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# TEXAS

## RACING COMMISSION

# STRATEGIC PLAN

## Fiscal Years 2013-2017



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# Agency Strategic Plan

For the Fiscal Years 2013-2017 Period

by

Texas Racing Commission

<b>Commissioners</b>	<b>Term Expires</b>	<b>Hometown</b>
Robert Schmidt, M.D., Chairman	11/16/2007 - 02/01/2017	Fort Worth
Ronald F. Ederer, Vice Chair	07/17/2007 – 02/01/2013	Corpus Christi
Gary P. Aber, DVM	05/16/2012 – 02/01/2015	Simonton
Gloria Hicks	11/09/2007 – 02/01/2017	Corpus Christi
Michael F. Martin, DVM	11/03/2010 – 02/01/2015	San Antonio
John T. Steen III	10/04/2011 – 02/01/2013	Houston
Vicki Smith Weinberg	04/08/2009 – 02/01/2015	Colleyville
<b>Ex-Officio Members</b>		
Susan Combs Comptroller of Public Accounts	N/A	Austin
Allan B. Polunsky Designee for Chair Public Safety Commission	N/A	San Antonio

June 19, 2012

Signed:



Chuck Trout, Executive Director

Approved:



Robert Schmidt, M.D., Chair



## Table of Contents

### Guiding Principles

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Planning for Progress - Vision, Mission and Philosophy .....	1
Relevant Agency Goals and Benchmarks .....	3
Agency Mission and Philosophy .....	4

### Agency Elements

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Strategic Planning Assessment	
Agency Overview .....	5
External Assessment .....	13
Internal Assessment .....	37
Goals .....	45
Objectives and Outcome Measures .....	46
Strategies and Output, Efficiency, and Explanatory Measures .....	48
Technology Initiative Alignment .....	50

### Appendices

---

A. Planning Process .....	59
B. Organizational Chart .....	60
C. Outcome Projections 2013-2017 .....	61
D. Measure Definitions* .....	62
E. Workforce Plan .....	81
F. Survey of Employee Engagement .....	87
G. Historically Underutilized Business Plan .....	93
H. Glossary .....	94

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





# GUIDING PRINCIPLES





March 2012

Fellow Public Servants:

Since the last round of strategic planning began in March 2010, our nation's economic challenges have persisted, but Texas' commitment to an efficient and limited government has kept us on the pathway to prosperity. Our strong economic position relative to other states and the nation is not by accident. Texas has demonstrated the importance of fiscal discipline, setting priorities and demanding accountability and efficiency in state government. We have built and prudently managed important reserves in our state's "Rainy Day Fund," cut taxes on small businesses, balanced the state budget without raising taxes, protected essential services, and prioritized a stable and predictable regulatory climate to help make the Lone Star State the best place to build a business and raise a family.

Over the last several years, families across this state and nation have tightened their belts to live within their means, and Texas followed suit. Unlike people in Washington, D.C., here in Texas we believe government should function no differently than the families and employers it serves. As we begin this next round in our strategic planning process, we must continue to critically examine the role of state government by identifying the core programs and activities necessary for the long-term economic health of our state, while eliminating outdated and inefficient functions. We must continue to adhere to the priorities that have made Texas a national economic leader:

- ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means and limiting the growth of government;
- investing in critical water, energy and transportation infrastructure needs to meet the demands of our rapidly growing state;
- ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and make sure Texans are prepared to compete in the global marketplace;
- defending Texans by safeguarding our neighborhoods and protecting our international border; and
- increasing transparency and efficiency at all levels of government to guard against waste, fraud and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.

I am confident we can address the priorities of our citizens with the limited-government principles and responsible governance they demand. I know you share my commitment to ensuring that this state continues to shine as a bright star for opportunity and prosperity for all Texans. I appreciate your dedication to excellence in public service and look forward to working with all of you as we continue to chart a strong course for our great state.

Sincerely,



Rick Perry  
Governor of Texas



## The Philosophy of Texas State Government

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

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



## The Mission of Texas State Government

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

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

## Relevant Goals and Benchmarks



### General Government

#### Priority Goal:

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

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

#### BENCHMARKS:

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



### Regulatory

#### Priority Goal:

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

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

#### BENCHMARKS:

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



## The Racing Commission

The Texas Legislature created the Texas Racing Commission in 1986 to be the state agency responsible for overseeing and regulating pari-mutuel horse and greyhound racing in Texas. The Commission functions pursuant to authority granted in the Texas Racing Act, Vernon's Texas Civil Statutes, Art. 179e.



## Mission

The mission of the Texas Racing Commission is to enforce the Texas Racing Act and its rules to ensure the safety, integrity, and fairness of Texas pari-mutuel racing.



## Philosophy

The Texas Racing Commission performs its responsibilities in strict compliance with state laws. The agency conducts its regulatory activities fairly, consistently, efficiently, and courteously.



# AGENCY OVERVIEW



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

- License racetracks that offer racing and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- Allocate race dates, supervise the conduct of all races, monitor the health and safety of the race animals, and conduct drug tests to ensure the animals race without prohibited substances.
- Oversee all pari-mutuel wagering activity, approve simulcasts, test the totalisator systems (complex computer systems that tally and calculate pari-mutuel wagers), and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.
- Administer the Texas-bred Incentive Program, which provides economic incentives to support a healthy and vigorous breeding industry in the state.

