 2019

	2018	2019	% CHANGE
TEXAS THOROUGHBRED ASSOCIATION	\$1,645,995	\$1,482,291	-9.95%
TEXAS QUARTER HORSE ASSOCIATION	\$840,268	\$759,173	-9.65%
TEXAS GREYHOUND ASSOCIATION	\$384,683	\$364,930	-5.13%
TEXAS-BRED STAKES RACE SUPPLEMENTS	\$85,476	\$69,712	-18.44%
TEXAS ARABIAN BREEDERS ASSOCIATION	\$48,239	\$44,483	-7.79%
TEXAS PAINT HORSE BREEDERS ASSOCIATION	\$24,569	\$21,544	-12.32%
<b>TOTAL</b>	<b>\$3,029,230</b>	<b>\$2,742,132</b>	<b>-9.48%</b>

Breeders Association, the Texas Paint Horse Breeders Association and the Texas Greyhound Association. The Texas Appaloosa Horse Club does not participate in this program.

# TEXAS RACING COMMISSION

## 2019 ANNUAL REPORT

### NEW LEGISLATION

The 86<sup>th</sup> Legislature passed HB 2463. The bill amended Section 151.801 of the Tax Code to require the deposit of state sales and use taxes collected on the sale, storage, or use of horse feed, horse supplements, and horse tack into the Horse Industry Escrow Account maintained by the Racing Commission. The amount deposited into the account for a biennium is capped at \$50 million. After determining and depositing the amount into the account, the Comptroller would be required to deposit any additional amounts exceeding the cap into the General Revenue Fund.

The bill also amended Section 2028.204 of the Occupations Code to authorize any of the five state horse breed registries designated in Section 2030.002, to apply for receipt of money in the Horse Industry Escrow Account for events promoting the horse industry. The Texas Racing Commission is required to limit the allocation of money to horse racetrack associations for use as purses to no more than 70 percent of total deposits annually, leaving 30 percent for the various breed registries. The bill took effect Sept. 1, 2019.

### **SIGNIFICANT COMMISSION ACTIONS AND ACTIVITIES**

The Texas Racing Commission met five times during calendar year 2019. The Commission's meetings are open to the public and, in addition to the required postings in the Texas Register, the agendas and agenda materials are posted

on the agency's website before meetings. Transcripts of each Commission meeting are also available at [www.TxRC.texas.gov](http://www.TxRC.texas.gov).

### RACE DATE ALLOCATION

Between 2009 and 2014, the number of race dates that Texas horse tracks requested declined from 265 to 186 and remained near that level through 2017 (182). However, the frequency of live racing in Texas declined again in 2018 with 145 dates. That number increased slightly in 2019 with Lone Star Park (60), Retama Park (28), Sam Houston Race Park (52) and Gillespie Fair and Festivals Association (8) offering a total of 148 days of live racing. A total of 170 live racing days have been approved for 2020.

At the April 2016 Commission meeting, industry representatives proposed a three-year plan for conducting live greyhound racing and simulcasting. Under the plan, which was approved by the Commission:

- Valley Race Park conducted 36 live race dates from Nov. 25, 2016, through Feb. 4, 2017.
- Gulf Greyhound Park conducted 36 live race dates from Dec. 28, 2017, through Feb. 24, 2018.
- Gulf Greyhound Park Racing conducted 35 live race dates from Dec. 26, 2018, through Feb. 23, 2019.
- All three greyhound racetracks conducted simulcasting throughout the three-year period.

### COMMITTEE ON RULES

The charge for the Committee on Rules is to provide a forum for an in-depth review of proposed new rules and rule changes relating to all aspects of racing.

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

The committee has established working groups of experts, members of the public, or other interested parties and shares their recommendations for any proposed changes to the rules with the full Commission. During 2019, the Committee on Rules, chaired by Commissioner Ederer, met four times, including two meetings in conjunction with the Ad-hoc Committee on Finance.

