

TEXAS RACING COMMISSION

MEETING

10:30 a.m.  
Wednesday,  
June 21, 2023

Texas Department of Public Safety  
Criminal Law Enforcement Auditorium  
6100 Guadalupe Street  
Building E  
Austin, Texas 78752

COMMISSIONERS:

ROBERT C. PATE, Chair  
CONNIE McNABB, D.V.M., Vice Chair  
MARGARET MARTIN  
ARIEL "A.J." WAIGHT  
MICHAEL "MIKE" MOORE (absent)  
REBECCA CONTRERAS

EX OFFICIO MEMBERS:

SID MILLER, Texas Department of Agriculture  
STEVEN P. MACH, Public Safety Commission

*ON THE RECORD REPORTING*  
*(512) 450-0342*

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- \$815,000; and  
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 \$250,000

VIII. EXECUTIVE SESSION (AS NEEDED) none

The following items may be discussed and considered in executive session or open meeting, with any action taken in the open meeting:

- A. Under TEX. GOV'T CODE §551.071(1), the Commission may enter an executive session to seek the advice of its attorney regarding pending or contemplated litigation or regarding a settlement offer.
- B. Under TEX. GOV'T CODE §551.071(2), the Commission may enter an executive session to discuss all matters identified in this agenda where the Commission seeks the advice of its attorney as privileged communications under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas. This may include, but is not limited to, legal advice regarding the Open Meetings Act, the Administrative Procedures Act, and the Texas Racing Act.
- C. Under TEX. OCC. CODE §2025.005, the Commission may enter an executive session to review security plans and management, concession, and totalisator contracts.

IX. NEXT COMMISSION MEETING 50  
 Wednesday, August 16, 2023, 10:30 a.m.

X. ADJOURN 50

P R O C E E D I N G S

1  
2 CHAIRMAN PATE: Thank you, ladies and  
3 gentlemen. By my watch, it's 10:30, so we're ready to  
4 start the meeting.

5 Phil, would you please call the roll.

6 MR. FOUNTAIN: Chairman Pate?

7 CHAIRMAN PATE: Here.

8 MR. FOUNTAIN: Vice-Chair McNabb?

9 COMMISSIONER McNABB: Here.

10 MR. FOUNTAIN: Commissioner Martin?

11 COMMISSIONER MARTIN: Present.

12 MR. FOUNTAIN: Commissioner Moore?

13 (No response.)

14 MR. FOUNTAIN: Commissioner Waight?

15 COMMISSIONER WAIGHT: Here.

16 MR. FOUNTAIN: Commissioner Contreras?

17 COMMISSIONER CONTRERAS: Present.

18 MR. FOUNTAIN: Commissioner Mach?

19 COMMISSIONER MACH: Present.

20 MR. FOUNTAIN: Commissioner Miller?

21 COMMISSIONER MILLER: Here.

22 CHAIRMAN PATE: Thank you. Do we have a  
23 quorum?

24 MR. FOUNTAIN: Yes, sir.

25 CHAIRMAN PATE: All right. Thank you, Phil.

1                   Again, good morning, everyone. At this time  
2 I'm calling today's meeting of the Texas Racing Commission  
3 to order. The time is 10:30 a.m.

4                   And I want to welcome all of you to our June  
5 2023 meeting. I'd like you to stand, please, and join us  
6 in the pledge of allegiance.

7                   (U.S. and Texas pledges were recited.)

8                   CHAIRMAN PATE: Thank you. Please be seated.

9                   I want to welcome all of you to the June  
10 meeting of the Texas Racing Commission, beginning today  
11 with agenda III.A. As usual, there are a number of items  
12 that deserve mention this morning which I would like to  
13 bring to the attention of all commissioners.

14                   Today's meeting will largely focus on the  
15 events of the last legislative session and the results of  
16 the hard work and long hours of General Cook and Phil  
17 working with industry to advance our legislative goals.

18                   But first I want to also welcome our general  
19 counsel, Virginia Fields. She's actually back in the  
20 office, but not with us here today. Some of y'all may not  
21 be aware, she's been dealing with a lung cancer diagnosis  
22 for the last six months. And by all reports, her  
23 successful treatment at M.D. Anderson had been achieved.

24                   And as she regains her strength, the rules  
25 review will get back on track on September 5, 2023 here in

1 Austin at this very location. And we will continue with  
2 the rules review at that time.

3 Next, I want to also offer congratulations to  
4 Commissioner Mach on his appointment as the chairman of  
5 the Department of Public Safety, who, as a result, will  
6 continue to serve as an ex-officio commissioner of the  
7 Texas Racing Commission.

8 Additionally, congratulations are also due to  
9 Commissioners Martin, Moore, McNabb, Contreras and Waight  
10 on their reappointments. We have a strong set of  
11 commissioners who are well familiar with most of the  
12 matters of importance to the Commission. The Texas Racing  
13 Commission, in my view, is very well positioned for the  
14 future.

15 On balance, we do have a great legislative  
16 success to report. Of course, all our legislative  
17 initiatives were not enacted. What was enacted into law  
18 represents the most material and sweeping change to this  
19 agency since its creation.

20 As General Cook and Phil will detail in later  
21 reports, we have become a general revenue supported agency  
22 beginning with the next biennium. And we were successful  
23 in obtaining some supplemental funding for the balance of  
24 2023 to offset those unusual and exceptional expenses  
25 which we incurred last year, principally in the IT areas

1 of the budget and the migration of the agency's data to  
2 the State system.

3           Although a legislative solution was proposed  
4 pertaining to matters involving Greyhound racing and bush  
5 tracks, among other matters, such were not enacted and we  
6 will continue to handle those matters as best we can under  
7 existing law.

8           I do want to particularly thank not only  
9 General Cook and Phil for their significant long hours of  
10 legislative engagement, but also Commissioner McNabb, who  
11 made valuable staff introductions to key House Budget  
12 Committee members and made several trips to personally  
13 engage with key legislators. Additionally, industry  
14 representatives helped this agency at every level of  
15 legislative engagement as staff sought to explain the  
16 proposed strategic plan and budget. So again, thanks to  
17 each and every one of you.

18           Our continuing subject, HISA, has not gone away  
19 but will not be the subject of much discussion today.  
20 What we will be discussing is opening the race date  
21 application period for the 2024 racing season. It's  
22 important for the Texas horseracing industry to understand  
23 that we are still in litigation over the constitutionality  
24 of the HISA statute. And in fact, the case is headed back  
25 to the Fifth Circuit for a hearing scheduled in October

1 2023.

2 As I have stated before, we have an absolute  
3 statutory conflict with the Federal statute which, even if  
4 deemed constitutional, cannot be implemented in Texas  
5 under current law.

6 I want to remind y'all here, too, that  
7 something that's not talked about, HISA was in total  
8 control of all racing safety when the 12 animals were  
9 tragically lost in the well publicized events at Churchill  
10 Downs. HISA delayed, by its own decision, the  
11 implementation of its medication rules from May 1 to May  
12 22, after the Preakness, a decision, I think, that should  
13 be investigated. It's hard to understand that an agency  
14 that fought so hard to implement these medication rules  
15 then sought to delay them at the time of the Kentucky  
16 Derby and Preakness.

17 Following the legislative session, I can  
18 confirm that there is absolutely no interest in conforming  
19 Texas law to afford HISA the opportunity to commandeer  
20 Texas Racing Commission staff to perform Federal  
21 regulatory duties. In fact, concerns were raised about  
22 the wisdom of adding another layer of regulation when the  
23 state agency that we have today is working with industry  
24 to strengthen our regulatory framework. Further,  
25 absolutely no appropriations were provided by the Texas



1 Legislature to pay HISA fees or to perform tasks assigned  
2 to Texas by the Federal Government through the HISA  
3 legislation, nor do we expect that support in any kind of  
4 form in the future.

5           What we are focused on in the coming months is  
6 an initiative to sign reciprocity agreements with our  
7 neighboring states on licensing standards and other key  
8 aspects of regulation, beginning with the State of  
9 Oklahoma.

10           I also want to just mention, yesterday in the  
11 *Thoroughbred Daily News* there was an article published by  
12 a fellow by the name of Richard Schmidt -- who apparently  
13 was a former chairman of this Commission -- who was urging  
14 the Texas Racing Commission leadership to adopt and go  
15 along with the HISA regulations. I don't know who's  
16 informing him, but he does not understand the legal basis  
17 upon which we've made our decisions and are compelled to  
18 continue to deny thoroughbred racing export signal.

19           I would invite him or anybody else out there  
20 that has questions of y'all to please call General Cook or  
21 myself or Commissioner McNabb. We'd be happy to explain  
22 this. All that information is on the website; all that  
23 information has been repeatedly explained to anyone who  
24 has shown an interest. So I'd ask you to look into it if  
25 that happens to be your situation.

1           We will now move through the rest of today's  
2 agenda. Next, agenda item III.B recognizes vice-chair of  
3 the Commission, Dr. Connie McNabb, for her remarks.

4           Commissioner McNabb, you have the floor.

5           COMMISSIONER McNABB: Thank you, Chairman.

6           I do appreciate everyone who did help us. One  
7 of the key remarks that we got as we talked with  
8 legislators and their staff, they said the industry is so  
9 happy, you know, that we are working together. We're  
10 trying to address -- certainly we have issues, but I want  
11 to thank everyone who was engaged talking.

12           Indeed we are here to interface with you. We  
13 have a regulatory job. But I hope that you realize that  
14 we are here to listen to what you have to say to try to  
15 find the right answers to the questions.

16           And that was very much something that we heard  
17 back from the legislators, that this was not just a  
18 fortress and not an adversarial relationship, that we have  
19 got a good and strong and hopefully building relationship  
20 with the industry.

21           But thank you, thank you, thank you for letting  
22 them know that we're trying just as hard as we can. We're  
23 not going to compromise on the job that we have to do, but  
24 we're fair. We're working with you, and we have open  
25 lines of communication, and thank you for your help.

1           The other thing I would like to call out and  
2 commend, and this is not to the detriment of the other  
3 breeds, but I would like to commend what TQHA is doing. I  
4 had the opportunity to go to one of the horse shows.

5           So the HIEA funds, indeed, they go to a lot of  
6 racing purses and that generates a lot of interest and it  
7 certainly helps the economy in Texas, but some of those  
8 funds also go to horse shows. I went to one and folks who  
9 don't understand racing and don't understand the horse  
10 business think that every horse as soon as they hit four  
11 years old somehow winds up on a truck to become dog food,  
12 which is very far from truth.

13           But especially when you have a viable, vibrant  
14 industry and a show horse industry, the little bit of HIEA  
15 money -- the people who go to the horse shows and a lot of  
16 the classes there, I saw many, many, many horses in their  
17 mid teens and early twenties who are living the best life  
18 that horses could live. I would like to be one of those  
19 horses.

20           They have classes, the ranch riding classes and  
21 so forth, kids on these horses, ladies on these horses,  
22 ladies my age on these horses. But just the HIEA money  
23 that goes towards belt buckles and the recognition and  
24 awards, that generates so much interest. It generates a  
25 tremendous amount of economy, so hay, trucks, fuel,

1 clothes, you name it.

2 But I do want to commend that this is also a  
3 place, and classes that are made so horses who have been  
4 wonderful horses -- and many horses within the Quarter  
5 Horse industry have been race horses and then they become  
6 show horses. So this really reinforces that Texas cares  
7 about horses for their lifetime. And horses that are race  
8 horses are not done with wonderful lives just because they  
9 get done with racing, that there's a lot of great use and  
10 wonderful homes and loving families on this.

