

STRATEGIC PLAN
FOR FISCAL YEARS 2015-2019

— TEXAS —
RACING COMMISSION



Submitted June 23, 2014

Agency Strategic Plan

For the Fiscal Years 2015-2019 Period

Submitted by:
Texas Racing Commission

| Commissioners | Dates of Term | Hometown |
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June 23, 2014

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*Per the Agency Strategic Plan Instructions, the Measure Definitions are only included in copies submitted to Governor’s Office of Budget, Planning and Policy, and the Legislative Budget Board.

GUIDING PRINCIPLES

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise, we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.
- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

Texas state government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high...we are not here to achieve inconsequential things!

RELEVANT GOALS AND BENCHMARKS

Following are the statewide goals and benchmarks that are relevant to the activities of the Texas Racing Commission.

GENERAL GOVERNMENT

Priority Goal: To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient, and accountable state government operations;
- Ensuring the state's bonds attain the highest possible bond rating; and
- Conservatively managing the state's debt.

Relevant Benchmarks:

- Number of state services accessible by Internet
- Total savings realized in state spending by making reports/documents/processes available on the Internet and accepting information in electronic format

REGULATORY

Priority Goal: To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards;
- Ensuring compliance;
- Establishing market-based solutions; and
- Reducing the regulatory burden on people and business.

Relevant Benchmarks:

- Percentage of state professional licensee population with no documented violations
- Percentage of new professional licensees as compared to the existing population
- Percentage of documented complaints to professional licensing agencies resolved within six months
- Percentage of individuals given a test for professional licensure who received a passing score
- Percentage of new and renewed professional licenses issued via Internet
- Percentage increase in utilization of the state business portal

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.

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 and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- 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 totalisator systems (complex computer systems that register 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 authorizes the Texas Racing Commission 52.6 full-time equivalent positions in FY 2014 and FY 2015. While the Texas Racing Act requires the Commission's headquarters



to be in Austin, approximately half of its employees work at the operating racetracks. Many staff members outside of Austin are seasonal, working only when the racetracks conduct live racing.

The Commission's workforce features a diverse collection of professions that includes auditors, veterinarians, stewards, racing judges, investigators, licensing staff and support personnel (See Appendix E).

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 consists of two divisions and an executive group. The deputy director for racing oversight leads the Racing Oversight Division and the deputy director for finance and wagering heads the Finance and Wagering Division. The agency's executive director leads the executive group.

This simple structure encourages teamwork across the departments and supports effective communication. Work is distributed appropriately and employees have the chance to enhance their knowledge and skills. Most importantly, the agency is well-positioned to serve its stakeholders now and into the future.

Executive Group

Executive Director

The executive director supervises agency activities as a whole and manages the agency's two divisions and its information technology team. The executive director oversees development of agency operating policies and procedures and ensures

that the agency's regulatory responsibilities are carried out. The executive director represents the agency before the legislature and other governmental agencies and serves a primary role in external relations with industry stakeholders, regulators in other states, and a national regulatory association.

With the assistance of the general counsel's staff, the executive director oversees coordination of the evaluation of racetrack license applications, the race date allocation process, and assesses administrative penalties against racetrack licensees.

The executive director's office is also responsible for other administrative functions, including responding to public information and media requests.

General Counsel

The general counsel advises the commissioners and staff on legal and regulatory enforcement issues affecting the agency. The general counsel also represents the agency before the State Office of Administrative Hearings when prosecuting appeals from decisions made by the board of stewards/judges and disciplinary cases initiated by the executive director.

Racing Oversight Division

Deputy Director for Racing Oversight

The deputy director for racing oversight leads a division focused on enforcement and oversight of day-to-day racetrack operations. The members of this group make up the agency's presence at Texas tracks. The deputy director supervises personnel directly responsible for regulating the conduct of live racing and is responsible for the following teams: licensing, investigations, veterinarians/drug testing, and stewards/judges.

Licensing

Staff in licensing issue occupational licenses to all people in positions that afford the person an opportunity to influence pari-mutuel wagering and to those who will likely have significant access to the restricted areas of a racetrack.

Licensing staff at each racetrack help maintain the integrity of the industry by ensuring that all appropriate participants are licensed and in good standing. The more than fifty categories of occupational license ensure that all participants are licensed as required.

Investigations

The investigators, who must be licensed peace officers, coordinate enforcement of the Commission's rules and the Texas Racing Act.

Team members conduct investigations on animal drug positives, criminal histories returned on license applicants, illegal wagering, use and possession of contraband, drug abuse and narcotics trafficking, and other illicit activities that could affect the integrity of pari-mutuel racing.

Drug testing of licensees suspected of using illegal drugs while performing their duties has become an important aspect of regulating the industry. If a licensee tests positive for an illegal controlled substance or alcohol, the licensee faces a suspension and must seek professional help.

Stewards/Judges

The division includes stewards at horse tracks and judges at greyhound tracks. The stewards and judges monitor the conduct of live races and enforce the Act and the Commission's rules.

The stewards and judges have broad

authority to resolve matters arising during a race meeting. They may redistribute purses, issue fines and suspend licensees.

Veterinarians/Drug Testing

The chief veterinarian oversees this division, supervising the veterinarians and test barn supervisors working at the racetracks.

Employees in this division inspect all race animals before a competition to ensure they are sound to compete, inspect the stable and kennel areas for animal health and safety issues, and implement the Commission's race animal drug testing program.

Finance and Wagering Division

Deputy Director for Finance and Wagering

The deputy director for finance and wagering oversees the division focused on protecting the interests of the wagering public and industry participants by assuring the proper collection and distribution of funds in accordance with the Racing Act, providing reliable information on wagering, and responding to public inquiries about wagering. The division is responsible for agency finance and administrative functions including budgeting, accounting, purchasing, personnel, human resources, travel coordination and related administrative functions.

The deputy director supervises the agency's pari-mutuel and compliance auditors, and staff dedicated to accounting, purchasing and human resources.

Pari-mutuel Auditors

The pari-mutuel auditors protect the interests of the wagering public and industry

participants by assuring the proper collection and distribution of funds in accordance with the Act and providing reliable information on wagering. Employees review, verify, and report all live and simulcast wagering activity at the racetracks.

Through the review and verification process, the division works to ensure that the public is paid the correct amount on each winning wager. This program also establishes the basis for computing the amount of money to be set aside from each wagering pool for purses, state tax and the Texas-bred Incentive Program.

Personnel monitor the amount of money set aside for awards, calculating purse money earned from wagering. Other responsibilities include review of the following: other sources of purse money; purse money paid to the owners of the athletes participating in a race; and purse account bank statements to verify that racetracks properly account for purse money.

Staff members ensure the daily collection of the escrowed horse purse funds earned from interstate cross-species wagers placed at greyhound racetracks and the allocation of these funds to the various horse racetracks based on Commission-approved formulas.

In compliance with the Interstate Horse Racing Act (IHA), pari-mutuel auditors review each racetrack request to simulcast import or export a race signal, and communicate either approval or denial. These auditors also monitor, track and report on all simulcast activity at the racetracks, including violations.

Compliance Auditor

The compliance auditor deals primarily with issues related to the Texas-bred Incentive Program and computer testing. A certain amount of money from wagering at racetracks is specifically dedicated to the program, which is designed to encourage the breeding of horses and greyhounds in Texas. The agency collects this money and then allocates it to the various recognized breed registries based on formulas approved by the Commission. This program accounts for approximately 50 percent of the agency's appropriation.

The compliance auditor also tests the totalisator, or tote, systems that racetracks use to process pari-mutuel wagers. The hardware, software and related peripheral devices are all subject to testing and ongoing monitoring.

Administration and Finance

Team members prepare the biennial Legislative Appropriations Request, the operating budget, the annual financial report, reports on performance measures and other administrative reports. Staff members in this area are responsible for the agency's purchasing, personnel, human resources and travel coordination activities.

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 2013, 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 authorized in 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.

SERVICE POPULATIONS

The wagering public demands integrity from the pari-mutuel racing offered in this state. These patrons supply the revenue that drives the industry, and they expect pari-mutuel wagering activity that is free from manipulation and races that are conducted fairly and honestly. In 2013, on-track attendance declined only very slightly compared to 2012, but over the five-year period from 2009 to 2013, attendance dropped almost 31 percent. This downward trend may not change materially unless new racetracks become operational.

The breeders of race animals seek an active industry in which to sell their product. Breeders invest millions of dollars in

real estate, construction and operations to supply the industry with Texas-bred race animals. They benefit from pari-mutuel racing through the Texas-bred Incentive Program. This program provides economic incentives designed to support the industry and encourage its growth and ability to compete at a national level. In 2012, the total number of animals accredited was 3,581, down more than 15.2 percent from the 4,221 animals accredited in 2011.

Pari-mutuel racing provides the livelihood for many occupational licensees. These individuals are demonstrably committed to racing, working hard to reap the rewards of an interesting and unique industry.

A statute change effective September 1, 2011, requires the Commission to only license those racetrack employees in positions with the opportunity to influence pari-mutuel wagering or who will likely have significant access to the restricted areas of a racetrack. Those track employees who no longer require a license include certain clerical, accounting, food service and maintenance staff.

In FY 2013, almost 9,500 people held an occupational license. This is almost equal to FY 2009, when just over 9,500 held a license.

The service population also includes the totalisator, or tote companies. Tote companies provide the complex computer systems that record and calculate pari-mutuel wagers. Each licensed racetrack contracts with one company to provide tote services at its facility. Only three tote companies operate in North America, each of which provides services in Texas.

Licensed racetracks, also called associations, provide the arena for racing and

wagering. These associations have built or renovated racetrack facilities, at the cost of tens of millions of dollars, for the privilege of inviting patrons to wager. The Act limits the number of licensed Class 1 horse and greyhound licenses to three each. The Commission has granted all the available Class 1 and greyhound licenses. There are six licensed Class 2 horse racetracks and one licensed Class 3 racetrack. Under current law, the only prospect for an increase in the number of associations is if the Commission issues additional Class 2, 3 or 4 horse racetrack licenses.

There are two Class 2 racetrack licenses that were originally licensed in 1989. Over the past 20 years, each has undergone ownership and location changes. In 2012, the Commission authorized one of the licensees, Saddle Brook Park, to open a temporary location in which to conduct pre-opening simulcasting. This authorization is scheduled to expire in October, 2014. The other licensee has not yet submitted construction plans for Commission approval.

Texas residents benefit from the tax dollars and overall economic production derived from pari-mutuel racing. Although the amount of direct revenue to the state treasury from pari-mutuel wagering is a small part of the state's total revenues, the public can rely on the Commission to regulate the industry in a manner that secures that revenue. Tax revenue to the state is down almost 20 percent over the past five years, from almost \$3.6 million in 2009 to just less than \$2.93 million in 2013.