## Organizational Structure

The General Appropriations Act authorizes the Texas Racing Commission 62.3 full-time equivalent positions in FY 2012 and FY 2013. While the Texas Racing Act (Act) requires the Commission’s headquarters to be in Austin, approximately half of its employees work at the operating racetracks. Many staff members outside of Austin are seasonal, working only when the racetracks conduct live racing.

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



The Commission maintains a field office at each of the three operating Class 1 horse racetracks and the three greyhound racetracks. Staff is always present at a field office when a track is running live racing.

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

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

### Executive

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#### Executive Director

The executive director supervises agency activities as a whole and manages the agency's two divisions and its information technology team. The executive director oversees development of agency operating policies and procedures and ensures that the agency's regulatory responsibilities are carried out. The executive director represents the agency before the legislature and other governmental agencies and serves a primary role in external relations with industry stakeholders, regulators in other states, and a national regulatory association.

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

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

#### General Counsel

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





## Racing Oversight Division

### Deputy Director for Racing Oversight

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

- **Licensing**  
Staff in licensing issue occupational licenses to all people in positions that afford the person an opportunity to influence pari-mutuel wagering and to those who will likely have significant access to the restricted areas of a racetrack. Licensing staff at each racetrack help maintain the integrity of the industry by ensuring that all appropriate participants are licensed and in good standing. The more than fifty categories of occupational license ensure that all participants are licensed as required. Stable and kennel area occupations—jockeys, owners, kennel owners, trainers and grooms—must secure licenses, as must some racetrack employees.
- **Investigations**  
The investigators, who must be licensed peace officers, coordinate enforcement of the Commission's rules and the Texas Racing Act.  
  
Team members conduct investigations on animal drug positives, criminal histories returned on license applicants, illegal wagering, use and possession of contraband, drug abuse and narcotics trafficking, and other illicit activities that could affect the integrity of pari-mutuel racing.  
  
Drug testing of licensees suspected of using illegal drugs while performing their duties has become an important aspect of regulating the industry. If a licensee tests positive for an illegal controlled substance or alcohol, the licensee faces a suspension and must seek professional help.
- **Stewards/Judges**  
The division includes stewards at horse tracks and judges at greyhound tracks. The stewards and judges monitor the conduct of live races and enforce the Act and the Commission's rules.  
  
The stewards and judges have broad authority to resolve matters arising during a race meeting. They may redistribute purses, issue fines up to \$5,000 and suspend licensees for up to one year.

- Veterinarians/Drug Testing

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

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

The chief veterinarian also serves as a liaison between the Commission and veterinary-related organizations and agencies, such as the Texas Animal Health Commission, the American Association of Equine Practitioners and the Texas Veterinary Medical Association.

### Finance and Wagering Division

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#### Deputy Director for Finance and Wagering

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

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

- Pari-mutuel Auditors

The pari-mutuel auditors protect the interests of the wagering public and industry participants by assuring the proper collection and distribution of funds in accordance with the Act and providing reliable information on wagering. Employees review, verify and report all live and simulcast wagering activity at the racetracks. Through the review and verification process, the division works to ensure that the public is paid the correct amount on each winning wager. This program also establishes the basis for computing the amount of money to be set aside from each wagering pool for purses, state tax and the Texas-bred Incentive Program.

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

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

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

- **Compliance Auditor**

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

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

- **Administration and Finance**

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

## Fiscal Information

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### Budget and Finance

The Commission is self-funded by the entities it regulates and is typically appropriated only General Revenue–Dedicated funds. **Before passage of Sunset legislation last session, the agency's primary method of finance was uncashed outstanding ticket revenue, or OUTs. Now, the agency's revenue primarily comes from fees assessed to racetracks and occupational licensees. For FY 2010 and FY 2011, the legislature provided an additional \$1.5 million in General Revenue Funds. The additional funding helped compensate for fluctuations in the agency's cash flow caused by variations in the OUTs. The agency has repaid the \$1.5 million plus interest to General Revenue and does not foresee needing this assistance again.**

For FY 2012, the Commission has a total appropriation of approximately \$8.9 million. The agency's operating budget is \$4.8 million, nearly 75 percent of which is salary and salary-related expenses. The \$8.9 million appropriation includes a direct, dedicated-revenue pass-through of almost \$4.1 million for the Texas-bred Incentive Program.

The Texas-bred Incentive Program is authorized in the Racing Act. It provides purse supplements and monetary awards to breeders and owners of Texas-bred greyhounds and horses to encourage economic development through agri-business in the horse and greyhound breeding industries.

Funding for the Texas-bred Incentive Program comes from breakage from all types of wagers and a small percentage of all exotic wagers. Generally, breakage is the amount left over after payoffs to winning ticket holders rounded down to the nearest dime.

### Service Populations

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The wagering public demands integrity from the pari-mutuel racing offered in this state. These patrons supply the revenue that drives the industry, and they expect pari-mutuel wagering activity that is free from manipulation and races that are conducted fairly and honestly. In 2011, on-track attendance continued to decline, down almost 11 percent compared to 2010. Over the five-year period from 2007 to 2011, attendance dropped almost 33 percent. This downward trend may not change materially unless new racetracks become operational.