11 And if you don't believe it, come to one of  
12 these horse shows. You will want to be one of those  
13 horses too. They live a great life.

14 So thank you, TQHA.

15 CHAIRMAN PATE: Thank you, Commissioner McNabb.

16 I recall specifically at our first Senate  
17 Finance Committee hearing, it was either Senator Zaffirini  
18 or Senator Hinojosa said it's so nice to have y'all come  
19 before us and there's no drama in the Texas Racing  
20 Commission. That was a good report.

21 The next item on the agenda III.C opens the  
22 floor to any commissioner who wishes to make remarks. Are  
23 there any commissioners who wish today to make remarks  
24 prior to the remainder of the agenda?

25 COMMISSIONER CONTRERAS: Chairman, I'd like to

1 just commend General Cook and her staff for the incredible  
2 job. I know it was your first year and everything was  
3 thrown at you and the accomplishment of being able to go  
4 before the legislature and accomplish much is big. I've  
5 been in your seat and I understand the difficulty of that  
6 process, and thank you for your leadership.

7 CHAIRMAN PATE: Thank you, Commissioner  
8 Contreras.

9 Anyone else?

10 (No response.)

11 CHAIRMAN PATE: All right. Next on our agenda,  
12 item IV. Public comment.

13 Phil, has anybody signed up for public comment?

14 MR. FOUNTAIN: Yes, sir. Tracy Sheffield.

15 CHAIRMAN PATE: All right. Ms. Sheffield,  
16 you'll be recognized for three minutes.

17 MS. SHEFFIELD: Good morning. As always, it's  
18 a privilege to address the Racing Commission, and I  
19 appreciate the opportunity.

20 It is my sincere hope that the two issues that  
21 I bring before the Commission today have already been  
22 addressed. If so, thank you; if not, I hope they will  
23 find a place on your priority list. I strive to limit my  
24 comments to the Commission only when the actions or  
25 inactions by the Commission affect the economic welfare of

1 the Texas Thoroughbred Association membership.

2           The first issue I'd like to address is how the  
3 breakdown of the machines of the Texas Veterinary Medical  
4 Diagnostic Laboratory -- TVMDL, to make it short from here  
5 on -- that is used to test the samples was handled by the  
6 Commission. The timeline of events that started in March  
7 when the machine broke down, it took a week for the lab to  
8 get a technician out and diagnose the problem and figure  
9 out what parts needed to be ordered. The lab was told  
10 that the part was on back order and would not be available  
11 until April 18.

12           That time frame was well over a month. People  
13 have bills to pay and bills that come due every month.  
14 Purse money cannot be released until the tests are  
15 cleared.

16           Owners had no access to purse money they'd  
17 earned to pay their trainers and other bills. Trainers  
18 had to wait for their money. This meets my definition of  
19 economic hardship, and that's why I'm here today.

20           As soon as the Commission learned that it would  
21 be longer than a month for there to be a possibility for  
22 purse money to be released, that's when action should have  
23 been taken. We all know what it's like to pay bills and  
24 they come due every month. No money was saved by the  
25 Commission on sending samples to a secondary lab.

1           The only harm that was done was to horsemen who  
2 ended up having to wait almost two months for their purse  
3 money to be released. Furthermore, horsemen were not  
4 given a timeline from the Commission as to when they might  
5 expect that purse money to be released, and that's not  
6 acceptable.

7           In future, should such an event occur -- and  
8 it's likely that it will, things break down, parts aren't  
9 available -- it is my hope that the Commission will handle  
10 things in such a way that purse money can be paid out  
11 within a month of earning it. Two weeks would be better.

12           As everyone here knows, the Commission members  
13 are appointed by and serve at the pleasure of the governor  
14 of the State of Texas. My question to the appointed  
15 commissioners is: Have you informed the governor of the  
16 economic impact to racing caused by the current deadlock  
17 between state law and HISA, Horseracing Integrity and  
18 Safety Act? If not, why not?

19           He should be made aware the people that he  
20 honored with the appointment to the Commission as to the  
21 state of the industry they regulate and what needs to be  
22 done for it to flourish. While HISA is rife with problems  
23 and additional bureaucracy is most unwelcome, addressing  
24 the economic impact caused by the inability of tracks for  
25 legal reasons to export our signal should be a primary

1 priority of the Commission and waiting another year is  
2 scaring us.

3 How long will the tracks continue with the low  
4 handle that they're earning right now? It's frightening  
5 to us. Have the Commission members informed the governor  
6 of the damage that's being done to this industry that  
7 generates millions of dollars and provides jobs and other  
8 economic opportunities for all types of citizens?

9 Everything possible that can be done to ensure  
10 the economic success of racing should be done. I'd like  
11 to see the commissioners take an even more active role in  
12 supporting the industry they regulate. I think we could  
13 see more progress in negotiating the legal quagmire that  
14 is currently damaging our industry.

15 Thank you.

16 CHAIRMAN PATE: Thank you.

17 Any other comments?

18 MR. FOUNTAIN: No, sir.

19 CHAIRMAN PATE: All right. We now move to  
20 agenda item V.A and the executive director's report.

21 General Cook, please give us your report.

22 MS. COOK: Good morning, commissioners, ladies  
23 and gentlemen.

24 I want to first extend my thanks for Virginia  
25 Fields and Phil Fountain for staffing the February 2023



1 Racing Commission meeting here in this building. I was at  
2 the legislature that day. And I haven't had an  
3 opportunity to appear before you since December, so I'm  
4 going to take a couple of minutes just to talk about  
5 what's happened at the Commission since then.

6 I appreciate the fact that you were willing to  
7 adjust the Commission meeting schedule so that -- we moved  
8 basically the April meeting to September. So we will have  
9 meetings in October, December as scheduled, and August and  
10 September, which will give us an opportunity to really  
11 provide you some great staff products.

12 Over the past six months, of course, the agency  
13 has continued to experience a time of dramatic change.  
14 Fortunately, at my request, former deputy director of DPS,  
15 Duke Bodisch, returned to the staff to assist me with  
16 rebuilding the Enforcement program. I'm grateful for his  
17 mentorship. We want to be a great enforcement agency in  
18 our own lane, as the charge was given to me when I first  
19 took this job. And he also was instrumental during the  
20 legislative session at really mentoring and helping us  
21 understand kind of how to really address and talk to  
22 legislators.

23 With Duke's assistance, I've recruited Aaron  
24 Grigsby, our new deputy executive director for Operations  
25 in March of 2023. And we also accepted Dwayne Price's

1 request for retirement -- he was our former chief  
2 information officer -- after 27 years.

3 I'd like to take a moment to celebrate his  
4 service with the Racing Commission. So, Dwayne, if you'd  
5 join me up here.

6 So, ladies and gentlemen, my first day of work,  
7 Dwayne Price came into my office to set up my computer,  
8 and I didn't know him and he wasn't the chief information  
9 officer, and I thought here's a fellow who's really  
10 talented, why isn't he in charge of IT. So I drafted him  
11 to go up to the leadership role and become in charge of IT  
12 in the middle of trying to move to a new building, deal  
13 with fragile servers. Dwayne rose and met that challenge  
14 even though he was concerned about taking that risk, but  
15 he leapt out and took that risk with me, and I'll always  
16 be grateful for his service to the Commission and to the  
17 State of Texas.

18 (Applause.)

19 MS. COOK: So we have for you, signed by the  
20 governor, congratulations on your retirement and service  
21 to the State of Texas. We have a flag flown over the  
22 Capitol in your honor, and a certificate of the date.

23 (Pause for presentation and photos.)

24 MS. COOK: Thank you, Dwayne, so much for your  
25 leadership.

1 MR. PRICE: Thank you. It was a pleasure.

2 MS. COOK: Congratulations.

3 MR. PRICE: Thank you very much.

4 (Applause.)

5 MS. COOK: As you all know, when I started my  
6 position, I instituted an employee of the month and  
7 employee of the year program, and we celebrated the first  
8 employee of the year last year with Virginia Fields  
9 winning employee of the year. We have continued that  
10 program and I look forward to celebrating another employee  
11 of the year, however, I felt I needed to add something  
12 else, a Director's Award for Excellence.

13 Our motto "Excellence Starts Here" is not a  
14 strive for perfection, it is a challenge issued to bring  
15 your best efforts to work and lead your team in that way  
16 every day. Today I'd like to present the first award of  
17 the Director's Award for Excellence to a gentleman who has  
18 met this challenge and is a model for excellence in  
19 everything he does. He is an incredibly dedicated public  
20 servant with wisdom beyond his years and without whom the  
21 agency would not have been so well received at the Texas  
22 Legislature.

23 He is quiet and unassuming but a powerhouse in  
24 effective communication and relationship building, and I  
25 think you would all agree exemplifies excellence and has

1 met the challenge during his service to the agency, but  
2 especially during legislative session.

3 Phil, please join me up here to receive the  
4 first award.

5 (Applause.)

6 MS. COOK: It actually was Phil's idea we  
7 should have this award and I thought what a great  
8 opportunity to give him the first one.

9 MR. FOUNTAIN: Wonderful. I'm honored.

10 MS. COOK: Thank you for everything you've done  
11 for us.

12 (Applause.)

13 MS. COOK: So he gets a nice statue, the  
14 adoration of his peers, and 40 hours off to take leave  
15 with his wife, which he absolutely deserves.

16 Congratulations, Phil.

17 Now on to the business of the Commission.  
18 During legislative session -- Phil will give you sort of  
19 the readout of that -- but I want to just tell you when I  
20 had my job interview with Judge Pate and Commissioner  
21 McNabb, they discussed with me the importance of building a  
22 functional agency regardless of mission. And so of course,  
23 over the past 18 months I've been told by numerous folks,  
24 you know, that I didn't know anything about horseracing.  
25 And I said, Absolutely true, when I came to work here I did

1 not know, although I've learned so much from the community  
2 that's been willing to teach me.

3 What I did know about was good government,  
4 financial management, and relationship building, and what  
5 has been helpful is that we approached the legislature  
6 with the message that was very clear that we wanted to  
7 answer the criticisms of Sunset and we wanted to become a  
8 regulatory body that all Texans could be proud of, and our  
9 key messages were four:

10 First, that the agency has inherently  
11 governmental statutory compliance activities required of  
12 all state agencies regardless of mission, which we  
13 believed should have been funded through a transparent,  
14 general revenue process. At least, in part, that call was  
15 answered from the legislature, and we're grateful for  
16 that. So we received general revenue for our drug testing  
17 program.

18 Second, we have the responsibility to monitor,  
19 regulate and enforce licensed activities and address  
20 unlicensed activities throughout the state, which should  
21 continue to be funded by a GR dedicated account, licensing  
22 revenue funds, and we have continued to receive that and  
23 received a bit more for those mission sets.

24 Third, the legislative appropriations request  
25 that I presented to the budget committees was not a

1 request for the agency, rather it was a resourcing model  
2 that was required for the agency to become the regulatory  
3 body that Texans need in the horseracing industry, and  
4 that call was answered.

5 Fourth, I was able, I think, to get them to  
6 effectively understand that the horseracing industry is at  
7 a crossroad, and in my judgment, the future is bright if  
8 we all work together to realize the potential for future  
9 growth. But I really believe that Texas could be the  
10 premier state for horseracing. There are more horses in  
11 Texas than any other state in the nation, and with  
12 effective market competition and the right regulatory  
13 body, the economic potential is amazing, and I think we  
14 will realize that given the legislative investment that we  
15 recognized.