Race animals are the foundation of the pari-mutuel racing industry. Without their efforts, no wagering product would exist. Although the animals are not a service

population in the traditional sense, the Commission recognizes its critical responsibility to protect the health and safety of these animal athletes. In FY 2013, Commission veterinarians performed almost 46,158 inspections of animals before races. Due to the industry's decline, the number of pre-race animal inspections is down nearly 27 percent from the approximately 63,000 performed in 2009.

Other Affected Populations

The Commission's activities affect populations other than those it directly serves.

- Law enforcement agencies rely on Commission investigators to share information regarding licensees and to assist with arrests when necessary.
- Racing-related businesses, such as hay suppliers, tack vendors and food-service businesses provide products or services either to the associations or to the occupational licensees or both.
- Other racing jurisdictions rely on the profitability of their own racetracks, which are affected by Commission decisions on race dates and simulcasting. In addition, neighboring racing jurisdictions often license many of the same people as the Commission and seek to exchange licensing and enforcement information.

EXTERNAL ASSESSMENT

SUNSET REVIEW

A productive Sunset review process began in the summer of 2007. The final 2009 Sunset Commission report notes that the Commission is well-managed and meeting its mission, but is increasingly challenged because the Racing Act has not kept pace with changes in the industry—specifically the decline in wagering and industry profits. According to the report, the significant decline has resulted in increasing limitations on the Commission’s ability to oversee racetrack license holders, ensure adequate racing facilities and respond to changes in wagering technology.

A Sunset bill failed in 2009, and the Commission was one of five agencies subject to re-review. In 2011, the 82nd Legislature passed Sunset legislation that provides clearer statutory authority and gives the Racing Commission added flexibility to oversee today’s racing industry.

The Sunset Commission recommended that the Racing Commission continue as an independent agency for six years, instead of the usual twelve, in order to provide the legislature with an earlier opportunity to re-evaluate the agency’s role in regulating a declining industry.

AN UNCERTAIN FUTURE: COMPETITION AND PROPOSALS FOR CHANGE

According to data from all operating racetracks, over the past five years, attendance dropped nearly 31 percent

and the total amount of money wagered dipped 20 percent. Accordingly, the amount of revenue allocated to racetracks, horse and greyhound purses, local communities and the state has also decreased. A variety of factors are contributing to the continuing decline of the pari-mutuel racing industry.

The losses the pari-mutuel industry has suffered are partly attributable to varying types of competition. The broad range of entertainment options available has certainly had considerable impact. However, the economic stress caused by expansions in out-of-state racetrack gaming, and the proliferation of unregulated and illegal gambling is significant to members of the racing industry.

Additionally, Texans find ample opportunities to spend their dollars at illegal eight-liner outlets and non-pari-mutuel tracks across the state. Official estimates of the revenue lost to illegal and unregulated gaming are not available, though industry estimates indicate it is significant. Provided below is a description of the competitive forces facing the industry.

Competition from Unregulated Sources

The racing industry suffers from competition with gaming alternatives that are unregulated at best and are frequently illegal.

Online Gambling

Advance deposit wagering (ADW) companies first appeared in 2000. These busi-

nesses accept bets both through telephone-based interactive voice response systems and the Internet. They allow individuals to set up accounts to wager using a credit or debit card. As technology has advanced, ADW companies have proliferated. In 2000, two companies offered an ADW product; by 2013, at least 35 entities offered ADW services.

ADW companies provide a convenient, customer-friendly product that appeals to a tech-savvy audience, primarily those from 21 to 45. Websites run by ADW companies often offer prizes and rebates to bettors who use the ADW services to place wagers on pari-mutuel racetracks throughout North America and the world.

Using ADW services, a bettor never has to leave home or visit a racetrack to place a wager. The ADW business model is not that different from other newly emerging entertainment delivery mechanisms prevalent in the modern marketplace. Leveraging technological innovation to bring the track to the pari-mutuel bettor has proven to be a very successful endeavor.

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 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, the TxRC sent cease-and-

desist letters to all of the ADW companies that reportedly accepted these wagers from Texas residents. Most of the contacted companies voluntarily complied with the statute. However, TwinSpires.com refused and then filed a federal lawsuit against the TxRC in September 2012. TwinSpires.com 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 in September 2013. However, TwinSpires.com filed an appeal that is currently pending before the U.S. Fifth Circuit Court.

While ADW transactions are illegal in Texas, other states have legalized them. In fact, the states that license ADW companies have a vested interest in protecting these wagers because they impose fees on the companies and taxes on the wagers.

Eight-liner Machines

Eight-liners, which first gained the interest of Texas law enforcement in the early 1990s, have continued an uncontrollable growth throughout the state. First introduced in convenience stores and truck stops, these lucrative but illegal machines soon became part of illicit game rooms in Texas. Since the 1990s, local, state and federal entities have undertaken numerous law enforcement actions against individuals and businesses operating these illegal gambling machines.

Unregulated Racing

The proliferation of unregulated racing, particularly horse racing, remains a challenge to the Texas racing industry. A longstanding tradition of “brush” or “bush” horse tracks exists across the state.

There are perhaps as many as 25 to 50 of these tracks operating on any given weekend throughout the state. To a much smaller degree, people also may be using greyhounds in unregulated racing.

While the racing itself is legal, any wagering taking place at these locations likely is not. Obviously, it is difficult to determine to what degree these locations are reducing the amount of money that patrons legally wager at the licensed Texas racetracks. For a full policy review of this issue, please see page 25.

National and Regional Racing Competition

Competition in the pari-mutuel industry compares well with other sports businesses in North America. The sport must vie for customers, as well as for the competitive athletes who perform. Racing fans choose an establishment to attend based on the quality of the racing events offered, the convenience of the location and the comfort of the facility. Horse and greyhound owners and trainers choose a track based on the number of racing opportunities and the amount of the prize money, or purse, available.

Studies of racing by Dr. Margaret Ray, an economist and visiting professor at the University of Arizona Race Track Industry Program (RTIP), show that the size and quality of the race field drives the entertainment value of the race. Bettors prefer races with larger field sizes, evenly matched starters and higher purses. More starters increase the number of animals on which bettors can wager and creates a larger pool to win.

Larger purses generally draw higher quality animals with more extensive racing records and offer wagerers a better opportunity to handicap the contestants. Bettors also prefer wagering on races that offer exotic bets, such as the Trifecta and Superfecta. These wagers offer additional handicapping opportunities and the chance for a larger return.

Many external factors affect the decisions of fan, owner and trainer, but none more so than the manner in which the athletes move from track to track in search of the biggest purse.

Unfortunately, and by nearly every measure, Texas tracks are struggling to compete nationally and regionally.

National Horse Racing Competition

In 2013, 37 states offered Thoroughbred racing on which patrons bet. After several consecutive years of decline, the national handle, the amount wagered on the Thoroughbred events, remained relatively stable in 2012 and 2013. During the same period, purses (the prize money available to the athletes) actually increased more than 6 percent in 2012 and were down just a tenth of a percent in 2013.

Texas ranked 17th in gross purses in 2013, down from 15th in 2009. Of the 16 states ranked ahead of Texas, all offered either alternative gaming and/or additional forms of pari-mutuel wagering—off track wagering locations (OTBs) or ADW—to supplement the prize money. Texas is the only state in the top 20 that relies solely on pari-mutuel wagering at the licensed racetrack locations to generate all purse money. It is realistic to expect that Texas will continue to fall down the list.

TEXAS RACING COMMISSION STRATEGIC PLAN FY 2015-2019

Though the number of Thoroughbred races conducted in Texas has held steady the last several years, the total has dipped more than 40 percent over the last decade. The total purse payout from the races in 2013 dropped nearly 21 percent compared to 2009. The average daily purse increased by a little over 4 percent compared to 2009.

At least two dozen states actively offer Quarter Horse, Arabian, Paint or mixed races. Although the agency was unable to obtain national handle amounts for these races, staff believes that the decline in handle for these breeds mirrors that of the Thoroughbred industry.

Unlike the Thoroughbred industry, however, the Quarter Horse, Arabian and Paint industries are concentrated in five major states: New Mexico, California, Oklahoma, Louisiana and Texas. Again, all of these states but Texas offer either alternative gaming and/or additional forms of pari-mutuel wagering—off track wagering locations (OTBs) or ADW—to supplement the prize money.

Although the Commission has not compiled recent national data, it is realistic to expect that Texas' struggles in this area will continue. In 2013, Quarter Horse racing in Texas yielded a total purse payout of \$7.9 million, or nearly 27 percent less than in 2009.

National and Regional Greyhound Racing Competition

The Texas greyhound industry has experienced significant declines since 2005. As

2013 TOP 20 STATES RANKED BY TOTAL PURSES PAID FOR THOROUGHBRED RACES

| | STATE | NO. OF RACES | GROSS PURSES |
|----|---------------|--------------|--------------|
| 1 | New York | 3,752 | 179,309,957 |
| 2 | California | 4,117 | 171,303,818 |
| 3 | Pennsylvania | 4,350 | 115,572,131 |
| 4 | Florida | 3,314 | 91,643,838 |
| 5 | Louisiana | 3,317 | 79,896,435 |
| 6 | Kentucky | 1,867 | 69,034,068 |
| 7 | West Virginia | 3,926 | 64,936,344 |
| 8 | Illinois | 2,262 | 57,241,556 |
| 9 | Maryland | 1,465 | 45,859,950 |
| 10 | New Mexico | 1,673 | 28,807,697 |
| 11 | Indiana | 1,088 | 26,933,179 |
| 12 | New Jersey | 766 | 26,462,288 |
| 13 | Oklahoma | 1,079 | 22,578,287 |
| 14 | Arkansas | 503 | 18,796,500 |
| 15 | Delaware | 657 | 18,506,789 |
| 16 | Ohio | 2,155 | 17,355,200 |
| 17 | Texas | 1,024 | 15,353,660 |
| 18 | Iowa | 606 | 14,893,229 |
| 19 | Minnesota | 542 | 12,862,200 |
| 20 | Arizona | 1,247 | 11,170,117 |

of 2013, purses have dropped nearly 48 percent due to decreased wagering.

Additionally, the Texas tracks lost greyhound athletes to other racetracks in Arkansas, Florida, Iowa and West Virginia. These states have legalized alternative gaming at their pari-mutuel facilities and set aside prize money from the gaming revenue for attractive purses.

To counter, the Texas greyhound racetracks have reduced racing opportunities in an attempt to maintain or raise the average purse money per race.

Current Trends and Industry Reaction

The pari-mutuel racing industry is evolving across the nation, producing hybrid establishments like racinos (pari-mutuel facilities with other forms of on-site gaming available) in a radically changing environment. State-by-state data reveals an alarming development: tracks without alternative forms of gaming have cut racing opportunities in an effort to maintain or increase purse levels to compete against racetracks that subsidize purses with alternative gaming revenue. Following that trend, Texas tracks have slashed the number of live racing dates.

Even with fewer live dates, the average purse for every kind of racing in Texas lags behind states where alternative forms of gaming exist. Simulcast signals from other racetracks, often those racetracks that have alternative forms of gaming, have replaced the live race opportunities. This practice reduces the overall total prize money awarded during a given race meet.