## **ENFORCEMENT**

The efforts of TxRC's investigation and legal departments, along with the racing stewards and judges, result in hundreds of disciplinary rulings annually. Cases range from low-level drug-test positives, possession of prohibited contraband or racing protocol violations to positive test results for serious drugs ranging from dangerous drugs to illegal devices intended to affect the outcome of a race. These rulings can result in modest fines up to a maximum of \$100,000 and years-long suspensions.

One example of TxRC's proactive enforcement efforts are surprise gate inspections of vehicles entering the backside of a horse track.

In November 2019, agents from the Texas Department of Public Safety, TxRC investigators and members of the American Quarter Horse Association (AQHA) Special Event Team participated in a combined enforcement operation at Lone Star Park in Grand Prairie during the AQHA Texas Classic Series. During this operational period, inspections of vehicles, trailers, tack rooms, stables and jockey quarters were conducted to ensure compliance with racing rules and laws. Investigators from the Texas Animal Health

Commission were also present to inspect health papers of horses entering the stable area.

Through proactive enforcement efforts, imposing stiff fines and penalties, and through disqualifications and redistributions of purses, the Commission attempts to make the other non-cheating participants whole. However, the damage to the integrity of the sport and pari-mutuel wagering is far more difficult to restore, as is the confidence of the betting public. Consequently, the Commission must continue its successful and critical mission to enforce all violations, large and small, of the Texas Racing Act and the Rules of Racing.

## **ADDITIONAL LEGISLATION**

In addition to HB 2463, which provides an extra \$50 million per biennium for horse racing purses and other equine-related events (see page 20), the 86<sup>th</sup> Texas Legislature passed some other bills of significance to TxRC, including:

- **HB 1995:** This bill redirects the simulcast tax (app. \$2.8 million in FY 2018) from General Revenue to TxRC, thereby providing an additional revenue source for the Commission. Therefore, the Commission revised its race track license fee structure, effective Sept. 1, 2019.
- **SB 619:** This bill, passed and effective on June 10, 2019, moved TxRC's (and some other state agencies') Sunset review date from 2023 to 2021. Accordingly, TxRC prepared and submitted its required Self-Evaluation Report (SER) to the Sunset Advisory Commission (SAC) on Sept. 2, 2019.

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

Submission of the agency's SER marks the beginning of a two-year review process which will culminate in a recommendation from SAC to the 87<sup>th</sup> Legislature for the continuation of TxRC, its abolishment, or the transfer of its functions to another agency.

- **HB 3366:** Effective Sept. 1, 2019, this legislation was intended to remove Texas-Bred Incentive funding from the TxRC appropriation and create a new Texas-Bred Incentive Fund. However, as written and passed, the bill created the fund within the state treasury, which keeps the funds within TxRC's budget pursuant to Article VIII, Sec. 6 of the Texas Constitution.

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

## 2019 PURSE STATISTICS

SOURCE OF FUNDS	QUARTER HORSE	THOROUGH-BRED	ARABIAN	PAINT	TOTAL HORSE
EARNED PURSE	\$4,121,111	\$12,731,663	\$282,700	\$103,500	\$17,238,974
TEXAS BRED STAKES	\$3,000	\$32,000	\$0	\$0	\$35,000
STAKES	\$2,717,873	\$400,835	\$29,750	\$31,950	\$3,180,408
SPONSORS	\$711,917	\$208,950	\$92,650	\$0	\$1,013,517
FUND TRANSFERS	\$0	\$0	\$0	\$0	\$0
ATB SPONSORED PURSE	\$19,000	\$119,332	\$0	\$0	\$138,332
TOTAL PURSES PAID	\$7,572,901	\$13,492,780	\$405,100	\$135,450	\$21,606,231
NUMBER OF PERORMANCES	58	98	28	2	186
AVERAGE PURSES PAID PER PERF	\$130,567	\$137,681	\$14,468	\$67,725	\$116,163

NOTE: All figures are based on racetrack submissions and have not been audited. Therefore, these figures should be used only as estimations.