16 For the remainder of this fiscal year, turning  
17 back to day-to-day operations, we're going to be focused  
18 on closing out the financial and recordkeeping activities  
19 for the biennium. What I have decided to do is hire a  
20 financial examiner to go back through this biennium and  
21 the biennium before us and go through all of the fiscal  
22 challenges that we had and kind of write me a summary  
23 report of all that to close that out. Because, as you  
24 know, we have been privileged to change our budget  
25 structure completely so our budget structure actually

1 follows our four strategic goals: enable, protect,  
2 communicate, and partner.

3 So our budget strategies now model after our  
4 strategic plan, and we're departing from twelve budget  
5 lines and going down to six. So we're going to be able to  
6 streamline and be more transparent about how we spend  
7 money.

8 But we have a real need, as we go through our  
9 licensed racetrack reviews and as we go through our fiscal  
10 records, to actually make sure everything is in order and  
11 we can get a comprehensive report of how we did, and make  
12 sure that as we put new procedures in place that we never  
13 have some of the challenges that we had in the past. So  
14 we're going to prepare that report and it will be publicly  
15 provided to the Commission and posted publicly for  
16 everyone to read.

17 Senate Bill 30, fortunately, provided the  
18 agency supplemental spending authority for this biennium.

19 So as you all probably know, we had a cash over revenue  
20 problem for years. In other words, this year we were  
21 projected to have cash revenue of \$5.1 million, our  
22 appropriations limit was \$3.4 million, so what was  
23 happening biennium after biennium is the excess cash that  
24 we had was being swept by the Comptroller and the  
25 licensees were paying the same fees again and that money

1 was not being used to regulate them.

2 With the support of the Commission, with the  
3 support of the regulated industry, and with the effective  
4 communication that we had, we wanted to be able to spend  
5 the money that we already had on hand. We were given  
6 additional funds to spend this year to fully execute the  
7 39 FTEs that we have and also to address some of our  
8 interim IT needs, so we're really grateful for that.  
9 We're focused on making sure we fully execute that money  
10 since we asked for it.

11 Short term, though, in the next couple of weeks  
12 we're going to be supporting live racing operations. Sam  
13 Houston Race Park just concluded their Quarter Horse meet  
14 successfully, Lone Star Park still runs through July 4,  
15 Retama Park starts in San Antonio, and Gillespie County  
16 Fair Association starts July 4 weekend. So we'll actually  
17 be out in the field spending time with all of them to make  
18 sure that goes well.

19 We're also going to do a lot of recruiting  
20 because we're going to head up to 57 FTEs. And so we're  
21 already starting to look for veterinarians, investigators,  
22 stewards, and a couple more financial management folks to  
23 make sure that we do our job well.

24 We're going to continue to develop solutions to  
25 address the agency loss of our Enforcement database. We



1 did not get funding for a new database, but we have some  
2 interim solutions that we're working.

3 And then we are meeting with the great State of  
4 Oklahoma on Friday at Lone Star Park and start getting a  
5 reciprocity agreement in place for licensing, ruling, and  
6 perhaps drug testing protocols between the two states.  
7 It's a great way to get started on things we can do and  
8 not worry about things we can't do.

9 Over the next 180 days, obviously we have the  
10 breed split allocations that are going to be renegotiated  
11 by the industry, how we distribute HIEA and ATB funds, our  
12 active and inactive license reviews. We have eight  
13 licenses under review, so I'll be reporting out two of the  
14 licenses per meetings in the next four meetings.

15 And I think what's most important for you to  
16 understand is the Greyhound industry will need our  
17 assistance. There was some legislative attempts made to  
18 sort of deal with what's the state of the Greyhound  
19 industry during session. The statute has not changed,  
20 however, in our budget we receive no money to regulate  
21 Greyhound racing. I put \$750,000 in as a contingency  
22 rider should they go back to live racing.

23 The Budget Committee in the House asked is  
24 there going to be live Greyhound racing in the future, and  
25 we had to say that the industry actually stood up and said

1 they do not have the ability to conduct live races. So we  
2 did not receive money to regulate it. We will support  
3 them and we will still assist with winding down, but  
4 there's some tough decisions to be made for the Greyhounds  
5 and so we'll facilitate that to the best of our ability.

6 And since they have publicly declared in a  
7 Commission meeting that they don't have the capability to  
8 run -- and this is on the Greyhound breeding side of  
9 things -- we expect no race date requests for Greyhound  
10 tracks this year, like past year.

11 On page 3 of your meeting materials is the  
12 letter that I signed approving the Texas Horsemen's  
13 Partnership as the recognized horsemen's organization.  
14 It's an important item for you to appreciate how much the  
15 leadership of the executive director of the Texas  
16 Horsemen's Partnership, Ms. Marsha Rountree -- who is here  
17 with us today -- is to the way that we do our jobs in the  
18 regulated industry. I hope that Marsha would tell you  
19 that if she picks up the phone and calls me, I'll always  
20 listen to what the challenges are and she speaks for all  
21 of the horsemen in Texas with respect to some of the major  
22 decisions about how we go about our business.

23 And it's really critical and really grateful  
24 that she's continuing in that role that we continue this  
25 great level of communication between the industry that we

1 regulate, because we're all going to face challenges in  
2 the coming years. And the Texas Horsemen's Partnership is  
3 a key organization to help us work through those  
4 challenges together.

5 One of the things that we're also going to work  
6 on is developing an interim legislative engagement  
7 strategy. I mean, we really do not want to walk back in  
8 the Capitol in a year and a half and say, Hi, I'm Amy  
9 Cook, there is a Racing Commission in Texas, it is  
10 important that we have it, and here is why. And so there  
11 was sort of an uphill climb there to get people to  
12 understand that there is an agency, that that agency will  
13 do a great job, and that that agency will overcome the  
14 challenges of the past.

15 So one of the things that happened at the very  
16 last part of the legislative session -- and Phil will talk  
17 about Senate Bill 1620 -- is we were trying to get some  
18 critical statutory changes that were holding the agency  
19 back into a bill. I spoke with Brian Francis, who is the  
20 interim director at Sunset, and he and I agreed that we  
21 would go through a limited scope Sunset review during the  
22 next session because that will allow us to continue to  
23 educate on the unique challenges we have.

24 No other agency had a provision in their  
25 statute that if they received general revenue they would

1 have to pay it back with interest -- I mean, nobody had  
2 that problem, and we don't have that problem anymore  
3 because now that's out of our statute. Nobody else in  
4 Article 8 of the General Appropriations Act was completely  
5 self-funded and self-regulated. Everybody had general  
6 revenue but us. Not anymore, right?

7           So things like that that were so huge to moving  
8 us forward, I would walk into a room and go, we have these  
9 unique problems. And everybody would say, nobody has  
10 those problems. Well, Brian Francis was in charge of TDLR  
11 which the agency was supposed to be put under. Brian  
12 Francis understood those challenges, and there's still  
13 more that we need to work on to make sure that we become  
14 fully functional.

15           So I'm really excited to work with the Sunset  
16 staff and educate them on how this agency, that should be  
17 on par with every other great agency in Texas, really  
18 deserves that they understand and they know what changes  
19 we need and why we're asking for them. So I'm really  
20 grateful to go through the limited scope review. I would  
21 have agreed to a full review as long as I get a chance to  
22 talk about how great the agency can be with the  
23 legislature investing in us. So really looking forward to  
24 that.

25           And just to kind of close out here on the

1 agency budget structure changes, as I said, they follow  
2 our goals and our strategic plan. Overall, in this  
3 biennium we received \$3.7 million in 2022; a little bit of  
4 extra money was given to us for our move to the George  
5 Bush Building.

6 This particular year our total appropriations  
7 limit was \$3.4-, as I mentioned, our cash, though, was  
8 \$5.1-. We received additional spending authority of  
9 \$767,000, so we'll be able to at least fully execute our  
10 FTEs and execute some of that money before the rest is  
11 swept by the Comptroller.

12 In 2024 we'll receive \$6.4 million and in 2025  
13 \$6.7 million. About 20 percent of that will be general  
14 revenue, which is a start, right? I mean, get started and  
15 start somewhere, really starting to show the legislative  
16 investment in a great enforcement agency. Really grateful  
17 for that.

18 But really most importantly, you probably all  
19 know this, but we were the only agency -- here's another  
20 we were the only -- that paid for former employees  
21 retirement costs, budgeted at a million a year out of our  
22 unappropriated cash revenue. So for years and years and  
23 years, I guess there was -- you know, we talked to one of  
24 the authors of the Racing Act and sort of the idea was if  
25 you want to have a Racing Commission, great, you pay for

1 it yourself, right. So you don't need general revenue,  
2 you don't need any of this to happen.

3 So we had 55 former employees and the bill was  
4 \$504,000 a year coming out of the cash being pulled out,  
5 at about \$34,000 a month out of the cash revenue. That's  
6 gone and we have a contingency rider now that that's paid  
7 for by general revenue.

8 So that burden has been lifted off the  
9 industry, as well as a portion of the drug testing bill  
10 lifted off the industry. And the legislative investment  
11 in the success of a regulatory agency that they created  
12 with an enabling statute will start to be shown. And I  
13 can't wait to go back and talk about the great things  
14 we've been able to do with that investment.

15 And so that concludes my remarks,  
16 commissioners. If you have any questions, we look forward  
17 to --

18 CHAIRMAN PATE: I have a question. You might  
19 have mentioned it, but in connection with the limited  
20 Sunset review, we also gain an additional two years of  
21 life before there's actually a sunset.

22 MS. COOK: That is correct.

23 CHAIRMAN PATE: So that was a good quid pro.  
24 And agreeing to a limited Sunset review allowed us to be  
25 tacked on our language which we had in another bill that

1 didn't get a second reading. We were able to tack on that  
2 language, and that's some of the artful work of Phil and  
3 our friends to make that happen.

4 MS. COOK: Absolutely.

5 COMMISSIONER McNABB: And with all of the  
6 superhuman efforts and the incredible accomplishments --  
7 this might burst a bubble -- Amy really is human. Her  
8 limits exceed most of ours, but so all of you know, we  
9 also don't forget the promises that we made. We are going  
10 to be reconvening the Rules Review Committee very shortly.

11 As the legislative session went on, and that  
12 combined with the very unfortunate illness of our general  
13 counsel -- who is now come out the other side and rung the  
14 bell and we're very proud of her -- trying to do the rules  
15 review when we were fighting for our lives in the  
16 legislative session and without Virginia. So we said we  
17 don't want to go out and have these meetings unless we can  
18 really make some forward motion. So we have not  
19 forgotten, we are going to be starting those back up and  
20 full blast and we'll continue as we go through all that  
21 rules.

22 Amy's plate was beyond full and her  
23 accomplishments really are superhuman but she finally said  
24 I actually have a limit. So we had to put those off. And  
25 it's not that we're neglecting it, but if we're going to

1 engage with you all, we want to make sure that we come to  
2 the table ready to sit down and really do our work, and we  
3 just couldn't and do the things that we had to do to  
4 survive.

5 So thank you, Amy and Phil and the whole team,  
6 but we'll be back seeing you and we'll work through the  
7 rules.

8 CHAIRMAN PATE: Commissioner Miller.

9 COMMISSIONER MILLER: Yes. I've got a point of  
10 clarification on the budget.

11 MS. COOK: Yes, sir.

12 COMMISSIONER MILLER: You're talking about  
13 unexpended balance moving forward. Was that just for the  
14 fiscal year or was it from biennium to biennium?