Although reducing racing opportunities helps prop up purses in the short term, there are negative long-term effects. With fewer racing opportunities and less overall money available, there is a reduced incentive for breeders to produce more greyhounds and horses or to stay in Texas.

For example, Texas is seeing the evidence of a movement away from the state in the decreased number of foals produced and stallions standing for stud. From 1995 to 2012, the most recent year for which complete information is available, the national percentage of thoroughbred foals from Texas decreased from 7.1 percent to 2.5 percent.

The pool of quality Texas-based owners, trainers and jockeys is dwindling. Racing-related businesses like stables, hay suppliers, tack vendors and food-service businesses that provide products or services either to the associations or to the occupational licensees or to both also suffer.

Currently, there is a great deal of anxiety about the status of greyhound and horse racing in Texas. Significant adjustments have already been made to the Texas racing landscape through reductions in live racing. If industry declines continue in the face of challenges presented at the regional and national levels, stakeholders could seek additional legislative change in order to respond.

Industry-Proposed Solutions to Decline and Potential Impact on Agency

In the past, the racing industry has attempted to address these pari-mutuel decline issues primarily by working on legislation to expand authorized gaming at the race tracks. Industry generally has supported legislation permitting video lottery terminals (VLTs) at pari-mutuel racetracks. It has not aggressively pursued other approaches, such as off-track betting outlets and account wagering, also referred to as advance deposit wagering, in recent years. However, testimony received through the 2011 Sunset review process did yield a proposal to authorize account wagering.

Proposed legislation has varied widely. Bills have ranged from authorization of VLTs and electronic or traditional poker gaming at racetracks to approval of VLTs with the creation of a new gaming commission

encompassing the functions of both the existing Lottery and Racing Commissions.

As a result of past efforts at legislation pursued by industry and the accompanying fiscal note process, the Commission has reviewed the potential impact of expanded gaming on the agency, its structure and regulatory programs. Any approved expansion of gaming at the racetracks, regardless of the format, would involve regulatory oversight by the Commission and require increases in appropriations and staff to ensure the proper level of oversight.

The most significant costs to the agency for added oversight would generally include additional licensing, auditing and investigative functions with corresponding increases in staff. Because the agency is funded by fees from licensees, however, these increases would result in no additional cost to the state. Additionally, the agency may need to develop supplementary technical expertise. However, the existing organizational structure already includes the regulatory functions needed to regulate expanded gaming.

Similarly, any legislative authorization of Internet gaming and/or ADW would affect the Commission. Some states that authorize ADW have a licensing process in place to ensure that the entities conducting the wagering are appropriately reviewed when a license is issued and subsequently monitored. The agency is well positioned to license and audit ADW systems should the legislature choose to authorize them at some point.

The agency has also reviewed the likely impact of potential gaming legislation on existing inactive racetrack licenses. Ex-

panded gaming could result in the building of inactive tracks and expansion of racing schedules at active tracks. As part of the Legislative Appropriations Request, the agency forecasts the resources needed to open a track based on the projected live and simulcast racing schedule. Resources include personnel as well as some capital expenditures. With the industry growth that expanded gaming could bring, the agency would need additional staffing to oversee the live racing, including stewards or judges, veterinarians and test barn supervisors, licensing personnel and investigators.

For any of the likely solutions that industry might pursue, the agency should be well-positioned to address needed resources through the use of contingency appropriation riders in the General Appropriations Act. The Legislative Budget Board has supported the Commission's use of contingency appropriation riders to address the fluctuating staffing and resources required with racetrack regulation.

While the legislature and industry consider potential solutions, the Commission will continue to allocate resources as efficiently as possible and work with tracks to ensure that agency regulations are both fair and cost-effective.

SAFETY AND WELFARE

Horse Racing Medication Issues

There are substantial and significant differences across jurisdictions in the tolerance for drug and medication use in racing animals; however, public perception and market forces—both global

and unidirectional—are narrowing these disparities. Regulators of horse racing in the United States must find ways to meld policy across not only state lines, but international boundaries as well to ensure the safety and welfare of the horse and rider are not compromised.

In the United States, there are many and varied views on the roles “therapeutic” veterinary medications should play in the racing animal. However, there is no tolerance for the use of these medications, especially the anti-bleeding medication furosemide, on race day in the largest and most economically viable racing jurisdictions around the world, including Australia, Dubai, England, France, Italy, Hong Kong and Japan. The United States and Canada stand alone in allowing the use of furosemide on race day. A horse running a race without the drug in these two countries is now the exception.

Under guidelines established by the Association of Racing Commissioners International (ARCI) Regulatory Veterinary Committee, advances to further protect the horse and rider include mandating stricter pre-race horse exams and limiting the use of non-steroidal anti-inflammatory medications and corticosteroids.

In March 2013, the Commission began permitting very low concentrations of clenbuterol, a legal drug used to treat horses with breathing difficulties. In September 2013, the Commission also began permitting low concentrations of betamethasone, an anti-inflammatory drug. Both of these changes were in response to the proposed changes to ARCI’s list of approved therapeutics as recommended by ARCI’s Task Force on Medication Science.

While nearly all jurisdictions, including Texas, require detailed pre-race exams, most post racing exams, including those in Texas, are limited to the state veterinarian’s observations of the animals as they finish the race and leave the track.

Horse racing in the United States is a much different product than in most other countries. In the United States, there is more year-round racing, training methods are dissimilar and repetitive stress injuries are more common. The demands placed on the racing animal in this country are generally believed to be more rigorous, typically requiring a greater need for veterinary oversight and intervention.

Concerns over a lack of international acceptance of the U.S.’s racing product have played a part in the serious review of the role of medication use in racing animals underway today. Calls that the sport must amend its attitude on the use of race-day medications, most notably furosemide, are coming from many fronts and organizations, including ARCI, The Jockey Club, the Thoroughbred Owners and Breeders Association and several racing jurisdictions—California, Kentucky, New Mexico and New York.

There is continuing debate over the appropriateness of the use of furosemide in horses competing in a sport with wagering as the fundamental driver of its economics. For some, the presence or absence of furosemide in the racing animal provides a measure of handicapping insight, particularly when a horse races for the first time with the aid of furosemide. For most, the drug “levels the playing field” to the extent that it mitigates the effects of exercise induced pulmonary hemorrhage, or EIPH, which results in

bleeding in a horse. Still others see the use of furosemide as an opportunity to manipulate performance, and even further, to mask the use of more nefarious substances. Probability holds that it may do all of these simultaneously even in the face of denial of any real masking effect.

As technology makes it just as easy for a person to place a wager on a race in Dubai as in Grand Prairie, the international wagering public ultimately will determine what it will accept on this matter via the wagering dollar. The science may determine the precise role furosemide actually exerts or produces in the racing animal. The ultimate dollar value of the prospective racing animal will be some genetic determinant(s) including the propensity to bleed or not bleed. While the genetics of bleeding have yet to be fully determined, it is likely that inadvertent selection for this trait is strongly underway in the United States racing population, thereby diminishing the value of the United States racehorse in the world market.

The discussion and debate over the appropriateness of any race day medication use for those concerned with regulating this industry must first examine the safety aspect as it protects or puts the participating horse and rider at risk. This is closely followed by the need for integrity, fairness and transparency in the wagering product. The international racing product will likely more thoroughly address these concerns than current United States racing does and will ultimately drive a paradigm shift in U.S. racing and breeding. The elimination of race day medication, along with more careful scrutiny of the use of other therapeutics in racing animals, could rule the day and may ultimately produce a safer, fairer sport.

To more carefully regulate medication usage and perform in-depth examinations both before and after racing will require cooperation, commitment and funding. There are many challenges in accomplishing these objectives. Strong resolve, focus and regulation will be necessary to have success.

Injury Prevention

Protecting the health and safety of the animal athletes is a primary agency responsibility. Several factors, including the class of the animal and its training, the animal's physical condition, and the physical condition of the racetrack, potentially can cause or contribute to an injury. With so many factors to consider, it can be difficult to pinpoint the specific reason for any one injury.

Regulators and stakeholders in both the greyhound and horse industry are engaged in various research studies. These studies will provide meaningful information that should lessen the likelihood of serious and catastrophic injuries.

For example, over time, bones in a racehorse can weaken from the type of cyclical, repetitive stress that is produced by training. In the near future, an analysis of certain chemicals or substances produced by an animal may provide a reputable, accurate way to identify horses at risk for catastrophic injury from weakened bones.

An aggravating factor in this type of bone failure is muscle fatigue. Fatigued muscle puts extra pressure, or load, on the animal's tendon and ligament support structures, which no longer protect against bone overload. Current research aimed at identi-

fying muscle “fitness” with cell respirometry—a measure of how efficiently a cell uses oxygen—may allow an objective assessment of a racing animal’s fitness. This likely will become an invaluable training aid and should contribute to safer racing.

Drugs available now, and others soon to be on the market, promise to move the point of muscle fatigue beyond racing distances at which structural overload occurs. Racing regulators may face significant challenges balancing the inherent injury-sparing advantages of the medications against questions concerning wagering integrity. While racing injury rates may improve, these medications may create a difficult-to-balance handicapping conundrum, even when measured against safety enhancements.

Beyond the study of factors that may contribute to injuries, the Commission’s main focus is on track surface variables. For example, through the efforts of several university-related studies and the National Thoroughbred Racing Association’s Track Safety Alliance, ongoing research aims to identify the contributing variables relating to track surface components and makeup as these affect injury rates. This kind of research should move the industry forward in the effort to reduce injuries in racing animals.

The Equine Injury Database, coordinated and underwritten by The Jockey Club and the Grayson-Jockey Club Research Foundation, is leading to advancements. The national database aims to identify the frequency, types and outcomes of racing injuries using a standardized format; identify markers for horses at increased risk of injury; and serve as a data source

for research directed at improving safety and preventing injuries.

The Equine Injury Database is a module of the InCompass’ Race Track Operations program which most racetracks in the United States use. Veterinarians designed the database to be a comprehensive tool for both regulatory veterinarians and race-track management to record and analyze injuries at the track.

The cumulative injury data currently being archived should more clearly define the equine population demographics, making it easier to assess those horses likely to be at greatest risk. This will lead to policy directed toward more sensitive and more specific pre-race inspection processes. The information mined here should allow for significant reduction in injury rates by standardizing pre-race examinations between and within the various racing jurisdictions.

However, over the next few years, the mostly likely contributor to a significantly reduced injury rate may be a new racing landscape. Following a nationwide trend, many Texas horse and greyhound tracks are hosting shorter racing seasons with considerably fewer racing opportunities; therefore, fewer participants. In the near term, it is likely that fewer racing opportunities will reduce injury rates more positively than advancements in the science of predicting causality of injuries.

Welfare Issues

Along with racing medication, continuing public focus rests on what the future holds for retired racing animals. Media

stories suggest that abandonment and other issues are concerns nationwide.

Many racetracks and stakeholders sponsor adoption programs for both retiring horses and greyhounds. There are countless non-profit groups with missions to find loving, responsible homes for retired racers. Texas is fortunate to have a number of these organizations for both horses and greyhounds.

