

2016

ANNUAL REPORT

— TEXAS —
RACING COMMISSION



January 31, 2017

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

TABLE OF CONTENTS – 2016 ANNUAL REPORT

Transmittal Letters to Governor.....	2
The Commission	
Mission and Philosophy.....	5
The Commissioners	6
Agency Overview.....	7
Organizational Chart.....	8
Fiscal Information.....	9
Agency Highlights.....	10
Inspection Program.....	11
Texas-Bred Incentive Program.....	13
Significant Commission Actions and Activities.....	14
Statistics	
2016 Purse Statistics.....	17
2016 Overview of Pari-Mutuel Racing.....	18
Five-Year Overview of Pari-Mutuel Racing.....	18
Key Agency Statistics	
Summary of Fiscal Year 2016 Financial Data.....	19
Summary of Fiscal Year 2016 Performance Measure Data.....	20
Appendix	
A. Department of Public Safety Report	21

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

TEXAS RACING COMMISSION

P.O. Box 12080
Austin, Texas 78711-2080
512.833.6699
Fax: 512.833.6907



January 30, 2017

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 2016 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 2017.

The total amount of dollars wagered at racetracks in Texas, a critical measure of the health of a jurisdiction's pari-mutuel industry, has seen a significant decline since reaching a peak of \$633.7 million in the year 2000. This decline was reversed slightly in 2004, the year in which Lone Star Park in Grand Prairie hosted the Breeders Cup. In 2005, the decline resumed and continued through 2016, when the total amount of dollars wagered at Texas racetracks was approximately \$303 million, a 4 percent decrease from 2015. Overall, the 2016 figure represents a more than 50 percent decrease compared to the total amount of dollars wagered at Texas racetracks in the year 2000.

Obviously, horse racing in general has struggled over the same period of time, but Texas has been particularly hard hit due to the fact that our surrounding states all offer either alternative gaming and/or additional forms of pari-mutuel wagering—off-track wagering locations (OTBs) or advance deposit wagering (ADW)—to supplement the prize money. Owners and trainers go where the bigger purses are, and they're not finding them in Texas. Greyhound racing has faced similar and even more difficult challenges and, in

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

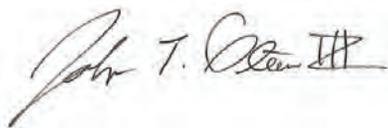
The Honorable Greg Abbott – Page 2

fact, there were no live greyhound performances held in Texas in 2016 until late November.

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 1995 to 2015, the most recent year for which complete information is available, the national percentage of thoroughbred foals from Texas has decreased from 7.1 percent to 2.2 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, and our horse and greyhound racetracks.

Respectfully submitted,



John T. Steen III
Chairman

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

TEXAS RACING COMMISSION

P.O. Box 12080
Austin, Texas 78711-2080
512.833.6699
Fax: 512.833.6907



Jan. 30, 2017

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 2016 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 horizontal line.

Chuck Trout
Executive Director

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 2016 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. 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
Rolando Pablos, Chairman*	11/06/2015 - 02/01/2021	El Paso
Ronald F. Ederer, Vice Chair	07/17/2007 - 02/01/2019	Corpus Christi
Gary P. Aber, DVM	05/15/2012 - 02/01/2021	Simonton
Gloria Hicks	11/09/2007 - 02/01/2017	Corpus Christi
Robert Schmidt, M.D.	11/09/2007 - 02/01/2017	Ft. Worth
John T. Steen III	10/03/2011 - 02/01/2019	Houston
Margaret Martin	11/06/2015 - 02/01/2021	Boerne
Ex-Officio Members		
Glenn Hegar, Comptroller of Public Accounts	N/A	Austin
A. Cynthia "Cindy" Leon, Chair, Public Safety Commission	N/A	Mission

* (On Dec. 15, 2016, Rolando Pablos resigned as commissioner and presiding officer of the Texas Racing commission, and was sworn in as Secretary of State on Jan. 6, 2017. Gov. Greg Abbott named John T. Steen III as chair of the Commission on Jan. 12, 2017. As of Jan. 31, 2017, one seat on the Commission is vacant.)