The breeders of race animals seek an active industry in which to sell their product. Breeders invest millions of dollars in real estate, construction and operations to supply the industry with Texas-bred race animals. They benefit from pari-mutuel racing through the Texas-bred Incentive Program. This program provides economic incentives designed to support the industry and encourage its growth and ability to compete at a national level. In 2011, the total number of animals accredited was 4,220, down more than 26 percent from the 5,718 animals accredited in 2007.

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

September 1, 2011, the effective date of the agency's Sunset legislation, ushered in significant occupational licensing changes related to racetrack employees. Before that date, the Commission issued occupational licenses to all track employees. As of September 1, 2011, statute requires the

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

In FY 2011, almost 10,700 people held an occupational license, down 29.5 percent from FY 2007, when more than 15,000 held a license.

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

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

Two Class 2 racetrack licensees, originally licensed in 1989, have not yet constructed a facility. Over the past 20 years, each has undergone ownership and location changes. To date, neither of these licensees has submitted construction plans for Commission approval.

The Commission issued three new Class 2 licenses during 2007. Two of the licensees posted security and agreed to schedules that called for simulcasting to begin on or before January 1, 2009, and their facilities to be ready for live racing on or before July 1, 2009. The third licensee posted security and agreed to a schedule that called for simulcasting to begin on or before July 15, 2009, and its facility to be ready for live racing on or before December 1, 2009. None of the new licensees met their obligations and forfeited the posted securities as a result.

Recent Sunset legislation includes several changes to the Act that may help address licensees that hold a license but have never constructed facilities. A complete review is available under Sunset Review on page 13.

**SUNSET LEGISLATION ADDRESSES  
UNBUILT RACETRACKS.**

Texas' residents benefit from the tax dollars and overall economic production derived from pari-mutuel racing. Although the amount of direct revenue to the state treasury from pari-mutuel **wagering is a small part of the state's total revenues, the public can rely** on the Commission to regulate the industry in a manner that secures that revenue. Tax revenue to the state is down almost 33 percent over the past five years, from more than \$4.35 million in 2007 to just less than \$2.93 million in 2011.

Race animals are the foundation of the pari-mutuel racing industry. Without their efforts, no wagering product would exist. Although the animals are not a service population in the traditional sense, the Commission recognizes its critical responsibility to protect the health and safety of these animal athletes. In 2011, Commission veterinarians performed almost 47,500 inspections of animals before races. Due to the **industry's** decline, the number of pre-race animal inspections is down more than 54 percent from the approximately 103,700 performed in 2007.

### **Other Affected Populations**

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

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



# EXTERNAL ASSESSMENT





## Sunset Review

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

A Racing Commission Sunset bill failed in 2009, and the Commission was one of five agencies subject to re-review. In 2011, the 82<sup>nd</sup> Legislature passed Sunset legislation that provides clearer statutory authority and gives the Racing **Commission added flexibility to oversee today’s racing industry. One of the bill’s major provisions**—outlined in detail on page 37 in the Internal Assessment under TxRC Funding Sources—**altered the Commission’s method of finance.**

THE LEGISLATURE PASSED SUNSET LEGISLATION IN 2011, CULMINATING A PROCESS THAT BEGAN IN SUMMER 2007.

**Several new requirements related to licensing will affect the Commission’s work and the regulated industry in the coming years.** By September 1, 2012, the Commission must identify each racetrack licensee as active or inactive and establish a renewal process for inactive track license holders. With input from stakeholders, the Commission establishes guidelines for what constitutes an inactive license versus an active one. An inactive track will have to apply for annual renewal until it either becomes active or the Commission refuses to renew the license.

The Commission may require the racetrack license holder to provide any information necessary for an original license application. Further, the bill requires the Commission to develop a process for conducting five-year staggered ownership and management reviews of active racetrack license holders. All of these provisions will require that additional agency resources be dedicated to the licensing program.

The bill authorizes the Commission to require a racetrack license holder to post a bond in an amount necessary to ensure compliance with the Act or Commission rules at any time. Previously, the Commission could only require a bond at the time of initial licensure. This change should help ensure that licensees fulfill their statutory obligation to build their tracks and run live race dates.

The Sunset bill clarified the Commission's authority and ability to revoke a racetrack license for significant violations of the Act or Commission rules. Previously, the Act stipulated that licenses were issued in perpetuity. This provision was removed. The bill requires the Commission to make a determination on a racetrack license application within 120 days from the time it is administratively complete. Previously, there was no such deadline.

In terms of occupational licensing, the bill limits licensure to individuals directly involved in pari-mutuel activities. As of September 1, 2011, certain racetrack association personnel in clerical, accounting, admissions and food services positions are not required to secure a license.

**The bill codified the agency's policy of requiring licensees to undergo criminal history checks every three years, rather than five.**

In another change of note, the legislation provides the executive director broad authority to review and modify decisions of the stewards and judges.

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

### **An Uncertain Future: Competition and Proposals for Change**

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According to data from all operating racetracks, over the past five years, attendance dropped nearly 33 percent and the total amount of money wagered dipped 35 percent. Accordingly, the amount of revenue allocated to racetracks, horse and greyhound purses, local communities and the state has also decreased. A variety of factors are contributing to the continuing decline of the pari-mutuel racing industry.