15 MS. COOK: So biennium to biennium we were only  
16 allowed to carry over \$750,000 cash; that's been changed  
17 to \$2 million. That is a biennial limit. It's kind of  
18 funny -- not funny ha-ha, just funny -- when we went  
19 through this particular year, '22 to '23, mid biennium,  
20 the Comptroller read it that we could carry over all the  
21 cash that we had, which that question apparently had never  
22 been asked.

23 So every year the agency, I think for about ten  
24 to fifteen years, had just carried over the \$750-, not on  
25 the biennium but every fiscal year. All the rest of the



1 money was swept by the Comptroller.

2 COMMISSIONER MILLER: Right.

3 MS. COOK: Thousands and thousands of dollars  
4 that really the industry had paid that really wasn't being  
5 carried over to use. So now we've upped that to \$2  
6 million. But in the interim of the biennium we can carry  
7 over as much as we have.

8 COMMISSIONER MILLER: So everything from the  
9 12th month to the 13th month.

10 MS. COOK: Yes, sir.

11 COMMISSIONER MILLER: And \$2 million on the  
12 24th to the first month.

13 MS. COOK: That is correct, yes, sir.

14 COMMISSIONER MILLER: And you may have  
15 mentioned and I didn't catch it, what about transfer  
16 authority between strategies?

17 MS. COOK: We only have 10 percent transfer  
18 authority between strategies, but I think that what --

19 COMMISSIONER MILLER: Is that enough to make  
20 the books balance at the end of the biennium?

21 MS. COOK: Yes, it is.

22 COMMISSIONER MILLER: Okay. Thank you.

23 MS. COOK: Yes, sir. Thank you.

24 CHAIRMAN PATE: Any other questions or  
25 comments, commissioners?

1           COMMISSIONER CONTRERAS: I do have a question.  
2           And, Amy, you may have covered this earlier, forgive me  
3           if I missed it.

4           But one of the challenges when you first came  
5           onboard was the inequity of the staff pay compared to  
6           other agencies, because just the Racing Commission was  
7           kind of out here on its own. I'm assuming that will be  
8           addressed the next legislative session.

9           MS. COOK: Absolutely. So the supplemental  
10          spending that I received, I asked for the salary  
11          shortfalls and I asked for fully executing the 39 FTEs.  
12          Because we have 31 people today -- we can't afford to hire  
13          more than 31 on the current budget that we have.

14          And then all state agencies received additional  
15          spending authority, in our case, not appropriations for  
16          staff salary increases so all state agencies got that.  
17          So we'll be able to bring our veterinarians commensurate  
18          with fellow veterinarians, and so forth. Those are my  
19          biggest concern is the specialty veterinarians and  
20          stewards and the investigators, bringing them up to par  
21          with other agencies so we can recruit great folks. Yes,  
22          ma'am.

23          CHAIRMAN PATE: Any other comments?

24          (No response.)

25          CHAIRMAN PATE: Again, ladies and gentlemen,

1 you just need to understand it was a full-time effort by  
2 Amy and her staff during the legislative session. There  
3 were lots of phone calls between myself, her, Phil,  
4 Commissioner McNabb and others.

5 And again, I want to thank you for your efforts  
6 on behalf of the agency.

7 MS. COOK: It's my honor to serve. Thank you.

8 CHAIRMAN PATE: The next item on the agenda is  
9 V.B, the legislative update. Phil Fountain will provide  
10 the report to the Commission.

11 Phil, please give your report.

12 MR. FOUNTAIN: Good morning, commissioners.  
13 For the record, I'm Phil Fountain, Racing Commission chief  
14 of staff.

15 As you heard, the past several months have  
16 eventful and productive for the agency to finally start to  
17 address past Sunset concerns and those of the legislature.

18 General Cook and I spent countless hours monitoring and  
19 tracking legislation, gathering inputs from our senior  
20 staff. We've drafted and submitted fiscal notes to our  
21 friends in the Comptroller and the LBB.

22 I'd like to recognize the great work of our  
23 CFO, Dinorah Chiu, and her financial team, Ernesto  
24 Palacios, Michelle Turner. Together they helped us have  
25 the correct information to provide timely and accurate

1 information in response to those fiscal notes.  
2 Additionally, Jo Ward, with the contracts team, she  
3 supports them.

4 Vanessa has done great work for us, as well as  
5 Leonard, to ensure we have quality communication products  
6 that we could share with them, whether to PowerPoints or  
7 other collateral type things that we were able to give to  
8 the staff in a quick manner.

9 Additionally, we provided resource materials as  
10 appropriate to legislative staff working on agency  
11 matters, educated many on the role and responsibilities of  
12 the Commission. It was very helpful to have Judge Pate  
13 and Dr. McNabb's presence at the Capitol at critical  
14 junctures, like when Amy testified before Senate Finance  
15 and other legislative meetings.

16 On page 4 of your meeting materials you'll find  
17 a high-level fact sheet of major legislative action from  
18 the 88th Regular Session. Additionally, you've been  
19 provided excerpts of related provisions of House Bill 1,  
20 Senate Bill 30, House Bill 1620, and House Bill 4635.  
21 You'll note the pending governor action under H.B.1 and  
22 H.B. 1620. These bills were signed over the weekend and  
23 will become law.

24 In addition to the Senate reconfirming every  
25 member of the Racing Commission for another term, these

1 bills exemplify historic trust from the legislature in the  
2 agency. Specifically, the legislation begins to posture  
3 the Racing Commission as the law enforcement agency it was  
4 intended to be, and it starts to separate our inherently  
5 governmental activities in funding from those related to  
6 business and commerce.

7 Starting in October, the legislature has  
8 provided general revenue funding for our drug testing  
9 strategy. Additionally, they addressed the anomaly of the  
10 licensees paying for former employees ERS benefits, as Amy  
11 mentioned. This will now be funded through general  
12 revenue, like all other agencies.

13 House Bill 1620 begins the modernization of the  
14 Texas Racing Act you called for last year in the strategic  
15 plan and LAR which you approved with industry input, and  
16 it directly addresses Sunset Commission criticisms.

17 For example, it repeals the requirement of the  
18 agency, which is ultimately the licensees currently, to  
19 repay general revenue with interest. This allows for the  
20 method of finance shift that was approved through the  
21 appropriations process. It increased the agency's  
22 carryover authority between biennia from \$750,000 to \$2  
23 million to help stabilize operations. That \$750,000  
24 number was written many decades ago and that brings us in  
25 with the CPI adjustment to carry forward.

1           Further, we're now able to apply for and accept  
2 grants to find additional funding opportunities. This  
3 will open up the door for federal and state law  
4 enforcement grants, as well as in other areas that might  
5 benefit the agency to address its core mission.

6           Lastly, the agency's licensing practices are  
7 now conformed with state law and our agency Sunset date  
8 has been moved out to 2029, as Judge Pate mentioned.  
9 However, this limited Sunset review over the next 18  
10 months will give us an opportunity to get that critical  
11 third-party feedback and continue the opportunity to  
12 proactively address those concerns as we develop the next  
13 strategic plan and LAR before the next session in 2025.

14           The Racing Act was also incorporated into the  
15 new Texas Racketeering Act. This could become a powerful  
16 tool for the agency to address detrimental activities  
17 occurring at brush and bush tracks across the state.

18           This was sort of a bill that we became aware of  
19 because that was amended late in session. We weren't  
20 fully tracking it so we're going to look into to see how  
21 this really does impact the agency. But we think it will  
22 be a great tool to truly show this agency has that  
23 jurisdiction throughout the whole State of Texas to  
24 address these detrimental activities. So we'll give you  
25 more briefing on that in the months ahead.

1           And of course, the agency didn't get everything  
2 we asked for, but no agency does, as Commissioner Miller,  
3 I'm sure, knows. Two items of note that we didn't get  
4 funded were, one, our exceptional item to modernize the  
5 enforcement database. This will continue to be a  
6 challenge but we're already driving towards interim  
7 solutions that Amy mentioned and we'll describe those more  
8 in months ahead.

9           Secondly, as was discussed, the contingency  
10 appropriation for Greyhound regulation was rejected. We  
11 discovered the legislative aversion to Greyhound racing  
12 that is currently developing, and there's a push by some  
13 to outlaw this activity as we saw a committee substitute  
14 approved with such language. Without regulatory  
15 appropriation, this will require further discussion of the  
16 sport's future and how that impacts the regulated business  
17 interests.

18           Additionally, the Texas-bred Incentive Program  
19 stayed within our bill pattern which is not detrimental to  
20 the agency but it continues to perpetuate a  
21 misunderstanding of agency appropriations and the amount  
22 of money the agency receives.

23           And the Equine Education and Research Council  
24 funding, what I call a glitch, did not get fixed. This  
25 means about \$50,000 a year will continue to be swept by

1 the Comptroller. Really it's more of a missed opportunity  
2 than a detriment, and it's something we'll continue to  
3 educate Sunset on and hopefully address in future  
4 sessions.

5           Lastly, the agency sought the authority for 96  
6 FTEs with 26 funded by GR, but received 57.3 non-funded by  
7 GR. However, the legislature has been very generous and  
8 appropriations made provided the historic statutory  
9 language, which is a historic shift towards normalizing  
10 this agency alongside other state agencies. After this  
11 session, we'll now be positioned to continue the  
12 discussion in the interim and prepare for the next  
13 legislative session.

14           Pending your questions, that concludes my  
15 remarks.

16           CHAIRMAN PATE: I'd just like to comment, the  
17 relationships and introductions that Phil was able to  
18 establish and make throughout session were just  
19 incredible. I think we talked to every significant  
20 legislator that was involved in any committee dealing with  
21 us in personal conversations concerning the Racing  
22 Commission, the business and what we specifically were  
23 asking. And it was through Phil's assistance and the  
24 assistance of others, industry representatives who made  
25 these introductions and set up meetings, it was just a



1 phenomenal team activity really.

2 And I just want to congratulate you for that  
3 part of the leadership which you provided in making that  
4 happen, Phil, and I appreciate it very much.

5 Are there any questions?

6 MR. FOUNTAIN: Well, I appreciate that, sir,  
7 and it was definitely a team effort. I was along for the  
8 ride, happy to provide resources to the staff. Industry  
9 was very helpful, and we provided the resources to  
10 understand what they're trying to do with the legislation  
11 as well. So it was definitely a unique partnership that  
12 doesn't always occur during a legislative session.

13 CHAIRMAN PATE: Well, and as you know, there  
14 were two or three times we thought we were just free-  
15 falling, so here we are.

16 All right. Well, thank you, Phil.

17 Next is agenda item VI.A. General Business,  
18 Discussion and possible action to open an application for  
19 a Class 2 horse track in Jefferson County, in accordance  
20 with 16 Texas Administrative Code, Section 309.3(b).

21 General Cook, would you please address this  
22 item?

23 MS. COOK: Ladies and gentlemen, on February  
24 13, 2023, I received a request from Mr. David Whitley  
25 requesting that an application period for a Class 2 horse

1 track be opened in Jefferson County for a 60-day period.

2 The authority for this request is found in  
3 Section 309.3 in the Texas Rules of Racing and the  
4 following requirements must be met for the Commission to  
5 approve the application period. A 60-day period is  
6 established and our staff recommendation is that the  
7 60-day period would be August 1, 2023, through September  
8 30, 2023. The period must be published in the *Texas*  
9 *Register* at least 30 days before the opening date of the  
10 application period.

11 So should you approve the request today, we  
12 would publish it in the *Texas Register* no later than  
13 tomorrow. When deciding whether to open an application  
14 period, the Commission shall consider the availability of  
15 racing and wagering opportunities in the proposed  
16 geographical region, the availability of competitive race  
17 animals for the class of racetrack, and the workload and  
18 budget status of the Commission.