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

AGENCY OVERVIEW

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

- License racetracks that offer racing with pari-mutuel wagering, those who participate in racing with pari-mutuel wagering and the people directly involved with pari-mutuel wagering who work at the racetracks.
- Allocate race dates, supervise the conduct of all races, monitor the health and safety of the race

animals and conduct drug tests to ensure the animals race without prohibited substances.

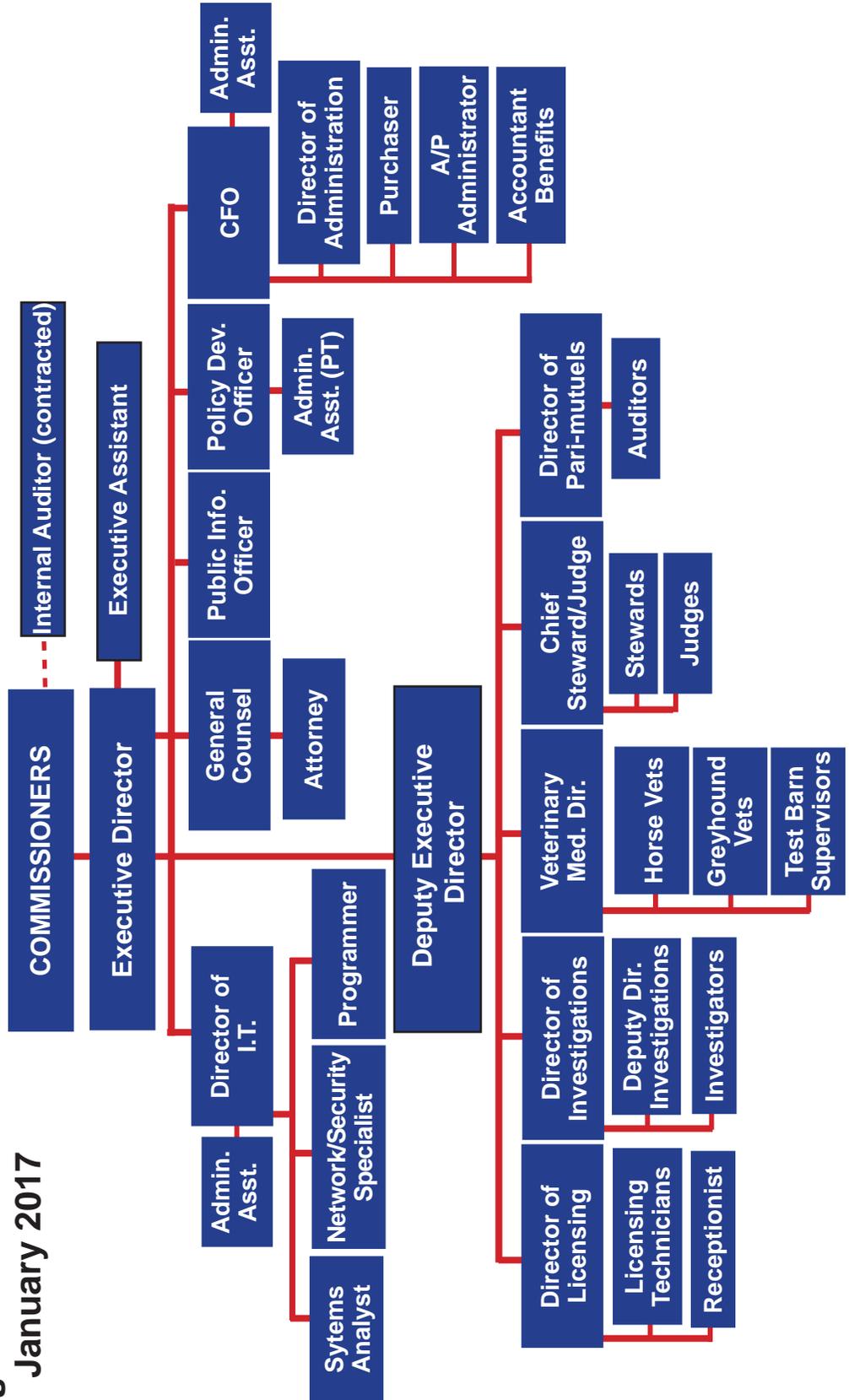
- Oversee all pari-mutuel wagering activity, approve simulcasts, test the tote systems (complex computer systems that register and calculate pari-mutuel payoffs [or winnings]) and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.
- Administer the Texas-Bred Incentive Program, which provides economic incentives to support the horse and greyhound breeding industry in the state.