Identifying ways to increase the support for sanctuary and retraining farms and kennels for retired racehorses and greyhounds would be beneficial in Texas. Issues related to this state's retired racing animals should be topics for future public policy consideration.

TECHNOLOGICAL ADVANCES IN THE INDUSTRY

Technology continues as a fundamental concern for the racing industry. Complex computer systems called totalisators (totes) process all pari-mutuel wagering at Texas racetracks. Tote systems consist of central processing servers, tote boards, wagering terminals, operating consoles, routers, etc. Each of the three major tote companies, AmTote International, Sportech and United Tote, provides services to the racetracks in Texas.

Some states have implemented instant racing, also known as "historical racing." This is an electronic wagering system which allows betting on videos of previously run horse and dog races using pari-mutuel wagering terminals. These terminals are currently legal in several states, including Arkansas, Idaho, Kentucky, Oregon and Wyoming.

Industry Issues: Consolidation and Staffing

In the past, every pari-mutuel track had a tote central processing server on-site. In an attempt to reduce costs, tote companies offered more cost-effective methods of operation. To cut the price for totalisator-contracted services, the tote companies offered centralized server operations that networked multiple racetracks through one central processing server. In other words, racetracks no longer had on-site servers, but were networked to off-site servers. The industry embraced this concept and today there are no stand-alone single-site server operations. Now the tote companies are consolidating many of the networked server sites into regional central processing servers. Ultimately, their goal is to have just two U.S. server sites per tote company.

Today, Texas does not host a stand-alone server site or a networked server site. All Texas racetracks are networked through a regional central processing server located outside the state.

The tote companies are exploring additional ways to reduce costs. One concept involves shifting responsibility for certain tote system operations to racetrack employees. Texas rules, as in most states, assign specific racing officials with certain responsibilities and tasks. Before implementation of this new approach, the Commission would have to review the rules of racing to analyze the specifics of the new staff roles, responsibilities and tasks.

Regulatory Oversight of Wagering Pools and Wagering Systems

Oversight of pari-mutuel wagering pools and the tote systems that process them has been evolving. Currently, the Commission uses a multifaceted regulatory approach. First, Commission staff monitors the wagering activity daily to make certain that the public receives the correct amount on winning wagers and that the appropriate takeout, or revenue, is withheld from each wager. Second, the Commission performs comprehensive testing of the wagering system software and hardware to ensure the reliability and validity of the system and its wagering activity reports. The combination of these two activities provides for rigorous oversight of the wagering pools and the wagering systems that process the variety of pools offered to the public on live and simulcast venues.

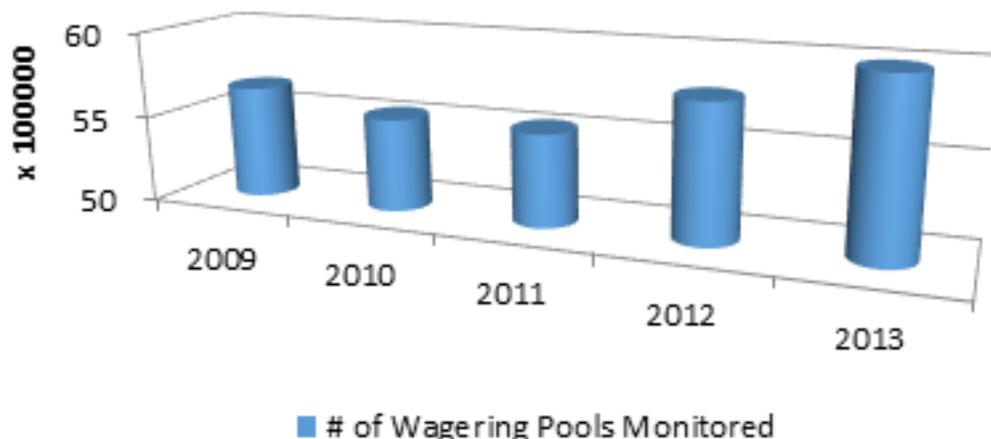
The Commission's pari-mutuel auditing staff monitors wagering activity daily. The auditors upload electronic data files, which contain daily wagering activity for

each racetrack, to a custom regulatory monitoring system. This custom system, which the Commission designed, gives the auditor the ability to test each unique wagering pool offered on every race for accuracy in terms of the amounts paid to the public for winning wagers and withheld as the takeout. The monitoring system independently calculates the public payout and takeout amounts and then compares these calculations to the wagering system calculations on each unique wagering pool. If the monitoring system detects a difference of more than 5 cents, it alerts the auditor who investigates the difference and takes appropriate action.

After verifying the wagering pools, the auditor initiates an allocation of the takeout to the various stakeholders and then stores the verified wagering activity and takeout allocation into the Commission's wagering database.

The auditing staff monitors and verifies approximately 5.9 million unique wagering pools per year. Over the past five years,

of Wagering Pools Monitored



the auditing staff has monitored and verified approximately 28.5 million unique wagering pools and has provided verified takeout allocations that amount to \$125.5 million in purse money, \$18.6 million in breeder awards, and \$16.0 million to the state General Revenue Fund. The Commission is committed to the ongoing fair, disciplined and rigorous regulation and oversight of the wagering pools. Such regulation protects the public and industry stakeholders by assuring the proper payouts and takeouts.

Improved Controls for Integrity of Wagering Data

Complex computer systems called totalisators (totes) process all pari-mutuel wagering at Texas racetracks. In 2010, the agency contracted with a consultant to assist in developing tote terminal standards and to review Commission rules related to tote standards. In late 2011, ARCI adopted Texas' newly developed tote standards as the model for the nation. The agency included a request to continue funding for this project in the 2014-15 biennium. The Commission has adopted the new national standards and is working toward fully implementing the new national standards, which it hopes to complete by December 2014. Once the new standards are fully implemented, the Commission will work with the totalisator companies to incorporate a SSAE 16 Totalisator Audit Requirement that would require a yearly SSAE 16 audit report that demonstrates the totalisator company's compliance with the tote standards.

THE DEVELOPMENT OF NATIONAL STANDARDS

The national nature of the racing industry applies to the regulatory effort as well. Since participants often race at tracks in several states, they would prefer regulatory consistency across state lines. To address the industry's quest for uniformity, racing commissions across the U.S. are working together through ARCI.

The Commission has been a member of ARCI since February 2006. Through its membership, Texas is directly involved in the intensive national dialogue and active assessment of the status of racing regulation.

For example, the Commission's tote standards were one of the key documents that helped formulate the national tote standards adopted as a part of ARCI's wagering integrity initiative.

Participation in the development of national standards has also led the agency to pursue regional cooperation with the border and regional states of Arkansas, Colorado, Kentucky, Louisiana, New Mexico and Oklahoma.

In conjunction with the Racing Medication and Testing Consortium (RMTTC), ARCI developed the ARCI Model Rules which represent best practice regulatory policies developed by the collective deliberations of racing regulators in consultation with industry representatives. TxRC follows the ARCI model rules and will continue to monitor and adopt (when appropriate) future new standards.

INCREASED FEDERAL INTEREST IN RACING

Potential changes at the federal level may affect the sport along with the states' racing regulators. In March 2014, the People for the Ethical Treatment of Animals (PETA) accused a prominent American trainer and members of his staff of mistreatment of horses and improper medication policies. Shortly after these allegations were made, The Jockey Club released a statement announcing its intention to seek the help of federal lawmakers to implement medication reforms if the country's 38 racing states don't do it on their own. This statement and the nationwide media coverage of the PETA accusations could bring increased federal attention to the horse racing industry once again.

A focus on performance-enhancing drugs in all major league sports, including horse racing, by the House Subcommittee on Commerce, Trade, and Consumer Protection of the Committee on Energy and Commerce, has been underway for some time. This subcommittee has primary jurisdiction over the commercial practices of sports and gambling, including the Interstate Horseracing Act which authorizes simulcasting across state lines.

The Commission will continue to monitor developments at the federal level and will remain prepared to respond.

INTERNAL ASSESSMENT

Since the previous strategic planning period, the Commission has benefitted from having the same chair and vice chair while adding one new ex-officio member.

Responding to and regulating an industry in decline provides distinct challenges. Although staffing levels are shrinking, the agency must continue to regulate effectively while remaining flexible enough to react in a timely fashion to the industry's changing needs.

LEGISLATIVE CHANGES TO THE RACING ACT

Enhanced Penalty Authority

Two bills related to the agency passed during the 83rd Legislative Session. The first bill authorized the Commission to share with other Texas regulatory agencies any investigatory information that creates a reasonable suspicion of a person's violation of a law or rule under that agency's jurisdiction.

The second bill allows the Commission to enforce stricter penalties on individuals who violate its drug enforcement policies. The maximum permissible penalties that the stewards or judges may impose have increased from \$5,000 to \$25,000 and the maximum suspensions have increased from one year to five years. In addition, the authority of the executive director to modify penalties has increased so that he may now impose a maximum fine of \$100,000 instead of the previous maxi-

mum of \$10,000, and he may now impose a maximum suspension of five years instead of the previous maximum of two years.

All of these changes are consistent with the recommendations put forth in the ARCI Model Rules.

REGULATING WITH REDUCED RESOURCES

The Commission is fortunate to have a dedicated, experienced staff comprised of varied occupations. Many of the positions do not work a traditional weekly Monday through Friday schedule. The jobs routinely require hours that include evenings, weekends and holidays to match the racing at the tracks.

Overall employee satisfaction, as rated in the Survey of Employee Engagement, is slightly higher than two years ago. Out of the 14 constructs for which results are available, eight are areas of substantial strength (compared to six in 2012), five are areas viewed more positively than negatively, and only one, pay, scores in a range to be of serious concern. Generally, the agency is sustaining the positive gains that the previous two surveys indicated.

The declining industry and resulting budgetary limitations keep the agency below full staffing levels. Still, the agency continues to evaluate its staffing levels to ensure quality regulation and appropriate working conditions.

The agency has an accrued cumulative liability of approximately \$329,777 in compensatory time, FLSA overtime and vacation time owed to current employees. The agency reduced this number from \$334,460 in previous years through retirements and overtime pay outs at the end of FY 2013. The Commission has increased its use of contract personnel as necessary to fill staff positions, which helps reduce the accrued cumulative liability.

Another effect of prior budget cuts is that some managers consistently perform field work in addition to their managerial responsibilities. For example, the chief steward works full race meets and he, along with the chief veterinarian, must fill in for their staff from time to time. Additional staffing in these areas would allow the agency to reduce the liability and enhance management practices. Finding veterinarians and racing officials is becoming more and more difficult as current staff reaches retirement age.

The uncertainty of the racing industry has made it difficult for the agency to attract staff. The skill sets that many of the Commission's positions require are rare, and the unusual hours that come with working in the industry deter other individuals. Additionally, 24 employees, or more than 40 percent of the workforce, will be eligible for retirement over the next five years.

