



Texas Racing Commission

1989 Annual Report



THE HONORABLE WILLIAM P. CLEMENTS, JR.
GOVERNOR

TEXAS RACING COMMISSION ANNUAL REPORT
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HILARY B. DORAN, JR.
Chairman

JAMES H. CLEMENT
Vice-Chairman

GLENN BLODGETT, D.V.M.
HUGH A. FITZSIMONS
DEMARIOUS FREY, D.V.M.
A. L. MANGHAM
Commissioners



BOB BULLOCK
RUBEN R. CARDENAS
Ex-Officio Members

TEXAS RACING COMMISSION
P. O. BOX 12080
AUSTIN, TEXAS 78711-2080
(512) 476-7223

January 31, 1990

The Honorable William P. Clements, Jr.
Governor of the State of Texas
State Capitol, Room 200
Austin, Texas 78711

Dear Governor Clements:

On behalf of the Texas Racing Commission, I am proud to present to you the second Annual Report of the Texas Racing Commission in accordance with Section 3.10 of the Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes).

This report covers the commission's activities, progress and results from operations for the twelve-month period from January 1, 1989 to December 31, 1989.

The Texas Racing Commission has made tremendous strides toward the implementation of a high quality pari-mutuel racing program in the state. This progress was possible through the commission's dedication toward the achievement of our goals. We are striving to build a firm foundation so that Texas will have the best horse and greyhound racing programs in the nation.

I wish to express my appreciation to you for your confidence and support.

Respectfully submitted,

A handwritten signature in cursive script that reads "Hilary B. Doran, Jr.".

Hilary B. Doran, Jr.
Chairman

TEXAS RACING COMMISSION MEMBERS



JAMES H. CLEMENT, Vice-Chairman
Kingsville, Texas
Term Expires: February 1, 1991



HILARY B. DORAN, JR., Chairman
Del Rio, Texas
Term Expires: February 1, 1991



GLENN P. BLODGETT, D.V.M.
Guthrie, Texas
Term Expires: February 1, 1995



DEMARIOUS K. FREY, D.V.M.
Corpus Christi, Texas
Term Expires: February 1, 1993



HUGH A. FITZSIMONS, JR.
Carrizo Springs, Texas
Term Expires: February 1, 1993



A. L. MANGHAM, JR.
Nacogdoches, Texas
Term Expires: February 1, 1995



BOB BULLOCK
Comptroller of Public Accounts
Austin, Texas



RUBEN R. CARDENAS, Chairman
Public Safety Commission
McAllen, Texas

HILARY B. DORAN, JR.
Chairman

JAMES H. CLEMENT
Vice-Chairman

GLENN BLODGETT, D.V.M.
HUGH A. FITZSIMONS
DEMARIOUS FREY, D.V.M.
A. L. MANGHAM
Commissioners



BOB BULLOCK
RUBEN R. CARDENAS
Ex-Officio Members

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AUSTIN, TEXAS 78711-2080
(512) 476-7223

January 31, 1990.

The Honorable William P. Clements, Jr.
Governor of the State of Texas
State Capitol, Room 200
Austin, TX 78711

Dear Governor Clements:

The year 1989 marked the first opening of a pari-mutuel racetrack in Texas in over fifty years. The establishment of the pari-mutuel industry in this state has been a monumental project.

In all of their actions, the members of the Texas Racing Commission have endeavored to use integrity, fairness, and professionalism as cornerstones of their decision making process. The ultimate goal is to guide an economically prosperous industry in this state that is based on honesty and integrity.

It is a privilege to present to you the second Annual Report of the Texas Racing Commission. This report outlines commission activities since January 1, 1989. We are confident that our achievements will insure a healthy industry in Texas for many years to come.

Sincerely yours,

A handwritten signature in cursive script that reads "Susan R. Baltie".

Susan R. Baltie, D.V.M.
Acting Executive Secretary

THE TEXAS RACING COMMISSION

The Texas Racing Commission is a new state agency created in the Second Called Session of the 69th Legislature and approved by a statewide referendum in November, 1987. Article 179e, Vernon's Civil Statutes created the Texas Racing Commission and empowered the commission to:

1. Oversee and nurture the development of Texas horse and greyhound breeding industries;
2. Evaluate applications and award licenses for pari-mutuel racetracks in Texas;
3. Oversee and support the construction of three major horse tracks, three major greyhound tracks, numerous smaller racetracks and county fair tracks located throughout the state;
4. Regulate and enforce all aspects of pari-mutuel wagering; and
5. Increase state and local revenues.

The Texas Racing Act authorizes pari-mutuel wagering on horse and greyhound racing and:

1. Assures protection of the public;
2. Encourages agriculture, the horse-breeding industry, the horse-training industry, the greyhound-breeding industry, and the greyhound-training industry;
3. Promotes tourism and employment opportunities in Texas related to horse and greyhound racing; and
4. Provides for the strict regulation and control of pari-mutuel wagering in connection with that racing.

Principal responsibilities of the commission are:

1. Adopt rules and regulations for conducting racing involving wagering;
2. Administer and enforce equally all laws and rules affecting horse racing, greyhound racing, and pari-mutuel wagering;
3. Adjudicate disciplinary matters arising from the enforcement of those laws and rules dealing with horse racing and greyhound racing and pari-mutuel wagering;
4. Regulate and supervise each race meeting conducted in the State of Texas and the persons, other than patrons, who participate in a race meeting; and
5. Protect the interest of the State of Texas.

Extensive rulemaking authority is granted to the commission throughout the Texas Racing Act. In Section 18.01, the commission is made subject to the Sunset Act and, in Section 18.02, the commission is made subject to the Administrative Procedures Act and Texas Register Act. The rulemaking authority vested in the Texas Racing Commission is authorized for administration and enforcement purposes. The primary rulemaking authority is given to the commission in Section 3.02, and other references to the rulemaking authority may be found throughout the act.

The commission is located at 400 W. 15th Street, Suite 625, Austin, Texas, 78711. The commission may establish a branch office in any county in which it determines a branch office is necessary.

The commission maintains a membership with the Association of Racing Commissioners International (ARCI), and participated in the 1989 annual convention held in New Orleans, Louisiana. The association is the depository and distribution center for all official rulings by stewards and racing commissions in North America, Mexico, and Canada. The ARCI maintains an information system, the National Association of State Racing Information System (NASRIS), through which the Texas Racing Commission obtains information on licensees and disciplinary proceedings of other member commissions. In addition, the ARCI provides a Drug Testing and Quality Assurance Program for the state's drug testing facility. This program will assist the Texas A&M Veterinary Diagnostic Laboratory in the research and development of a state-of-the-art drug testing program to ensure the integrity of racing.