Texas Racetracks



TEXAS RACING COMMISSION 2016 ANNUAL REPORT

TxRC
Organizational Chart
January 2017



TEXAS RACING COMMISSION 2016 ANNUAL REPORT

ORGANIZATIONAL STRUCTURE

The General Appropriations Act authorized the agency to have 51.2 full-time equivalent positions (FTEs) in FY 2016 and FY 2017. This is down from the 52.6 authorized FTEs in FY 2014 and 51.6 in FY 2015. 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.

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

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

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

FISCAL INFORMATION

BUDGET AND FINANCE

The Commission is self-funded by the entities it regulates and is appropriated only GR-Dedicated funds. The agency's revenue primarily comes from fees assessed to racetracks and occupational licensees.

For FY 2016, the Commission had a total appropriation of approximately \$7.67 million. The agency's operating budget was \$3.8 million, of which approximately 75 percent was salary and salary-related expenses. The \$7.67 million appropriation included a direct, dedicated-revenue pass-through of almost \$3.5 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 are rounded down to the nearest dime.

The final FY 2016-2017 budget (which includes all of calendar 2016 and the first eight months of calendar 2017) approved by the 84th Legislature included a rider (7) which prevents the agency from expending appropriations from Strategy D.1.1, Central Admin & Other Support Services without written approval from the Legislative Budget Board (LBB). Strategy D.1.1 appropriations are essential to the continued operations of the Commission. They include authorization to expend funds for executive management and general administrative support services.

TEXAS RACING COMMISSION

2016 ANNUAL REPORT

The agency cannot operate without these funds and without statutorily mandated regulatory oversight, the entire pari-mutuel racing industry in Texas would effectively have to shut down as well.

In response to several agency requests for approval to expend Strategy D.1.1 appropriations, the LBB allowed the agency to reallocate previously appropriated funds to support administrative costs for two 90-day periods. On Feb. 25, 2016, the LBB Board authorized the agency to expend its Rider 7 appropriations for the remainder of the biennium, which extends through Aug. 31, 2017.

AGENCY HIGHLIGHTS

ADMINISTRATIVE

During FY 2016, the agency met or exceeded four of its five key 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; reducing the percentage of race animals injured or dismissed from racetracks; and having a high percentage of its investigations result in disciplinary action.

The executive division coordinated seven regular Commission meetings in 2016. The general counsel coordinated rule reviews for Chapters 301, 303, 319, and 321 as required by Government Code §2001.039.

At its meeting on Feb. 18, 2016, the Commission adopted the repeal of the historical racing rules. Apart from the repeal of the historical racing rules, the Commission proposed 11 new rules or amendments to existing rules and adopted seven amendments to existing rules during 2016.

TECHNOLOGY

A PC refresh was completed for the majority of the agency's desktop computers. Work started on an Active Directory project to streamline the configuration and security of the agency's Windows computers. Work continued on a multi-year electronic records and document management project. Major application and server configuration projects neared completion for a database application migration. Work continued on a cloud initiative to assist in both document management and disaster recovery.