19 My recommendation is that the Commission  
20 approve a 60-day period from August 1, 2023, to September  
21 30, 2023, and if approved by the Commission, I will send a  
22 letter back to Mr. Whitley outlining the requirements for  
23 a completed application to be provided to the agency and  
24 expect to present a report on the status of the  
25 application at the October Commission meeting.

1           Mr. Whitley, I'm not sure I saw him. I know  
2 Mr. Kevin Johnson is here today as a resource witness if  
3 you have any questions.

4           CHAIRMAN PATE: All right. Thank you, Amy.  
5 Phil, has anybody signed up for public comment?

6           MR. FOUNTAIN: No, sir.

7           CHAIRMAN PATE: All right. Commissioners, do  
8 y'all have any questions?

9           COMMISSIONER MACH: Mr. Chairman, I move that  
10 we open the application period as set forth in the agenda.

11           CHAIRMAN PATE: All right. There's been a  
12 motion made by Commissioner Mach on staff's recommendation  
13 to approve publication of the application period for a  
14 Class 2 horse racing track in Jefferson County, in  
15 accordance with 16 Texas Administrative Code 309.3(b).

16           COMMISSIONER MILLER: Second.

17           CHAIRMAN PATE: Second by Commissioner Miller.  
18 Is there any discussion?

19           COMMISSIONER McNABB: This is a different  
20 entity, so this track is not coming in under the  
21 management of any of our other tracks. Correct?

22           MS. COOK: That's correct, a different entity.

23           CHAIRMAN PATE: All right. Thank you.

24           No further discussion. All those in favor  
25 indicate by saying aye.

1 (A chorus of ayes.)

2 CHAIRMAN PATE: Any opposed?

3 (No response.)

4 CHAIRMAN PATE: All right. The motion carries.

5 The next agenda item is VI.B. General Business,  
6 Discussion and possible action to designate July 1 through  
7 September 30, 2023, as the application period for proposed  
8 race dates during calendar years 2024 through 2028,  
9 including charity race dates and training facility  
10 official work dates, under 16 Texas Administrative Code  
11 Section 303.41, 303.42, and 313.504.

12 General Cook, please address this agenda item.

13 MS. COOK: Commissioners, as set out in the  
14 Texas Rules of Racing, the Commission approves the dates  
15 for the application period for the 2024 to 2028 live  
16 racing season. The dates usually include charity race  
17 dates, but this year will also incorporate training  
18 facility workout dates into a master schedule that the  
19 Commission will consider for approval at the October  
20 Commission meeting.

21 Staff recommends approval of the request to  
22 open the race date period for 1 July 2023 through  
23 September 30, 2023.

24 CHAIRMAN PATE: All right. Thank you, Amy.

25 Commissioners, do any of you have any

1 questions?

2 (No response.)

3 CHAIRMAN PATE: Phil, has anybody signed up for  
4 public comment on this item?

5 MR. FOUNTAIN: No.

6 CHAIRMAN PATE: All right. If there's no  
7 further discussion or public comment, the chair will now  
8 entertain a motion on staff's recommendation to approve  
9 publication opening the application period to designate  
10 July 1 through September 30, 2023, for proposed race dates  
11 during calendar years 2024 through 2028, including charity  
12 race dates and training facility official work dates under  
13 16 Texas Administrative Code 303.41, 303.42, and 313.504.

14 COMMISSIONER McNABB: So moved.

15 COMMISSIONER MACH: Second.

16 CHAIRMAN PATE: Okay. There's a motion made by  
17 Commissioner McNabb, seconded by Commissioner Mach. Is  
18 there any further discussion?

19 (No response.)

20 CHAIRMAN PATE: Hearing none, all those in  
21 favor signify by saying aye.

22 (A chorus of ayes.)

23 CHAIRMAN PATE: Opposed?

24 (No response.)

25 CHAIRMAN PATE: Motion carries.

1           The next agenda item is item VII, Discussion  
2 and possible action to allocate funds in the Horse  
3 Industry Escrow Account to state horse breed registries  
4 for events to further the horse industry under 16 Texas  
5 Administrative Code Chapter 303.

6           Dinorah, will you please present this agenda  
7 item? And we can just combine all the breed applications  
8 into one motion, please.

9           MS. CHIU: Yes. Thank you, Mr. Chairman.

10          Good morning, commissioners. For the record,  
11 my name is Dinorah Chiu, chief financial officer for the  
12 agency. I'm here this morning to present HIEA event  
13 requests.

14          Before we get to the requests, I want to share  
15 some information. As of June 16, 2023, the Texas Racing  
16 Commission distributed in the current fiscal year  
17 approximately \$23.8 million in HIEA and ATB payments. Our  
18 duty is to make sure funds are paid according to the  
19 established agreements.

20          I'll note the profound quote from the TQHA  
21 website: "I cannot imagine what racing in Texas would  
22 have looked like in 2020 without the programs that were  
23 created as a result of the passage of H.B. 2463. I am  
24 grateful to the governor, the lieutenant governor and all  
25 the legislators that supported the bill that has given a

1 boost to the entire horse industry in Texas." Ben Hudson,  
2 *Track Magazine* owner, former TQHA president.

3 Now to the requests. Commissioners, on pages 5  
4 through 23 you'll find two applications. Those  
5 applications are for events from the Texas Quarter Horse  
6 Association. The dates of both events are between  
7 September to December 2023 during the Lone Star Park meet.

8 The first event is for the 2023 Quarter Horse  
9 Meet at Lone Star Park for Accredited Texas-bred owners,  
10 breeders and stallion owners awards. The Texas Quarter  
11 Horse Association is requesting \$815,000. The second  
12 event is the Lone Star Park Stakes Program. The requested  
13 amount is \$250,000.

14 Both event funds are needed by September 2023.

15 There is TQHA staff here if you have any further  
16 questions.

17 The staff recommends approval for both events,  
18 and if you have any questions for me, I'll be glad to  
19 answer them.

20 CHAIRMAN PATE: My only question is we'll have  
21 the money on hand based upon the timing of the request,  
22 correct?

23 MS. CHIU: Yes, Commissioner.

24 CHAIRMAN PATE: All right.

25 Any other questions, commissioners?

1 (No response.)

2 CHAIRMAN PATE: This is a staff recommendation  
3 to approve. Is that correct?

4 MS. CHIU: Yes.

5 CHAIRMAN PATE: All right. If there is no  
6 further comment, the chair will entertain a motion on  
7 staff's recommendation.

8 MR. FOUNTAIN: Sorry to interrupt. There is a  
9 public comment card, Rob Werstler as a resource witness.  
10 I believe he does want to come up and testify.

11 CHAIRMAN PATE: All right. Come on up, Rob.

12 MR. WERSTLER: Good morning, Mr. Chairman,  
13 commissioners. Rob Werstler, executive director of Texas  
14 Quarter Horse Association.

15 I didn't really want to make a comment, but we  
16 did ask for a change on one of the races, just a name  
17 change. I had emailed staff earlier this week. We would  
18 like to change -- on the second application we have one in  
19 there that is for Accredited Texas-breds, it's called the  
20 Lip Chip Stakes, and we would like to change that to honor  
21 Dr. Glenn Blodgett.

22 Dr. Blodgett ran the 6666 Ranch for years, he  
23 was the very first chairman of the Texas Racing  
24 Commission. He passed away late last year, and we would  
25 like to honor him and change the name of this to the Dr.



1 Glenn Blodgett Stakes.

2 CHAIRMAN PATE: All right. Anything further?

3 MR. WERSTLER: No, sir.

4 MS. COOK: Staff recommends approval.

5 CHAIRMAN PATE: Thank you.

6 If there is no further discussion or public  
7 comment, the chair would entertain a motion on staff's  
8 recommendation to approve the two breed event applications  
9 submitted by the Texas Quarter Horse Association,  
10 including the name change requested by Mr. Werstler for  
11 the second application to the Dr. Glenn Blodgett Stakes.  
12 Is that correct?

13 COMMISSIONER MILLER: So moved.

14 COMMISSIONER MACH: Second.

15 CHAIRMAN PATE: Thank you. Commissioner Miller  
16 made the motion, Commissioner Mach seconded. Any further  
17 discussion?

18 (No response.)

19 CHAIRMAN PATE: Hearing none, all those in  
20 favor vote by saying aye.

21 (A chorus of ayes.)

22 CHAIRMAN PATE: Any opposed?

23 (No response.)

24 CHAIRMAN PATE: The motion carries.

25 Ladies and gentlemen, we will not move into

1 executive session at this meeting. There being no  
2 executive session today, agenda item 9 is scheduling of  
3 the next Commission meeting.

4           The next Commission meeting is on August 16 at  
5 10:30 here in these offices at this very location, 6100  
6 Guadalupe, Building E in Austin.

7           The time is now 11:24, and with all business  
8 concluded, we are now adjourned. Thank you very much.

9           (Whereupon, at 11:24 a.m., the meeting was  
10 adjourned.)

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C E R T I F I C A T E

MEETING OF: Texas Racing Commission  
LOCATION: Austin, Texas  
DATE: June 21, 2023

I do hereby certify that the foregoing pages,  
numbers 1 through 51, inclusive, are the true, accurate,  
and complete transcript prepared from the verbal recording  
made by electronic recording by Nancy H. King before the  
Texas Racing Commission.

DATE: July 5, 2023

/s/ Nancy H. King  
(Transcriber)

On the Record Reporting  
7703 N. Lamar Blvd., #515  
Austin, Texas 78752



**TEXAS RACING COMMISSION**  
**P. O. Box 12080**  
**Austin, TX 78711-2080**  
**(512) 833-6699**  
**Fax (512) 833-6907**

Texas Racing Commission  
Wednesday, June 21, 2023  
10:30 a.m.  
6100 Guadalupe St., Bldg. E  
Criminal Law Enforcement Auditorium  
Austin, Texas 78752

**AGENDA**

**I. CALL TO ORDER**

**II. PLEDGES (U.S. AND TEXAS)**

**III. COMMISSIONER REMARKS**

- A. Commission Chair
- B. Commission Vice Chair
- C. Commission Members

**IV. PUBLIC COMMENTS**

**V. STAFF REPORTS**

Discussion and consideration of staff reports regarding administrative matters:

- A. Executive Director Report
- B. Legislative Update Report

**VI. RACETRACK PROCEEDINGS**

- A. Discussion and possible action to open an application period for a Class 2 horse racetrack in Jefferson County in accordance with 16 TEX. ADMIN. CODE §309.3(b).
- B. Discussion and possible action to designate a July 1 through September 30, 2023, as the application period for proposed race dates during Calendar Years 2024-2028, including charity race dates and training facility official work dates, under 16 TEX. ADMIN. CODE §§303.41, 303.42, and 313.504.

**VII. PROCEEDINGS ON THE HORSE INDUSTRY ESCROW ACCOUNT**

- A. Discussion and possible action to allocate funds in the Horse Industry Escrow Account to state horse breed registries for events to further the horse industry under 16 TAC Chapter 303, Subchapter G.
  - 1. Requests by the Texas Quarter Horse Association.
    - a. 2023 Lone Star Park Quarter Horse Meet Accredited Texas Bred Owners, Breeders, and Stallion Owner Award - \$815,000; and
    - b. 2023 Lone Star Park Stakes Program - \$250,000

**VIII. EXECUTIVE SESSION (AS NEEDED)**

The following items may be discussed and considered in executive session or open meeting, with any action taken in the open meeting:

- A. Under TEX. GOV'T CODE §551.071(1), the Commission may enter an executive session to seek the advice of its attorney regarding pending or contemplated litigation or regarding a settlement offer.
- B. Under TEX. GOV'T CODE §551.071(2), the Commission may enter an executive session to discuss all matters identified in this agenda where the Commission seeks the advice of its attorney as privileged communications under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas. This may include, but is not limited to, legal advice regarding the Open Meetings Act, the Administrative Procedures Act, and the Texas Racing Act.
- C. Under TEX. OCC. CODE §2025.005, the Commission may enter an executive session to review security plans and management, concession, and totalisator contracts.

