

**2014**

**ANNUAL REPORT**

**— TEXAS —**  
**RACING COMMISSION**



**January 31, 2015**

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## TABLE OF CONTENTS – 2014 ANNUAL REPORT

Transmittal Letters to Governor.....	2
The Commission	
Mission and Philosophy.....	4
The Commissioners .....	5
Agency Overview.....	6
Organizational Chart.....	7
Fiscal Information.....	8
Agency Highlights.....	8
Inspection Program.....	10
Texas-Bred Incentive Program.....	12
Significant Commission Actions and Activities.....	13
Statistics	
2014 Purse Statistics.....	18
2014 Statistical Racetrack Information.....	19
Five-Year Overview of Pari-Mutuel Racing.....	22
Greyhound Racetracks	
Gulf Coast Racing.....	23
Gulf Greyhound Park.....	24
Valley Race Park.....	25
Horse Racetracks	
Lone Star Park at Grand Prairie, Class 1.....	26
Retama Park, Class 1.....	27
Sam Houston Race Park, Class 1.....	28
Saddle Brook Jockey Club, Class 2.....	29
Gillespie County Fair & Festivals Association, Class 3.....	30
Key Agency Statistics	
Summary of Fiscal Year 2014 Financial Data.....	31
Summary of Fiscal Year 2014 Performance Measure Data.....	32
Appendices	
A. Department of Public Safety Report .....	33

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## TEXAS RACING COMMISSION

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January 29, 2015

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 2014 Annual Report in accordance with Section 3.10 of the Texas Racing Act, Article 179e, Vernon's Texas Civil Statutes. 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 2015.

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 Lone Star Park in Grand Prairie hosted the Breeders Cup, but resumed in 2005. The most recent data illustrates a flattening of the downward trend. In 2014, the total amount of dollars wagered at Texas racetracks was approximately \$325 million, an increase of just under 3 percent over 2013. However, the 2014 figure represents a near 50 percent decrease compared to the total amount of dollars wagered at Texas racetracks in 2000.

The Texas racetracks continue to face many challenges, foremost among them gaming competition from our neighboring states and Mexico. Complicating matters, over the years, Texas tracks have decreased the number of racing opportunities available to horsemen and greyhound participants. In addition, the purse structure in Texas has significantly decreased particularly compared to our neighboring states, which are aided by gaming supplements.

As a direct byproduct, the breeding industry and associated agricultural businesses are also suffering. For example, the Texas Thoroughbred breeding industry has seen a significant decline in foals produced and stallions standing for stud. From 2003 to 2012, the most recent year for which complete information is available, the number of thoroughbred foals from Texas declined by 66.2 percent.

Despite these struggles, the Commission's role remains unchanged. On behalf of the Texas Racing Commission, I reiterate our Commission goal to provide fair, effective, and efficient regulation of the pari-mutuel industry, our racetracks, and dog tracks.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robert Schmidt 70".

Robert Schmidt, MD  
Chairman

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January 30, 2015

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 2014 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 Comptroller of Public Accounts 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 light blue circular background.

Chuck Trout  
Executive Director

# TEXAS RACING COMMISSION 2014 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.

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## THE COMMISSIONERS

Of the nine board members, the governor appoints seven with the advice and consent of the Texas Senate. Two commissioners, the Comptroller of Public Accounts 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. At least 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.

COMMISSIONERS	TERM	HOMETOWN
Robert Schmidt, M.D., Chairman	11/16/2007 - 02/01/2017	Fort Worth
Ronald F. Ederer, Vice Chair	07/17/2007 - 02/01/2019	Corpus Christi
Gary P. Aber, DVM	05/16/2012 - 02/01/2015	Simonton
Gloria Hicks	11/09/2007 - 02/01/2017	Corpus Christi
Michael F. Martin, DVM	11/03/2010 - 02/01/2015	San Antonio
John T. Steen III	10/04/2011 - 02/01/2019	Houston
Vicki Smith Weinberg	04/08/2009 - 02/01/2015	Colleyville
Ex-Officio Members		
Glenn Hegar, Comptroller of Public Accounts	N/A	Austin
A. Cynthia "Cindy" Leon, Chair, Public Safety Commission	N/A	Mission

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## AGENCY OVERVIEW

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 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 tally and

calculate pari-mutuel wagers) and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.

- Administer the Texas-Bred Incentive Program, which provides economic incentives to support a healthy and vigorous breeding industry in the state.

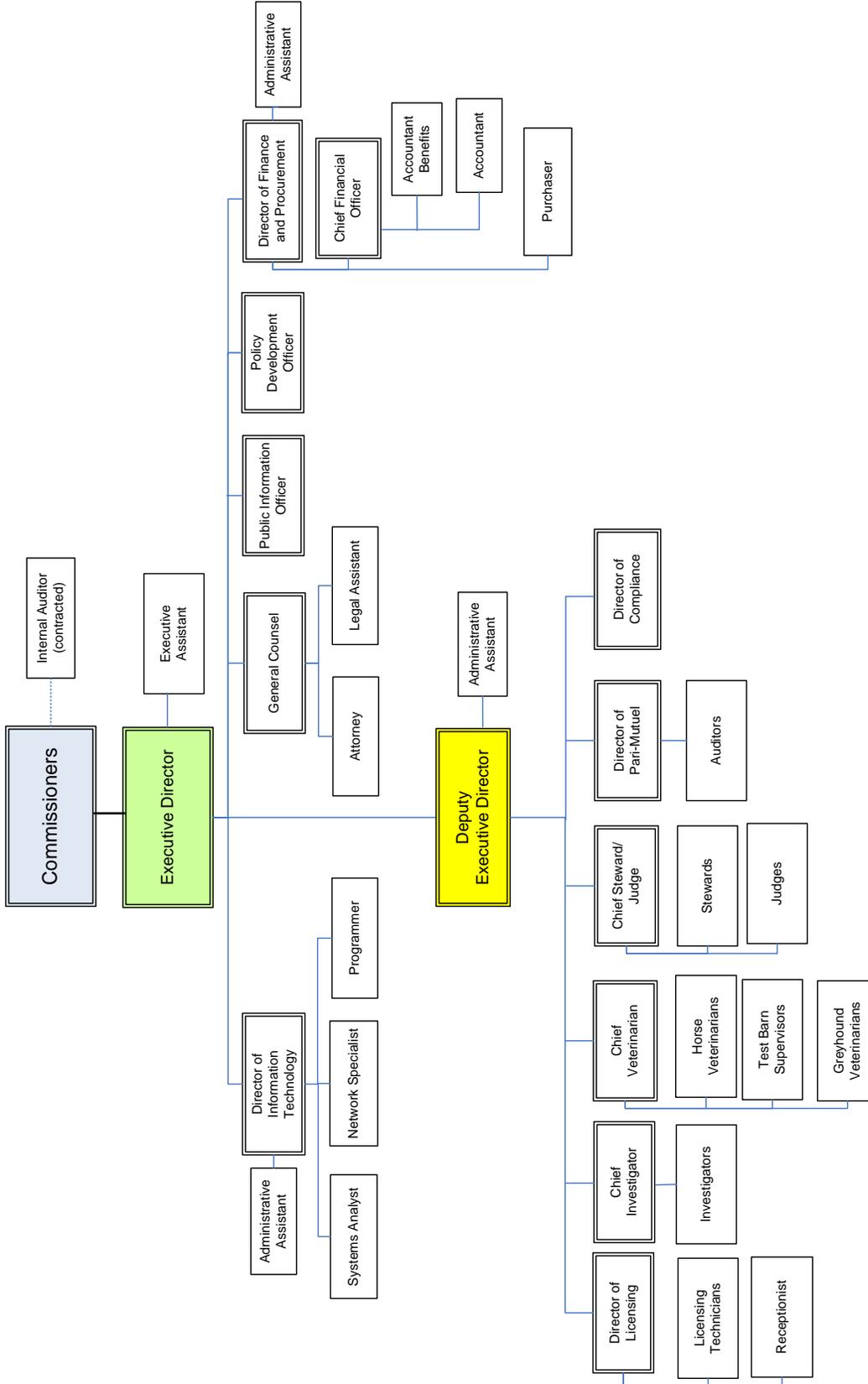
## ORGANIZATIONAL STRUCTURE

The General Appropriations Act authorized the agency to have 52.6 full-time equivalent positions (FTEs) in FY 2014 and 51.6 in FY 2015. This is down from the 62.3 authorized FTEs in FY 2012 and FY 2013. While the Racing Act requires the Commission's headquarters to be in Austin, a large number of staff members work at the operating racetracks. Many of the employees outside Austin are seasonal, working only when the racetracks conduct live racing.



# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## TEXAS RACING COMMISSION Organizational Chart December 2014



# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

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

TxRC has a field office at the three operating Class 1 horse racetracks and at two of the three currently operating greyhound racetracks. Additionally, staff is always present at any field office when that track is running live racing.