REGULATORY

In 2016, pari-mutuel auditors reviewed wagering data on 1,916 live races and 654,553 simulcast races to ensure proper collection and distribution of funds. The auditing staff reviewed a total of 2,288 import and export simulcast requests for compliance with the Racing Act, the Texas Rules of Racing, and the Federal Interstate Horse Racing Act.

In 2016, the Commission issued 5,935 occupational licenses—down slightly over 2015—and 57 business licenses. Of the occupational licenses

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

issued, 1,758 were new licenses and 3,548 were renewals. The 57 business licenses consisted of seven kennel licenses and 50 vendor licenses.

INVESTIGATIONS

By allocating resources tactically and cooperating with the Department of Public Safety (DPS), the Investigations 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 15 contraband case referrals to the respective Board of Stewards or Judges. Stewards and judges issued a total of 278 disciplinary rulings in 2016. These included 197 fines, 112 suspensions and four licenses denied.

ANIMAL EXAMINATIONS/DRUG TESTING

An integral part of the agency's mission to ensuring the safety, integrity, and fairness of pari-mutuel racing is inspecting and providing emergency care for the participating animals.

Commission veterinarians physically inspect each horse or greyhound before it races to ascertain that it is sound and fit to race. This vital

inspection safeguards not only the health of the animals, but all of the racing participants, including the jockeys and other personnel that are on the track before, during, and after a race. If the pre-race inspection reveals a questionable condition, the veterinarian may 'scratch' or withdraw the animal from the race. Announcements are made and patrons that have placed a wager on that animal are able to make a different choice or cancel the wager.

Commission veterinarians performed 1,399 greyhound and 14,072 equine pre-race examinations in 2016. A Commission veterinarian is readily available during each race to provide emergency care if needed. Additionally, the Commission veterinarians routinely inspect the barns and kennel areas for health and safety issues.

In addition to the pre-race inspections, race animals are subject to drug testing for a wide range of drugs and other prohibited substances. In 2016, Commission veterinarians supervised the collection of 166 greyhound and 3,489 equine specimens. The samples are submitted to the Texas Veterinary Medical Diagnostic Laboratory, the Commission's authorized drug testing laboratory.

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

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

program for inspecting licensed racetracks and training facilities. Through this inspection program, the Commission oversees all pari-mutuel racetrack license holders to monitor and ensure compliance with Commission rules.

INSPECTIONS BY AREA

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

- Live racing operations inspections focus on the condition of the track surface, starting gates and boxes, rails and distance markers, and all aspects of animal housing, including maintenance and cleanliness of barns and kennel areas.
- Animal health and safety/drug testing operations inspections cover the sample-collection facilities and equipment, the treatment areas and the equine ambulance. The inspections include a review of the overall maintenance of the backside areas with emphasis on ensuring a safe environment for both animals and licensees.
- Pari-mutuel wagering inspections include a review of all aspects of the wagering operations, including the track's mutuel department, the tote company's operations and all related wagering equipment.
- Safety and security inspections focus on all security aspects of the facility, including outdoor

2016 INSPECTIONS BY AREA

TYPE OF INSPECTION	NUMBER
LIVE RACING OPERATIONS	8
ANIMAL HEALTH AND SAFETY/ DRUG TESTING OPERATIONS	9
PARI-MUTUEL WAGERING OPERATIONS	20
SAFETY AND SECURITY	14
ADMINISTRATIVE OPERATIONS	6
TRAINING TRACKS	4
TOTAL	61

lighting, fencing, medical and first aid services, and fire prevention measures, including inspecting the barns to ensure proper storage of hay and feed.

- Administrative inspections center on association ownership records, bookkeeping and accounting systems. These inspections include a review from the patron's viewpoint, including cleanliness of patron facilities and amenities, posting of pertinent public notices and proper signage on automatic banking machines.
- Training track inspections focus on the facility's overall track condition, including the track surface, starting gate, rails and distance markers. Other areas of focus include checking for proper licensing of training facility personnel and those bringing horses for official works.