**IX. NEXT COMMISSION MEETING**

Wednesday, August 16, 2023, 10:30 a.m.

**X. ADJOURN**



**TEXAS RACING COMMISSION**  
P.O. Box 12080  
Austin, TX 78711-2080  
(512) 833-6699

May 4, 2023

Marsha Rountree  
Executive Director  
Texas Horsemen's Partnership, LLP  
P.O. Box 142533  
Austin, TX 78714

Re: Recognition as Horsemen's Representative Organization

Dear Ms. Rountree:

On March 16, 2023, the Texas Racing Commission received the application of the Texas Horsemen's Partnership for recognition as the organization to represent the horsemen before the agency. The Commission received no other applications for recognition as the horsemen's representative organization.

Staff reviewed the application and the records of the Commission and the Secretary of State regarding the status of the entities and individuals named in the application. Each entity is in good standing with the state, each director is properly licensed with the Commission as an owner and/or trainer, and each director's license is in good standing. In addition, the key employees are appropriately licensed as industry representatives and their licenses are in good standing.

Based on our review of all pertinent documents, the Texas Horsemen's Partnership, LLP, satisfies the requirements for recognition. Therefore, pursuant to my authority under Texas Commission Rule § 309.299, the Texas Horsemen's Partnership, LLP, is recognized for the next two-year term as the horsemen's representative organization in Texas.

Sincerely,

*Amy F. Cook*

Amy F. Cook  
Executive Secretary

cc: Texas Racing Commission

# Texas Racing Commission – 88th Regular Session Fact Sheet

BILL	CAPTION	TXRC STAFF ANALYSIS
<p><b><u>H.B. 1</u></b>  (PENDING GOVERNOR ACTION)</p>	<p><i>General Appropriations Bill.</i></p>	<ul style="list-style-type: none"> <li>○ Increases agency FTE authorization and streamlines budget structures.</li> <li>○ Includes the ERS Rider to fund state contributions through General Revenue.</li> <li>○ Provides General Revenue to fund drug testing at the Texas A&amp;M Veterinary Medical Diagnostic Laboratory.</li> </ul>
<p><b><u>S.B. 30</u></b>  (SIGNED BY GOVERNOR ABBOTT)</p>	<p><i>Relating to supplemental appropriations and reductions in appropriations and giving direction and adjustment authority regarding appropriations.</i></p>	<ul style="list-style-type: none"> <li>○ Provides FY23 bridge funding to address agency salary and I.T. matters.</li> </ul>
<p><b><u>H.B. 1620</u></b>  (PENDING GOVERNOR ACTION)</p>	<p><i>Relating to the review date for certain governmental entities subject to the sunset review process and the regulation of horse racing by the Texas Racing Commission.</i></p>	<ul style="list-style-type: none"> <li>○ Extends Racing Commission Sunset date to 2029.</li> <li>○ Allows the agency to apply for and accept grants.</li> <li>○ Increases biennial carryover from \$750K to \$2M (CPI Adjustment).</li> <li>○ Requires TXRC to follow Chapter 53 licensing procedures.</li> <li>○ Repeals General Revenue repayment with interest impediment.</li> <li>○ Repeals temporary licensing language (related to Chapter 53 connection).</li> <li>○ Additionally, places TXRC into a limited Sunset review related to these items during the Interim.</li> </ul>
<p><b><u>H.B. 4635</u></b>  (SIGNED BY GOVERNOR ABBOTT)</p>	<p><i>Relating to organized crime, racketeering activities, and collection of unlawful debts; providing a civil penalty; creating criminal offenses.</i></p>	<ul style="list-style-type: none"> <li>○ The bill connects these criminal activities to the <i>Texas Racing Act</i>. Once postured, this is expected to provide additional enforcement tools for the agency to address detrimental activities occurring at brush and bush tracks.</li> </ul>





**TEXAS RACING COMMISSION  
APPLICATION FOR BREED REGISTRY FUNDING  
FROM THE HORSE INDUSTRY ESCROW ACCOUNT (HIEA)**

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**Contents**

Statement of Purpose.....3

Grantee Responsibilities and Accountability.....3

Funding Parameters .....3

Application Requirements.....3

Budget Information .....4

Evaluation and Selection Information.....5

Reporting Requirements .....5

Deadline for Submission of Applications.....5

General Information.....6

General Compliance Information.....6

Application for Funding.....Application Page 1

Project Narrative .....Application Page 3

**Please read all materials before preparing and submitting the application.** Failure to follow the instructions and requirements described in these materials may result in denial of funding.



**NOTICE REGARDING THE INCLUSION OF CONFIDENTIAL, PROPRIETARY,  
TRADE SECRET, OR PRIVILEGED INFORMATION IN AN APPLICATION**

Please take notice of the following:

If it is necessary for Applicant to include proprietary or otherwise confidential information in its application or other submitted information, Applicant must clearly mark and label all confidential, proprietary, trade secret, or privileged material in 14 point or higher bold font on each page as it appears, and identify the specific exception to disclosure in the Texas Public Information Act (PIA) for each specific piece of confidential, proprietary, trade secret, or privileged information. Additionally, all confidential, proprietary, trade secret, or privileged information must be segregated in a separate and discrete section of the application, which must be able to be conveniently separated and detached from the other sections of the application. Failure to properly label, identify, and segregate any confidential, proprietary, trade secret, or other privileged information in the application may result in all such information or material being disclosed as public information. Merely making a blanket claim that the entire application is protected from disclosure because it contains any amount of confidential, proprietary, trade secret, or privileged information is not acceptable and shall make the entire application subject to release under the PIA. To initiate the process of seeking an Attorney General opinion on the release of confidential, proprietary, trade secret, or privileged information, the specific provisions of the application that are considered by Applicant to be confidential, proprietary, trade secret, or privileged must be clearly labeled and segregated as described above. Any information which is not clearly identified as confidential, proprietary, trade secret or privileged shall be deemed to be subject to disclosure pursuant to the PIA.

## STATEMENT OF PURPOSE

Pursuant to Section 2028.204(b) of the Texas Occupations Code, the Texas Racing Commission (TXRC) invites breed registries recognized in Section 2030.002(a) to apply for funding from the Horse Industry Escrow Account (Account) for events that further the horse industry.

## GRANTEE RESPONSIBILITIES AND ACCOUNTABILITY

Grantees (breed registries receiving funding) will be responsible for the conduct of the project(s) identified in the proposal(s) for which funding was granted. Each grantee shall monitor the day-to-day conduct of the project to assure adherence to statutes, regulations, and funding terms and conditions. The grantee must carry out the activities described in the approved scope of work.

The grantee will be accountable for documenting the use of funds from the Horse Industry Escrow Account (HIEA) and must ensure that funds are used solely for authorized purposes. The grantee must ensure:

- Funds are used only for activities covered by the approved project.
- Funds are not used in violation of the restrictions and prohibitions of applicable rules and statutes.
- All reports are completed in a timely manner.

Each grantee must ensure it has an adequate accounting system in place and sufficient internal controls to ensure expenditures are reported and records maintained for five (5) years after the conclusion of the project, or longer if required by TXRC.

## FUNDING PARAMETERS

Awards are subject to the availability of funds. If anticipated funds are reduced or become unavailable before the full amount approved is disbursed, the amount to be paid to grantees may be reduced or eliminated.

## APPLICATION REQUIREMENTS

### *Form Requirements:*

To be considered, applications must be complete and include all the requested information:

1. **Form HIEA-1, General Information.** Include ONE copy of this form regardless of the number of proposals submitted.
  - a. *Breed registry information.* This is the organization that will be the recipient of funds and will be held accountable for reporting and project performance.
  - b. *Program contacts.* These are the individuals who can answer questions about the project's activities and performance.
  - c. *Certifications and signature of authorized official.* This is the person legally able to bind the organization in contracts or agreements and may be the same person as the program contact.
2. **Form HIEA-2, Project Narrative.** This section provides a comprehensive framework and description of all aspects of the proposed project(s). *Use one form HIEA-2 per event for which funding is requested.* Each proposal may not exceed six (6) pages (not including supporting documents). Proposals must address the following information:
  - a. **Project Title (Event Name)**
  - b. **Event Date(s) or Approximate Date(s)**
  - c. **Total Amount Requested for the Event**

- d. **Timeline of Need for Funds**
- e. **Project Summary**
- f. **Project Description**
- g. **Anticipated Project Results/Economic Impact on the Horse Industry**
- h. **Project Oversight**
- i. **Project Budget**

## BUDGET INFORMATION

**1. Advanced Funding Payments:** This program may advance an amount in working capital for the grantee to ensure the necessary resources to carry out the project. These funds will require reporting to substantiate the advanced funds have been expended in compliance with eligibility requirements. Ineligible expenses must be personally reimbursed within 30 days of notice of ineligibility from TXRC. Expenditures shall include sufficient documentation detailing each expense to decision regarding eligibility.

The application must state when funds are needed for a particular event. If some funds are needed by a certain date for one part of the event but the rest are not needed until later, the application must state what portion of the funds are needed by what date.

**2. Eligible Expenses.** Generally, expenses that are necessary and reasonable for proper and efficient performance and administration of a project are eligible. Account funds may not be used to supplant normal business costs but instead must be used to cover the costs incurred for the approved proposed activities. To be eligible for payment with funds from the Account, an expense must be reasonable and adequately documented in accordance with 16 TAC Section 303.322(d).

Examples of eligible expenditures include:

- a. Event production costs.
- b. Event award supplements, Texas-bred supplements, and prizes for approved events
- c. Advertising expenses
- d. Operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and

**3. Ineligible Expenses.** Expenses may be prohibited by state or federal law or determined to be ineligible by program guidelines. Examples of ineligible expenses include, but are not limited to the following:

- a. capital improvements.
- b. donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation.
- c. costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities.
- d. fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations.
- e. liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account.
- f. expenses related to litigation.
- g. professional association fees or dues for the breed registry or an individual.

- h. legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or
- i. fundraising.

## EVALUATION AND SELECTION INFORMATION

After all proposals have been received, TXRC program staff will conduct an administrative review to determine whether an application complies with all requirements of Tex. Occ. Code Section 2028.204(b) and 16 TAC Chapter 303, Subchapter G, and to evaluate the relevance and effectiveness of the proposed project based on the following factors:

- **Anticipated impact on the state's horse racing industry**
- **Anticipated impact on live racing at the state's racetracks**
- **Anticipated impact on the horse breeding industry**
- **Anticipated impact on the state of Texas**
- **Anticipated impact on non-racing horse industry activities**

Assessments of anticipated economic impact for an existing event must be based on only the effect of the additional funding provided from the Account. For example, if funds are requested from the Account for race award supplements for an existing horseracing event, the evaluation of the economic impact must be based only on the effect of the increased race awards, not on the economic impact of the entire race.

## REPORTING REQUIREMENTS

Grantees will be required to submit periodic performance reports. Reporting timelines will be incorporated into the funding agreement. As part of TXRC's ongoing monitoring of the use of funds from the Account, grantees must demonstrate progress toward achieving project goals. Failure to comply with reporting requirements may result in the withholding of further payments and/or termination of the award.