SOURCE OF FUNDS	TOTAL GREYHOUND	SOURCE OF FUNDS	2018 COMBINED	2019 COMBINED	% CHANGE
EARNED PURSE	\$426,325	EARNED PURSE	\$17,149,765	\$17,665,208	3.01%
TEXAS BRED STAKES	\$0	TEXAS BRED STAKES	\$46,500	\$35,000	-24.73%
STAKES	\$0	STAKES	\$3,615,875	\$3,180,408	-12.04%
SPONSORS	\$0	SPONSORS	\$984,448	\$1,013,517	2.95%
FUND TRANSFERS	\$463,133	FUND TRANSFERS	\$363,158	\$463,133	27.53%
TGA CROSS SPECIES PURSE SUPPLEMENTS	\$1,137,979	TGA CROSS SPECIES PURSE SUPPLEMENTS	\$1,077,184	\$1,137,979	5.64%
TOTAL PURSES PAID	\$2,027,346	ATB SPONSORED PURSE	\$136,000	\$138,332	1.71%
AVERAGE DAILY PURSES PAID PER PERF.	\$63,355	TOTAL PURSES PAID	\$23,372,930	\$23,633,577	1.12%

NOTE: All figures are based on racetrack submissions and have not been audited. Therefore, these figures should be used only as estimations.

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

## 2019 OVERVIEW OF PARI-MUTUEL RACING GREYHOUND & HORSE RACETRACKS

	GREYHOUND	HORSE	TOTAL
# of Active Racetracks	3	4	7
On-Track Handle:			
Live	\$524,910	\$18,605,013	\$19,129,924
Simulcast	<u>\$37,213,426</u>	<u>\$214,731,748</u>	<u>\$251,945,174</u>
<b>TOTAL</b>	<b>\$37,738,336</b>	<b>\$233,336,761</b>	<b>\$271,075,097</b>
# of Live Performances	32	149	181
# of Simulcast Signals Taken	21,256	34,394	55,650
Purses Paid	\$2,027,346	\$21,606,231	\$23,633,577
State Tax	\$413,052	\$2,216,936	\$2,629,988
Tx Bred Incentive Program	\$331,998	\$1,714,365	\$2,046,363
Attendance	97,933	1,368,395	1,466,328

NOTE: All figures are based on racetrack submissions and have not been audited. Therefore, these figures should be used only as estimations.

## FIVE-YEAR OVERVIEW OF PARI-MUTUEL RACING GREYHOUND & HORSE TRACKS COMBINED

	2015	2016	2017	2018	2019
# of Active Tracks	7	7	7	7	7
Handle On-Track:					
Live	\$31,346,752	\$23,625,077	\$22,555,433	\$19,795,830	\$19,129,924
Simulcast	<u>\$285,706,220</u>	<u>\$279,156,653</u>	<u>\$264,321,954</u>	<u>\$265,461,896</u>	<u>\$251,945,174</u>
<b>TOTAL</b>	<b>\$317,052,972</b>	<b>\$302,781,731</b>	<b>\$286,877,387</b>	<b>\$285,257,726</b>	<b>\$271,075,097</b>
Live Performances	439	202	210	184	181
# of Simulcast Signals Taken	58,671	58,512	57,552	56,875	55,650
Purses Paid	\$28,251,996	\$24,581,665	\$24,242,937	\$23,372,930	\$23,633,577
State Tax	\$2,989,837	\$2,913,572	\$2,756,912	\$2,769,132	\$2,629,988
Tx Bred \$	\$3,393,141	\$2,300,109	\$2,187,960	\$2,174,760	\$2,046,363
Attendance	1,619,288	1,532,594	1,248,377	1,349,028	1,466,328

NOTE: All figures are based on racetrack submissions and have not been audited. Therefore, these figures should be used only as estimations.