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

TEXAS-BRED INCENTIVE PROGRAM

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

GREYHOUND PROGRAM

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

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

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

Of the total money from breakage received by the TGA, two percent must be set aside for grants for rehabilitating or locating homes for greyhounds. During 2016, grants were distributed from this source of funding to qualified Texas non-profit rehabilitation and

COMPARATIVE DISTRIBUTIONS YEAR 2015 VS. YEAR 2016

	2015	2016	% CHANGE
TEXAS THOROUGHBRED ASSOCIATION	\$1,792,844	\$1,774,521	-1.02%
TEXAS QUARTER HORSE ASSOCIATION	\$900,649	\$890,209	-1.16%
TEXAS GREYHOUND ASSOCIATION	\$469,883	\$424,165	-9.73%
TEXAS-BRED STAKES RACE SUPPLEMENTS	\$93,300	\$95,436	2.29%
TEXAS ARABIAN BREEDERS ASSOCIATION	\$51,894	\$51,439	-0.88%
TEXAS PAINT HORSE BREEDERS ASSOCIATION	\$26,106	\$25,876	-0.88%
TOTAL	\$3,334,675	\$3,261,646	-2.19%

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

adoption groups in the amount of \$900, with an added contribution of \$3,600 by the TGA, totaling \$4,500 in grants.

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 \$797,500 going to purses at Valley Race Park in 2016.

HORSE PROGRAM

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

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

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

The remaining money is distributed on a 40 percent, 40 percent and 20 percent split, respectively, among the owners, breeders and stallion owners

of accredited Texas-bred horses that finish first, second or third in a race.

The Racing Act names the official breed registries responsible for determining qualifications for Texas-bred accreditation, maintaining the eligibility lists and distributing the monetary awards: the Texas Thoroughbred Association, the Texas Quarter Horse Association, the Texas Appaloosa Horse Club, the Texas Arabian 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 seven times during calendar year 2016. 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.

RACE DATE ALLOCATION

Between 2009 and 2014, the number of race dates that Texas horse tracks requested declined from 265 to 186. 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 2016, racing opportunities have stabilized for now.

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

Gulf Greyhound Park conducted no performances in 2016 and has requested 20 dates for 2017. Gulf Coast Racing conducted no performances in 2016 and has requested no dates for 2017. Valley Race Park conducted 16 performance in 2016 and has requested 20 dates for 2017.

(NOTE: Please see page 16 for more information regarding future greyhound racing plans.)

COMMITTEE ON RULES

During 2016, the Committee on Rules met twice. The committee considered 12 rule proposals during 2016 and recommended that nine be considered by the full Commission for publication and public comment. The committee also considered two rules that had been published and recommended that the Commission adopt both.

In considering a proposal to adopt rules concerning out-of-competition testing, the committee recommended that a new committee be formed to study the issue. The chairman agreed at the Commission's meeting on Oct. 11, 2016, and appointed a new Committee on Out of Competition Testing and designated Commissioner Aber as its chairman.

COMMITTEE ON OUT OF COMPETITION TESTING

The Committee on Out of Competition Testing met on Nov. 1, 2016, at Retama Park. Attendees

included three commissioners, representatives of horsemen's organizations and breed registries, trainers, veterinarians, owners, and Commission staff. The topics discussed at the meeting were a proposal to establish an out-of-competition testing program in Texas and a proposal which would prohibit trainers from serving as "paper" or "program" trainers and would prohibit owners from listing program trainers on entries.

The out-of-competition testing proposal was tabled for further discussion, while the committee decided to present the second proposal at the December Commission meeting.

ANNUAL REVIEW/RENEWAL OF INACTIVE RACETRACK LICENSES

Sunset legislation passed by the 82nd Legislature requires the Commission to conduct an annual review of each inactive racetrack license and determine whether to renew that license. During 2016, the Commission reviewed and renewed the inactive racetrack licenses of Laredo Downs, Manor Downs and Valle de los Tesoros.