The agency's structure features an executive group and support staff headed by the executive director, and 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 typically appropriated only GR-Dedicated funds. The agency's revenue primarily comes from fees assessed to racetracks and occupational licensees.

For FY 2014, the Commission had a total appropriation of approximately \$8.35 million. The agency's operating budget was \$4.22 million, of which approximately 70 percent was salary and salary-related expenses. The \$8.35 million appropriation included a direct, dedicated-revenue pass-through of almost \$4.13 million for the Texas-Bred Incentive Program.

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

## AGENCY HIGHLIGHTS

### ADMINISTRATIVE

During FY 2014, the agency met or exceeded four of its performance outcome measure targets. Those targets are related to: increasing the percentage of compliance audits passed; having a high percentage of licensees with no recent violations; meeting the animal injury related benchmark; and improving the average time to issue a new occupational license.

The executive division coordinated six regular Commission meetings in 2014. The general counsel coordinated rule reviews for Chapters 307, 313, 315 and 323 as required by Government Code §2001.039. During the year, the Commission proposed 29 new rules or amendments to existing rules, 28 of which were adopted. The Commission also adopted one rule amendment that had been proposed in 2013.

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## **TECHNOLOGY**

In 2014, the Information Technology (IT) focus was on completing server migrations, replacing end-of-life equipment, improving the management of electronic records, and security.

The IT department completed the Department of Information Resources (DIR) Legacy System Study as well as the Security Plan as required by SB 1597. During the security assessment, areas of improvement were identified and a Risk and Security Oversight Committee (RSOC) was formed to address these items.

An in-house application to improve the tracking and classification of horse injuries was completed and an improved ruling application as well as a project and task management application are in the final stages of testing.

## **REGULATORY**

In 2014, pari-mutuel auditors reviewed wagering data on 4,869 live races and 750,276 simulcast races to ensure proper collection and distribution of funds. The auditing staff reviewed a total of 2,075 import and export simulcast requests for compliance with the Racing Act, the Texas Rules of Racing, and the Federal Interstate Horse Racing Act.

In 2014, the Commission issued 6,080 occupational licenses—up slightly over 2013—and 71 business licenses. Of the occupational licenses issued, 2,128 were new licenses and 3,952 were renewals. The 71 busi-

ness licenses consisted of nine kennel licenses and 62 vendor licenses.

## **INVESTIGATIONS**

By allocating resources tactically and cooperating with the Department of Public Safety (DPS), the department strives to secure voluntary compliance with agency rules. The critical assistance from DPS helps ensure the safety of the public, participants and animals involved in racing.

Investigators, along with the DPS, continue to perform random inspections at all operating racetracks and licensed training centers. These inspections resulted in 26 contraband case referrals to the respective Board of Stewards or Judges. Stewards and judges issued a total of 278 disciplinary rulings. These included 218 fines, 103 suspensions and two license revocations.

## **ANIMAL EXAMINATIONS/DRUG TESTING**

Texas follows the model rules set forth by the Association of Racing Commissioners International (RCI). RCI Model Rules represent best practice regulatory policy developed by the collective deliberations of racing regulators in consultation with industry representatives. RCI Model Rules are recommendations and the association has no direct regulatory power.

The Racing and Medication Testing Consortium (RMTC) is a national, non-profit organization that strives to develop uniform medication rules,

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

testing procedures, thresholds and withdrawal guidelines for therapeutic medications for jurisdictions across the country. RCI requested RMTC recommendations for thresholds and withdrawal times (how long an animal must be off a medication before racing) for therapeutic medications. RCI adopted the RMTC recommendations in April 2014.

The Texas Racing Commission's drug testing policy is already in line with the majority of the RCI Model Rules and will be fully aligned by June 2015. The policy revisions to thresholds and withdrawal periods apply only to certain therapeutic drugs. Texas remains a zero-tolerance state with regard to performance enhancing drugs.

Another ongoing development in drug testing methodology relates to the sensitivity of the tests themselves. Laboratories now are able to detect the presence of drugs at much lower concentrations. Improved techniques and tests are allowing screening for a greater number of drugs than ever before.

## **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 hold-

ers 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 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.

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

- 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 personnel and those bringing horses for official works.

## 2014 INSPECTIONS BY AREA

TYPE OF INSPECTION	NUMBER
LIVE RACING OPERATIONS	18
ANIMAL HEALTH AND SAFETY/ DRUG TESTING OPERATIONS	15
PARI-MUTUEL WAGERING OPERATIONS	29
SAFETY AND SECURITY	20
ADMINISTRATIVE OPERATIONS	8
TRAINING TRACKS	2
<b>TOTAL</b>	<b>92</b>

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.

## 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

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 accredited Texas-bred greyhounds finishing first 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 winning Texas-bred greyhounds for that month.

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

Of the total money from breakage received by the TGA, 2 percent must be set aside for grants for rehabilitating or locating homes for greyhounds. During 2014, grants were distributed from this source of funding to qualified Texas non-profit rehabilitation and adoption groups totaling \$2,800, including an added contribution of \$1,500 by the TGA.

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 resulted in \$1,417,162 going to purses at Gulf Greyhound Park in 2014. This source of purse money has remained fairly constant over the last several years, though 2014 saw an increase of 10 percent over 2013.

## 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 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.

## COMPARATIVE DISTRIBUTIONS YEAR 2013 VS. YEAR 2014

	2013	2014	% CHANGE
TEXAS THOROUGHBRED ASSOCIATION	\$1,769,563	\$1,837,399	3.83%
TEXAS QUARTER HORSE ASSOCIATION	\$895,720	\$941,257	5.08%
TEXAS GREYHOUND ASSOCIATION	\$487,722	\$492,327	0.94%
TEXAS-BRED STAKES RACE SUPPLEMENTS	\$97,114	\$101,861	4.89%
TEXAS ARABIAN BREEDERS ASSOCIATION	\$51,440	\$53,777	4.54%
TEXAS PAINT HORSE BREEDERS ASSOCIATION	\$25,621	\$26,952	5.20%
<b>TOTAL</b>	<b>\$3,327,180</b>	<b>\$3,453,573</b>	<b>3.80%</b>

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

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 that are 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 Breeders Association, the Texas Paint Horse Breeders Association and the Texas Greyhound Association,.

The Texas Appaloosa Horse Club does not participate in this program.

## **SIGNIFICANT COMMISSION ACTIONS AND ACTIVITIES**

The Texas Racing Commission met six times during calendar year 2014. 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 2013, the number of race dates that Texas horse tracks

requested declined from 265 to 187. The reduced schedules carried into 2014 when tracks ran 186 days. With Lone Star Park (76), Retama Park (46), Sam Houston Race Park (56) and Gillespie Fair and Festivals Association (8) offering a total of 186 days of live racing in 2015, racing opportunities have stabilized for now.

In 2015, Gulf Greyhound Park will continue its year-round racing schedule. The track offered 255 performances in 2014 and has the same number scheduled for 2015. Gulf Coast Racing requested no performances in 2015 and Valley Race Park requested one.

## **COMMITTEE ON RULES**

During 2014, the Committee on Rules met four times. The committee recommended closure of the reviews of Chapter 313 (Officials and Rules of Horse Racing) and Chapter 315 (Officials and Rules for Greyhound Racing) that it began in October 2013. It also recommended opening rule reviews of Chapter 307 (Proceedings Before the Commission) and Chapter 323 (Disciplinary Action and Enforcement).

The Committee recommended the proposal and subsequent adoption of four rules during 2014 and recommended the adoption of one proposal that had previously been made in 2013. The committee also referred one proposal to the Commission for its consideration without making a recommendation.

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## **SAFETY AND MEDICATION WORKING GROUP**

The Safety and Medication Working Group met twice in 2014, providing valuable forums for all stakeholders to discuss critical safety and medication issues.

The group met on Feb. 27 at Sam Houston Race Park. Working group participants included Commissioners Martin and Aber, representatives from Texas racetrack associations, breed registries, the Texas Horsemen's Partnership, current practicing backside veterinarians, trainers, owners, and Commission staff.

Topics covered at the meeting included veterinary policies and procedures, including management of racing emergencies, catastrophic injuries, and necropsies. The group also discussed the current status of the drug testing program at the Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) and plans for improvement, and the meeting concluded with a presentation from the Jockeys' Guild about jockey safety.

The group met again at Sam Houston Race Park on Dec. 18. Working group participants included Commissioners Martin and Aber, representatives from Texas racetrack associations, breed registries, the Texas Horsemen's Partnership, current practicing backside veterinarians, trainers, owners, and Commission staff.