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

## KEY AGENCY STATISTICS: SUMMARY OF FY 2019 FINANCIAL DATA

Source: Annual Financial Reports	FY 2018	FY 2019	CHANGE +/- %
<b>REVENUES:</b>			
Federal Pass-through Revenue	\$0.00	\$0.00	N/A
Legislative Appropriations	\$0.00	\$0.00	N/A
Licenses, Fees & Permits	\$4,404,777.47	\$4,173,461.43	-5.2%
Interest & Other Investment Income	\$16,803.96	\$15,365.27	-8.5%
Other Revenues	\$3,048,610.52	\$2,941,845.06	-3.5%
<b>TOTAL REVENUES</b>	<b>\$7,470,191.95</b>	<b>\$ 7,130,671.76</b>	<b>-4.5%</b>
<b>EXPENDITURES:</b>			
Salaries & Wages	\$2,409,886.01	\$2,277,523.67	-5.5%
Payroll Related Costs	\$1,096,403.15	\$1,080,633.78	-1.4%
Professional Fees & Services	\$192,742.56	\$386,276.05	100.4%
Travel	\$165,297.35	\$189,051.94	14.3%
Materials & Supplies	\$22,582.63	\$60,259.10	166.8%
Communications & Utilities	\$112,980.08	\$107,290.77	-5.0%
Repairs & Maintenance	\$64,532.37	\$ 82,448.77	27.7%
Rentals & Leases	\$106,479.55	\$119,205.09	11.9%
Printing, Reproduction & Publications	\$260.25	\$313.92	20.6%
Claims & Judgments	\$0.00	\$0.00	0%
Distributions to Others	\$3,180,870.95	\$2,727,390.29	-14.2%
Depreciation Expense	\$0.00	\$0.00	N/A
Capital Outlay	\$0.00	\$0.00	0%
<b>TOTAL EXPENDITURES</b>	<b>\$7,352,034.90</b>	<b>\$7,035,612.88</b>	<b>-4.3%</b>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<b>\$118,157.05</b>	<b>\$95,058.88</b>	<b>-19.5%</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Capital Asset	\$0.00	\$0.00	N/A
Gain on Sale of Asset	\$0.00	\$0.00	N/A
Operating Transfers Out (Agy 902, Fund 0001)	\$0.00	\$0.00	N/A
Operating Transfers Out (Agy 556, Fund 0001)	(\$54,562.64)	(\$55,160.79)	-1.09%
Total Other Financing Sources (Uses)	(\$54,562.64)	(\$55,160.79)	-1.09%
<b>NET GAIN/LOSS FROM OPERATIONS</b>	<b>\$63,594.41</b>	<b>\$39,898.09</b>	<b>-37.2%</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$316,158.35</b>	<b>\$379,752.76</b>	<b>20.1%</b>
Adjusting entry to fund balance:			
Funds in Suspense	\$105,000.00	\$52,865.00	-49.6%
Restatements	\$0.00	\$0.00	N/A
After AFR deadline	\$0.00	\$0.00	N/A
<b>BEGINNING FUND BALANCE – RESTATED</b>	<b>\$484,752.76</b>	<b>\$472,515.85</b>	<b>-2.5%</b>

# TEXAS RACING COMMISSION

## 2019 ANNUAL REPORT

### KEY AGENCY STATISTICS: SUMMARY OF FY 2019 PERFORMANCE MEASURE DATA

FY 2019 KEY MEASURES	TARGET	ACTUAL	% OF TARGET
Number of Horse Racetracks Regulated	7	7	100.0%
Number of Greyhound Racetracks Regulated	3	3	100.0%
Number of Racetrack Inspections	55	6	10.9%
Number of Texas-bred Awards (Horses)	7,000	4,568	65.26%
(Greyhounds)	1,920	1,505	78.39%
Number of Occupational Licenses Suspended or Revoked	106	114	107.55%
Number of Investigations Completed	141	91	64.54%
Percentage of Investigations Resulting in Disciplinary Action	90.00%	96.9%	107.67%
Percentage of Licensees with No Recent Violations	97.00%	97.5%	100.52%
Number of Race Animals Inspected Prior to Participating in a Race (Horses)	11,160	10,618	95.14%
(Greyhounds)	2,880	3,319	115.24%
Percentage of Race Horses that Sustain a Catastrophic Injury (Horses)	0.20%	0.13%	65.0%
(Greyhounds)	0.20%	0.06%	30.0%
Number of New Occupational Licenses Issued	2,200	1,583	71.95%
Number of Occupational Licenses Renewed	4,500	3,720	82.67%
Percentage of Compliance Audits Passed	97.00%	99.19%	102.26%
Total Pari-Mutuel Handle (in millions)	\$300.00	\$275.55	91.85%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$2,929,000	\$2,675,235	91.34%