Grantees shall submit to the Commission a report every quarter detailing the accomplishments of the project objectives for the previous calendar quarter. Quarterly reports shall be submitted to the Commission no later than November 30, February 28, May 31, and August 31 of each year. Each report must include:

1. the amount of funds expended toward each event for which funds have been allocated.
2. for each completed event, the total amount of funds expended toward the event from the Account, a breakdown of the funds expended for that event, and copies of documentation of all amounts expended; and
3. the following certification: "By my signature below, I certify that (1) all of the information in this report is correct, (2) all funds expended from the horse industry escrow account were used in accordance with Section 2028.204 of the Texas Racing Act and the Rules of the Texas Racing Commission, and (3) the breed registry has all documentation required by 16 TAC § 303.324."

The funds received and/or expended by the breed registry from the Account must be included in the breed registry's annual audit of financial statements required to be submitted by June 15 of each year. An auditor's statement must be included as part of the annual audit attesting to the proper use of the funds received by the breed registry from the Account.

## SUBMISSION OF APPLICATIONS

Applicants must submit one complete, signed application. Do not include the instruction pages, and only include one copy of form HIEA-1 regardless of the number of proposals submitted. Applications must be submitted by email to BreedFunds@TXRC.texas.gov or by mail or hand delivery to:

Texas Racing Commission  
 Attn: HIEA Administrator  
 P.O. Box 12080  
 Austin TX 78711

## GENERAL INFORMATION

Selected applicants will be notified of the Commission's approval of their proposal(s) and will receive an official funding agreement from TXRC. Payment will not issue until the funding agreement is fully executed.

TXRC reserves the right to fund projects partially or fully. TXRC reserves the right to negotiate individual elements of any application and to reject all applications. Where more than one application is acceptable for funding, TXRC may request cooperation between grantees or revisions/adjustments to an application to avoid duplication and to realize the maximum benefit.

### Proprietary Information/Public Information

The applicant is responsible for clearly designating any portion of the application that contains proprietary or trade secret information and must state the reason(s) the information is designated as such. Merely making a blanket claim that the entire application is protected from disclosure because it contains proprietary, or trade secret information is not acceptable and may subject the entire application to release under the PIA.

If a public information request for the application is received, TXRC shall process such request in accordance with §552.305 of the Texas Government Code. Applicants are advised to consult with their legal counsel regarding disclosure issues and to take appropriate precautions to safeguard trade secrets or any other proprietary information.

All applications submitted under this program are subject to release as public information, unless the application or specific parts of any such application can be shown to be exempt from disclosure under the Texas Public Information Act, Chapter 552 of the Government Code.

## GENERAL COMPLIANCE INFORMATION

1. Grantees (breed registries receiving funding from the Horse Industry Escrow Account) must comply with TXRC's reporting requirements and financial procedures outlined in 16 TAC Chapter 303, Subchapter G, and the funding agreement. Any delegation by the grantee to a subcontractor regarding any duties and responsibilities imposed by the funding award must be approved in advance by TXRC and shall not relieve the grantee of its responsibilities to TXRC for performance of those duties.
2. Grantees must remain in full compliance with state and federal laws and regulations. Non-compliance may result in termination of the funding and/or ineligibility for further funding.
3. Grantees must maintain records related to the project for a minimum of five (5) years after the completion of the project, or as otherwise agreed upon with TXRC. If any litigation, claim, negotiation, audit,

or other action is initiated prior to the expiration of the five-year retention period, then all records and accounts must be retained until their destruction is authorized in writing by TXRC. TXRC and the Texas State Auditor's Office (SAO) reserve the right to examine all books, documents, records, and accounts relating to the project, including all electronic records, at any time throughout the duration of the agreement until all litigation, claims, negotiations, audits, or other action pertaining to funding for a particular project is resolved, or until the expiration of the five-year retention period or a final judgment in litigation, whichever is longer. TXRC and the SAO shall have access to all electronic data or records pertaining to the project; paper or other tangible documents or records, including the physical location where records are stored; and all locations related to project activities.

4. Grantees must comply with Texas Government Code, Chapter 783, Uniform Grant and Contract Management, and the Texas Uniform Grant Management Standards (UGMS).



## TEXAS RACING COMMISSION

FORM HIEA-1

**APPLICATION FOR BREED REGISTRY FUNDING  
FROM THE HORSE INDUSTRY ESCROW ACCOUNT**

**GENERAL INFORMATION**

(Must be accompanied by at least one completed Form HIEA-2, Project Narrative)

**Section A. Organization Information**

Breed Registry Name: Texas Quarter Horse Association

Mailing Address: 14 N. Main St  
Street Address

Elgin TX 78621 Bastrop  
City State Zip Code County

Physical Address: Same

Street Address

City State Zip Code County

**Section B. Contact Personnel**

**(1) Name of Primary Program Contact** (This person can answer day-to-day questions about the organization and the project.)

Full Name: Robert Werstler  Mr.  Dr.  
First Last  Ms.  Other \_\_\_\_\_

Position Title: Executive Director

Email Address: rwerstler@tqha.com

Phone: (512) 458 - 5202 Ext. \_\_\_\_\_ Alt #: (512) 468 - 5566

**(2) Secondary Program Contact** (This person can answer day-to-day questions about the organization and the project.)

Full Name: Scott Sherwood  Mr.  Dr.  
First Last  Ms.  Other \_\_\_\_\_

Position Title: Director of Racing

Email Address: ssherwood@tqha.com

Phone: (512) 458 - 5202 Ext. \_\_\_\_\_ Alt #: ( ) -

**(3) Name of Authorized Official** *(This person is authorized to enter into legal agreements on behalf of the organization. This person's name will appear on the funding agreement for signature.)*

Full Name: Robert Werstler  Mr.  Dr.  
First Last  Ms.  Other \_\_\_\_\_

Position Title: Executive Director

Email Address: rwerstler@tqha.com

Phone: (512) 458 - 5202 Ext. \_\_\_\_\_ Alt #:( \_\_\_\_\_ ) - \_\_\_\_\_

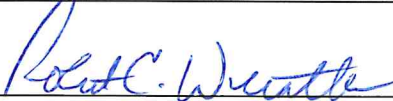
**Section C. Certifications**

**By signing below, applicant and its authorized official (the person listed in Section B.3):**

- (1) certify that all information provided in connection with this application is true and correct.
- (2) acknowledge that any misrepresentation or false statement made by applicant or an authorized agent of applicant in connection with this application, whether intentional or not, will constitute grounds for denial of this application and may be the subject of substantial civil and/or criminal liability and sanctions.
- (3) acknowledge that acceptance of funds in connection with this application acts as acceptance of the authority of the Texas Racing Commission (TXRC) or any successor agency and the State Auditor's Office (SAO) or any successor agency to conduct an investigation in connection with those funds, and applicant further agrees to cooperate fully with TXRC or its successors and SAO or its successor in the conduct of the audit or investigation, including allowing TXRC and/or SAO to inspect applicant's premises and providing all records requested during the funding period and for at least five years after the funding is expended; and
- (4) certify that the authorized official is authorized to submit this application and to make the preceding certifications and acknowledgements on behalf of applicant.

**Notice of Penalties: The penalty for knowingly making false statements or false entries, or attempts to secure money through fraudulent means, may include fines, incarceration, and/or forfeiture of funds.**

**Authorized Official:** *(Person listed in Section B.3)*

X	 <b>Signature</b>	<u>3/10/2023</u> <b>Date</b>
---	---	---------------------------------

*This application becomes public record and is subject to disclosure. With few exceptions, you have the right to request and be informed about the information that the State of Texas collects about you. You are entitled to receive and review the information upon request. You also have the right to ask the state agency to correct any information that is determined to be incorrect. (Reference: Texas Government Code, Sections 552.021, 552.023, and 559.004.)*





## TEXAS RACING COMMISSION

1 of 2

APPLICATION FOR BREED REGISTRY FUNDING  
FROM THE HORSE INDUSTRY ESCROW ACCOUNTPROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)  
(Must be accompanied by Form H1EA-1, General Information)**APPLICANT NAME:** Texas Quarter Horse Association

*This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.*

**Project Title (Event Name):** 2023 QH Meet @ LONE STAR PARK - Accredited Texas Bred (ATB) Owners, Breeders & Stallion Owner Award**Event Date(s) or Approximate Date(s):** September - December LSP 2023 pari-mutuel race**Total Amount Requested For this Event:** \$815,000**When Are Funds Needed?** *If funding can be provided in multiple phases, please explain.*  
September, 2023**Project Background****Project Summary**

*Please provide a summary of the event for which funding is sought and the project(s) that will be achieved because of this funding.*

TQHA proposes increasing incentive money to the owners, breeders and stallion owners of accredited Texas-bred horses that finish first, second or third in a Texas pari-mutuel race during the 2023 Lone Star Park QH meet (September 15-December 16). These funds will supplement the current accredited Texas-bred incentive award payouts, mandated by the Texas Racing Act Sec. 2030.004.

In an effort to increase national exposure and increase simulcast handle to these races, TQHA will partner with Lone Star Park with promotions geared toward American Quarter Horse racing for increased media exposure and marketing during the meet to attract patrons.

**Project Description**

*Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.*

Texas- bred horses finishing within the top 3 places in a Texas pari-mutual race at Lone Star Park will be eligible for the following enrollment incentive breakdown:\$800,000 ATB Awards:

40% Owner Award -\$320, 000  
 40% Breeder Award -\$320,000  
 20% Stallion Owner Award -\$160,000

### **Anticipated Project Results/Economic Impact on the Horse Industry**

*Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.*

The addition of the Accredited Texas Bred Owner, Breeder and Stallion Owner Awards will incentivize the increase of ATB horses over the next breeding cycle and beyond. The increased ATB awards will attract new breeders to Texas. TQHA estimates an increase of 30-40% of horses accredited as Texas bred. Texas will benefit from the direct and indirect costs related to participate in the Agriculture and Equine industry, in particular rural Texans. Funds will be put back into the Texas economy through such purchases as horse feed, bedding, equipment, grooming products, insurance, facility expenses, veterinary services, farrier services, and labor, fuel etc.

### **Project Oversight**

*Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?*

Project oversight will be provided by the Executive Director of the Texas Quarter Horse Association along with Scott Sherwood, Director of Racing. Reports will be provided to the TQHA Board of Directors, TQHA's independent auditing firm and TRC's Quarterly & Annual Performance Measures..

### **Project Budget**

*This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.*

*Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:*

- (1) capital improvements.*
- (2) donations or contributions made to any individual or organization without express approval from the Commission for such contribution or donation.*
- (3) costs of entertainment, amusements, social activities, and incidental costs relating thereto, including tickets to shows or sports events, meals, alcoholic beverages, lodging, rentals, transportation, tips, and gratuities.*
- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations.*
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account.*

- (6) expenses related to litigation.  
 (7) professional association fees or dues for the breed registry or an individual.  
 (8) legislative expenses such as salaries and other expenses associated with lobbying the state or federal legislature or similar local governmental bodies, whether incurred for purposes of legislation or executive direction; or  
 (9) fundraising.

Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:

- (1) operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and  
 (2) the purchase of capital assets.