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

No longer visiting the tracks to spend their recreational gaming dollars, many patrons instead are using new technology to participate in this evolving form of entertainment. Fans make deposits

through advanced deposit wagering (ADW) companies and place their wagers over the Internet, 24 hours a day, seven days a week, rain or shine. Fans the world over watch races via satellite television or on a tablet or PDA, calling in bets from home, the airport, or their favorite restaurant, using an **ADW account**. A fan's ability to follow the sport is limited only by the accessibility to a connected mobile device or computer. In some cases, little heed is paid to the fact that advanced deposit wagering, discussed in more detail in the next section, actually is a violation of state law.

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

### **Competition from Unregulated Sources**

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

#### Online Gambling

Advance deposit wagering companies first appeared in 2000. These businesses accept bets both through telephone-based interactive voice response systems and the Internet. They also allow individuals to set up accounts to wager using a credit or debit card. As technology has advanced, ADW companies have proliferated. In 2000, two companies offered an ADW product; in 2012, at least 35 entities offer ADW services.

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

Using ADW services, a bettor never has to leave home or set foot inside a racetrack to place a wager. The ADW business model is not that different from other newly emerging entertainment delivery mechanisms prevalent in the modern marketplace. Consumers regularly purchase and view on-demand feature movies and sporting events such as boxing matches at home on a cable or satellite service. Music lovers can easily purchase and download the latest music without ever visiting a retail outlet.

Leveraging technological innovation to bring the track to the pari-mutuel bettor has proven to be a very successful endeavor.

Before the passage of Sunset legislation last session, the Act did not specifically address ADW wagers; on the other hand, the Act did contain clear language dictating that the only place a person could make a legal wager was on the grounds of a licensed racetrack.

Lacking precise language prohibiting their services, ADW companies interpreted the Act to say that a person could not wager on a Texas race except on the grounds of a Texas racetrack, but ADW transactions were legal so long as bettors placed their wagers on races held outside Texas.

Sunset noted that these unregulated out-of-state entities take wagers from Texans and that the transactions generate no money for the state or industry in Texas. The final Sunset legislation clearly prohibits unlicensed entities from accepting wagers placed by Texas residents. It is now not lawful to offer ADW services to Texas residents, nor is it lawful for Texas residents, while in the state, to place wagers using ADW services.

The Commission sent letters to the ADW companies it believed might be offering services to Texans and advised them of the new law and its effective date. The regulatory authority in each ADW **company's jurisdiction received the same letter.**

The Commission has received a measure of voluntary compliance. Eight of the nine companies **contacted took some action in response to the Commission's efforts.** Some stopped taking bets from all Texans. Others stopped opening new accounts but continue to accept wagers from Texans with already-existing accounts. TwinSpires, a company associated with Churchill Downs and perhaps the largest ADW operator, disputes the constitutionality of the law and has taken no steps to voluntarily comply.

Enforcing the new statutory language presents a variety of challenges. The ADW companies do not participate in other aspects of Texas racing, so are not licensed by the Commission. Since the ADW companies are not licensed, the agency has no direct authority to regulate them, nor does it have the ability to take administrative action against them.

Pursuing criminal action against the companies is a complicated proposition. It is difficult to prove that out-of-state companies are accepting these wagers when they are not readily subject to state

subpoenas and the Texas residents have a vested interest in maintaining secrecy. It is difficult to persuade a district attorney to pursue a potentially expensive prosecution without hard evidence that online wagering is prevalent, ongoing and harmful to the businesses in his or her area. Furthermore, the penalty for violating the law—the lowest-level felony is the maximum finding—does not generate a great deal of momentum for action.

**Civil action is also problematic. The industry’s major players, led by TwinSpires, are not registered in Texas and maintain that they are not subject to the state’s long-arm statute.** They have indicated a will to fight vigorously any civil enforcement action. They have vowed to draw out the process for as long as possible to continue taking bets from Texans for as long as they can.

While ADW transactions are illegal in Texas, other states have legalized them. In fact, the states that license ADW companies have a vested interest in protecting these wagers because they impose fees on the companies and taxes on the wagers. As a result, ADW companies have a growing belief in the legitimacy of their product offerings.

The continued state of voluntary compliance with Texas law is tenuous. The Commission expects that if TwinSpires continues to offer ADW services to Texans without ramification, other companies will re-enter and expand in the Texas market.

### Eight-liner Machines

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

- In August 2009, a successful multi-jurisdictional criminal investigation resulted in a major operator of eight-liner machines in Texas entering a guilty plea that cost him more than \$1 million according to Texas Attorney General Greg Abbott. It is believed to be the largest coordinated gambling prosecution in Texas history.
- In March 2010, the Laredo Police Department executed a search warrant on Atlantis Amusement Center. Police officers seized a total of 150 motherboards from eight-liner machines and \$11,453 in cash.

- In February 2012, Nueces County Sheriff deputies arrested two women and charged them with engaging in criminal activity when they discovered more than 50 eight-liner machines in Driscoll. Additional game rooms in the area are reported to be under investigation.
- In February 2012, the Brownsville Police Department raided three independent gambling locations. The police arrested six individuals, charging four with gambling-related charges and one felon in possession of a handgun.
- In March 2012, law enforcement officials seized 54 video slot machine motherboards from a gaming business in downtown Vernon. Officials have not yet made any arrests.
- In April 2012, Cameron County officials closed about a dozen eight-liner video arcades. Investigators are trying to determine the identity of the owners.
- In April 2012, in Olmito, **an alleged member of the Zeta’s drug** cartel and four other men were arrested for aggravated robbery of an eight-liner casino. The men carried high-powered rifles and stole \$10,000 in cash and jewelry belonging to the business and its customers.
- Local Valley news outlets have recently reported on a new business scheme that an alleged non-profit organization in Lyford is using. The business claims that money generated by about 500 eight-liner machines goes to a non-profit organization and then into a charity fund. Law enforcement in the area is aware of the business but has not commented on the potential for law enforcement action.