Management is considering several options to ensure succession planning for these pending retirements. Additionally, management is exploring what changes the agency can make that will both attract and keep a stable workforce.

CONSISTENCY AND IMPROVEMENTS IN REGULATING

Continued Policy Development

The agency continues to identify critical areas for the improvement of racing regulation, including:

- Non-pari-mutuel regulation
- Enforcement inspections

Non-Pari-mutuel Regulation

Before the legislature passed the Racing Act in 1986 and the state's citizens approved pari-mutuel racing in a statewide referendum in 1987, several well-known and respected horse racetracks already existed in Texas. These tracks all conducted racing without authorized betting.

After the Act became law, the Commission adopted rules in an attempt to provide at least minimal regulation for these traditional, but non-pari-mutuel, horse tracks. These rules remained in effect until the Attorney General issued Opinion Letter JM-1134 in 1990. The opinion concluded that the Act did not provide adequate standards to regulate non-pari-mutuel racing, and that attempts to provide such regulation were therefore unconstitutional. As a result, the Commission repealed its non-pari-mutuel rules in late 1990.

In 1991, the legislature amended the Act to address the shortcomings identified in the Opinion Letter JM-1134. However, since that time the Commission has not attempted to regulate these tracks for a number of reasons, foremost because resources

are limited under the current budget. The largest unregulated racetrack in the state is Las Palmas Downs in Mission.

There have been a number of incidents in the past few years that raise the question of whether the Commission should take a more active role in regulating non-pari-mutuel tracks, particularly horse tracks.

Unregulated tracks raise concerns about horse safety. For example, Las Palmas Downs allows two-year-old quarter horses to compete before March 1 of each year. This would not happen if the state regulated the track because TxRC and American Quarter Horse Association rules do not allow horses this immature to compete.

Races at unregulated tracks raise questions about the integrity of the information in a pari-mutuel track's program. A horse that wins at an unregulated track gains a competitive edge that is not reflected in the official program when that same horse later races at a pari-mutuel track. People show up at pari-mutuel tracks with horses they represent as maidens—horses that have not won a race—when the horses actually have considerable experience at non pari-mutuel, or bush, tracks.

A key attraction of this racing for the patrons may be the opportunity to engage in illegal gambling. The illegal racetracks typically make money by charging admission, selling concessions and acting as bookmaker for the bettors. Unlike Texas' pari-mutuel tracks, these private tracks do not have to bear the costs of drug testing, contribute to the Texas-bred program, or pay taxes to the state. Tracks that sponsor or permit illegal wagering divert cus-

tomers away from licensed tracks and make it more difficult for the state to have a healthy horse racing industry.

TxRC efforts to educate local law enforcement about the dangers of these tracks have proven effective. TxRC personnel have provided training to Texas sheriffs in the past and local law enforcement agencies currently are investigating several of these tracks. The Texas Department of Public Safety (DPS) is enforcing the Racing Act's prohibitions against racing without a license. The Commission's field staff, who work daily with a wide variety of horsemen, estimate that there are 25 to 50 unregulated tracks operating in the state. The Texas Greyhound Association has reported that there may also be two "match racing" tracks for greyhounds in Texas.

The problem of unregulated racetracks is a multi-jurisdictional issue: the TxRC, DPS, the Texas Animal Health Commission, the Comptroller's office and local law enforcement maintain overlapping authority. Informal discussions with these agencies indicate that they have the same difficulties in sizing the problem that TxRC has.

The Commission may increase its monitoring of unregulated horse racing and may propose new rules or seek new legislation to address the problem.

Enforcement Inspections

The Commission works to prevent rule violations that endanger the health and safety of race animals and participants, and disciplines licensees who commit these violations. As part of the Commission's efforts, it works closely with DPS to conduct effective compliance inspections.

During live racing, random compliance inspections are conducted regularly within the restricted areas of racetracks with emphasis on vehicles and barn areas. For these unannounced inspections, teams of DPS and TxRC investigators search for contraband such as drugs, injection needles, shocking devices and firearms. If an investigator finds contraband, he or she prepares a case for presentation to the stewards or judges and, in many cases, to the local criminal prosecutor. In calendar years 2012 and 2013, investigators referred 61 contraband cases to the stewards or judges for disciplinary action.

DPS and TxRC have worked well together in the past, and the agencies continue to expand their joint efforts to maintain the integrity of racing in Texas. By more clearly defining expectations of each agency's role and creating a consistent framework for the frequency and geographic coverage of compliance inspections, both agencies are enhancing their efforts to detect contraband and deter violations.

USE OF TECHNOLOGY

The Commission is a leader among national racing regulators in employing technology for licensing, regulation and information distribution. The agency continues its commitment to exploring technological enhancements for its customers. Initiatives related to technological modifications or upgrades include developing solutions to facilitate access to agency information for both internal and external customers and to enhance the productivity of staff. The agency continues to enhance security measures that protect

the access and storage of its extensive and vital database information.

RESPONDING TO CHANGES IN THE INDUSTRY

The Commission must remain flexible in its use of staff and resources in order to address changes the racing industry makes in response to economic conditions and patron patterns. A racetrack may decide at any time during a year to alter its business product and approach for live and simulcast racing. Race animal owners, trainers and handlers modify their approaches as well.

In the past few years, the Commission has fielded requests for an increasing variety of changes. For example, the tracks consistently request Commission approval for increases and decreases to live race dates. They request changes to post times, exotic wagering requirements, configurations of electronic wagering machines and simulcasting opportunities. Particularly challenging are the requests related to new, innovative technologies for wagering hardware, software and telecommunications equipment.

These and other changes often require prompt action by the entire racing industry and by the Commission. The Commission's unique challenge among state agencies is to provide staff and regulatory oversight under such conditions.

Unfortunately the State's biennial planning and appropriations cycle is much longer than the racing industry's planning cycle. Mid-biennium changes in racing

and wagering programs force the Commission to rebalance its regulatory priorities. The agency has tried to prepare for a variety of scenarios through the use of contingency riders in the General Appropriations Act, which would provide for additional funding and staffing as needed based on industry changes.

AGENCY GOALS, OBJECTIVES AND MEASURES

Goal A. Enforce Racing Regulation

{V.T.C.S. Art. 179e, § 3.02; § 3.021; § 15.03}

Goal B. Regulate Participation in Racing

{V.T.C.S. Art. 179e, § 3.02; § 3.021; § 3.16; Article 7}

Goal C. Regulate Pari-mutuel Wagering in Texas

{V.T.C.S. Art. 179e, § 11.01; § 11.011}

Goal D. Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses.

{Government Code, § 2161.123}

OBJECTIVES AND OUTCOME MEASURES

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| Goal A: Enforce Racing Regulation | |
| Objective 1: Regulate pari-mutuel racetracks effectively. | |
| Outcome Measures | 1.1.1 Percentage of complaints regarding racetrack operations resolved in six months or less 1.1.2 Percentage of racetracks with an inspection score of 100% 1.1.3 Percentage of deficiency items closed |
| Objective 2: Increase the number of Texas-bred race animals competing. | |
| Outcome Measure | 1.2.1 percent increase in Texas-bred race animals accredited per year |
| Objective 3: Reduce the rate of rulings per occupational licensee. | |
| Outcome Measures | 1.3.1 Average number of rulings per occupational licensee 1.3.2 Recidivism rate for those receiving disciplinary action 1.3.3 Percentage of investigations (individual) resulting in disciplinary action 1.3.4 Percentage of licensees with no recent violations |
| Objective 4: Reduce the percentage of race animals injured or dismissed. | |
| Outcome Measures | 1.4.1 Percentage of race animals injured or dismissed from the racetrack 1.4.2 Number of drug positives for illegal medications |

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| Goal B: Regulate Participation in Racing | |
| Objective 1: Maintain the efficiency of the occupational licensing process. | |
| Outcome Measures | 2.1.1 Average time required to issue a new occupational license 2.1.2 Percent of license holders meeting qualifications 2.1.3 Percent of new eligible individual licenses issued online 2.1.4 Percent of licensees who renew online |
| GOAL C: Regulate Pari-mutuel Wagering in Texas | |
| Objective 1: Increase the pass rate for initial tote tests and pari-mutuel compliance audits | |
| Outcome Measures | 3.1.1 Percentage of tote tests passed on the first run 3.1.2 Percentage of compliance audits passed |
| Goal D: Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses | |
| Objective 1: Ensure purchases from historically underutilized businesses constitute at least 23 percent of the total value of purchases each year. | |
| Outcome Measure | 4.1.1 Percentage of total dollar value of purchases made from HUBs |

STRATEGIES AND OUTPUT, EFFICIENCY AND EXPLANATORY MEASURES

| Goal A: Enforce Racing Regulation | |
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| Strategy 1.1.1: Provide Regulatory and Enforcement Services to Racetrack Owners. | |
| Output Measures | 1.1.1.1 Number of complaints regarding racetrack operations closed 1.1.1.2 Number of racetrack inspections |
| Efficiency Measures | 1.1.1.1 Average regulatory cost per racetrack 1.1.1.2 Average length of time (days) to resolve complaints |
| Explanatory Measures | 1.1.1.1 Number of horse racetracks regulated 1.1.1.2 Number of greyhound racetracks regulated |
| Strategy 1.2.1: Administer the Texas-bred Incentive Programs by monitoring the Texas-bred races and account, and through timely allocation of funds to the breed registries. | |
| Output Measure | 1.2.1.1 Number of Texas-bred awards |
| Explanatory Measures | 1.2.1.1 Total amount of money dedicated to Texas-bred Incentive Programs |
| Strategy 1.3.1: Supervise the conduct of racing through enforcement of regulations and monitoring of races. | |
| Output Measures | 1.3.1.1 Number of live races monitored 1.3.1.2 Number of rulings issued against occupational licensees 1.3.1.3 Number of occupational licenses suspended or revoked |
| Strategy 1.3.2: Monitor occupational licensee activities. | |
| Output Measures | 1.3.2.1 Number of investigations completed 1.3.2.2 Number of complaints received against licensees |
| Strategy 1.4.1: Inspect and provide emergency care. | |
| Output Measure | 1.4.1.1 Number of race animals inspected pre-race |
| Efficiency Measure | 1.4.1.1 Average regulatory cost per animal inspected |
| Explanatory Measures | 1.4.1.1 Number of race animals dismissed from Texas pari-mutuel racetracks 1.4.1.2 Number of race animals injured on Texas pari-mutuel racetracks |
| Strategy 1.4.2: Administer the drug testing program. | |
| Output Measure | 1.4.2.1 Number of animal specimens collected for drug testing |