THE MEMBERS OF THE TEXAS RACING COMMISSION

- The Texas Racing Commission consists of six members appointed by the governor with the advice and consent of the Senate and two ex-officio members who have the right to vote. The ex-officio members are the chairman of the Public Safety Commission and the Comptroller of Public Accounts.
- For purposes of rulemaking and licensing and for any action relating exclusively to horse racing or exclusively to greyhound racing, the commission acts as separate sections. On matters of general application to both greyhound and horse racing, the commission acts as a single body.
- One appointed member must be a veterinarian licensed to practice in this state who specializes in the treatment of small animals. One appointed member must be a veterinarian licensed to practice in this state who specializes in the treatment of large animals. Two appointed members must be individuals who are not veterinarians and who have special knowledge or experience related to greyhound racing. Two appointed members must be individuals who are not veterinarians and who have special knowledge or experience related to horse racing.
- Except for the initial appointments, appointed members hold office for staggered terms of six years with two members' terms expiring February 1 of each odd numbered year. A member holds office until that member's successor is appointed and qualifies. The ex-officio members serve on the commission for the time in which they hold their offices.
- A majority of the commission constitutes a quorum. A majority of a section of the commission constitutes a quorum for purposes of conducting business related to matters under the exclusive jurisdiction of that section.
- Each appointed member of the commission is entitled to a per diem of \$30 for each day spent in performing the duties of the office and is entitled to reimbursement for actual and necessary expenses incurred in performing those duties. The ex-officio members are entitled to reimbursement for expenses from their respective agencies for expenses incurred in the performance of their other official duties.
- The members of the commission elect a chairperson who presides over the meetings of the commission.

THE TEXAS RACING COMMISSION FINANCIAL POSITION

Appropriations from the General Revenue Fund and License Application Fees currently comprise the available revenues of the Texas Racing Commission for the purpose of administering and enforcing the Texas Racing Act. For the fiscal year ending August 31, 1988, \$750,000 was appropriated for operations, and for the fiscal year ending August 31, 1989, another \$750,000 was appropriated for operations. Only \$202,000 was expended for fiscal year 1988, leaving \$542,523 to be carried over to fiscal year 1989. For fiscal year 1989, the balance of \$1,292,523 was expended or encumbered. Additionally, to implement the enforcement of the Texas Racing Act, the Department of Public Safety was appropriated \$500,000 for fiscal year 1988 and \$2,500,000 for fiscal year 1989 from the General Revenue Fund. These appropriations are to be reimbursed with 12-percent interest to the General Revenue Fund from the Texas Racing Commission Fund in accordance with the provisions of Art. 179e, Section 3.09, V.T.C.S. The following schedule outlines the General Revenue appropriations:

APPROPRIATIONS FROM THE GENERAL REVENUE FUND FOR FISCAL YEAR 1988 AND 1989 SUBJECT TO REIMBURSEMENT

AGENCY	FY 1988	FY 1989	TOTAL
Texas Racing Commission	\$ 750,000	\$ 750,000	\$ 1,500,000
Dept. of Public Safety	<u>500,000</u>	<u>2,500,000</u>	<u>3,000,000</u>
Total	<u>\$ 1,250,000</u>	<u>\$ 3,250,000</u>	<u>\$ 4,500,000</u>

Note: In the above schedule, the total amount of \$4,500,000 plus 12-percent interest will be reimbursed to the General Revenue Fund from the Texas Racing Commission Fund.

Of the original appropriations for fiscal year 1988 of \$1,250,000, only \$498,438 was expended. The Racing Commission transferred the \$498,438 from the Racing Commission Fund to the General Revenue Fund on September 22, 1989. The amount expended during fiscal year 1989 is due to be reimbursed to the General Revenue Fund on September 1, 1990.

SCHEDULE OF FUNDS RECEIVED AND EXPENDED
(From inception through August 31, 1989)

	<u>Total</u>	<u>General Revenue Fund (001)</u>	<u>Special Revenue Fund (597)</u>
Legislative Appropriations	\$ 1,501,855	\$ 1,501,855	\$
OASI Appropriations	70,023	70,023	
Licensing Fees	2,162,730		2,162,730
Other Revenue	12,971	552	12,419
Total Revenue	<u>3,747,578</u>	<u>1,572,430</u>	<u>2,175,149</u>
Expenditures:			
Salaries and Wages	519,454	519,454	
OASI Matching & State Share	58,518	58,518	
Professional Fees	1,880,673	156,205	1,724,468
Travel	140,643	140,643	
Materials & Supplies	24,930	24,930	
Communications & Utilities	30,800	30,800	
Repairs & Maintenance	42,972	42,927	
Rentals & Leases	99,048	99,048	
Printing & Reproduction	26,145	26,145	
Other Expenditures	273,989	264,160	9,829
Capital Outlay	310,597	188,482	122,115
Total Expenditures	<u>3,407,769</u>	<u>1,651,357</u>	<u>1,856,412</u>
Excess Revenues Over Expenditures	<u>\$ 339,810</u>	<u>\$ 21,073</u>	<u>\$ 318,737</u>

Note A

Note B

Note A: This amount is to be returned to the General Revenue Fund

Note B: This amount is transferred forward to Fiscal 1990

THE TEXAS RACING COMMISSION MEETINGS OF 1989

To date the Commission has held twelve meetings. Minutes of each meeting are kept on file in the commission office and are available to the public upon request. Highlights of the meetings follow:

January 23, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Adopted greyhound racetrack applications and license fees. Approved eight nonpari-mutuel tracks applying for registration. Public testimony taken on rules.

February 27, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Discussed Texas Bred Incentive Programs. Adopted the 1988 Annual Report. Approved a resolution to allow County Fair racetracks to operate as nonpari-mutuel racetracks for the year 1989. Approved registration and race dates of nonpari-mutuel tracks for county fair tracks. Granted leave to Houston Turf Club to amend application site for a Class 2 racetrack. Discussed and voted to suggest changes to Senate Bill 448. Voted to amend the Legislative Budget Request for the 1990-1991 biennium. Public testimony taken on rules.

April 2, 1989: The commission met to discuss and determine the scope of their authority regarding racetrack licenses and the procedure for racetrack license hearings.

April 3, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Denied requests to designate an additional application period for Class 1 racetracks in Harris County. Discussed deadlines for action on racetrack applications.

May 1, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER.

May 22, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Designated the Texas Appaloosa Horse Club as the official breed registry for the purposes of the Texas Bred Incentive Programs. Delegated certain duties to the Executive Secretary of the Texas Racing Commission. Approved application forms for occupational licensing. Voted to repeal temporary owner's license.

June 19, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Voted on compensation of racetrack officials. Approved procedures for finalizing approval of licensed racetracks. Approved management agreement of Valley Greyhound Park. Extended the contracts for hearings officers.

July 16, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Extended the deadline to file a staff reply concerning Randall Park's motion for a rehearing. Extended the deadline for action on Class 1 racetrack applications in Harris County. Voted to vacate the revised order of South Texas Racing Association. Allocated race dates to Class 2 horse racetracks and Gillespie County Fair and Festivals Association.