During 2016, the Commission declined to renew the license of Longhorn Downs and accepted the voluntary surrender of the Laredo Race Park and Saddle Brook Park licenses. As a result, these three licenses have been revoked.

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

OWNERSHIP AND MANAGEMENT REVIEWS OF ACTIVE RACETRACK LICENSES

Sunset legislation passed by the 82nd Legislature requires the Commission to conduct an ownership and management review of each active racetrack license every five years. At its meeting on Aug. 9, 2016, the Commission completed its ownership and management reviews of Lone Star Park, Sam Houston Race Park and Valley Race Park and scheduled the next reviews of these tracks for 2021. The only ownership and management review scheduled for 2017 is of Retama Park.

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.

At its meeting on Feb. 18, 2016, the Commission voted to repeal the historical racing rules it had adopted in 2014.

GREYHOUND RACING

Like horse racing, greyhound racing in Texas has struggled to remain viable for at least a decade. In recent years, only one of the three operating greyhound tracks, Gulf Greyhound Park (GGP), conducted year-round live racing. In August 2015, however, citing rising costs and increased

competition, GGP announced it would cease all live racing at the end of the year, but planned to remain open for simulcast racing.

The Texas Racing Act requires that tracks must have granted live race dates in order to conduct simulcast wagering.

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

- Valley Race Park will conduct 36 live race dates from November 25, 2016, through February 4, 2017.
- Gulf Greyhound Park will conduct 36 live race dates from November 24, 2017, through February 3, 2018.
- Gulf Coast Racing will conduct a similar live race meet in late 2018 and perhaps running over into 2019.
- All three greyhound racetracks will conduct simulcasting throughout the three year period.

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

2016 PURSE STATISTICS

SOURCE OF FUNDS	QUARTER HORSE	THOROUGH-BRED	ARABIAN	PAINT	TOTAL HORSE
EARNED PURSE	\$4,652,244	\$13,799,940	\$221,610	\$46,500	\$18,720,294
TEXAS BRED STAKES	\$19,000	\$30,000	\$0	\$0	\$49,000
STAKES	\$3,072,330	\$393,763	\$50,700	\$20,400	\$3,537,193
SPONSORS	\$815,712	\$250,767	\$204,200	\$30,000	\$1,300,678
FUND TRANSFERS	\$0	\$0	\$0	\$0	\$0
ATB SPONSORED PURSE	\$7,000	\$170,000	\$0	\$0	\$177,000
TOTAL PURSES PAID	\$8,566,286	\$14,644,470	\$476,510	\$96,900	\$23,784,166
AVERAGE PURSES PAID PER PERF.	\$109,824	\$128,460	\$20,718	\$32,300	\$109,102

NOTE: Texas Appaloosa Horse Club no longer participates in the Texas-bred Program. For calendar year 2016, \$5,000 sponsorship of an Appaloosa race was added to the Arabian sponsorship figure.

SOURCE OF FUNDS	TOTAL GREYHOUND	SOURCE OF FUNDS	2015 COMBINED	2016 COMBINED	% CHANGE
EARNED PURSE	\$39,864	EARNED PURSE	\$20,664,558	\$18,760,158	-10.15%
TEXAS BRED STAKES	\$0	TEXAS BRED STAKES	\$136,500	\$49,000	-178.57%
STAKES	\$0	STAKES	\$4,462,979	\$3,537,193	-26.17%
SPONSORS	\$0	SPONSORS	\$506,133	\$1,300,678	61.09%
FUND TRANSFERS	\$206,870	FUND TRANSFERS	\$598,078	\$206,870	-189.11%
TGA CROSS SPECIES PURSE SUPPLEMENTS	\$550,766	TGA CROSS SPECIES PURSE SUPPLEMENTS	\$1,445,515	\$550,766	-162.46%
TOTAL PURSES PAID	\$797,500	ATB SPONSORED PURSE	\$438,233	\$177,000	-147.59%
AVERAGE DAILY PURSES PAID PER PERF.	\$3,190.00	TOTAL PURSES PAID	\$28,251,996	\$24,581,666	-14.93%