### Unregulated Racing

The proliferation of unregulated racing, particularly horse racing, remains a challenge to the Texas racing industry. **A long standing tradition of “brush” or “bush” horse tracks exists across the state.** There are perhaps as many as 25 to 50 of these tracks operating on any given weekend throughout the state. To a much smaller degree, people also may be using greyhounds in unregulated racing.

While the racing itself is legal, any wagering taking place at these locations likely is not. Obviously, it is difficult to determine to what degree these locations are reducing the amount of money that patrons legally **wager at the licensed Texas’ racetracks.** For a full policy review of this issue, please see page 39.

### National and Regional Racing Competition

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

trainers choose a track based on the number of racing opportunities and the amount of the prize money, or purse, available.

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

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

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

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

### National Horse Racing Competition

As of 2009, the most recent year in which the Commission collected national data, a total of 110 racetracks spread over thirty-two states offered Thoroughbred racing on which patrons bet. The national handle, the amount wagered on the Thoroughbred events, decreased by nearly 10 percent from 2008 to 2009. However, the prize money available to the athletes decreased by only about 6 percent, or 41 percent less than the decline in total wagered.

Why is the decrease in prize money so much less than the dip in money wagered? Of the 32 states actively engaged in Thoroughbred racing in 2009, 14 had some form of alternative gaming at the track. All 14 of these states require some portion of the alternative gaming revenue to be set aside for prize money for the race athletes. In 2009, nearly \$319 million from alternative gaming went to purses. This accounted for approximately 29 percent of all prize money generated in North America and reflected a one-year growth of 7 percent, a five-year growth of 79 percent and a ten-year growth of 382 percent.

The 2009 list of the top 15 states ranked by the total Thoroughbred prize money shows that more than 73 percent had alternative gaming to supplement purses. Of the four states without alternative gaming, three offer additional forms of pari-mutuel wagering—off track wagering locations (OTBs) or ADW—to supplement the prize money. Texas is the only state in the top 15 that relies solely on pari-mutuel wagering at the licensed racetrack locations to generate all purse money. It is realistic to expect that Texas will continue to fall down the list. In 2011, the number of Thoroughbred races conducted in Texas dipped 26 percent from 2009. The total purse payout from the races dropped 21 percent to \$15.3 million. The average daily purse of \$15,160 was 6 percent higher than in 2009.

2009 Top 15 States Ranked By Total Purses Paid For Thoroughbred Races			
State	Races	Average Purse	Total Purse (In \$Millions)
1. California <sup>o</sup>	4,782	\$32,846	\$157.1
2. New York * <sup>o</sup>	3,811	\$34,548	\$131.7
3. Pennsylvania * <sup>o</sup>	4,566	\$23,741	\$108.4
4. Louisiana * <sup>o</sup>	3,554	\$23,377	\$83.1
5. Florida *	3,249	\$22,354	\$72.6
6. West Virginia *	4,245	\$16,805	\$71.3
7. Kentucky <sup>o</sup>	2,308	\$28,822	\$66.5
8. Illinois <sup>o</sup>	2,417	\$19,324	\$46.7
9. New Jersey *	1,330	\$34,017	\$45.2
10. New Mexico *	1,731	\$17,850	\$30.9
11. Maryland *	1,397	\$20,308	\$28.4
12. Delaware *	968	\$24,829	\$24.0
13. Indiana *	1,150	\$18,015	\$20.7
14. Oklahoma *	1,248	\$16,482	\$20.6
15. Texas	1,351	\$14,324	\$19.4
*Has alternative gaming supplementing the purse payments.			
<sup>o</sup> Has additional forms of pari-mutuel wagering (OTBs or ADWs.)			

Twenty-seven states with a total of 107 racetracks actively offer Quarter Horse, Arabian, Paint or mixed races. (A mixed race is one comprised of more than one breed of horse.) Although the agency was unable to obtain national handle amounts for these races, staff believes that the decline in handle for these breeds mirrors that of the Thoroughbred industry.

The most recently collected state-by-state Quarter Horse, Arabian, Paint and mixed race purse data for a five-year period reveals trends similar to those reflected in the Thoroughbred data. Unlike the Thoroughbred industry, however, the Quarter Horse, Arabian and Paint industries are concentrated in five major states: New Mexico, California, Oklahoma, Louisiana and Texas. Two of these states, California and Texas, saw reduced racing opportunities over the five-year period. The other three, New Mexico, Oklahoma and Louisiana, increased racing opportunities by 1 percent, 46 percent and 21 percent respectively. The three states experiencing increases in racing opportunities have authorized additional forms of gaming at their pari-mutuel facilities; the two states with reduced racing opportunities have not.



A 2009 list of the top states ranked by the total purses paid to the athletes shows that alternative gaming supplements prize money in eight of the top 15. Of the seven states without alternative gaming, three offer additional forms of pari-mutuel wagering—OTBs or ADW—to supplement the prize money. While Texas ranks 5<sup>th</sup> on this list for 2009, its total purses paid is more than \$9 million short of the fourth place spot and nearly \$19 million below the top spot, which is a dramatic drop in performance in light of the state’s history in Quarter Horse racing.