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| Goal B: Regulate the Participation in Racing | |
| Strategy 2.1.1: Administer the occupational licensing programs through enforcement of regulations. | |
| Output Measures | 2.1.1.1 Number of new occupational licenses issued 2.1.1.2 Number of occupational licenses renewed |
| Efficiency Measure | 2.1.1.1 Average regulatory cost per individual license issued |
| Explanatory Measure | 2.1.1.1 Total number of individuals licensed |
| Strategy 2.1.2: Provide for the processing of occupational license, registrations, or permit fees through TexasOnline. | |
| Goal C: Regulate Pari-mutuel Wagering | |
| Strategy 3.1.1: Regulate Pari-mutuel wagering to maintain an honest racing industry. | |
| Output Measures | 3.1.1.1 Number of live and simulcast races audited and reviewed 3.1.1.2 Number of compliance audits completed |
| Efficiency Measure | 3.1.1.1 Average cost to audit and review a live or simulcast race |
| Explanatory Measures | 3.1.1.1 Total pari-mutuel handle (in millions) 3.1.1.2 Total take to the State Treasury from pari-mutuel wagering on live and simulcast races 3.1.1.3 Ratio of simulcast handle to live handle |
| Strategy 3.1.2: Conduct wagering compliance inspections. | |
| Output Measures | 3.1.2.1 Number of tote tests completed |
| Goal D: Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses | |
| Strategy 4.1.1 Develop and implement a plan for increasing purchasing from historically underutilized businesses. | |
| Output Measures | 4.1.1.1 Number of HUBs contractors and subcontractors contacted for bid proposals 4.1.1.2 Number of HUB contracts and subcontracts awarded 4.1.1.3 Dollar value of HUB purchases |

TECHNOLOGY INITIATIVE ALIGNMENT

| | |
|--|--|
| 1. Initiative Name: Name of the current or planned technology initiative. | |
| Expand and automate industry and public access to agency data. | |
| 2. Initiative Description: Brief description of the technology initiative. | |
| Create ad-hoc lookup of licenses, ruling, and vet list data. | |
| 3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail. | |
| Name | Status |
| Licensee and License Query | In progress |
| Rulings Query | In progress |
| Vet List | Planning |
| 4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports. | |
| Provide citizens with greater access to government services by making state services available via the Internet. | |
| 5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. | |
| <ul style="list-style-type: none"> • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration | <ul style="list-style-type: none"> • IT Workforce • Virtualization • Data Management • Mobility • Network |
| Data Management | |
| 6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: | |
| <ul style="list-style-type: none"> • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations) | |
| Operational efficiencies – Reduce resources expended on open records requests and website postings. | |
| Citizen/Customer satisfaction – Improve access to information. | |
| 7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative. | |
| Project will require contract services to program and implement services. | |

TEXAS RACING COMMISSION STRATEGIC PLAN FY 2015-2019

| | |
|--|------------------------------------|
| 1. Initiative Name: Name of the current or planned technology initiative. | |
| Electronic file system record management review and migration | |
| 2. Initiative Description: Brief description of the technology initiative. | |
| Develop a file and directory layout structure that is aligned with the agency's Records Retention Schedule. Implement a directory layout standard and migrate existing files to the new directory structure. | |
| 3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail. | |
| Name | Status |
| Record Retention Schedule Review | Awaiting final approval from TSLAC |
| File System Structure alignment with RRS | Working on layout template. |
| 4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports. | |
| This initiative supports the agency's general government goal to improve operational efficiencies through the reduction and elimination of duplicative and unnecessary files and data. | |
| 5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. | |
| <ul style="list-style-type: none"> • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration • IT Workforce • Virtualization • Data Management • Mobility • Network | |
| Data Management | |
| 6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: | |
| <ul style="list-style-type: none"> • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations) | |
| Operational efficiencies – This will improve staff's ability to locate files, reduce duplication, and eliminate information no longer required by agency. | |
| Foundation for future operational improvements | |
| Compliance (required by State/Federal laws or regulations) | |
| 7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative. | |
| Project is time consuming. Allocating staff resources to examine, organize, and delete files will be difficult with limited staff resources. | |

TEXAS RACING COMMISSION STRATEGIC PLAN FY 2015-2019

| | |
|--|--|
| 1. Initiative Name: Name of the current or planned technology initiative. | |
| Animal Injury Reporting | |
| 2. Initiative Description: Brief description of the technology initiative. | |
| Improve injury reporting for horses and greyhounds. | |
| 3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail. | |
| Name | Status |
| Greyhound Injury Coding | Complete |
| Horse Injury Coding | In progress |
| Injury Analysis Reports | Planning |
| 4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports. | |
| Supports the agency performance measure to monitor race animals injured or dismissed from the racetrack. | |
| 5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. | |
| <ul style="list-style-type: none"> • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration | <ul style="list-style-type: none"> • IT Workforce • Virtualization • Data Management • Mobility • Network |
| Data Management | |
| 6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: | |
| <ul style="list-style-type: none"> • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations) | |
| Operational efficiencies - Reduce time needed to review pertinent data | |
| Foundation for future operation improvements -Analysis of data will facilitate better understanding of the nature and cause of injuries through improved reporting and analysis. | |
| Compliance | |
| 7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative. | |
| None | |

TEXAS RACING COMMISSION STRATEGIC PLAN FY 2015-2019

| | |
|--|--|
| 1. Initiative Name: Name of the current or planned technology initiative. | |
| Mobile applications | |
| 2. Initiative Description: Brief description of the technology initiative. | |
| Explore mobile applications for agency website, database, and mobile workforce. | |
| 3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail. | |
| Name | Status |
| Mobile Access to Database | Planning |
| Mobile Access to agency Websites | Planning |
| Mobile Access to Files | Planning |
| 4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports. | |
| Provide citizens with greater access to government services by making state services available via the Internet. | |
| 5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. | |
| <ul style="list-style-type: none"> • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration | <ul style="list-style-type: none"> • IT Workforce • Virtualization • Data Management • Mobility • Network |
| Mobility | |
| 6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: | |
| <ul style="list-style-type: none"> • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations) | |
| Operational efficiencies – Increase productivity by improving speed and method of access. | |
| Foundation for future operational improvements – Access from mobile devices could improve and expand access to database and website information. It could also reduce the need for agency supplied computers and related peripherals in the future. | |
| 7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative. | |
| Limited staff resources in I.T. Will need training and/or assistance on implementing new technologies. Will need to ensure security policies are in place to protect data using new delivery methods | |

TEXAS RACING COMMISSION STRATEGIC PLAN FY 2015-2019

| | |
|--|--|
| 1. Initiative Name: Name of the current or planned technology initiative. | |
| Security and Privacy | |
| 2. Initiative Description: Brief description of the technology initiative. | |
| Maintain security awareness, expand security monitoring, and improve security processes. | |
| 3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail. | |
| Name | Status |
| Security Awareness Training | In Process |
| Security Improvements | In Process |
| Encryption | In Process |
| 4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports. | |
| Deliver effective security awareness training and implement processes to maintain and reinforce awareness of risks. Improve ability to identify and reduce security threats in the agency's environment. Secure data and privacy of information stored by the agency. | |
| 5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. | |
| <ul style="list-style-type: none"> • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration | <ul style="list-style-type: none"> • IT Workforce • Virtualization • Data Management • Mobility • Network |
| Security and Privacy | |
| 6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: | |
| <ul style="list-style-type: none"> • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations) | |
| Foundation for future operational improvements | |
| Citizen/customer satisfaction | |
| Compliance | |
| 7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative. | |
| Agency will need to maintain executive sponsorship and support to maintain security awareness and minimize risk. | |

TEXAS RACING COMMISSION STRATEGIC PLAN FY 2015-2019

| | |
|--|--|
| 1. Initiative Name: Name of the current or planned technology initiative. | |
| Business Continuity and Disaster Recovery Plan reviews | |
| 2. Initiative Description: Brief description of the technology initiative. | |
| Review agency's Business Continuity and Disaster Recovery Plans annually. | |
| 3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail. | |
| Name | Status |
| Business Continuity Review | In Process |
| Disaster Recovery Plan Review | In Process |
| 4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports. | |
| Deliver effective security awareness training and implement processes to maintain and reinforce awareness of risks. Improve ability to identify and reduce security threats in the agency's environment. Secure data and privacy of information stored by the agency. | |
| 5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. | |
| <ul style="list-style-type: none"> • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration | <ul style="list-style-type: none"> • IT Workforce • Virtualization • Data Management • Mobility • Network |
| Business Continuity | |
| 6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: | |
| <ul style="list-style-type: none"> • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations) | |
| Foundation for future operational improvements | |
| Compliance | |
| 7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative. | |
| Agency will need to maintain executive sponsorship and support to meet this initiative. Allocating staff resources to review and update the plans is difficult as the task can be time consuming for staff already committed to other work. | |

TEXAS RACING COMMISSION STRATEGIC PLAN FY 2015-2019

| | |
|--|--|
| 1. Initiative Name: Name of the current or planned technology initiative. | |
| Enterprise Project Management Office | |
| 2. Initiative Description: Brief description of the technology initiative. | |
| Establish an agency Enterprise Project Management Office. | |
| 3. Associated Project(s): Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail. | |
| Name | Status |
| Establish Project Review and Tracking process for I.T. projects | In Process |
| Establish Project Review and Tracking process for agency projects | Planning |
| 4. Agency Objective(s): Identify the agency objective(s) that the technology initiative supports. | |
| Establish a process for reviewing, approving and monitoring agency projects. | |
| 5. Statewide Technology Priority(ies): Identify the statewide technology priority or priorities the technology initiative aligns with, if any. | |
| <ul style="list-style-type: none"> • Security and Privacy • Cloud Services • Legacy Applications • Business Continuity • Enterprise Planning and Collaboration | <ul style="list-style-type: none"> • IT Workforce • Virtualization • Data Management • Mobility • Network |
| Enterprise Planning and Collaboration | |
| 6. Anticipated Benefit(s): Identify the benefits that are expected to be gained through the technology initiative. Types of benefits include: | |
| <ul style="list-style-type: none"> • Operational efficiencies (time, cost, productivity) • Citizen/customer satisfaction (service delivery quality, cycle time) • Security improvements • Foundation for future operational improvements • Compliance (required by State/Federal laws or regulations) | |
| Foundation for future operational improvements | |
| Compliance | |
| 7. Capabilities or Barriers: Describe current agency capabilities or barriers that may advance or impede the agency's ability to successfully implement the technology initiative. | |
| Agency will need to maintain executive sponsorship and support to meet this initiative. | |

APPENDICES

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APPENDIX A. DESCRIPTION OF AGENCY'S PLANNING PROCESS

February

Customer service surveys available

March

Executive staff determines whether to request changes to budget/
performance measure structure

April

Request changes to performance measures
Solicit input on external/internal assessment from Commissioners