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

## TEXAS DEPARTMENT OF PUBLIC SAFETY

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COMMISSION  
STEVEN P. MACH, CHAIRMAN  
STEVE H. STODGHILL

January 23, 2020

John T. Steen III, Chairman  
Texas Racing Commission  
8505 Cross Park Drive, Suite 110  
Austin, Texas 78754-4594

RE: SECTION 2023.061(c)  
OCCUPATIONS CODE

Dear Chairman Steen,

Pursuant to the requirements outlined in Article 179e, Section 3.10 of Vernon's Texas Civil Statutes, the Texas Department of Public Safety provides the following information relating to organized crime and illegal gambling in Texas for the year 2019.

### CRIMINAL ACTIVITY AND CRIME TRENDS

Today, Texas faces far more insidious threats than it has in the past, to include ruthless Mexican cartels, violent transnational and statewide gangs, high-threat criminals such as sex offenders who prey upon children, domestic terrorists, and international terrorist organizations that seek to destroy us and our way of life.

In 2019, the Department was committed to enhancing its resources regarding Homeland Security in order to continue to protect Texas from increasingly dangerous criminal and terrorism threats. To accomplish this goal, the Department concentrated its resources on criminal organizations and transnational gangs involved in criminal enterprises such as drug trafficking, human trafficking, fraud, violent property crime, and other types of major criminal activity. The Texas-Mexico border region contains distinctive and complex security challenges that impact not only local areas, but also metropolitan areas across the United States. The continued violence along the border and the multi-billion dollar drug and human smuggling businesses posed the most serious threat to Texas and the nation. Efforts to curtail the border violence continued to be effective due to the growing partnerships cultivated with local, state, and federal agencies in Texas. This multi-agency collaboration contributed to numerous successes in 2019 through extensive investigations regarding high-risk criminals and predatory criminal gangs.

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# TEXAS RACING COMMISSION

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John T. Steen III, Chairman  
January 13, 2020  
Page 2

Additionally, the increasing number of identity theft and other fraud schemes, aided by rapidly changing technology, continued to plague law enforcement agencies at all levels of government. Law enforcement officials continued to work to protect citizens who have fallen victim to these types of criminal activities.

The reportable crime index for 2019 will not be available until late 2020.

### ILLEGAL GAMBLING

Illegal gambling involving 8-liner businesses continued to be an issue, reflected by the number of referrals received by local and state officers this past year. Gambling related to animals, such as dog fights and cockfights, is known to occur and challenge law enforcement, predominantly in the rural areas and the inner metropolitan city neighborhoods of Texas.

Unsanctioned horse racing at non pari-mutuel tracks, or “brush tracks,” continued to occur in both metropolitan and rural areas in Texas. Racing authorities and racing interests are certain these unsanctioned tracks have an adverse impact on the legitimate pari-mutuel tracks and the racing industry in Texas, both operationally and economically. While unsanctioned horse racing is an issue, using covert operations to identify individuals involved in illegal activities at these tracks is difficult due to the familiarity the participants have with each other. Moreover, the erratic scheduling of these operations and the undisclosed rural locations further hindered investigations by law enforcement officers. The Department continues to coordinate with local and state law enforcement agencies in an effort to reduce and eliminate these illegal businesses.

Sincerely yours,

Thomas G. Ruocco  
Texas Department of Public Safety  
Division Director  
Chief - Criminal Investigations Division



Justin Owen  
Texas Department of Public Safety  
Major - Criminal Investigations Division

# TEXAS RACING COMMISSION 2019 ANNUAL REPORT

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Note: Except where otherwise indicated, information in this report is for calendar year 2019 and has not been audited.