The group heard from TVMDL staff regarding a new program that is being established for the purpose of obtaining information about catastrophic

injuries. TVMDL staff also commented on the new thresholds developed by RMTTC and approved by RCI, which are being implemented in Texas in January 2015. The group also heard from TxRC Chief Veterinarian Dr. Kenneth Quirk about possible "third-party" furosemide administration on race day, the use of Cobalt in horse racing and hair testing as a method to regulate drugs with anabolic effects and/or blood-doping effects.

## **ANNUAL REVIEW/RENEWAL OF INACTIVE RACETRACK LICENSES**

Sunset legislation passed by the 82<sup>nd</sup> Legislature requires the Commission to conduct an annual review of each inactive racetrack license and determine whether to renew that license.

At its August 2014 meeting, the Commission completed its reviews and renewed the licenses held by Laredo Race Park, Longhorn Downs, and Manor Downs. Similarly in December, the Commission completed its review of Laredo Downs' inactive license and renewed that license for an additional year.

## **OWNERSHIP AND MANAGEMENT REVIEWS OF ACTIVE RACETRACK LICENSES**

Sunset legislation passed by the 82<sup>nd</sup> Legislature requires the Commission to conduct ownership and management review of each active racetrack license every five years. At

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

its August Commission meeting, the Commission completed its review of Gulf Coast Racing and scheduled the license's next ownership and management review for 2019.

## **STATUTORY REQUIREMENTS RELATED TO ONLINE WAGERING**

In its 2008 review of TxRC, the Sunset Commission took note of the unregulated entities that were taking wagers from Texans over the Internet.

In Texas, the only place a person may place a legal wager on a horse or greyhound race is on the grounds of a licensed pari-mutuel racetrack. However, these unregulated companies were using a technology not contemplated when the Texas Racing Act was passed and using the resulting ambiguity in the law to defend their actions. The Sunset legislation clarifies that all entities, whether in-state or out-of-state, are prohibited from accepting these types of wagers.

The Texas Legislature amended the Texas Racing Act in 2011 to clarify that the existing prohibitions against off-track wagering also applied to the Internet. Accordingly, TxRC sent cease-and-desist letters to all of the advance deposit wagering (ADW) companies that reportedly accepted these wagers from Texas residents. Most of the contacted companies voluntarily complied with the statute. However, TwinSpines.com (Churchill Downs) refused and then filed a federal lawsuit against the TxRC in Sept. 2012. Churchill Downs and at

least one other company continued to do business in Texas until a federal district judge ruled in favor of the Commission and dismissed the suit on Sept. 23, 2013.

Churchill Downs then filed an appeal with the U.S. 5<sup>th</sup> Circuit Court of Appeals, which issued an opinion Sept. 25, 2014, upholding the judgment in favor of the Commission. On Oct. 9, 2014, Churchill Downs filed a petition with the 5<sup>th</sup> Circuit for a rehearing en banc to reconsider the Circuit's prior decision affirming the trial court. On Oct. 27, the 5<sup>th</sup> Circuit denied Churchill Downs' petition.

## **HISTORICAL RACING**

Historical racing, also known as "instant racing" is an electronic wagering system which allows pari-mutuel betting on videos of previously run horse and dog races using machines that, cosmetically at least, resemble slot machines. These machines are currently in use in several states, including Arkansas, Idaho, Kentucky, Oregon and Wyoming.

In the fall of 2013, representatives from the pari-mutuel industry approached the Commission concerning authorizing new rules regarding historic racing at licensed racetracks in Texas. The Commission formed the Advisory Committee on Pari-Mutuel Wagering in early 2014 to investigate and discuss a variety of issues related to pari-mutuel wagering in Texas, including the viability of the introduction of historical racing.

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

On May 27, 2014, representatives of the entire racing industry jointly submitted a request that the Commission propose rules that would, if eventually adopted, authorize historical racing terminals in Texas. At the June 10 Commission meeting, the Commission voted 7-1 (one member was not present) in favor of publishing the rules in the *Texas Register* for a 30-day public comment period. A total of nearly 13,000 comments were received during this period. Agency staff also held a public comment hearing on July 17 to allow members of the public to comment in person. In total, approximately 9,900 comments (76 percent) were in favor of the proposed rules, with around 3,100 (24 percent) opposed.

On Aug. 29, after careful consideration and determining that historical racing fit the definition of pari-mutuel wagering, and that the proposed rule changes fell within the broad authority provided by the Texas Racing Act, the Commission voted 7 to 1 (with one abstention) in favor of adopting the proposed rules. The rule changes were then published in the *Texas Register* and went into effect on Sept. 28. However, on Sept. 17, a group associated with charitable bingo operators (later joined by the Kickapoo Traditional Tribe of Texas) filed suit in Travis County to prevent the Commission from moving forward with the new rules on the grounds that the commission did not have the authority to make the rule changes.

On Nov. 10, Judge Lora Livingston of the 261<sup>st</sup> Travis County District Court ruled that the new rules on historical

racing exceeded the Commission's statutory authority. The judge concluded that historical racing was a new form of wagering, rather than merely new technology to place existing forms of wagers, and should therefore be taken up by the Legislature.

As of Jan. 31, 2015, there are no historical racing terminals in operation in Texas, nor have any licensed Texas racetracks submitted the required application to the Commission seeking approval to conduct historical racing. The Commission is considering an appeal of the judge's decision.

## **SADDLE BROOK JOCKEY CLUB**

In June 2012, Saddle Brook Park, LLC filed an application with the Commission requesting approval of a temporary license to conduct simulcasting at a temporary location in Amarillo. The Commission approved the request and Saddle Brook Park opened its temporary facility as Saddle Brook Jockey Club for simulcasting on December 13, 2012.

The purpose of the temporary license, valid for two years, was to allow Saddle Brook time to construct a permanent live racing facility. Although Saddle Brook already owned property approved for a permanent facility, no construction ever commenced.

In May 2014, Saddle Brook submitted a request for a proposed rule change that would allow the Commission to extend a temporary license beyond two years. At its June meeting, the Commission voted to publish the

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

proposed rule for public comment in the *Texas Register*. However, the proposed rule change expired by rule of law after the Commission declined to adopt it at the October meeting.

Saddle Brook Jockey Club ceased pari-mutuel operations on Dec. 12. The expiration of the temporary license does not affect Saddle Brook's license to construct and operate a permanent horse racing facility, as long as the annual licensing fees continue to be paid.

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## 2014 PURSE STATISTICS

SOURCE OF FUNDS	QUARTER HORSE	THOROUGH-BRED	ARABIAN	PAINT	TOTAL HORSE
EARNED PURSE	\$4,594,100	\$14,074,935	\$284,500	\$92,000	\$19,045,535
TEXAS BRED STAKES	\$20,000	\$75,700	\$0	\$0	\$95,700
STAKES	\$3,225,458	\$449,517	\$38,700	\$95,993	\$3,809,667
SPONSORS	\$0	\$66,223	\$14,100	\$25,000	\$105,323
FUND TRANSFERS	\$0	\$0	\$0	\$0	\$0
ATB SPONSORED PURSE	\$404,700	\$279,490	\$38,595	\$6,480	\$729,265
TOTAL PURSES PAID	\$8,244,258	\$14,945,865	\$375,895	\$219,473	\$23,785,490
AVERAGE DAILY PURSES PAID AT ALL MEETS	\$105,696	\$128,843.66	\$10,739.86	\$54,868	\$100,785.98

SOURCE OF FUNDS	TOTAL GREYHOUND
EARNED PURSE	\$917,377
TEXAS BRED STAKES	\$0
STAKES	\$30,000
SPONSORS	\$45,924
FUND TRANSFERS	\$554,448
TGA CROSS SPECIES PURSE SUPPLEMENTS	\$1,417,162
TOTAL PURSES PAID	\$2,964,910
AVERAGE DAILY PURSES PAID PER PERF.	\$12,724.94

SOURCE OF FUNDS	2013 COMBINED	2014 COMBINED	% CHANGE
EARNED PURSE	\$20,187,478	\$19,962,912	-1.11%
TEXAS BRED STAKES	\$36,769	\$95,700	160.27%
STAKES	\$4,043,908	\$3,839,667	-5.05%
SPONSORS	\$746,948	\$151,247	-79.75%
FUND TRANSFERS	\$496,328	\$554,448	11.71%
TGA CROSS SPECIES PURSE SUPPLEMENTS	\$1,282,647	\$1,417,162	10.49%
ATB SPONSORED PURSE	\$127,500	\$729,265	471.97%
TOTAL PURSES PAID	\$26,921,578	\$26,750,401	-0.64%

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## SUMMARY OF ALL TEXAS GREYHOUND RACETRACKS JANUARY 1, 2014 THRU DECEMBER 31, 2014