May

Discuss and draft external/internal assessment

- Prepare outcome projections
- Discuss and draft workforce plan

June

Receive approval of performance measure changes

Submit Customer Service Survey to LBB/GOBPP

Prepare draft report of Strategic Plan

Submit Strategic Plan draft to Commissioners for comment

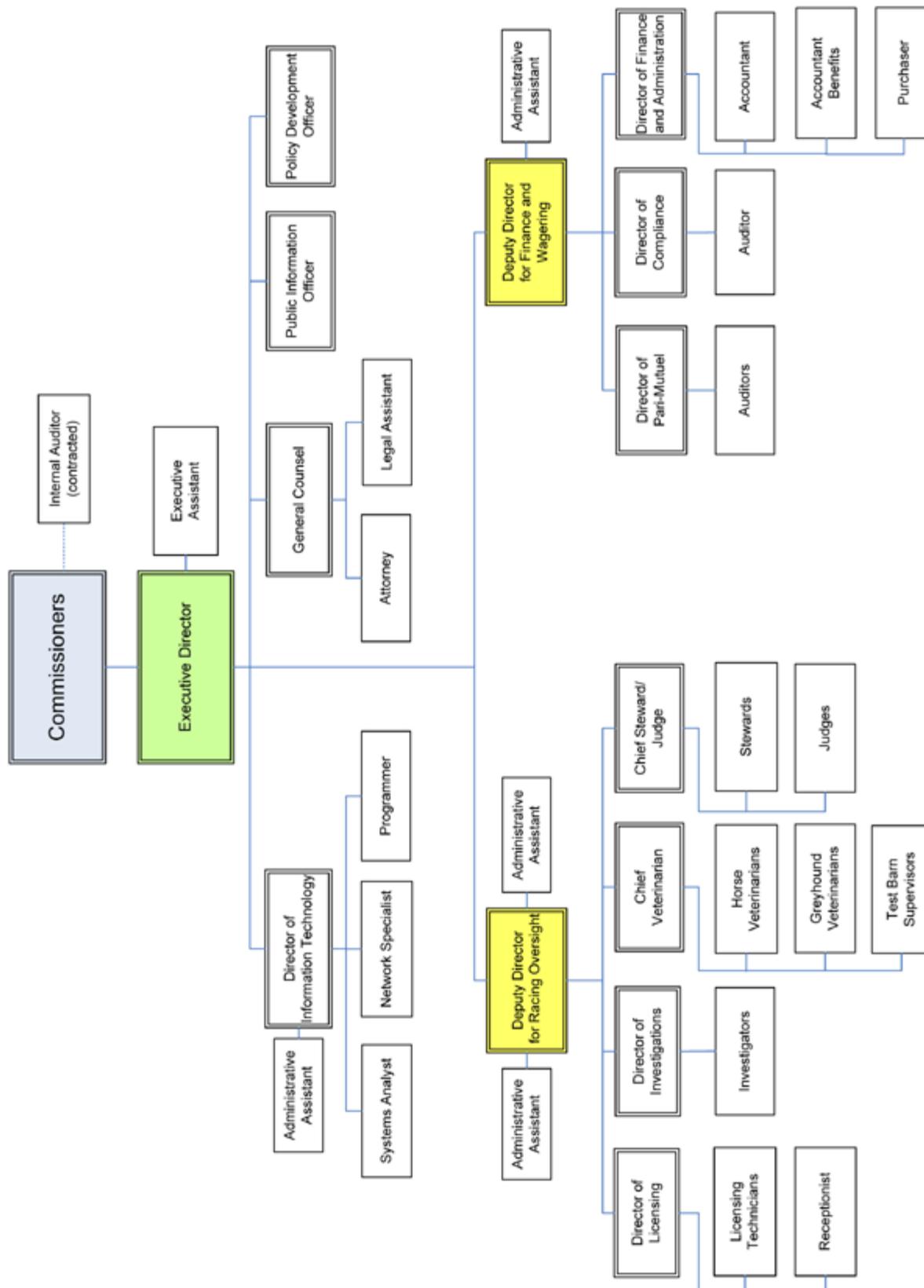
Submit Strategic Plan to Commission for approval

Distribute Strategic Plan to appropriate agencies

Ongoing

- Quarterly reporting of Key Measures to Legislative Budget Board
- Quarterly management review of all performance measures

APPENDIX B. ORGANIZATIONAL STRUCTURE



APPENDIX C. OUTCOME PROJECTIONS 2015-2019

| OUTCOME | DESCRIPTION | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------|--|-------------|-------------|-------------|-------------|-------------|
| 1.1.1 | Percentage of Complaints Regarding Racetrack Operations Resolved in Six Months or Less | 100% | 100% | 100% | 100% | 100% |
| 1.1.2 | Percentage of Racetracks with an Inspection Score of 100 Percent | 75% | 75% | 75% | 75% | 75% |
| 1.1.3 | Percentage of Deficiency Items Closed | 75% | 75% | 75% | 75% | 75% |
| 1.2.1 | Percent Increase in Texas-bred Race Animals Accredited per Year | -7.5% | -7.5% | -7.5% | -7.5% | -7.5% |
| 1.3.1 | Average Number of Rulings per Occupational Licensee | 1:25 | 1:25 | 1:25 | 1:25 | 1:25 |
| 1.3.2 | Recidivism Rate for Those Receiving Disciplinary Action | 20% | 20% | 20% | 20% | 20% |
| 1.3.3 | Percentage of Investigations (Individual) Resulting in Disciplinary Action | 95% | 95% | 95% | 95% | 95% |
| 1.3.4 | Percentage of Licensees with No Recent Violations | 95% | 95% | 95% | 95% | 95% |
| 1.4.1 | Percentage of Race Animals Injured or Dismissed from the Racetrack | 0.35% | 0.35% | 0.35% | 0.35% | 0.35% |
| 1.4.2 | Number of Drug Positives for Illegal Medications per 1,000 Samples | 6 | 6 | 6 | 6 | 6 |
| 2.1.1 | Average Time Required to Issue a New Occupational License | 15 | 15 | 15 | 15 | 15 |
| 2.1.2 | Percent of License Holders Meeting Qualifications | 100% | 100% | 100% | 100% | 100% |
| 2.1.3 | Percent of New Eligible Individual Licenses Issued Online | 9% | 9% | 9% | 9% | 9% |
| 2.1.4 | Percent of Licensees Who Renew Online | 12.5% | 12.5% | 12.5% | 12.5% | 12.5% |
| 3.1.1 | Percentage of Tote Tests Passed on the First Run | 97% | 97% | 97% | 97% | 97% |
| 3.1.2 | Percentage of Compliance Audits Passed | 95% | 95% | 95% | 95% | 95% |
| 4.1.1 | Percentage of Total Dollar Value of Purchases Made from HUBs | 23% | 23% | 23% | 23% | 23% |

APPENDIX D. PERFORMANCE MEASURE DEFINITIONS

Per Strategic Plan Instructions, performance measure definitions are not included in this copy.

APPENDIX E. WORKFORCE PLAN

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 and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- 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 totalisator 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

The General Appropriations Act authorized the agency to have 52.6 full-time equivalent positions (FTEs) in FY 2014 and 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.

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 headed by an executive director, a Division for Racing Oversight, and a Division for Finance and Wagering. A deputy director leads each division.

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.

Excluding Texas-bred Incentive Program pass-through funds, approximately 70 percent of the agency's operating budget is used for salaries.

AGENCY MISSION AND PHILOSOPHY

The mission of the Texas Racing Commission is to enforce the Texas Racing Act and its rules to ensure the safety, integrity, and fairness of Texas pari-mutuel racing. The Texas Racing Commission performs its responsibilities in strict compliance with state laws. The agency conducts its regulatory activities fairly, consistently, efficiently, and courteously.

STRATEGIC GOALS AND OBJECTIVES

| Goal A. Enforce Racing Regulation | |
|---------------------------------------|---|
| Objective 1: | Regulate Pari-mutuel Racetracks Effectively |
| Strategy 1: | Provide Regulatory and Enforcement Services to Racetrack Owners |
| Objective 2: | Increase the Number of Texas-bred Race Animals Competing |
| Strategy 1: | Allocate Texas-bred Funds to Breed Registries |
| Objective 3: | Reduce the Rate of Rulings per Occupational Licensee |
| Strategy 1: | Supervise the Conduct of Racing through Enforcement and Monitoring |
| Strategy 2: | Monitor Occupational Licensees Activities |
| Objective 4: | Reduce the Percentage of Race Animals Injured or Dismissed |
| Strategy 1: | Inspect and Provide Emergency Care |
| Strategy 2: | Administer Drug Tests |
| Goal B. Regulate Participation | |
| Objective 1: | Maintain the Efficiency of the Occupational Licensing Process |
| Strategy 1: | Administer the Occupational Licensing Programs through Enforcement |
| Strategy 2: | TexasOnline |
| Goal C. Regulate Pari-mutuel Wagering | |
| Objective 1: | Increase Pass Rate for Initial Tote Test and Compliance Audits |
| Strategy 1: | Regulate Pari-mutuel Wagering to Maintain an Honest Racing Industry |
| Strategy 2: | Conduct Wagering Compliance Inspections |
| Goal D. Indirect Administration | |
| Objective 1: | Indirect Administration |
| Strategy 1: | Central Administration and Other Support Services |
| Strategy 2: | Information Resources |

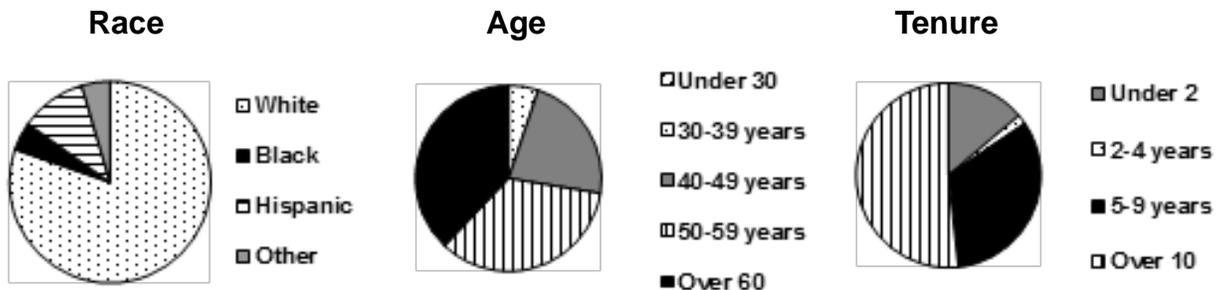
Anticipated Changes in Strategies

The agency may require changes to its goals or strategies over the next five years in order to mirror any changes to the Texas Racing Act that affect the Commission's regulatory responsibilities.