EXPENSE CATEGORIES	AMOUNT
<b>Event Production Costs</b>	\$
<b>Race Award Supplements/Prizes</b>	\$800,000.00
<b>Advertising</b>	\$5,000.00
<b>Donations (include most recent IRS Form 990 for any non-profit)</b>	\$
<b>Other Direct Expenses (itemize below):</b>	\$5,000.00
	\$
	\$
	\$
	\$
<b>Total Direct Costs</b>	\$
<b>Administrative Expenses/Capital Assets (may not exceed 5% of project total)</b>	\$5,000.00
<b>Total</b>	<b>\$815,000.00</b>

**Event Production Costs (\$            total)** For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.

**Race Award Supplements/Prizes (\$800000 total)** Provide a breakdown of race awards/race award supplements, prizes, and Texas-bred supplements from HIEA funding.

800,000 ATB Awards:

40% Owner Award -\$320,000

40% Breeder Award -\$320,000

20% Stallion Owner Award -\$160,000

**Advertising (\$5000 total)** *Provide an explanation of advertising costs.*

\$5,000 TQHA Direct costs:

Advertisements - magazines - TRACK, Speedhorse, Stallionsearch.com

Online - Constant Contact, use of advertising platforms on FaceBook

**Donations (\$ \_\_\_\_\_ total)** *For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.*

**Other direct expenses – first category** \_\_\_\_\_ **(\$5000 total)** *Provide a detailed description of any other category of direct expenses.*

Data Analysis

Collect and store data on past and new numbers

Process, present, design reporting to ensure quality and accuracy

Monitor performance to identify improvements

**Other direct expenses – second category** \_\_\_\_\_ **(\$ \_\_\_\_\_ total)**  
*Provide a detailed description of any other category of direct expenses.*

**Other direct expenses – third category** \_\_\_\_\_ **(\$ \_\_\_\_\_ total)**  
*Provide a detailed description of any other category of direct expenses.*

**Administrative Expenses/Capital Assets (\$5000 total; may not exceed 5% of total)** *Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.*

\$1,000- Separate Checks, envelopes, IRS Reporting, copier paper, postage for checks; postage for letters to ATB recipients who need additional paperwork to complete transaction such as SS#, etc

\$4,000-ATB Software for Lone Star Park to look up Accredited horses via web-base platform



# TEXAS RACING COMMISSION

FORM HIEA-1

## APPLICATION FOR BREED REGISTRY FUNDING FROM THE HORSE INDUSTRY ESCROW ACCOUNT

### GENERAL INFORMATION

(Must be accompanied by at least one completed Form HIEA-2, Project Narrative)

#### Section A. Organization Information

Breed Registry Name: Texas Quarter Horse Association

Mailing Address: 14 N. Main St  
Street Address

Elgin TX 78621  
City State Zip Code County

Physical Address: same  
Street Address

City State Zip Code County

#### Section B. Contact Personnel

##### (1) Name of Primary Program Contact (This person can answer day-to-day questions about the organization and the project.)

Full Name: Robert Werstler  Mr.  Dr.  
First Last  Ms.  Other \_\_\_\_\_

Position Title: Executive Director

Email Address: rwerstler@tqha.com

Phone: (512) 458 - 5202 Ext. \_\_\_\_\_ Alt #: (512) 468 - 5566

##### (2) Secondary Program Contact (This person can answer day-to-day questions about the organization and the project.)

Full Name: Scott Sherwood  Mr.  Dr.  
First Last  Ms.  Other \_\_\_\_\_

Position Title: Director of Racing

Email Address: ssherwood@tqha.com

Phone: (512) 458 - 5202 Ext. \_\_\_\_\_ Alt #: ( ) -

**(3) Name of Authorized Official** *(This person is authorized to enter into legal agreements on behalf of the organization. This person's name will appear on the funding agreement for signature.)*

Full Name: Robert Werstler  Mr.  Dr.  
First Last  Ms.  Other \_\_\_\_\_

Position Title: Executive Director

Email Address: rwerstler@tqha.com

Phone: (512) 458 - 5202 Ext. \_\_\_\_\_ Alt #:( \_\_\_\_\_ ) - \_\_\_\_\_

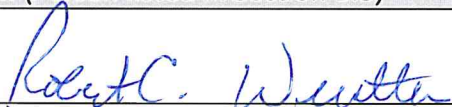
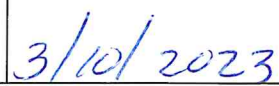
**Section C. Certifications**

**By signing below, applicant and its authorized official (the person listed in Section B.3):**

- (1) certify that all information provided in connection with this application is true and correct.
- (2) acknowledge that any misrepresentation or false statement made by applicant or an authorized agent of applicant in connection with this application, whether intentional or not, will constitute grounds for denial of this application and may be the subject of substantial civil and/or criminal liability and sanctions.
- (3) acknowledge that acceptance of funds in connection with this application acts as acceptance of the authority of the Texas Racing Commission (TXRC) or any successor agency and the State Auditor's Office (SAO) or any successor agency to conduct an investigation in connection with those funds, and applicant further agrees to cooperate fully with TXRC or its successors and SAO or its successor in the conduct of the audit or investigation, including allowing TXRC and/or SAO to inspect applicant's premises and providing all records requested during the funding period and for at least five years after the funding is expended; and
- (4) certify that the authorized official is authorized to submit this application and to make the preceding certifications and acknowledgements on behalf of applicant.

**Notice of Penalties: The penalty for knowingly making false statements or false entries, or attempts to secure money through fraudulent means, may include fines, incarceration, and/or forfeiture of funds.**

**Authorized Official:** *(Person listed in Section B.3)*

X	 <b>Signature</b>	 <b>Date</b>
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*This application becomes public record and is subject to disclosure. With few exceptions, you have the right to request and be informed about the information that the State of Texas collects about you. You are entitled to receive and review the information upon request. You also have the right to ask the state agency to correct any information that is determined to be incorrect. (Reference: Texas Government Code, Sections 552.021, 552.023, and 559.004.)*



## TEXAS RACING COMMISSION

2 of 2

### APPLICATION FOR BREED REGISTRY FUNDING FROM THE HORSE INDUSTRY ESCROW ACCOUNT

**PROJECT NARRATIVE (USE A SEPARATE FORM FOR EACH EVENT)**  
(Must be accompanied by Form H1EA-1, General Information)

**APPLICANT NAME:** Texas Quarter Horse Association

*This form was developed to be completed electronically. Handwritten applications and/or narratives will not be accepted. Click the grey text boxes to type responses. A maximum of 6 pages may be used to fully respond.*

**Project Title (Event Name):** Lone Star Park Stakes Program

**Event Date(s) or Approximate Date(s):** September, 15, 2023 - December 16, 2023

**Total Amount Requested For this Event:** \$250,000

**When Are Funds Needed?** *If funding can be provided in multiple phases, please explain.*  
September, 2023

#### **Project Background**

##### **Project Summary**

*Please provide a summary of the event for which funding is sought and the project(s) that will be achieved because of this funding.*

TQHA is providing opportunities to attract more horsemen and horses to the state by providing additional race days with increased purses with focus on the stakes program and an emphasis on Texas-bred horses. The increased stake purse structure will allow Lone Star Park to sell their simulcast signal to an increased number of outlets, which will increase hand

##### **Project Description**

*Provide a detailed description of the project including activities to be supported with funds from the Account, timelines of each activity, and key milestones.*

Improving stakes program with an emphasis on Texas-bred races through signature race days:  
\$100,000 to the Refrigerator Stakes – Premiere race for older horses  
\$50,000 to the Lip Chip Stakes- Accredited Texas-bred  
\$50,000 to the B.F Phillips, Jr. Stakes- Accredited Texas-bred  
\$50,000 to the Yellow Rose of Texas Stakes- Accredited Texas-bred

##### **Anticipated Project Results/Economic Impact on the Horse Industry**

*Provide a detailed explanation of the anticipated economic impact on the horse industry and any other expected results and how they will be measured.*

The primary driver of all events is to bring exposure to Texas racing. Fiscal measurements for all proposed elements will be demonstrated in the racing product via entries and handle increases.

### **Project Oversight**

*Who will oversee the project activities? Include name and title of the person. How will oversight be performed? What steps will take place to ensure the project is achieved as outlined?*

Project oversight will be provided by Rob Werstler, Executive Director and Scott Sherwood, Director of Racing.

Reports will be provided to the TQHA Board of Directors, TQHA's independent auditing firm and TRC's Quarterly & Annual Performance Measures.

### **Project Budget**

*This section should reflect the total budget. Provide a general description of all costs along with a justification for each item. The explanations should focus on how each budget item is required to achieve the project. Be sure to itemize the request with quantities and individual estimated costs.*

*Pursuant to 16 T.A.C. Section 303.322(b), the following types of costs may not be paid with funds allocated from the account:*

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- (4) fines, penalties, or other costs resulting from violations of or failure to comply with federal, state, or local laws and regulations.*
- (5) liability insurance coverage not specific to a particular event or series of events for which the Commission has allocated funds from the account.*
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- (9) fundraising.*

*Pursuant to 16 T.A.C. Section 303.322(c), the following types of costs may only be paid with funds allocated from the account, in an amount not to exceed five percent of the total allocated to the breed registry or of the approved allocation for any event, if specifically approved by the Commission:*



- (1) *operating expenses, including the salaries of breed registry staff, interest and other financial costs related to borrowing and the cost of financing, contributions to a contingency reserve or any similar provision for unforeseen events, and audits or other accounting services; and*
- (2) *the purchase of capital assets.*

EXPENSE CATEGORIES	AMOUNT
<b>Event Production Costs</b>	<b>\$250,000.00</b>
<b>Race Award Supplements/Prizes</b>	<b>\$</b>
<b>Advertising</b>	<b>\$</b>
<b>Donations (include most recent IRS Form 990 for any non-profit)</b>	<b>\$</b>
<b>Other Direct Expenses (itemize below):</b>	<b>\$</b>
	<b>\$</b>
	<b>\$</b>
	<b>\$</b>
	<b>\$</b>
<b>Total Direct Costs</b>	<b>\$</b>
<b>Administrative Expenses/Capital Assets (may not exceed 5% of project total)</b>	<b>\$</b>
<b>Total</b>	<b>\$250,000.00</b>

**Event Production Costs (\$            total)** *For events to be produced or sponsored by the breed registry, provide a breakdown of the event production expenses.*

**Race Award Supplements/Prizes (\$            total)** *Provide a breakdown of race awards/race award supplements, prizes, and Texas-bred supplements from HIEA funding.*

\$100,000 to the Refrigerator Stakes – Premiere race for older horses

\$50,000 to the Lip Chip Stakes- Accredited Texas-bred

\$50,000 to the B.F Phillips, Jr. Stakes- Accredited Texas-bred

\$50,000 to the Yellow Rose of Texas Stakes- Accredited Texas-bred

**Advertising (\$            total)** *Provide an explanation of advertising costs.*

**Donations (\$            total)** *For any donation, state the recipient(s), amount for each recipient, and an explanation of the purpose of the donation. For any 501(c)(3), provide the organization's most recent IRS Form 990.*

**Other direct expenses – first category \_ \_\_\_\_\_ (\$            total)** *Provide a detailed description of any other category of direct expenses.*

**Other direct expenses – second category** \_\_\_\_\_ (\$ **total**)  
*Provide a detailed description of any other category of direct expenses.*

**Other direct expenses – third category** \_\_\_\_\_ (\$ **total**) *Provide a detailed description of any other category of direct expenses.*

**Administrative Expenses/Capital Assets** (\$ **total; may not exceed 5% of total**) *Provide a detailed description of administrative expenses such as personnel costs or other direct budgeted costs associated with the project. For each employee receiving a portion of this funding as a wage or stipend, indicate their title, estimated time budgeted to the event, and the amount.*