September 11, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Joined Jockey Club Ownership Registry Program. Voted on fees for drug testing. Renewed contract with Deloitte, Haskins & Sells. Approved an increase in the compensation for head test barn technician. Approved staff recommendation concerning the amount of bond to be posted by the horsemen's bookkeeper. Delegated authority to approve racetrack contracts to Executive Secretary. Delegated certain responsibilities requiring commission approval to staff. Status reports from: Manor Downs, G. Rollie White Downs, Trinity Meadows Raceway, and Del Rio Downs. Denied request to reopen the application period for Class 1 racetracks in Dallas/Tarrant Counties. Denied Randall Park's motion for a rehearing. Approved three additional nonpari-mutuel race dates for South Texas Racing Association. Adopted agreed order to dispose of the staff's motion for rehearing the application of South Texas Racing. Considered motions and other matters relating to the licensing of a pari-mutuel greyhound racetrack in Galveston County. Considered matters relating to Corpus Christi Greyhound Park.

October 9, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Adopted timeline for reopening application periods for horse racetrack licenses. Approved request for a nonpari-mutuel race day for Ross Downs. Status report by Manor Downs.

November 6, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Approved formal license certificates for horse racetracks. Presented formal license certificate to G. Rollie White Downs. Appointed Dr. Sue Battie as Acting Executive Secretary. Considered staff proposal relating to reimbursement of administrative costs. Considered matters relating to G. Rollie White Downs. Adopted final order granting the Galveston County greyhound license to Lone Star Greyhound Park, Inc.

December 11, 1989: Proposed and adopted rules for publication in the TEXAS REGISTER. Adopted 1989 Annual Report. Considered matters relating to the preparation of racing at Valley Greyhound Park. Approved a transfer of interest in Corpus Christi Greyhound Park. Heard motions for rehearings regarding the Galveston County racetrack license. Granted additional nonpari-mutuel race dates to La Bahla. Adopted final order granting a Class 3 license to Gillespie County Fair and Festivals Association. Considered matters relating to the preparation of racing at Del Rio Downs. Considered matters relating to the preparation of racing at Bandera Downs. Heard motions for rehearing the application of Houston Turf Club. Amended application acceptance period for Harris County from May 1990 to March 1990.

TEXAS RACING COMMISSION OPERATIONS

The Texas Racing Commission staff is currently headed by Acting Executive Secretary, Susan R. Baittie, D.V.M.. The Executive Secretary is selected by the commission and serves at their pleasure in accordance with Section 2.13 of the Texas Racing Act. Recently, the commission formed a search committee to seek an Executive Secretary to head the agency. It is anticipated that this person will be selected by February 1990.

During the past year, the primary function of the Texas Racing Commission has been to conduct public hearings and make determinations on racetrack applications. In 1989, the commission accepted twenty-one applications to operate pari-mutuel racetracks, and of those twenty-one applications, the commission awarded licenses to eight Class 2 racetracks, one Class 3 racetrack and three greyhound racetracks. The licensing process is one of the most critical functions the commission is faced with in the development of the pari-mutuel racing industry, as their decisions will lay the foundation for the future racing industry in Texas.

Another main function of the commission in the past year has been the adoption of rules and regulations for horse and greyhound racing, and the completion of a rulebook for horse racing. The rulemaking process has been an extensive project for the commission, as these rules are the primary method by which the commission interprets its vision. For the first time in the history of this industry, the Texas Racing Commission has defined rules for the construction of a racetrack. These rules are a collection of the entire industry's diverse perceptions of an efficient and successful racetrack which will emphasize the safety of the racing animals and jockeys, and accommodate the wagering public. The compilation of these standards has taken many months, but with the assistance of other racing states and the horsemen and greyhound people of this state, Texas has the opportunity to become one of the nation's leaders in the pari-mutuel racing industry.

The commission staff is divided into five major divisions. The Enforcement Division is responsible for enforcing the Texas Racing Act, conducting compliance inspections, and evaluating safety and security plans at each track. This division is also responsible for investigating cases at the tracks and coordinating the processing and approval of contracts.

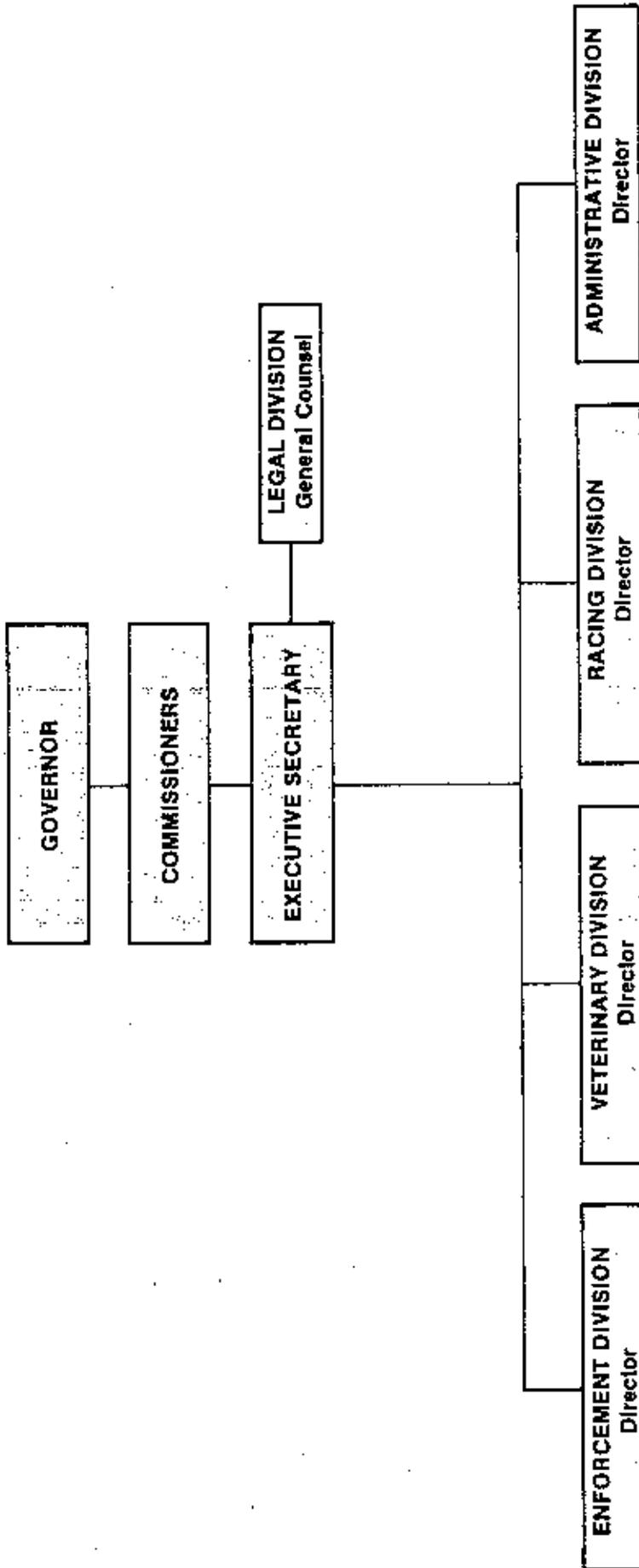
The Racing Division oversees the occupational licensing department and supervises the training and hiring of racetrack officials. This division is also responsible for conducting the Texas Bred and pari-mutuel audit programs.