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

2016 OVERVIEW OF PARI-MUTUEL RACING GREYHOUND & HORSE RACETRACKS

	GREYHOUND	HORSE	TOTAL
# of Active Racetracks	3	4	7
On-Track Handle:			
Live	\$362,805	\$23,262,272	\$23,625,077
Simulcast	<u>\$42,914,565</u>	<u>\$236,242,089</u>	<u>\$279,156,654</u>
TOTAL	\$43,277,370	\$259,504,361	\$302,781,731
# of Live Performances	16	186	202
# of Simulcast Signals Taken	23,242	35,270	58,512
Purses Paid	\$797,500	\$23,784,166	\$24,581,666
State Tax	\$478,456	\$2,435,116	\$2,913,572
Tx Bred Incentive Program	\$469,772	\$2,888,156	\$3,357,928
Attendance	99,123	1,433,471	1,532,594

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

	2012	2013	2014	2015	2016
# of Active Tracks	8	8	8	7	7
Handle On-Track:					
Live	\$38,625,848	\$36,038,115	\$34,045,632	\$31,346,752	\$23,625,077
Simulcast	<u>\$282,781,596</u>	<u>\$279,693,122</u>	<u>\$291,334,139</u>	<u>\$285,706,220</u>	<u>\$279,156,653</u>
TOTAL	\$321,407,444	\$315,731,237	\$325,379,771	\$317,052,972	\$302,781,731
Live Performances	464	483	421	439	202
# of Simulcast Signals Taken	62,793	65,921	66,488	58,671	58,512
Purses Paid	\$27,559,441	\$26,931,778	\$26,750,502	\$28,251,996	\$24,581,666
State Tax	\$2,959,439	\$2,927,816	\$3,046,432	\$2,989,837	\$2,913,572
Tx Bred \$	\$3,458,027	\$3,385,136	\$3,514,007	\$3,393,141	\$3,357,928
Attendance	1,493,715	1,483,977	1,502,979	1,619,288	1,532,594

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

KEY AGENCY STATISTICS: SUMMARY OF FY 2016 FINANCIAL DATA

Source: Annual Financial Reports	FY 2015	FY 2016	CHANGE +/- %
REVENUES:			
Federal Pass-through Revenue	0.00	0.00	
Legislative Appropriations	0.00	0.00	
Licenses, Fees & Permits	4,940,672.42	4,505,529.73	-8.81%
Interest & Other Investment Income	18,942.20	14,392.00	-24.02%
Other Revenues	3,318,456.57	3,280,396.51	-1.15%
TOTAL REVENUES	8,278,071.19	7,800,318.24	-5.77%
EXPENDITURES:			
Salaries & Wages	2,982,056.34	2,892,682.77	-3.00%
Payroll Related Costs	1,010,417.78	1,122,149.65	11.06%
Professional Fees & Services	191,827.41	166,298.87	-13.31%
Travel	205,115.01	194,582.60	-5.13%
Materials & Supplies	136,883.83	155,867.33	13.87%
Communications & Utilities	132,845.73	111,652.99	-15.95%
Repairs & Maintenance	52,591.54	64,296.93	22.26%
Rentals & Leases	95,026.29	91,100.87	-4.13%
Printing, Reproduction & Publications	287.58	1,709.87	494.57%
Claims & Judgments	0.00	66.32	0.00%
Distributions to Others	3,447,356.63	3,361,420.75	-2.49%
Depreciation Expense	0.00	0.00	0.00%
Capital Outlay	25,328.61	11,840.00	-53.25%
TOTAL EXPENDITURES	8,279,736.75	8,173,668.95	-1.28%
EXCESS REVENUES OVER EXPENDITURES	(1,665.56)	(373,350.71)	22315.9%
OTHER FINANCING SOURCES (USES):			
Sale of Capital Asset	0.00	0.00	0.00%
Gain on Sale of Asset	0.00	0.00	0.00%
Operating Transfers Out (Agy 902, Fund 0001)	0.00	(14,948.83)	0.00%
Operating Transfers Out (Agy 556, Fund 0001)	(59,984.96)	(58,758.65)	-2.04%
Total Other Financing Sources (Uses)	(59,984.96)	(73,707.48)	22.88%
NET GAIN/LOSS FROM OPERATIONS	(61,650.52)	(447,058.19)	625.15%
BEGINNING FUND BALANCE	968,828.03	890,677.51	-8.07%
Adjusting entry to fund balance:			
Funds in Suspense	10,000.00	15,000.00	50.00%
Restatements	0.00	0.00	0.00%
After AFR deadline	0.00	0.00	0.00%
BEGINNING FUND BALANCE – RESTATED	917,177.51	458,619.32	-50.00%