CURRENT WORKFORCE PROFILE (SUPPLY ANALYSIS)

Demographics (Fiscal Year 2013)

The Commission's workforce is 53 percent male, 47 percent female. The charts below further breakdown the Commission's workforce:



Compared to the statewide civilian figures supplied by the Texas Workforce Commission, Civil Rights Division, the Commission's workforce breaks down as follows:

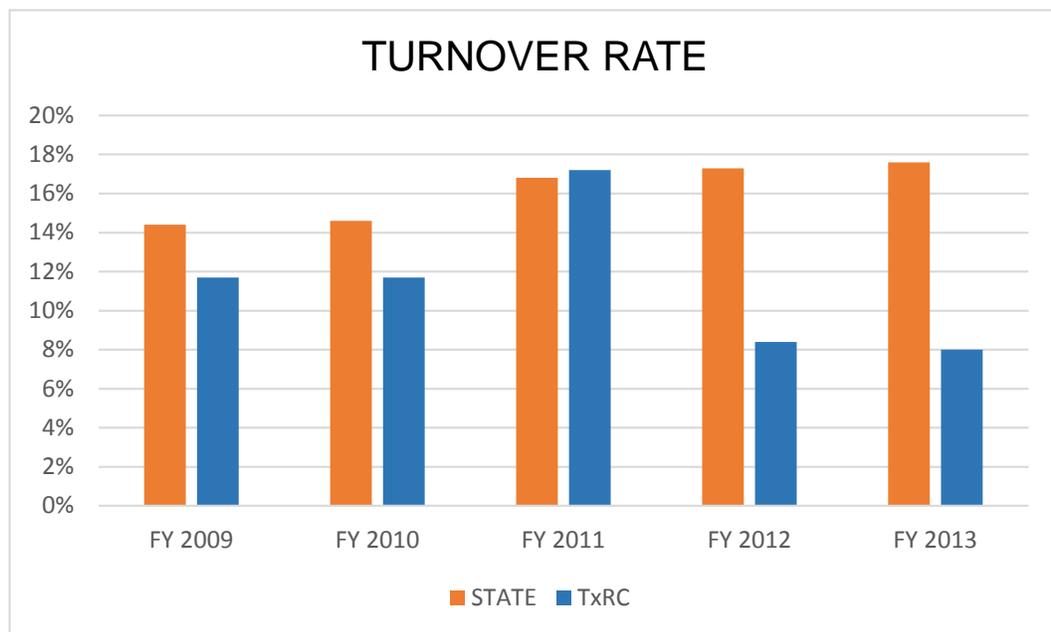
| | | ADMINISTRATION | PROFESSIONALS | PARA-PROFESSIONALS | ADMINISTRATIVE SUPPORT |
|------------------|--------|----------------|---------------|--------------------|------------------------|
| White | Agency | 90.00% | 85.71% | 88.89% | 53.33% |
| | State | 70.82% | 63.30% | 36.56% | 46.20% |
| African American | Agency | 10.00% | 0.00% | 3.70% | 6.67% |
| | State | 10.50% | 10.90% | 32.80% | 19.20% |
| Hispanic | Agency | 0.00% | 14.29% | 0.00% | 33.33% |
| | State | 14.80% | 15.80% | 28.60% | 30.60% |
| Female | Agency | 40.00% | 28.57% | 37.03% | 86.67% |
| | State | 52.00% | 56.00% | 70.60% | 86.90% |
| Male | Agency | 60.00% | 71.43% | 62.97% | 13.33% |
| | State | 48.00% | 44.00% | 29.40% | 13.10% |

Retirement Eligibility

According to the information from the state's USPS payroll system using age and years of state service, 24 of the agency's current employees, or 40 percent, of the authorized FTEs will be eligible to retire between 2014 and 2019. During current FY 2014, the agency employs 11 'return-to-work' retirees. Almost half of the staff occupies positions that require specialized skills or professional training that cannot be supplied by the agency through on-the-job training.

Employee Turnover

Turnover is an important issue in any organization and the Commission is no exception. In 2013, the Commission had a turnover rate of 8 percent, down from 8.4 percent in 2012. Retaining qualified and experienced staff will be the biggest workforce challenge the Commission will face for the next five years. The following graph compares the average of the Commission turnover to the state as a whole.



Critical Workforce Skills

In addition to general administrative and clerical abilities, the agency's workforce must possess the following skills for the Commission to accomplish its mission:

- Monitoring/reviewing live races for interference/misconduct
- Inspecting race animals for fitness
- Performing audits on pari-mutuel wagering activity
- Conducting racing-related investigations
- Developing and maintaining a specialized database and agency-wide computer network
- Interpreting statutes/drafting rules
- Practicing conflict resolution

FUTURE WORKFORCE PROFILE (DEMAND ANALYSIS)

Critical Functions

Assuming no change in statutory responsibilities, the Commission expects its current functions to continue in the future:

- License racetracks that offer racing and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- Monitoring activities by racetrack personnel and occupational licensees for compliance with regulatory requirements.
- Supervising the conduct of the races.
- Monitoring the health and safety of the race animals and collecting specimens for drug tests.
- Overseeing all pari-mutuel wagering activity and testing totalisator equipment.
- Investigating and resolving complaints about licensees.
- Auditing the operation of racetracks and official breed registries' incentive programs.

Expected Workforce Changes

The Commission has one major workforce issue under review and action: contract personnel to ensure the integrity of wagering data.

Change in Number of Employees Required to Accomplish Mission

Assuming no significant increase in wagering or live racing activity, the Commission expects no increase in the number of FTEs required to accomplish its mission beyond what has been appropriated. For each new horse racetrack that begins simulcasting and live racing, the Commission will require up to an additional five FTEs to effectively regulate the wagering and racing activities in accordance with the Texas Racing Act and the Commission's rules. The Commission has approved live race dates for three Class 2 racetrack licenses that could open in the next biennium. The additional FTEs needed should these approved racetracks open for business are requested through contingency riders within the Legislative Appropriations Request.

Future Workforce Skills Required

In the future, the Commission will need to accomplish more with less in an increasingly tight budgetary environment. As the racing industry matures and changes with technology, the Commission's workforce must remain keenly aware of its regulatory role. All of the critical skills listed below will continue to be needed and, as technology moves ahead, advanced competencies in these skills will need to be obtained and maintained:

- Creativity and problem solving
- Communication
- Commitment to learning
- Leadership and team-building
- Organizational awareness
- External awareness
- Flexibility
- Integrity and honesty
- Computer literacy
- Software proficiency
- Web development and maintenance expertise

GAP ANALYSIS

Anticipated Surplus/Shortage of Employees or Skills

With more than 40 percent of its workforce eligible for retirement by FY 2019 and with another 18.6 percent consisting of return-to-work retirees, the Commission projects a shortage in staffing and skill levels needed to meet future requirements. These shortages will be across the agency staffing in all departments. Additionally, the Commission continues to have difficulty retaining qualified veterinarians due to significant differences in agency salaries compared to those in the private sector.

APPENDIX F. SUMMARY OF 2014 SURVEY OF EMPLOYEE ENGAGEMENT

SURVEY OF EMPLOYEE ENGAGEMENT

Promoting excellence through participation and accountability, the Commission finds that the Survey of Employee Engagement (SEE) provides a meaningful and useful tool for gauging the agency's health. Administered by the School of Social Work at the University of Texas at Austin, the results of the SEE reflect how staff views their organization, work and relationships within the organization's environment. The benchmark data from all participating agencies gives an added perspective to the results.

The SEE survey consists of 71 primary statements that are used to assess essential and fundamental aspects of how the organization functions, the climate, the potential barriers to improvement and integral organizational strengths. The items are all scored on a five-point scale from Strongly Disagree (1) to Strongly Agree (5) and are averaged to provide various summary measures – Constructs, Climate Indicators and a Synthesis Score.

Participation Rate

Of all the employees invited to take the online survey, 69 percent responded. As a general rule, rates higher than 50 percent suggest soundness. Rates lower than 30 percent may indicate problems. At 69 percent, the agency's response rate is considered average. Average rates mean that many employees have a reasonable investment in the organization, want to see the organization improve and generally have a sense of responsibility to the organization.

Survey Results

The survey groups its questions into 14 Survey Constructs designed to profile organizational areas of strengths and weaknesses. These constructs are designed to capture the concepts which leadership uses most and which are the primary drivers of organizational performance and engagement. The survey provides results for five workplace dimensions: Work Group, Accommodations, Organization, Information and Personal. These constructs are: Supervision, Team, Quality, Pay, Benefits, Physical Environment, Strategic, Diversity, Information Systems, Internal Communication, External Communication, Employee Engagement, Employee Development and Job Satisfaction. Additionally, there are "Climate" indicators: Atmosphere, Ethics, Fairness, Feedback and Management.

The agency’s overall survey score, or Synthesis score, is 377, up from 365 in 2012. This represents the average of all survey items. This is a broad indicator for overall comparison with other entities and, when available, over time. According to the SEE report, synthesis scores typically range from 325 to 375.

Scores for the 14 constructs range from a low of 100 (negative) to a high of 500 (positive). Scores of 375 or higher indicate areas of substantial strength. Scores above 350 suggest that employees perceive the issue more positively than negatively. Conversely, scores below 350 are viewed less positively by employees and scores below 325 should be a significant source of concern for the organization.

The agency’s results are overwhelmingly positive. Out of the 14 constructs, there was only one area that is a significant source of concern for the agency — Pay. Scores for eight of the constructs were substantially strong, ranging from 375 to 415. Positive scores for five of the constructs ranged from 374 to 351. The lowest score by far was Pay at 259, up from 249 in 2012.

Benchmark Comparisons

The following charts compare the agency’s 2014 scores with the most recently available average benchmark scores (from 2012) for all participating state agencies, for all similar mission agencies — regulatory and all similar sized agencies — 26 to 100 employees.

| OVERALL SCORE | |
|-----------------------|-----|
| TxRC | 377 |
| Regulatory Agencies | 380 |
| Similar Size Agencies | 373 |

| RESPONSE RATE | |
|---|-------|
| TxRC | 69.0% |
| Similar Mission Agencies - Regulatory | 86.9% |
| Similar Size Agencies 26 to 100 employees | 85.2% |
| Average Scores for All Participating Agencies | 78.7% |

Management Plan

Management is pleased with the overall positive results of the 2014 survey. Judging from the continued high participation rate, employees have seen the value in the process.

It will be challenging for the Commission to address the “fair pay” issue given the already strained budget and uncertainty as preparations begin for the upcoming biennium. Providing opportunities to discuss this issue and finding ways other than monetary compensation may prove beneficial. Employee dissatisfaction with pay has not, however, altered employee attitudes toward their jobs or the level of service provided. As the Commission asks employees to do more with less, it speaks well of staff that they continue to deliver a high level of customer service.

APPENDIX G. HISTORICALLY UNDER-UTILIZED BUSINESS (HUB) PLAN

The Commission remains committed to the state's program that encourages purchasing from historically underutilized businesses. Although not a significant purchasing power, using less than 5 percent of its operating budget for purchases, the Commission routinely exceeds its new goal of 23 percent of total purchases with HUB's.

HUB Expenditures as a Percentage of Total (HUB Eligible) Expenditures by Procurement Category

| | SPECIAL TRADE | PROFESSIONAL SERVICES | OTHER SERVICES | COMMODITIES | TOTAL EXPENDITURES |
|------|--------------------------|----------------------------------|---------------------------|--------------------|-------------------------------|
| 2009 | | 100.0% | 19.0% | 85.0% | 33.6% |
| 2010 | | 100.0% | 9.0% | 70.8% | 25.1% |
| 2011 | | 100.0% | 21.9% | 66.6% | 34.9% |
| 2012 | | 100.0% | 19.6% | 70.5% | 41.8% |
| 2013 | 12.8% | 100.0% | 33.5% | 69.4% | 41.7% |



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