The Administrative Division manages the budget, accounting, and systems maintenance programs, and makes all purchases that are necessary to run the agency. Another duty of this division is the evaluation of job applications and the hiring of all staff members for the Texas Racing Commission.

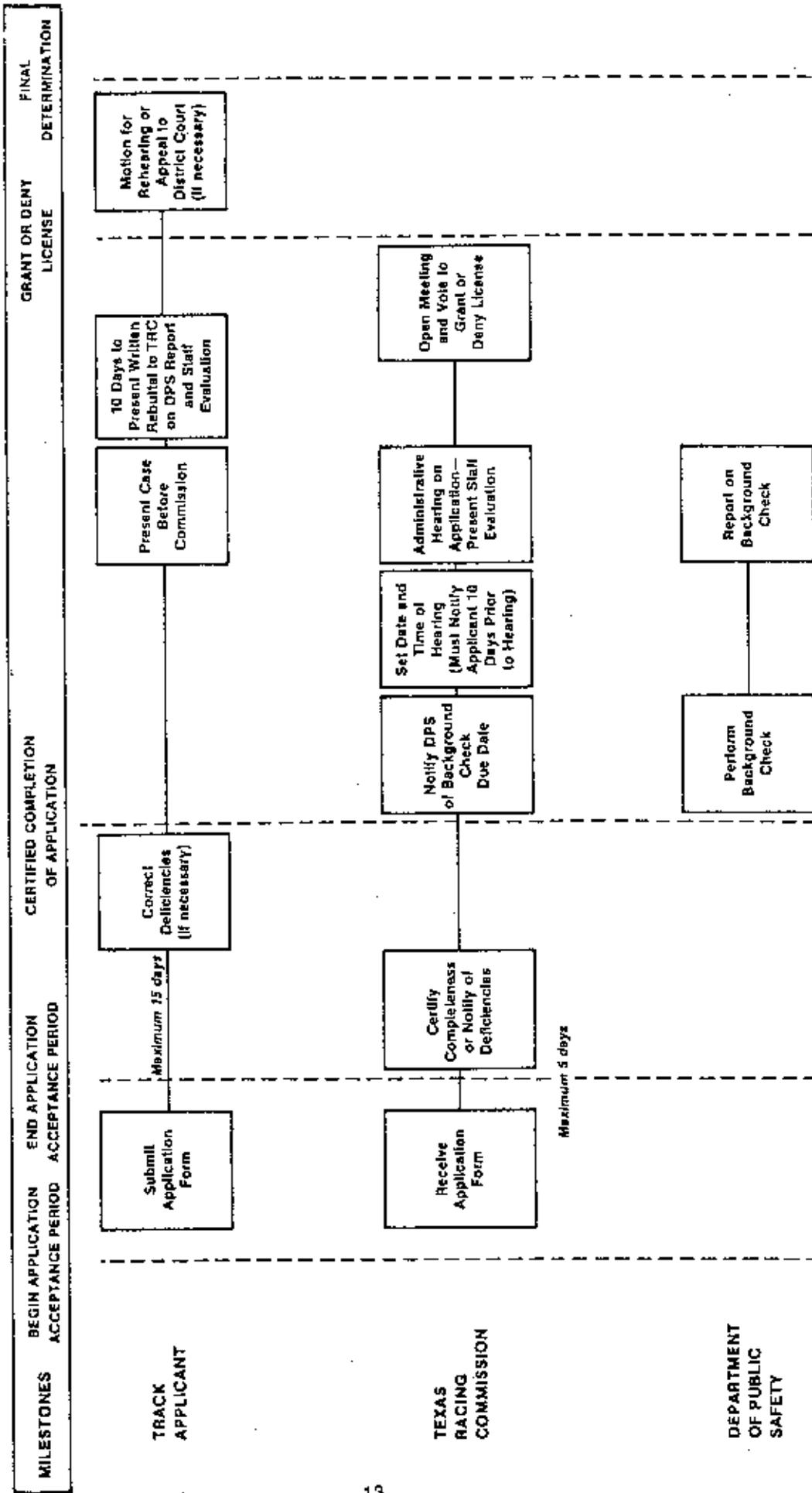
The Veterinary Division is responsible for overseeing the pre-race examination program as well as the medication and drug testing procedures at each track. This department also assists in the evaluation and monitoring of racetrack facilities to ensure the safety of race animals.

The Legal Division is responsible for writing all the rules and regulations of the Texas Racing Commission and serves as a liaison for the Attorney General's Office. Another main function of this division is to coordinate all public hearings, formal commission meetings, disciplinary hearings and legal proceedings regarding racetrack licenses and occupational licenses.

TEXAS RACING COMMISSION — ORGANIZATIONAL CHART



PARI - MUTUEL RACETRACK APPLICATION PROCESSING TIMELINE



TIMELINE FOR ACCEPTING APPLICATIONS AND CONDUCTING HEARINGS

ACCEPT: 
 CONDUCT HEARINGS: 

1990											
JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT		
CLASS 2 STATEWIDE											
GREYHOUND CAMERON											
GREYHOUND GALVESTON											
GREYHOUND NUECES											
CLASS 1 BEXAR											
CLASS 1 HARRIS											
CLASS 1 DALLAS/FT. WORTH											
CLASS 3 STATEWIDE											

LICENSING PROGRAM

The Texas Racing Commission's foremost obligation centers around the licensing program. Many hours in the past year have been spent on racetrack and occupational licensing procedures, for they are the basis from which the entire racing industry is formed.

In 1989, the commission reviewed many voluminous documents submitted by racetrack applicants. Subsequently, public hearings on each of these racetrack applications were held, and in all, several weeks of hearings were conducted at various intervals throughout the year on these applications. Hours and hours of testimony were considered at the hearings to ensure the integrity of the ultimate licensee and the precision of the commission's decisions.

APPLICATIONS FOR PARI-MUTUEL RACETRACK LICENSES

The following is a list of the pari-mutuel racetrack license applications the commission received and made determinations upon in 1989:

- **Bandera Downs** filed an application to construct and operate a \$5 million Class 2 pari-mutuel facility in Bandera County. The commission granted the applicant a license along with 126 race days in 1990 and 79 race days in 1991.
- **Del Rio Downs** filed an application to construct and operate a \$992,420 Class 2 pari-mutuel facility in Val Verde County. The commission granted the applicant a license along with 57 race days in 1990 and 54 race days in 1991.
- **G. Rollie White Downs** filed an application to construct and operate a \$661,256 Class 2 pari-mutuel facility in McCulloch County. The commission granted the applicant a license along with 60 race days in 1990 and 58 race days in 1991.
- **Manor Downs** filed an application to construct and operate a \$1.4 million Class 2 pari-mutuel facility in Travis County. The commission granted the applicant a license along with 127 race days in 1990 and 65 race days in 1991.
- **La Bahia Downs** filed an application to construct and operate a \$5.9 million Class 2 pari-mutuel facility in Goliad County. The commission granted the applicant a license along with 82 race days in 1990 and 101 race days in 1991.
- **Longhorn Downs** filed an application to construct and operate a \$35 million Class 2 pari-mutuel facility in Blanco County. The commission granted the applicant a license along with 49 race days in 1991.
- **Lubbock Downs** filed an application to construct and operate a \$4.5 million Class 2 pari-mutuel facility in Lubbock County. The commission granted the applicant a license along with 102 race days in 1990 and 102 race days in 1991.
- **Trinity Meadows Raceway** filed an application to construct and operate a \$10 million Class 2 pari-mutuel facility in Parker County. The commission granted the applicant a license along with 130 race days in 1990 and 147 race days in 1991.