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross- Species	Column 5 Sum of 1-4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
<b># of Race Days</b>	233	N/A	932	933	0	233	1,865	2,098
<b># of Performances</b>	233	N/A	12,313	11,265	17,779	0	23,578	23,578
<b>Attendance</b>	72,082	N/A	124,375	50	154,884	72,082	124,425	196,507
<b>Net Handle</b>	\$6,880,550	\$10,586,749	\$27,914,294	\$21,185,190	\$40,246,598	\$17,467,299	\$49,099,484	\$55,980,034
Horse Purse				\$42,316	\$42,316	\$0	\$42,316	\$42,316
Greyhound Purse	\$330,172	\$152,050	\$862,182	\$127,193	\$1,471,596	\$482,221	\$989,375	\$1,319,546
TTA Purse				\$152,771	\$152,771	\$0	\$152,771	\$152,771
TQHA Purse				\$152,769	\$152,769	\$0	\$152,769	\$152,769
TGA Purse				\$0	\$0	\$0	\$0	\$0
Escrowed Horse Purse				\$855,749	\$855,749	\$0	\$855,749	\$855,749
TX Horsemen's Partnership Purse				\$0	\$0	\$0	\$0	\$0
THP Escrow Horse Purse				\$127,220	\$127,220	\$0	\$127,220	\$127,220
Texas Bred			\$263,109	\$166,760	\$429,868	\$0	\$429,868	\$429,868
State Tax			\$279,094	\$264,465	\$543,560	\$0	\$543,560	\$543,560
Hub Fee				\$305,993	\$305,993	\$0	\$305,993	\$305,993
Simulcast Fee			\$762,855	\$991,147	\$1,754,002	\$0	\$1,754,002	\$1,754,002
Racetracks	<u>\$1,213,629</u>	<u>\$308,962</u>	<u>\$4,221,399</u>	<u>\$1,420,052</u>	<u>\$7,164,042</u>	<u>\$1,522,591</u>	<u>\$5,641,451</u>	<u>\$6,855,080</u>
<b>Total Commissions</b>	\$1,543,800	\$461,012	\$6,388,639	\$4,606,435	\$12,999,886	\$2,004,812	\$10,995,074	\$12,538,874
<b>Breakage</b>	\$18,595	\$0	\$36,795	\$69,528	\$91,473	\$18,595	\$106,323	\$124,918

Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas greyhound racetracks:

\$3,204,721	Total Export-Interstate Handle - Out of state locations wagering on Texas greyhound racetracks
<u>\$47,246,562</u>	Total Import-Interstate Handle - Texas greyhound racetracks wagering on out of state racetracks
<b>-\$44,041,840</b>	Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas greyhound racetracks

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## SUMMARY OF ALL TEXAS HORSE TRACKS JANUARY 1, 2014 THRU DECEMBER 31, 2014

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross- Species	Column 5 Sum of 1-4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
<b># of Race Days</b>	186	n/a	1,553	1,549	3,288	186	3,102	3,288
<b># of Performances</b>	186	n/a	29,001	13,908	43,095	186	42,909	43,095
<b>Attendance</b>	700,510	n/a	605,648	314	1,306,472	700,510	605,962	1,306,472
<b>Net Handle</b>	\$27,165,082	\$102,289,117	\$209,756,025	\$32,478,629	\$371,688,853	\$129,454,199	\$242,234,654	\$269,399,736
Horse Purse	\$2,024,120	\$1,513,239	\$15,141,734	\$405,579	\$19,084,670	\$3,537,358	\$15,547,312	\$17,571,432
Greyhound Purse				\$117,360	\$117,360	\$0	\$117,360	\$117,360
TTA Purse					\$0	\$0	\$0	\$0
TQHA Purse					\$0	\$0	\$0	\$0
TGA Purse				\$1,669,406	\$1,669,406	\$0	\$1,669,406	\$1,669,406
Escrowed Horse Purse					\$0	\$0	\$0	\$0
TX Horsemen's Partnership Purse					\$0	\$0	\$0	\$0
THP Escrow Horse Purse					\$0	\$0	\$0	\$0
Texas Bred	\$138,534		\$1,546,490	\$297,282	\$1,982,306	\$138,534	\$1,843,771	\$1,982,306
State Tax			\$2,097,294	\$405,579	\$2,502,873	\$0	\$2,502,873	\$2,502,873
Hub Fee				\$455,125	\$455,125	\$0	\$455,125	\$455,125
Simulcast Fee			\$8,883,371	\$880,208	\$9,763,579	\$0	\$9,763,579	\$9,763,579
Racetracks	<u>\$3,416,700</u>	<u>\$2,439,090</u>	<u>\$16,617,615</u>	<u>\$3,155,468</u>	<u>\$25,628,873</u>	<u>\$5,855,789</u>	<u>\$19,773,084</u>	<u>\$23,189,783</u>
<b>Total Commissions</b>	\$5,579,354	\$3,952,329	\$44,286,504	\$7,386,006	\$61,204,192	\$9,531,682	\$51,672,510	\$57,251,864
<b>Breakage</b>	\$187,305	\$0	\$796,132	\$51,838	\$1,035,275	\$187,305	\$847,970	\$1,035,275

Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas horse racetracks:

\$102,289,117 Total Export-Interstate Handle - Out of state locations wagering on Texas horse racetracks  
\$236,300,645 Total Import-Interstate Handle - Texas horse racetracks wagering on out of state racetracks  
-\$134,011,528 Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas horse racetracks

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## SUMMARY OF ALL TEXAS RACETRACKS JANUARY 1, 2014 THRU DECEMBER 31, 2014

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross- Species	Column 5 Sum of 1-4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
<b># of Race Days</b>	419	n/a	2,485	2,482	5,386	419	4,967	5,386
<b># of Performances</b>	419	n/a	41,314	25,173	66,673	186	66,487	66,673
<b>Attendance</b>	772,592	n/a	730,023	364	1,502,979	772,592	730,387	1,502,979
<b>Net Handle</b>	\$34,045,632	\$112,875,866	\$237,670,319	\$53,663,819	\$438,255,636	\$146,921,498	\$291,334,138	\$325,379,770
Horse Purse	\$2,024,120	\$1,513,239	\$15,141,734	\$447,895	\$19,126,987	\$3,537,358	\$15,589,628	\$17,613,748
Greyhound Purse	\$330,172	\$152,050	\$862,182	\$244,552	\$1,588,955	\$482,221	\$1,106,734	\$1,436,906
TTA Purse	\$0	\$0	\$0	\$152,771	\$152,771	\$0	\$152,771	\$152,771
TQHA Purse	\$0	\$0	\$0	\$152,769	\$152,769	\$0	\$152,769	\$152,769
TGA Purse	\$0	\$0	\$0	\$1,669,406	\$1,669,406	\$0	\$1,669,406	\$1,669,406
Escrowed Horse Purse	\$0	\$0	\$0	\$855,749	\$855,749	\$0	\$855,749	\$855,749
TX Horsemen's Partnership	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
THP Escrow Horse Purse	\$0	\$0	\$0	\$127,220	\$127,220	\$0	\$127,220	\$127,220
Texas Bred	\$138,534	\$0	\$1,809,598	\$464,041	\$2,412,174	\$138,534	\$2,273,640	\$2,412,174
State Tax	\$0	\$0	\$2,376,388	\$670,044	\$3,046,432	\$0	\$3,046,432	\$3,046,432
Hub Fee	\$0	\$0	\$0	\$761,118	\$761,118	\$0	\$761,118	\$761,118
Simulcast Fee	\$0	\$0	\$9,646,226	\$1,871,355	\$11,517,581	\$0	\$11,517,581	\$11,517,581
Racetracks	<u>\$4,630,328</u>	<u>\$2,748,052</u>	<u>\$20,839,015</u>	<u>\$4,575,520</u>	<u>\$32,792,915</u>	<u>\$7,378,380</u>	<u>\$25,414,535</u>	<u>\$30,044,863</u>
<b>Total Commissions</b>	\$7,123,154	\$4,413,340	\$50,675,143	\$11,992,441	\$74,204,078	\$11,536,494	\$62,667,584	\$69,790,738
<b>Breakage</b>	\$205,900	\$0	\$832,927	\$121,367	\$1,126,748	\$205,900	\$954,294	\$1,160,194

Net LOSS of wagering dollars in Texas as a result of simulcasting at Texas racetracks:

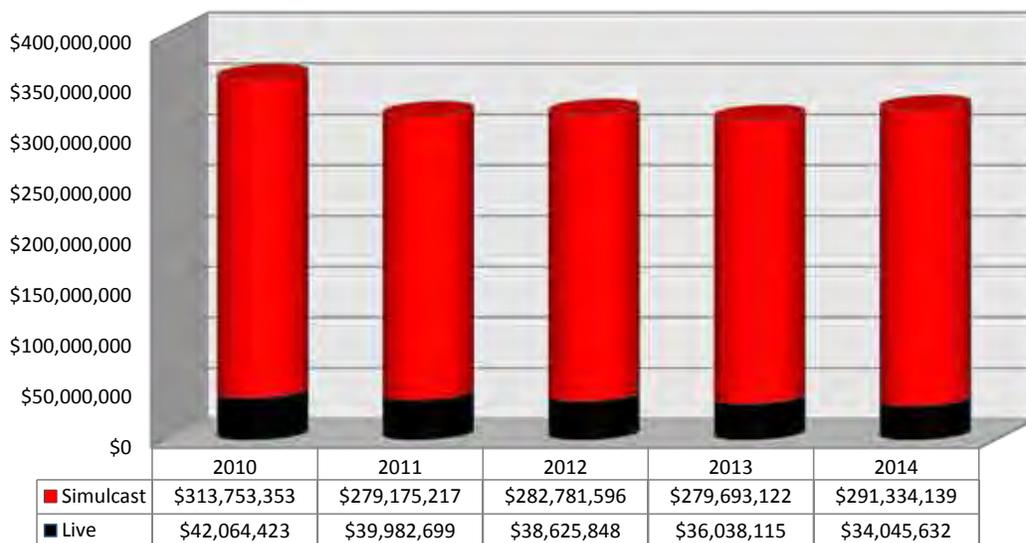
\$105,493,838 Total Export-Interstate Handle - Out of state locations wagering on Texas racetracks  
\$283,547,207 Total Import-Interstate Handle - Texas racetracks wagering on out of state racetracks  
~~-\$178,053,368~~ Net LOSS of wagering dollars in Texas as a result of simulcasting

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

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

	2010	2011	2012	2013	2014
# of Active Tracks	8	7	8	8	8
<b>Handle On-Track:</b>					
Live	\$42,064,423	\$39,982,699	\$38,625,848	\$36,038,115	\$34,045,632
Simulcast	\$313,753,353	\$279,175,217	\$282,781,596	\$279,693,122	\$291,334,139
<b>TOTAL</b>	\$355,817,776	\$319,157,916	\$321,407,444	\$315,731,238	\$325,379,771
Live Performances	567	506	464	483	419
# of Simulcast Signals Taken	59,418	59,354	62,793	65,921	66,488
Purses Paid	\$28,440,346	\$26,947,152	\$27,559,441	\$26,931,778	\$26,750,401
State Tax	\$3,290,455	\$2,928,134	\$2,959,439	\$2,927,816	\$3,046,432
Tx Bred \$	\$3,843,854	\$3,390,338	\$3,458,027	\$3,385,136	\$3,514,007
Attendance	1,716,877	1,531,200	1,493,715	1,483,977	1,502,979

### ON-TRACK HANDLE GREYHOUND & HORSE COMBINED

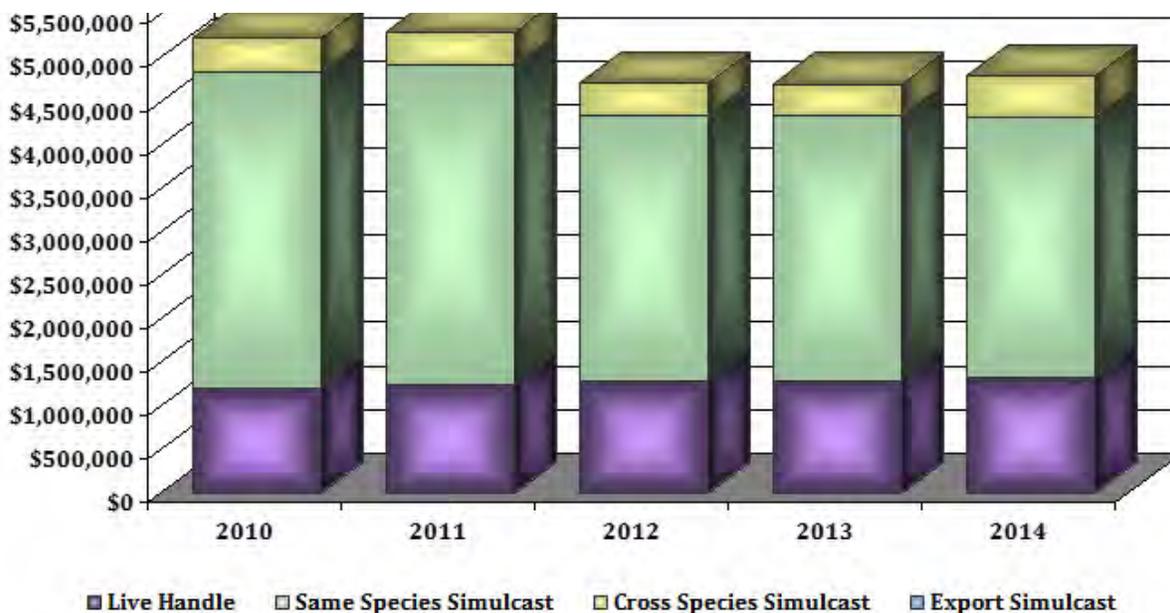


# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## GREYHOUND RACETRACK GULF COAST RACING

	2013	2014	% Change
Live On-Track Handle	\$0	\$0	N/A
Import Same Species Simulcast	\$7,710,555	\$8,163,288	5.87%
Import Cross Species Simulcast	\$4,577,541	\$4,160,086	-9.12%
Total On-Track Handle	\$12,288,097	\$12,323,374	0.29%
Total Export Handle	\$0	\$0	N/A
Total Wagered on GCR	\$0	\$0	N/A
Average Value per Point	\$0.00	\$0.00	N/A
Average Purses Paid/Performance	\$0	\$0	N/A
Total Purses Paid	\$0	\$0	N/A
Total Live Performances	0	0	N/A
Total # of Simulcast Signals Taken	5,848	5,799	-0.84%
Total Attendance	41,925	41,623	-0.72%

2010-2014  
GULF COAST RACING

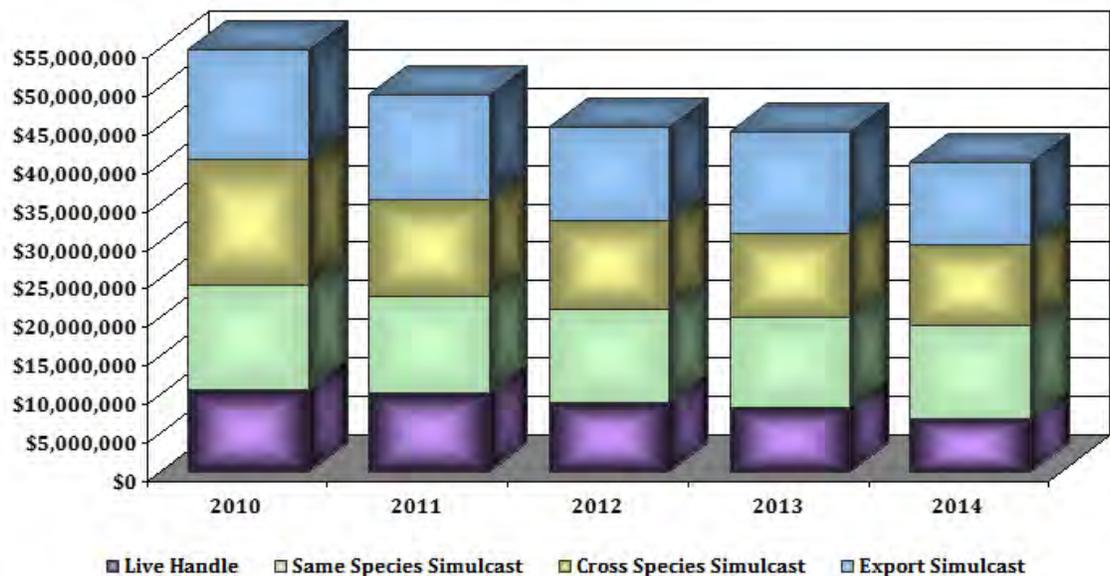


# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## GREYHOUND RACETRACK GULF GREYHOUND PARK

	2013	2014	% Change
Live On-Track Handle	\$8,426,195	\$6,880,550	-18.34%
Import Same Species Simulcast	\$11,733,030	\$12,233,557	4.27%
Import Cross Species Simulcast	\$11,006,457	\$10,545,742	-4.19%
Total On-Track Handle	\$31,165,682	\$29,659,849	-4.83%
Total Export Handle	\$13,124,733	\$10,586,749	-19.34%
Total Wagered on GULF	\$21,550,928	\$17,467,299	-18.95%
Average Value per Point	\$64.93	\$85.64	31.90%
Average Purses Paid/Performance	\$9,910	\$12,671	27.87%
Total Purses Paid	\$2,923,309	\$2,965,012	1.43%
Total Live Performances	295	233	-20.68%
Total # of Simulcast Signals Taken	7,928	7,656	-3.43%
Total Attendance	121,274	103,842	-14.37%