2009 Top 15 States Ranked By Total Purses Paid For Quarter Horse, Arabian, Paint, or Mixed Races			
State	Races	Average Purse	Total Purse (In \$ Millions)
1. New Mexico *	1,380	\$21,363	\$29.5
2. California <sup>o</sup>	1,523	\$14,593	\$22.2
3. Oklahoma *	1,324	\$16,227	\$21.5
4. Louisiana * <sup>o</sup>	1,401	\$14,073	\$19.7
5. Texas	1,058	\$10,164	\$10.8
6. Indiana *	178	\$20,028	\$3.6
7. Iowa *	187	\$16,663	\$3.1
8. Florida *	160	\$11,779	\$1.9
9. Arizona <sup>o</sup>	354	\$4,746	\$1.7
10. Colorado	120	\$11,280	\$1.4
11. Delaware *	95	\$11,424	\$1.1
12. Idaho	270	\$2,702	\$0.7
13. Minnesota *	73	\$8,936	\$0.7
14. Oregon <sup>o</sup>	140	\$4,518	\$0.6
15. Michigan	128	\$4,401	\$0.5
*Has alternative gaming supplementing the purse payments.			
<sup>o</sup> Has additional forms of pari-mutuel wagering (OTBs or ADWs).			

Although the Commission has not compiled more recent national data, it is realistic to expect that Texas’ fall down this list will continue. In 2011, Texas data indicates that the number of Quarter Horse races conducted in the state was down 19 percent compared to 2009. These races yielded a total purse payout of \$8.9 million, or 18 percent less than in 2009.

### Regional Horse Racing Competition

Currently four horse and three greyhound racetracks operate in Texas. Fourteen horse racetracks and one greyhound racetrack operate in the surrounding states of Arkansas, Louisiana, New Mexico and Oklahoma.

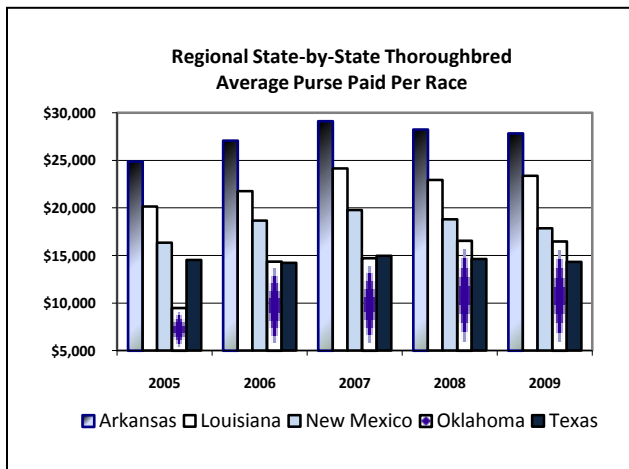
For the past several years, Texas has not fared well in the regional competition to attract the best athletes to its tracks. While the numbers vary, Thoroughbred, Quarter Horse, Arabian, Paint and greyhounds all are experiencing a downward trend in Texas. This is not the case in Texas’ neighboring states.

A review of the most recently compiled data indicates that Texas’ neighboring states generated significant increases in Thoroughbred prize money from alternative gaming operations. Arkansas, Louisiana, New Mexico and Oklahoma increased their total Thoroughbred prize money by 6 percent, 23 percent, 30 percent and 140 percent, respectively, during the five years from 2005 through 2009.

Thoroughbred – Regional 5-Year Change (2005-2009)					
State	Change In Pari-mutuel Purse	Change In Gaming Purse	Change In Total Purse	Change In Average Purse	Change In # of Races
Arkansas	(\$523,300)	\$1,400,000	\$876,700	\$2,958	(28)
Louisiana	\$5,810,046	\$9,780,679	\$15,590,725	\$3,243	202
New Mexico	\$5,125,432	\$2,044,690	\$7,170,122	\$1,519	278
Oklahoma	\$2,245,589	\$9,738,089	\$11,983,678	\$6,994	343
Texas	(\$7,764,740)	n/a	(\$7,764,740)	(\$192)	(517)

Additional purse funds have allowed tracks in the neighboring states to add more racing opportunities and/or increase the average prize money paid per race. Tracks in these states attract more and higher-quality athletes and offer a better quality racing product, resulting in a growing Thoroughbred industry.

In contrast, the Texas racetracks saw a 29 percent decline in total prize money for Thoroughbred racing from 2005 through 2009. The most recent 2011 Texas data indicates that Texas racetracks saw an additional 21 percent decline in total prize money for Thoroughbred racing since 2009. The overall decrease in the amount of money wagered is part of the reason for the decline. Exacerbating the situation, many of the athletes are no longer competing in Texas because their owners and trainers have taken their animals to neighboring states with higher prizes. To remain somewhat



competitive, Texas tracks reduced Thoroughbred racing opportunities to keep average purses as high as possible.

Still, Texas tracks continue to lose or be unable to make up ground regionally and nationally. In 2009, the average Thoroughbred purse per race in Texas was \$14,324, or more than 28 percent below the regional average of \$20,046 and nearly 32 percent below the national average of

\$21,061. By reducing racing opportunities in 2011, the average Thoroughbred purse per race in Texas was \$15,160. While this figure represents a small increase, the Texas average remains well below the regional and national averages.