- **Randall Park** filed an application to construct and operate a \$5 million Class 2 pari-mutuel facility in Randall County. The commission denied the application.
- **Ross Downs** filed an application to construct and operate a \$16 million Class 2 pari-mutuel facility in Tarrant County. The commission denied the application.
- **Houston Turf Club** filed an application to construct and operate a Class 2 pari-mutuel facility in Harris County. The applicant requested that their application for a Class 1 facility be considered first and depending upon the commission's determination, the Class 2 application would either be withdrawn, or they would proceed with it at a later date.
- **Valley Greyhound Racing Association** filed an application to construct and operate a \$10.4 million greyhound pari-mutuel facility in Cameron County. The commission granted the applicant a license. Race days: 401 performances requested in 1990 and 400 in 1991.
- **El Valle/Lone Star Greyhound Park** filed an application to construct and operate a \$14 million greyhound pari-mutuel facility in Cameron County. The commission denied the application.
- **Lone Star Greyhound Park** filed an application to construct and operate a \$31.1 million greyhound pari-mutuel facility in the city of La Marque. The commission granted the applicant a license. Race days: 259 performances requested in 1990 and 456 in 1991.
- **Galveston Greyhound Racing Association** filed an application to construct and operate a \$34.1 million greyhound pari-mutuel facility in the city of La Marque. The commission denied the application.
- **Galveston Bay Greyhound Racing Association, Ltd.**, filed an application to construct and operate a \$30.7 million greyhound pari-mutuel facility in League City. The commission denied the application.
- **Bay Greyhound Racing Associates Limited Partnership** filed an application to construct and operate a \$25.1 million greyhound pari-mutuel facility in Galveston. The commission denied the application.
- **Gulf Greyhound Park** filed an application to construct and operate a \$32.3 million greyhound pari-mutuel facility in the city of La Marque. The commission denied the application.
- **Corpus Christi Greyhound Racing Associates** filed an application to construct and operate a \$15.1 million greyhound pari-mutuel facility in Nueces County. The commission granted the applicant a license. Race days: 157 performances requested in 1990 and 450 in 1991.
- **Houston Downs** filed an application to construct and operate a \$61.4 million Class 1 pari-mutuel facility in Harris County. The commission denied the application.
- **Houston Turf Club** filed an application to construct and operate a \$68.2 million Class 1 pari-mutuel facility in Harris County. The commission denied the application.
- **Gillespie County Fair & Festivals Association** filed an application to construct and operate a Class 3 pari-mutuel facility in Gillespie County. The commission granted the applicant a license along with 10 race days in 1990 and 14 race days in 1991.

OCCUPATIONAL LICENSING

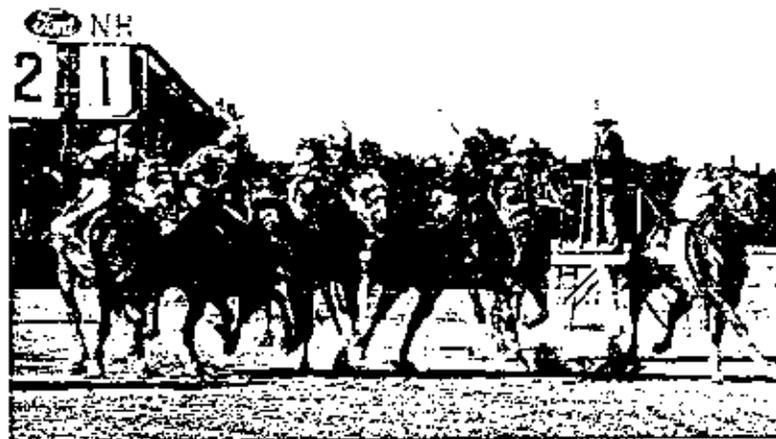
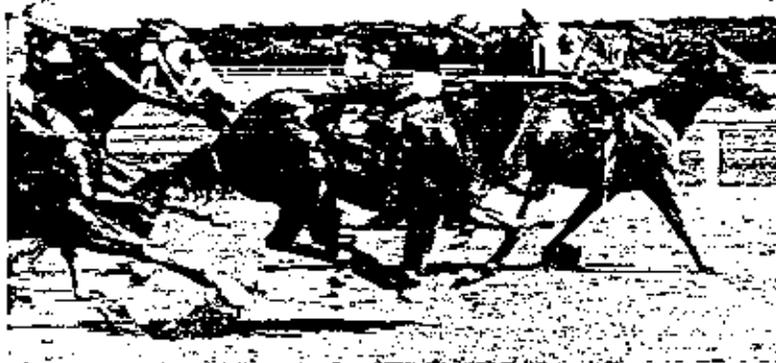
After the commission has granted an applicant a license to operate a pari-mutuel racetrack, then begins the occupational licensing process. A person employed by a racetrack in any capacity must be licensed by the commission as stipulated in the Texas Racing Commission rules. For the convenience of all occupational licensees, members of the commission staff travel to individual racetracks approximately one month prior to the opening date to set up the computerized licensing system. This system, which is connected to the National Association of State Racing Information System, is an integral element in maintaining a sound and respectable racing industry. Below is an inventory of occupational licenses the commission processed in 1989 at G. Rollie White Downs:

	NUMBER OF LICENSES	AMOUNT OF LICENSE FEES	TOTAL FEES
Owner	1,048	@ \$ 50	\$52,400
Lessor	5	@ 50	250
Lessee	10	@ 50	500
Trainer	155	@ 50	7,750
Assistant Trainer	13	@ 50	650
Jockey	75	@ 50	3,750
Apprentice Jockey	4	@ 50	200
Exercise Rider	24	@ 20	480
Groom	99	@ 20	1,980
Veterinarian	36	@ 50	1,800
Veterinarian Assistant	3	@ 20	60
Jockey Agent	2	@ 50	100
Authorized Agent	16	@ 15	240
Farrier	19	@ 40	760
Tattooer	2	@ 40	80
Pony Person	52	@ 20	1,040
Valet	3	@ 20	60
Owner-Trainer	130	@ 100	13,000
Racing Secretary	1	@ 50	50
Assistant Secretary	1	@ 30	30
Paddock Judge	1	@ 30	30
Starter	1	@ 40	40
Assistant Starter	12	@ 20	240
Placing Judge	1	@ 30	30
Clerk of Scales	1	@ 30	30
Jockey Room Custodian	1	@ 30	30
Track Superintendent	1	@ 40	40
Stable Superintendent	1	@ 40	40
Horsamen's Bookkeeper	1	@ 40	40
Chart-writer	1	@ 30	30
Announcer	1	@ 40	40
Outriders	4	@ 20	80
Test Barn Technician	10	@ 20	200
Morning Clocker	2	@ 30	60
Association President	1	@ 75	75
Association Board of Directors	1	@ 75	75
General Manager	1	@ 75	75
Director of Public Relations	1	@ 50	50
Director of Security	3	@ 50	150
Association - Other	1	@ 50	50
Admissions Person	11	@ 20	220
Parking Attendant	20	@ 20	400
Maintenance	24	@ 20	480
Kitchen Employee	3	@ 20	60
Security Guard	18	@ 20	360
Mutuel Manager	1	@ 50	50
Mutuel Clerk	84	@ 20	1,680
Vendor/Concessionaire	9	@ 50	450
Multiple Owner	107	@ 10	1,070
Office Staff/Association	9	@ 20	180
Horseshoe Inspector	1	@ 30	30
Nurse/Medical Techs	4	@ 20	80
Association Physician	1	@ 50	50
Association Chaplin	3	@ 20	60
Vice-President Association	1	@ 75	75
Secretary-Treasurer Association	1	@ 75	75
Association Employee	72	@ 20	1,440
Tote Technician	5	@ 20	100
Ambulance Attendant	6	@ 20	120
TOTAL LICENSED	2,129		\$93,515