2010-2014  
GULF GREYHOUND PARK

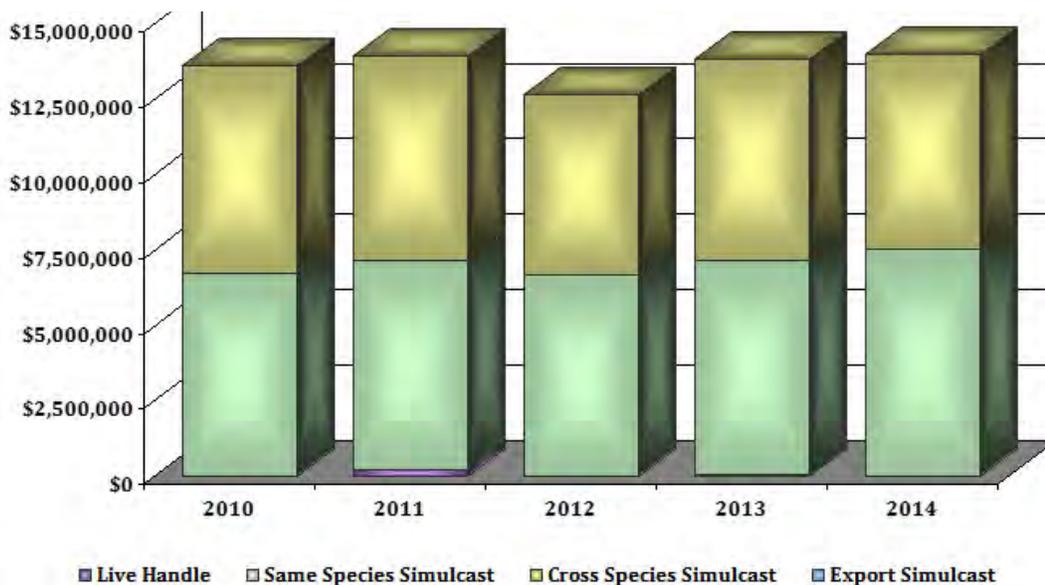


# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## GREYHOUND RACETRACK VALLEY RACE PARK

	2013	2014	% Change
Live On-Track Handle	\$39,781	\$0	-100.00%
Import Same Species Simulcast	\$7,119,261	\$7,517,449	5.59%
Import Cross Species Simulcast	\$6,680,581	\$6,479,363	-3.01%
Total On-Track Handle	\$13,839,623	\$13,996,812	1.14%
Total Export Handle	\$0	\$0	N/A
Total Wagered on VRP	\$39,781	\$0	-100.00%
Purses Paid/Race	\$10,000	\$0	-100.00%
Average Purses Paid/Performance	\$100,000	\$0	-100.00%
Total Purses Paid	\$100,000	\$0	-100.00%
Total Live Performances	1	0	-100.00%
Total # of Simulcast Signals Taken	10,256	10,124	-1.29%
Total Attendance	54,851	51,042	-6.94%

2010-2014  
VALLEY RACE PARK

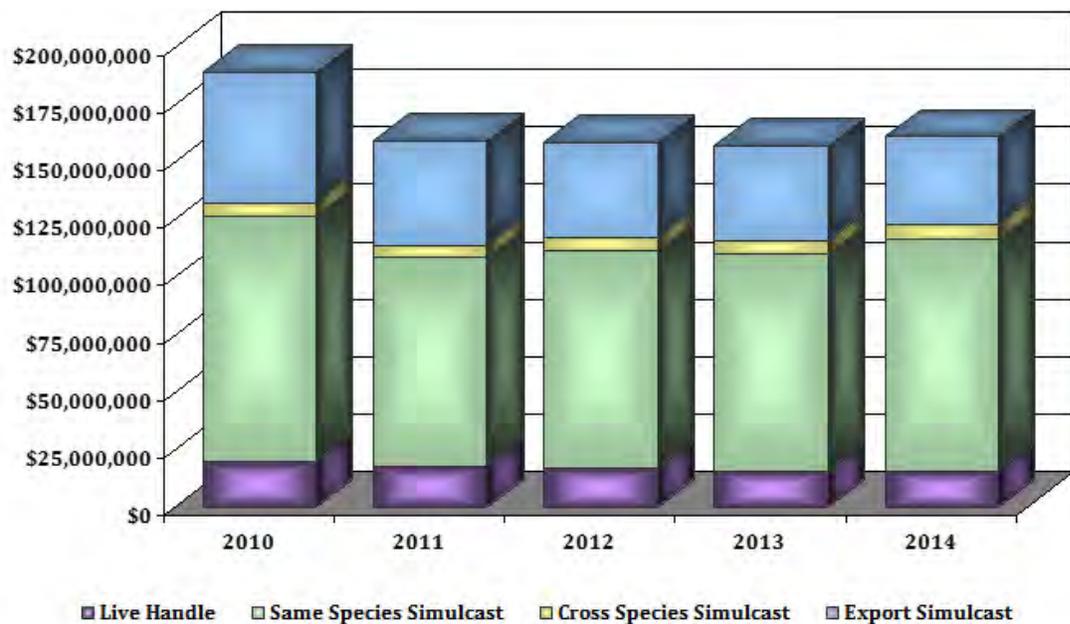


# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## CLASS 1 HORSE RACETRACK LONE STAR PARK

	2013	2014	% Change
Live On-Track Handle	\$15,930,857	\$16,100,971	1.07%
Import Same Species Simulcast	\$94,112,862	\$100,209,528	6.48%
Import Cross Species Simulcast	\$5,634,402	\$6,928,094	22.96%
Total On-Track Handle	\$115,678,120	\$123,238,593	6.54%
Total Export Handle	\$41,234,385	\$37,845,680	-8.22%
Total Wagered on LSP	\$57,165,241	\$53,946,651	-5.63%
Average Purses Paid/Quarter Horse	\$118,555	\$129,582	9.30%
# of Quarter Horse Race Dates	26	26	0.00%
Average Purses Paid/Thoroughbred	\$143,835	\$137,716	-4.25%
# of Thoroughbred Race Dates	50	50	0.00%
Total Purses Paid	\$10,498,097	\$10,463,092	-0.33%
Total Live Performances	76	76	0.00%
Total # of Simulcast Signals Taken	11,044	10,980	-0.58%
Total Attendance	744,555	691,960	-7.06%

2010-2014  
LONE STAR PARK AT GRAND PRAIRIE

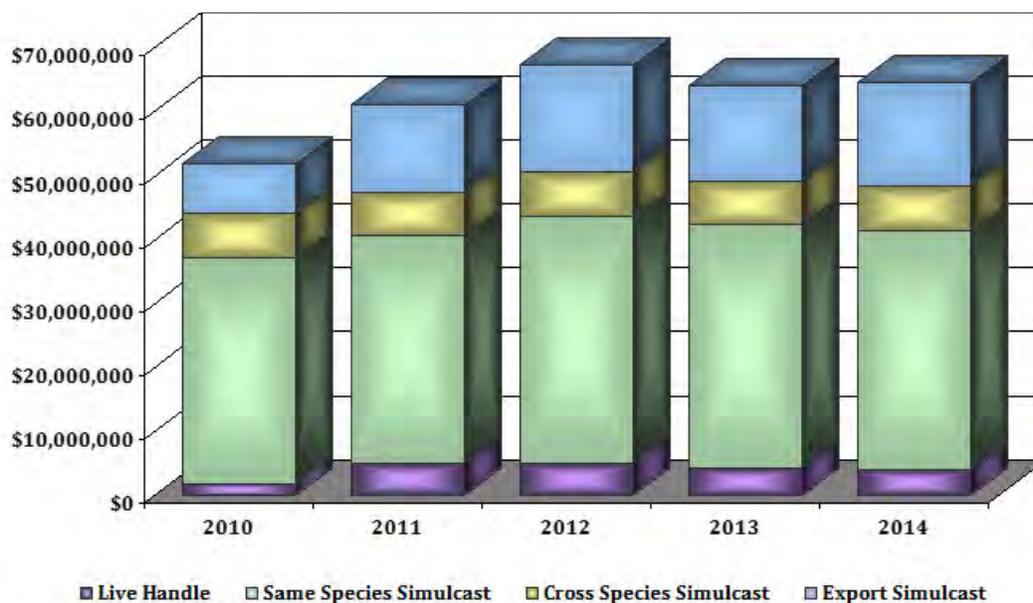


# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## CLASS 1 HORSE RACETRACK RETAMA PARK