TEXAS RACING COMMISSION

2016 ANNUAL REPORT

KEY AGENCY STATISTICS: SUMMARY OF FY 2016 PERFORMANCE MEASURE DATA

FY 2016 KEY MEASURES	TARGET	ACTUAL	% OF TARGET
Number of Horse Racetracks Regulated	10	10	100.0%
Number of Greyhound Racetracks Regulated	3	3	100.0%
Number of Racetrack Inspections	95	54	56.8%
Number of Texas-bred Awards	9,500	7,979	84.0%
Number of Occupational Licenses Suspended or Revoked	100	110	110.0%
Number of Investigations Completed	96	124	129.2%
Percentage of Investigations Resulting in Disciplinary Action	95.00%	98.04%	103.2%
Percentage of Licensees with No Recent Violations	95.00%	97%	102.0%
Number of Race Animals Inspected Prior to Participating in a Race	41,364	20,824	50.3%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.40%	0.27%	67.5%
Number of New Occupational Licenses Issued	2,200	1,918	87.2%
Number of Occupational Licenses Renewed	4,500	4,000	88.9%
Average Time (minutes) Required to Issue a New Occupational License	13	14.7	113.1%
Percentage of Compliance Audits Passed	95.00%	99.06%	104.3%
Total Pari-Mutuel Handle (in millions)	\$317.00	\$306.31	96.6%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$2,900,000	\$2,939,074	101.3%

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

TEXAS DEPARTMENT OF PUBLIC SAFETY

5805 N LAMAR BLVD • BOX 4087 • AUSTIN, TEXAS 78773-0001
512/424-2000
www.dps.texas.gov



STEVEN C. McCRAW
DIRECTOR
DAVID G. BAKER
ROBERT J. BODISCH, SR.
DEPUTY DIRECTORS



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

January 06, 2017

Rolando Pablos, 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 Pablos,

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 2016.

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 2016, 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 2016 through extensive investigations regarding high-risk criminals and predatory criminal gangs.

EQUAL OPPORTUNITY EMPLOYER
COURTESY • SERVICE • PROTECTION

TEXAS RACING COMMISSION

2016 ANNUAL REPORT

Rolando Pablos, Chairman
January 06, 2017
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 2016 will not be available until late 2017.

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



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

TEXAS RACING COMMISSION 2016 ANNUAL REPORT

Copies of this publication have been distributed in compliance with the State Depository Law and are available for public use through the Texas State Library and other state depository libraries.

This publication is also available on the Racing Commission's website at www.txrc.texas.gov.

Note: Except where otherwise indicated, information in this report is for calendar year 2016 and has not been audited.



— TEXAS —

RACING COMMISSION

8505 CROSS PARK DRIVE, SUITE 110

AUSTIN, TEXAS 78754-4552

PHONE: 512.833.6699

FAX 512.833.6907

WWW.TXRC.TEXAS.GOV