G. ROLLIE WHITE DOWNS

G. Rollie White Downs in Brady, Texas, opened on October 6, 1989. It was the first time in over fifty years that pari-mutuel racing had returned to Texas. There were an estimated 250 jobs created by the opening of G. Rollie White Downs, and approximately \$3,700 was dispersed to the local government. During the 1989 meet ending December 10th, G. Rollie White Downs conducted 265 races and brought in over \$3.8 million in total handle. The state's 5-percent share which amounted to approximately \$192,181 was deposited into the General Revenue Fund.

In addition to the money generated from the betting public, G. Rollie White Downs processed approximately 2,129 occupational licenses ranging from owners and trainers, to jockeys, grooms, parking attendants and vendors. The income generated from these licenses at the end of 1989 totaled an estimated \$93,515.



GREYHOUND RACETRACKS

In the summer and fall of 1989, the Texas Racing Commission attended the ground breaking ceremonies of Valley Greyhound Park and Corpus Christi Greyhound Park.

Valley Greyhound Park will be a \$10.5 million greyhound racetrack located in Cameron County. Construction of the racetrack is currently underway and the racetrack is predicted to open in October of 1990.



Corpus Christi Greyhound Park will be a \$15 million greyhound racetrack located in Nueces County. Construction of the racetrack is currently underway and the track is predicted to open in November of 1990.



Lone Star Greyhound Park will be a \$31 million greyhound racetrack located in Galveston County. Construction of the racetrack has not yet begun, however, a ground breaking ceremony is presently being arranged.

TEXAS DEPARTMENT OF PUBLIC SAFETY

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COMMISSION
RUBEN R. CARDENAS
CHAIRMAN
CALVIN R. GUEST
ALBERT B. ALKEK
COMMISSIONERS

November 17, 1989

Texas Racing Commission
Hilary B. Doran, Jr., Chairman
Post Office Box 12080
Austin, Texas 78711

RE: ARTICLE 179e, ARTICLE 3, SECTION 31.10
OF VERNON'S TEXAS CIVIL STATUTES

Dear Chairman Doran:

In response to your letter of November 3, 1989, wherein you requested the Department of Public Safety furnish you a comprehensive report of any organized crime activities and information concerning any and all illegal gambling which may be known to exist in this state, we submit the following:

Due to current pending investigations in the areas of concern being conducted by this agency and other law enforcement agencies, we are limited as to what we can report at this time; however, we can address certain areas of mutual concern without interfering in these ongoing matters.

TRADITIONAL ORGANIZED CRIME (MAFIA)

Traditional organized crime (Mafia) continues to be a concern of law enforcement in Texas. Direct influence of Mafia families appear to remain very limited; primarily through associates and acquaintances that operate legitimate businesses in Texas.

NON-TRADITIONAL ORGANIZED CRIME

Non-traditional organized crime gangs continue to present a major problem to the Department of Public Safety and other law enforcement agencies in Texas.

As previously reported, these groups continue to be heavily involved in: illegal gambling, extortion, robbery, drug smuggling and drug dealing, firearms violations, immigration violations, pornography, prostitution, and most all other criminal offenses. The criminal activity of these groups continues to be on the increase especially in the area of drug smuggling and drug dealing.

ILLEGAL BOOKMAKING

Illegal bookmaking activity continues to be a major problem in Texas with the number of illegal bookmakers on the rise. The Department of Public Safety believes this can be attributed to several factors: apathy of the general public, lack of zealous prosecution by District Attorneys due to an overload of higher priority cases such as violent crimes and narcotics, prison overcrowding, and law enforcement agencies being overloaded with other crime problems.

Intelligence information indicates that there is an estimated 800 to 1,000 bookmakers in the Dallas and Houston Metroplex area alone. These bookmakers are taking illegal wagering action on all forms of athletic events including high school football and horse races being run on out of state tracks.

In 1989, the Department of Public Safety and local law enforcement agencies have executed search and arrest warrants on illegal bookmaking operations ranging from small operations by college students betting on high school sports to large million dollar operations.

Bookmakers continue to take wagers on horse races at an ever increasing rate. This has been a noticeable trend since the passage of pari-mutuel wagering. If allowed to continue, this will certainly have a direct bearing on the racing industry in Texas.

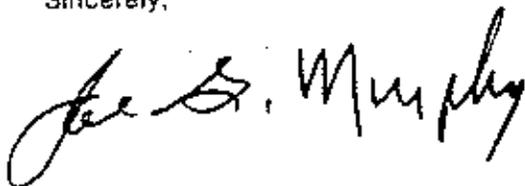
Professional bookmakers have been observed at non pari-mutuel tracks as well as the one pari-mutuel track now operating in Texas. Law enforcement action by the Department of Public Safety has included arrests and ejection from the premises of these tracks in cooperation with the Texas Racing Commission.

CASINO GAMBLING

Professional gamblers continue to operate high stakes poker games and other illegal casino type operations in Texas. In 1989, the Department of Public Safety, in cooperation with local law enforcement agencies, conducted numerous raids in various parts of the state seizing illegal gambling equipment, large amounts of monies and making many arrests. These types of gambling operations also appear to be on the increase.

This report is intended to apprise you of the extent of the current problems in these areas of concern in Texas.

Sincerely,



Joe G. Murphy
Commander
Criminal Intelligence Service
Texas Department of Public Safety

LABORATORY TESTING

The Texas Racing Commission's drug testing program is the backbone of the agency's governing function. This program, which is conducted by Texas A&M Veterinary Diagnostic Lab, is vital to the integrity of the racing industry in Texas.

The purpose of drug testing is to protect the integrity of horse and greyhound racing, to ensure the health of the animals, and to safeguard the interests of the public and the participants in racing through the prohibition and control of all prohibited drugs, chemicals, and other substances. It is essential to maintain the high standards of the Texas Racing Commission's drug testing program, and therefore, the commission participates in the Association of Racing Commissioners International Quality Assurance Program.