	2013	2014	% Change
Live On-Track Handle	\$4,149,433	\$3,888,908	-6.28%
Import Same Species Simulcast	\$38,279,475	\$37,400,355	-2.30%
Import Cross Species Simulcast	\$6,640,046	\$7,146,022	7.62%
Total On-Track Handle	\$49,068,955	\$48,435,285	-1.29%
Total Export Handle	\$15,071,804	\$16,008,049	6.21%
Total Wagered on Retama	\$19,221,237	\$19,896,957	3.52%
Average Purses Paid/Quarter Horse	\$97,819	\$94,068	-3.83%
# of Quarter Horse Race Dates	20	20	0.00%
Average Purses Paid/Thoroughbred	\$99,442	\$100,885	1.45%
# of Thoroughbred Race Dates	26	26	0.00%
Total Purses Paid	\$4,697,624	\$4,652,565	-0.96%
Total Live Performances	46	46	0.00%
Total # of Simulcast Signals Taken	9,946	9,934	-0.12%
Total Attendance	205,308	203,920	-0.68%

2010-2014  
RETAMA PARK

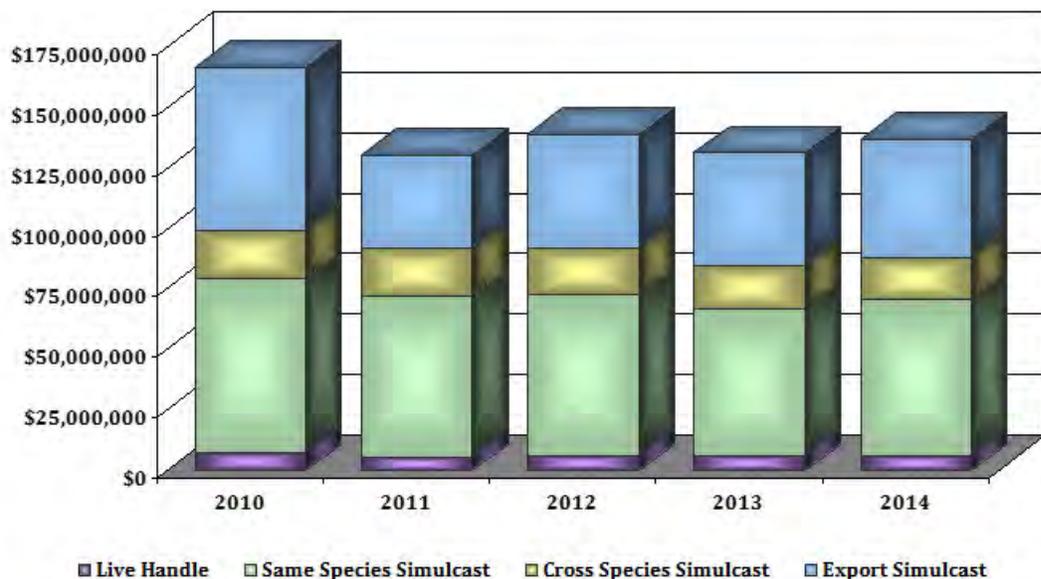


# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## CLASS 1 HORSE RACETRACK SAM HOUSTON RACE PARK

	2013	2014	% Change
Live On-Track Handle	\$6,192,318	\$5,850,750	-5.52%
Import Same Species Simulcast	\$60,718,411	\$64,835,688	6.78%
Import Cross Species Simulcast	\$17,705,804	\$17,360,903	-1.95%
Total On-Track Handle	\$84,616,533	\$88,047,341	4.05%
Total Export Handle	\$46,348,955	\$48,435,369	4.50%
Total Wagered on SHRP	\$52,541,272	\$54,286,119	3.32%
Average Purses Paid/Quarter Horse	\$98,472	\$103,121	4.72%
# of Quarter Horse Race Dates	24	24	0.00%
Average Purses Paid/Thoroughbred	\$164,197	\$166,021	1.11%
# of Thoroughbred Race Dates	33	32	-3.03%
Total Purses Paid	\$8,034,078	\$8,019,475	-0.18%
Total Live Performances	57	56	-1.75%
Total # of Simulcast Signals Taken	13,552	13,530	-0.16%
Total Attendance	302,079	393,548	30.28%

2010-2014  
SAM HOUSTON RACE PARK



# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

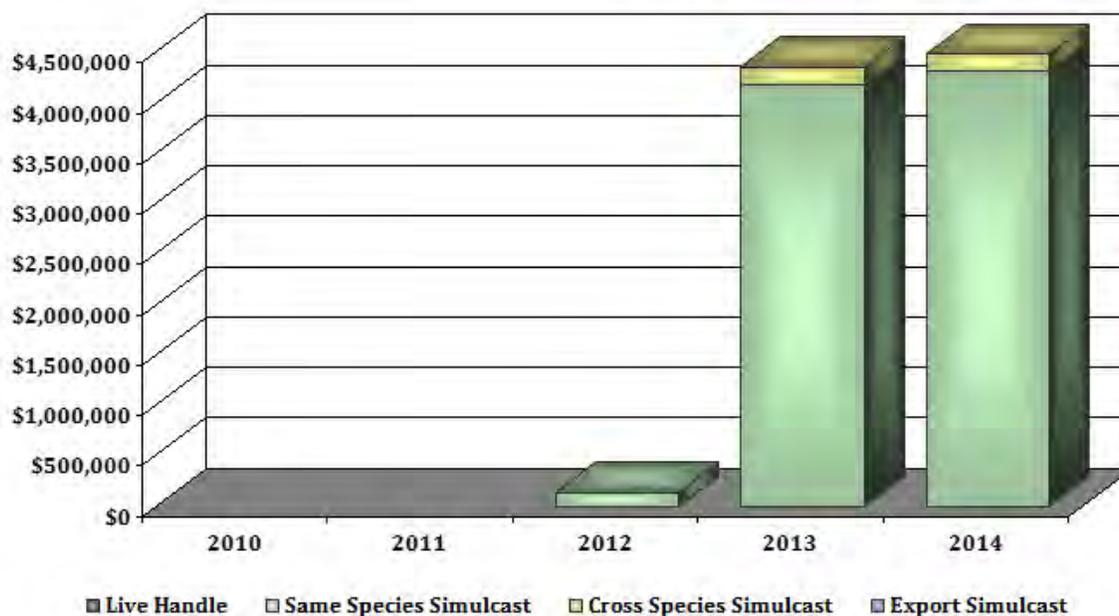
## CLASS 2 HORSE RACETRACK SADDLE BROOK JOCKEY CLUB

	2013	2014	% Change
Live On-Track Handle	\$0	\$0	0.00%
Import Same Species Simulcast	\$4,195,100	\$4,321,755	100.00%
Import Cross Species Simulcast	\$176,267	\$567,142	221.75%
Total On-Track Handle	\$4,371,367	\$4,888,897	100.00%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on SBP	\$0	\$0	0.00%
Average Purses Paid/Quarter Horse	\$0	\$0	0.00%
Average Purses Paid/Thoroughbred	\$0	\$0	0.00%
Average Purses Paid/Minor Breed	\$0	\$0	0.00%
# of Mixed Race Dates	0	0	0.00%
Total Purses Paid	\$0	\$0	0.00%
Total Live Performances	0	0	0.00%
Total # of Simulcast Signals Taken	4,000	5,266	31.65%
Total Attendance	N/A	N/A	0.00%

Saddle Brook Jockey Club commenced pari-mutuel operations on Dec. 13, 2012.

Saddle Brook Jockey Club ceased pari-mutuel operations on Dec. 12, 2014.