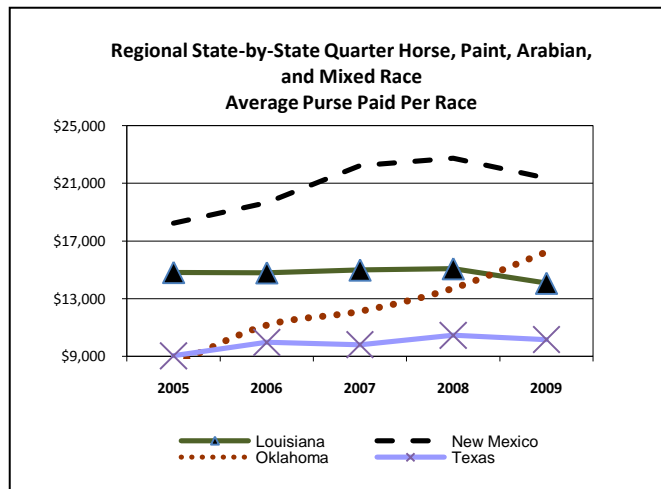
From 2005 to 2009, Louisiana, New Mexico and Oklahoma saw significant increases in their total prize money for Quarter Horse, Arabians, Paints and mixed races. The prize money available in these states increased 14 percent, 19 percent and 180 percent, respectively.

With additional purse funds, tracks in the region either added more racing opportunities or increased the average prize money per race. In some cases, tracks have done both. The result is a growing industry for breeds within these respective states. The tracks attract more and higher-quality athletes to compete and offer better quality racing to the consumer.

Quarter Horse, Arabian, Paint, & Mixed Race – Regional 5-Year Change (2005-2009)					
State	Change In Pari-mutuel Purse	Change In Gaming Purse	Change In Total Purse	Change In Average Purse	Change In # of Races
Louisiana	(\$330,236)	\$2,825,148	\$2,494,912	(\$748)	239
New Mexico	\$3,300,052	\$1,363,126	\$4,663,178	\$3,128	19
Oklahoma	\$5,045,739	\$8,764,281	\$13,810,019	\$7,775	416
Texas	(\$938,655)	n/a	(\$938,655)	\$1,128	(236)

Unfortunately, during the same period, Texas racetracks experienced an 8 percent decline in total prize money for Quarter Horse, Arabians, Paints and mixed racing. Data from 2011 indicates that Texas racetracks saw an additional 18 percent decline in total prize money for Quarter Horse, Arabians, Paints and mixed racing. These declines are the result of decreased wagering and the exodus of athletes to neighboring states with higher prizes. Texas racetracks also reduced these breeds’ racing opportunities to increase the average purse per race to be more competitive in the region.

Although these efforts did yield a slightly higher average purse per race, Texas prize money still lags behind the region and nation. As of 2009, the average purse per



race in Texas for these breeds was \$10,164. That number was 36 percent below the regional average of \$15,773 and 25 percent below the national average of \$13,571. In 2011, the average purse per race for these breeds was \$10,316. While this represents a small increase, the Texas average still lags far behind the regional averages.

### National and Regional Greyhound Racing Competition

The Texas greyhound industry has experienced significant declines since 2005. As of 2011, purses have dropped 44 percent due to decreased wagering. Additionally, the Texas tracks lost greyhound athletes to other racetracks in Arkansas, Florida, Iowa and West Virginia. These states have legalized alternative gaming at their pari-mutuel facilities and set aside prize money from the gaming revenue for purses.

Greyhound – 7-Year Change (2005-2011)					
State	Change In Pari-mutuel Purse	Change In Gaming Purse	Change In Total Purse	Change In Average Purse	Change In # of Races
Texas	(\$2.2 Million)	n/a	(\$2.2 Million)	\$275	(7,764)

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

### Current Trends and Industry Reaction

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

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

Although reducing racing opportunities helps prop up purses in the short term, there are negative long-term effects. With fewer racing opportunities and less overall money available, there is a reduced incentive for breeders to produce more greyhounds and horses or to stay in Texas. For example, Texas is seeing the evidence of a movement away from the state in the decreased number of

foals produced and stallions standing for stud. From 2007 to 2011, the most recent year for which complete information is available, the number of Texas registered Thoroughbred foals decreased by 50 percent. The pool of quality Texas-based owners, trainers and jockeys is dwindling. Racing-related businesses, such as stables, hay suppliers, tack vendors and food service businesses that provide products or services either to the associations or to the occupational licensees or to both also suffer.

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

### **Industry-Proposed Solutions to Decline and Potential Impact on Agency**

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

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

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

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

the existing organizational structure already includes the regulatory functions needed to regulate expanded gaming.

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

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

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

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

## Safety and Welfare

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### Horse Racing Medication Issues

There are substantial and significant differences across jurisdictions in the tolerance for drug and medication use in racing animals; however, public perception and market forces—both global and unidirectional—are narrowing these disparities. Regulators of horse racing in the United States must find ways to meld policy across not only state lines, but international boundaries as well to ensure the safety and welfare of the horse and rider are not compromised.

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

Under guidelines established by the Racing Commissioners International (RCI) Regulatory Veterinary Committee, advances to further protect the horse and rider include mandating stricter pre-race horse exams and limiting the use of non-steroidal anti-inflammatory medications and corticosteroids. In December 2011, the Commission reduced the level of phenylbutazone (akin to a person taking two ibuprofen for sore muscles) that a horse may have in its system at race time. **This reduces the risk that a horse ‘passes’ the pre-race exam** because medication has masked soreness or lameness.