Through the collection and analysis of blood/urine samples from race animals at the track, it is the commission's objective to ensure that foreign substances are not being administered to racing animals pursuant to Section 319.2 and 319.3 of the Texas Racing Commission rules and regulations. These rules prohibit the administration of any foreign substance that may affect the outcome of a race or interfere with the testing procedures.

Following is a summary of tests conducted by the Texas A&M Veterinary Diagnostic lab in 1989 for the Texas Racing Commission:

HORSES	URINE	BLOOD
G. Rollie White Downs	653	732

HORSES	POSITIVE TESTS RETURNED
G. Rollie White Downs	5

RULINGS

In November, Anthony Bandiero was fined \$1,500 and suspended for 45 days by stewards at G. Rollie White Downs after four positive tests were returned on significant phenylbutazone overages. Purses were redistributed on these races.

In December, purses were redistributed after a race in which trainer Glen Doege had a positive test returned for a slight phenylbutazone overage.

TEXAS HORSE AND GREYHOUND BREEDING PROGRAMS

A principal objective of the Texas Racing Act is to encourage agriculture and the horse and greyhound breeding industries in this state. To achieve this objective, the Texas Racing Act provides various incentives for Texas horse and greyhound breeders, owners of Texas-bred horses, and for kennels owned by Texas residents.

An accredited Texas-bred horse must meet the accreditation requirements of the state breed registry of that breed of horse. In order to receive a purse supplement, a horse must first be registered with the proper registry. The officially designated state horse breed registries for accredited Texas-bred horses are the Texas Thoroughbred Breeders' Association, the Texas Quarter Horse Association, the Texas Arabian Breeders' Association, and the Texas Appaloosa Horse Club.

Section 9.03 of the Texas Racing Act requires every association conducting a horse race meeting to run at least two races limited to accredited Texas-bred horses on each race day.

To encourage the breeding of horses in this state, any accredited Texas-bred horse finishing first, second, or third in any race except a stakes race shall receive a purse supplement. Funding for the Texas-bred Incentive Program is derived from 80-percent of the breakage from each pari-mutuel race held in this state. Total breakage equates to approximately six-tenths of one-percent of the total handle, or roughly \$6,000 of every \$1 million wagered. These monies are to be distributed on a 40/40/20 percent split respectively between owners of accredited Texas-breds that finish first, second, or third in qualifying races; breeders of accredited Texas-breds that finish first, second, or third in qualifying races; and owners of accredited Texas stallions at the time of conception whose accredited Texas-bred foals finish first, second, or third in qualifying races. The Texas Bred Incentive Programs and distribution of awards will be administered by the Texas Racing Commission.

The commission staff has worked extensively with each breed organization to ensure that the monies due to the individuals involved in breeding accredited Texas-bred horses are disseminated quickly and efficiently. Much of this program is coordinated through computer systems.

Racing at G. Rollie White Downs has been the sole source of funds for breeder's awards in 1989. The following amounts have been generated for the breeders of Texas-bred horses:

BREEDERS' FUND FROM BREAKAGE

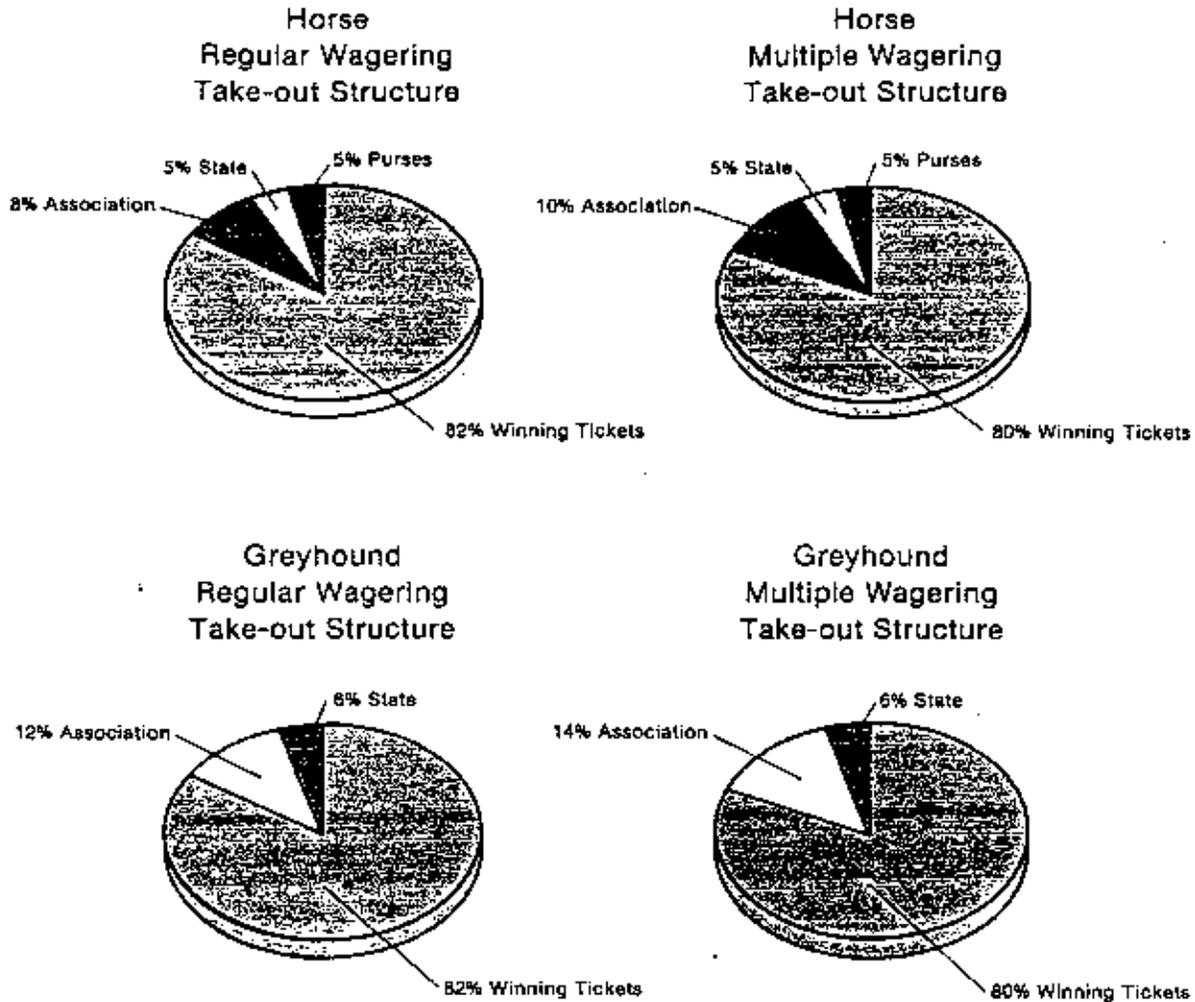
Breeders' Award Program

Texas Quarter Horse Association	\$21,073
Texas Thoroughbred Breeders' Association	\$13,400
Texas Stakes	\$3,831
TOTAL REVENUE TO BREEDERS' FUND	\$38,304

An accredited Texas-bred greyhound is a Texas-bred greyhound that meets requirements of the Texas Greyhound Association. In order to receive a purse supplement, a greyhound must be registered with the National Greyhound Association and the Texas Greyhound Association.