### 2010-2014 SADDLE BROOK JOCKEY CLUB

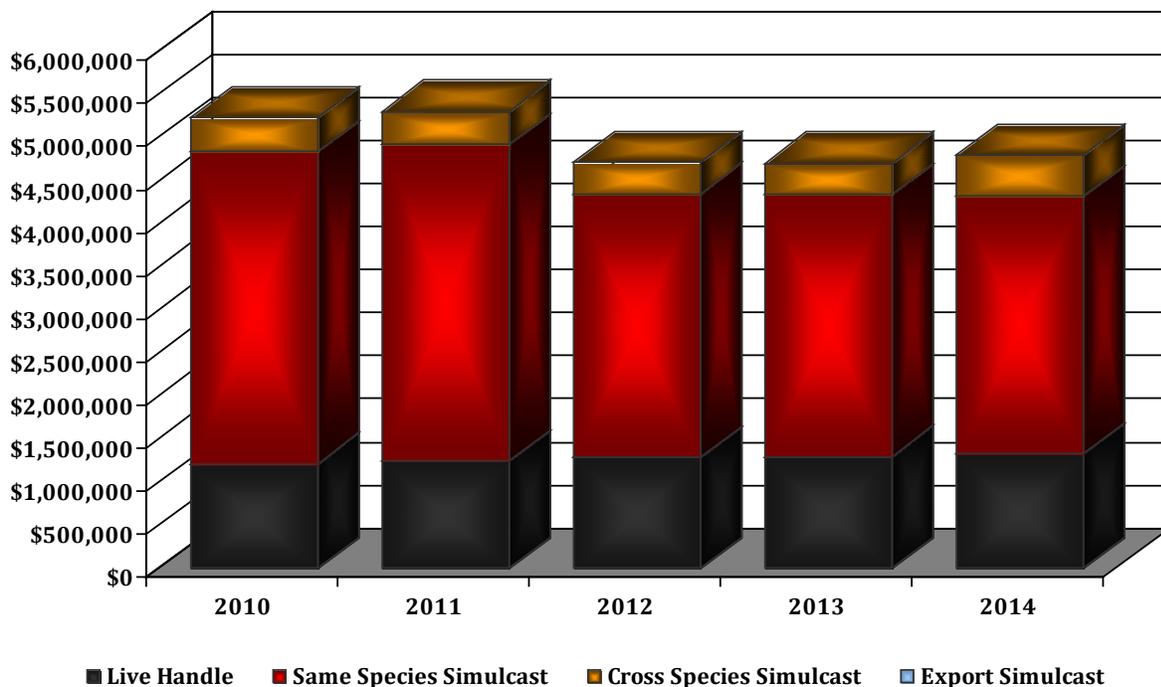


# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## CLASS 3 HORSE RACETRACK GILLESPIE COUNTY FAIR & FESTIVALS ASSOCIATION

	2013	2014	% Change
Live On-Track Handle	\$1,299,531	\$1,324,453	1.92%
Import Same Species Simulcast	\$3,037,746	\$2,988,700	-1.61%
Import Cross Species Simulcast	\$365,585	\$476,469	30.33%
Total On-Track Handle	\$4,702,862	\$4,789,622	1.84%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on GCF	\$1,299,531	\$1,324,453	1.92%
Average Purses Paid/Quarter Horse	\$65,189	\$64,857	-0.51%
Average Purses Paid/Thoroughbred	\$21,429	\$15,550	-27.43%
# of Mixed Race Dates	8	8	0.00%
Total Purses Paid	\$678,670	\$650,358	-4.17%
Total Live Performances	8	8	0.00%
Total # of Simulcast Signals Taken	3,347	3,199	-4.42%
Total Attendance	13,985	17,044	21.87%

2010-2014  
GILLESPIE COUNTY FAIR & FESTIVAL ASSOCIATION



# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## KEY AGENCY STATISTICS: SUMMARY OF FY 2014 FINANCIAL DATA

Source: Annual Financial Reports	FY 2013	FY 2014	CHANGE +/- %
<b>REVENUES:</b>			
Federal Pass-through Revenue	\$1,870.50	\$0.00	-100.00%
Legislative Appropriations	\$0.00	\$0.00	0%
Licenses, Fees & Permits	\$3,783,637.02	\$4,937,647.11	30.50%
Interest & Other Investment Income	\$72,368.84	\$18,509.00	-74.42%
Other Revenues (TX Bred)	\$3,301,376.62	\$3,379,663.31	2.37%
<b>TOTAL REVENUES</b>	<b>\$7,159,252.98</b>	<b>\$8,335,819.42</b>	<b>16.43%</b>
<b>EXPENDITURES:</b>			
Salaries & Wages	\$2,837,643.86	\$2,814,572.01	-0.81%
Payroll Related Costs	\$899,318.52	\$981,558.06	9.14%
Professional Fees & Services	\$146,359.83	\$260,910.83	78.27%
Travel	\$142,053.61	\$153,702.86	8.20%
Materials & Supplies	\$99,835.60	\$126,272.06	26.48%
Communications & Utilities	\$114,267.15	\$115,133.36	0.76%
Repairs & Maintenance	\$60,198.22	\$73,717.73	22.46%
Rentals & Leases	\$96,863.68	\$97,509.61	0.67%
Printing, Reproduction & Publications	\$26,713.42	\$312.13	-98.83%
Claims & Judgments	\$0.00	\$0.00	0%
Distributions to Others	\$3,501,748.75	\$3,531,229.08	0.84%
Depreciation Expense	\$0.00	\$0.00	0%
Capital Outlay	\$26,778.45	\$45,297.26	69.16%
<b>TOTAL EXPENDITURES</b>	<b>\$7,951,781.09</b>	<b>\$8,200,214.99</b>	<b>3.12%</b>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<b>(\$792,528.11)</b>	<b>\$135,604.43</b>	<b>-117.11%</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfer In:			
Gain on Sale of Capital Assets	\$0.00	\$4,212.97	0%
Operating Transfers Out:			
Agency 902, Fund 001, Sweep		(\$222,328.70)	0%
Agency 556, Fund 001, Equine Research	(\$59,251.57)	(\$58,502.59)	-1.26%
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b>	<b>(\$59,251.57)</b>	<b>(\$276,618.32)</b>	<b>366.85%</b>
<b>NET GAIN/LOSS FROM OPERATIONS</b>	<b>(\$851,779.68)</b>	<b>(\$141,013.89)</b>	<b>-83.44%</b>
<b>BEGINNING FUND BALANCE</b>	<b>\$1,895,121.60</b>	<b>\$1,083,341.92</b>	<b>-42.84%</b>
Adjusting entry to fund balance:			
Funds in Suspense	\$40,000.00	\$0.00	-100.00%
Restatements	\$0.00	\$0.00	0%
After AFR deadline	\$0.00	\$0.00	0%
<b>BEGINNING FUND BALANCE – RESTATED</b>	<b>\$1,083,341.92</b>	<b>\$942,328.03</b>	<b>-13.02%</b>
Capital Assets & Long Term Liability Adjustments	\$0.00	\$0.00	0%
<b>ENDING FUND BALANCE</b>	<b>\$1,083,341.92</b>	<b>\$942,328.03</b>	<b>-13.02%</b>

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## KEY AGENCY STATISTICS: SUMMARY OF FY 2014 PERFORMANCE MEASURE DATA

FY 2014 KEY MEASURES	TARGET	ACTUAL	% OF TARGET
Horse Racetracks Regulated	10	10	100%
Greyhound Racetracks Regulated	3	3	100%
Average Regulatory Cost per Racetrack	\$37,520	\$31,250	83%
Number of Racetrack Inspections	75	94	125%
Number of Texas-bred Awards	10,153	9,715	96%
Number of Occupational Licenses Suspended or Revoked	95	114	120%
Number of Investigations Completed	120	119	99%
Percentage of Investigations Resulting in Disciplinary Action	95.00%	84.77%	89%
Percentage of Licensees with No Recent Violations	95.00%	96.66%	102%
Number of Race Animals Inspected Prior to Participating in a Race	43,559	42,193	97%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.35%	0.28%	80%
Number of New Occupational Licenses Issued	2,000	2,239	112%
Number of Occupational Licenses Renewed	4,000	4,543	114%
Average Regulatory Cost per Licensee	\$73.48	\$76.03	103%
Average Time (minutes) Required to Issue a New Occupational License	15.00	10.80	72%
Percentage of Compliance Audits Passed	97.00%	99.42%	102%
Total Pari-Mutuel Handle (in millions)	\$313.02	\$324.13	104%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$2,899,864	\$3,026,478	104%

# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

## APPENDIX A. DEPARTMENT OF PUBLIC SAFETY

### TEXAS DEPARTMENT OF PUBLIC SAFETY

5805 N LAMAR BLVD • BOX 4087 • AUSTIN, TEXAS 78773-0001

512/424-2000

[www.dps.texas.gov](http://www.dps.texas.gov)



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DEPUTY DIRECTORS



COMMISSION  
A. CYNTHIA LEON, CHAIR  
MANNY FLORES  
FAITH JOHNSON  
STEVEN P. MACH  
RANDY WATSON

January 08, 2015

Dr. Robert Schmidt, Chairman  
Texas Racing Commission  
8505 Cross Park Drive, Suite 110  
Austin, Texas 78754-4594

RE: ARTICLE 179e, SECTION 3.10  
VERNON'S TEXAS CIVIL STATUTES

Dear Chairman Schmidt,

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 2014.

#### 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 2014, 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, vehicle theft, 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 2014 through extensive investigations regarding high-risk criminals and predatory criminal gangs.

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# TEXAS RACING COMMISSION 2014 ANNUAL REPORT

Dr. Robert Schmidt, Chairman  
January 08, 2015  
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 2014 will not be available until late 2015.

## 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 Ruocco  
Texas Department of Public Safety  
Assistant Director  
Chief - Criminal Investigations Division



Wynn Reynolds  
Texas Department of Public Safety  
Major - Criminal Investigations Division

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in compliance with the State Depository Law  
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Texas State Library  
and other state depository libraries.

This publication is also available on the  
Racing Commission's website at  
<http://www.txrc.texas.gov>

Note: Except where otherwise indicated, information in this report is for  
calendar year 2014 and has not been audited.