To encourage the breeding of greyhounds in this state, an accredited Texas-bred greyhound finishing first in any race shall receive a purse supplement. Funding for the Texas Racing Incentive Program is derived from 50-percent of the breakage of each pari-mutuel greyhound race meeting held in Texas. This breakage is distributed equally between stakes races, administration and accredited Texas bred races. Additional breeding incentives are provided in Section 309.352 of the Texas Racing Commission Rules, which requires that at least 50-percent of the kennels under contract with a greyhound racetrack be wholly owned by Texas residents.

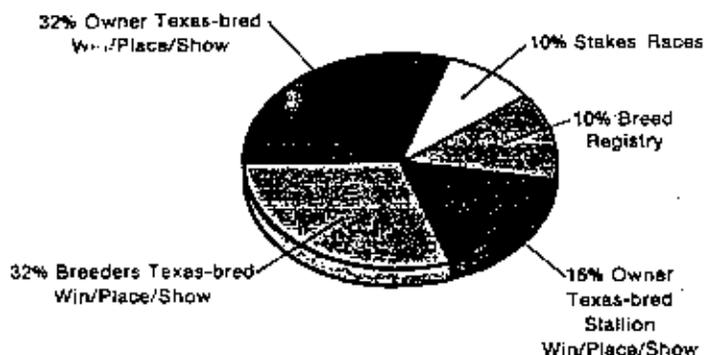
TEXAS WAGERING DOLLAR



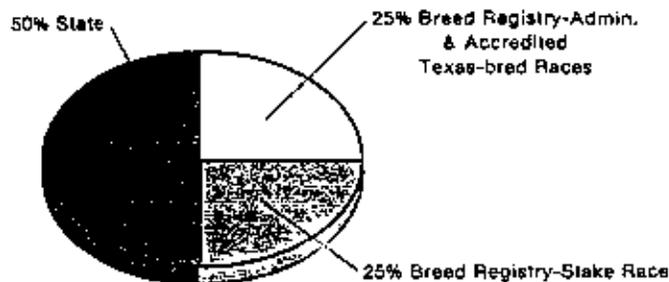
"Pari-mutuel" literally means a "mutual wager" - It allows a person to bet against other bettors. The racetrack acts as the agent for betting. The tracks totalisator equipment computes the bettor's winnings and deducts a percentage fixed by law from each "handle" (the gross receipts of a pari-mutuel pool). Under the Texas Racing Act, of the total amount wagered on a race, 80-percent of multiple wagering and 82-percent of regular wagering is returned to the winning bettors in the form of payoffs. A regular wager is a wager placed for a race animal to win, place or show. Multiple wagering includes all other type of wagers.

The "take-out" (funds deducted from a pari-mutuel pool that are not returned to the betting public) is divided among the state, the track, and the horsemen or greyhound owners and contract kennels in the form of purses. The track is responsible for paying a minimum of 3-1/2-percent of the total deposited in each pool for the greyhound purse. Of the purse allocated to a greyhound, 35-percent is paid to the owner and the remaining 65-percent is paid to the contract kennel.

Horse Racing
Distribution of Breakage



Greyhound Racing
Distribution of Breakage



Also deducted from the pool is the "breakage" (the odd cents by which the amount payable on each dollar wagered in a pari-mutuel pool exceeds a multiple of ten cents). The breakage is distributed to the Breed Registry, stakes races, and to accredited Texas-breds that win, place, or show in a race. For greyhound races the breakage is distributed to the breed registry for administration, accredited Texas-bred races, stakes races, and the state.

LOOKING TOWARD 1990

After nearly two years in operation, and with the majority of the licensing hearings having been completed, the Texas Racing Commission is looking forward to 1990. In the next year, the commission anticipates the successful openings of three greyhound racetracks, six additional Class 2 racetracks, and one Class 3 racetrack. With the openings of these racetracks, it is estimated that we will process approximately 20,000 occupational licenses, and generate an estimated \$850,000 in occupational license fees alone for the State of Texas.

Although the commission has not yet awarded a Class 1 racetrack license to an applicant, it is anticipated that with the support of the Texas Legislature, the multi-million dollar first-class facilities will become a reality for our state.

The Texas Racing Commission has accomplished many things since the final appointment in early 1988; however, several problems are hampering its ability to carry out the will of the people of Texas, as expressed when they voted for the referendum of 1987. In addition to the generation of direct revenue from pari-mutuel taxes, the people of Texas voted for a comprehensive program of economic development in the horse breeding and racing industry. As it states in Article 1 of the Texas Racing Act, the purposes of the Act are "to encourage agriculture, the horse-breeding industry, the horse-training industry, tourism, and employment opportunities in this state related to horse racing."

One primary problem facing the commission is the existence of several inconsistencies and unworkable conditions in the Texas Racing Act. The presiding officials at the racetracks, or stewards, are required to be peace officers. This involves 400 hours of training certified by the Texas Commission on Law Enforcement Officer Standards and Education. Such training is time-consuming, expensive, and unnecessary for individuals who must preside at pari-mutuel racetracks. Another area of concern is the commission's need for authority to seek injunctions against harmful or unsafe situations and to impose administrative penalties for noncompliance with the Act or the rules of the commission.

Another more pervasive problem exists with the present take-out structure. During the licensing hearings, it became apparent that adequate financing for a pari-mutuel horse racetrack was not easily obtained. The capitol outlay is great, and several years may pass without a significant return on invested funds. Because of this, many of the already licensed Class 2 tracks may be unable to obtain financing, much less begin operations to produce revenues for the state. In addition, the commission only received one application for a Class 3 racetrack license. One reason for this is that the potential applicants were unable to secure commitments for financing the improvements necessary to comply with the commission's rules regarding the safety of facilities.

The take-out structure also has an effect on the amount of money the horsemen receive through purses. In the current economy, difficulties often arise when horsemen, who have many required fees to pay, only receive a minimal return from the purses. These low purses tend to affect their morale and their desire to get involved in the Texas racing industry.

The principle of giving some form of tax relief to a new industry so that it can grow healthy and strong is a sound and proven policy. For example, the Oklahoma Legislature acted in 1988 to reduce that state's share of the handle to 2-percent from the original 6-percent. It was only after this change that Remington Park in Oklahoma City, definitely a first-class facility, was able to be built. Likewise, in 1988, the take-out structure was changed in Minnesota, reducing the state's share from 4.8-percent to 1.2-percent. The Texas Legislature might consider reducing the state's take-out and increasing the purse structure for the horsemen. This might well increase the amount of money being put into the Texas industry through the horsemen, attract high-quality horses which bring in large crowds, and ultimately, bolster the wagering at the racetracks. Then, after the industry is on its feet, the racetracks can afford to be taxed at a higher rate. Texas is the only one of the new pari-mutuel states that has not reduced the state's share of the pari-mutuel handle from the original proposal.