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

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

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

There is current and on-going debate over the appropriateness of the use of furosemide in horses competing in a sport with wagering as the fundamental driver of its economics. For some, the presence or absence of furosemide in the racing animal provides a measure of handicapping insight, particularly when a horse races for the first time with the aid of furosemide. For most, the drug **“levels the playing field” to the extent that it mitigates the effects** of exercise induced pulmonary hemorrhage, or EIPH, which results in bleeding in a horse. Still others see the use of furosemide as an opportunity to manipulate performance, and even further, to mask the use of more nefarious substances. Probability holds that it may do all of these simultaneously even in the face of denial of any real masking effect.

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

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

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

### Injury Prevention

Protecting the health and safety of the animal athletes is a primary agency responsibility. Several **factors, including the class of the animal and its training, the animal’s physical condition, and the**



physical condition of the racetrack, potentially can cause or contribute to an injury. With so many factors to consider, it can be difficult to pinpoint the specific reason for any one injury.

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

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

An aggravating factor in this type of bone failure is muscle fatigue. Fatigued muscle puts extra **pressure, or load, on the animal's tendon and ligament support structures, which no longer protect** against bone overload. Current research aimed at **identifying muscle "fitness" with cell respirometry**—a measure of how efficiently a cell uses oxygen—may allow an objective assessment of a racing animal's fitness. This likely will become an invaluable training aid and should contribute to safer racing.

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

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

The Equine Injury Database, coordinated and underwritten by The Jockey Club and the Grayson-Jockey Club Research Foundation, is leading to advancements. The national database aims to

identify the frequency, types and outcomes of racing injuries using a standardized format; identify markers for horses at increased risk of injury; and serve as a data source for research directed at improving safety and preventing injuries.

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

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

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

### Welfare Issues

Along with racing medication, continuing public focus rests on what the future holds for retired racing animals. Media stories suggest that abandonment and other issues are concerns nationwide.

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

Some racing jurisdictions have turned their attention to the issue of what happens when a racing **animal's career is complete**, particularly as racehorses are concerned. For example, a bill currently **making its way through California's legislature seeks to create a fund to develop a program to retrain and rehabilitate retired racehorses.**

The New York State Legislature created the New York State Task Force on Retired Racehorses. The task force must **identify “productive ... and beneficial, to both horse and human, uses for retired racehorses and to increase the number of retired racehorses made available for such uses...**

Moreover, the Task Force shall develop and identify new and innovative ideas and methods that can utilize private and public funding sources to place retired racehorses in such productive and beneficial uses, and to increase both the number of horses so used and the scale of variety of such **uses.”**

In 2011, the New York Task Force on Retired Racehorses **submitted a report to the state’s governor** with a variety of recommendations, a sampling of which includes the following topics:

- Responsible and humane retirement of racehorses.
- Industry ensuring appropriate, productive and beneficial uses of retired racehorses.
- Establishing significant new funding streams for retired racehorses.
- Establishing an industry-controlled retired racehorse fund.

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

### **Technological Advances in the Industry**

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

#### Industry Issues: Consolidation and Staffing

In the past, every pari-mutuel track had a tote central processing server on-site. In an attempt to reduce costs, tote companies offered more cost-effective methods of operation. To cut the price for totalisator-contracted services, the tote companies offered centralized server operations that networked multiple racetracks through one central processing server. In other words, racetracks no longer had on-site servers, but were networked to off-site servers. The industry embraced this concept and today there are no stand-alone single-site server operations. Now the tote companies are consolidating many of the networked server sites into regional central processing servers. Ultimately, their goal is to have just two U.S. server sites per tote company. Today, Texas does not host a stand-

alone server site or a networked server site. All Texas racetracks are networked through a regional central processing server located outside the state.

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

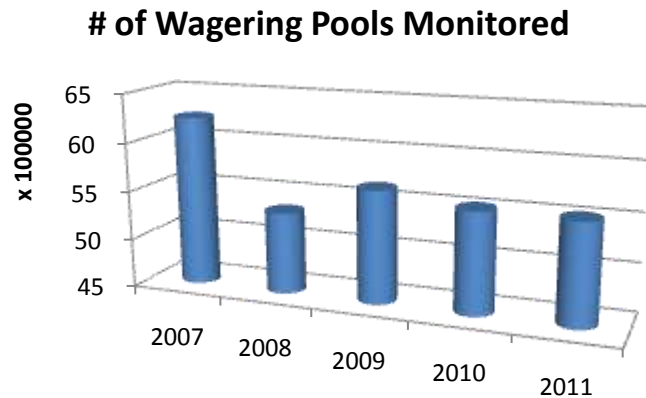
### Regulatory Oversight of Wagering Pools and Wagering Systems

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

**The Commission's** pari-mutuel auditing staff monitors wagering activity daily. The auditors upload electronic data files, which contain daily wagering activity for each racetrack, to a custom regulatory monitoring system. This custom system, which the Commission designed, gives the auditor the ability to test each unique wagering pool offered on every race for accuracy in terms of the amounts paid to the public for winning wagers and withheld as the takeout. The monitoring system independently calculates the public payout and takeout amounts and then compares these calculations to the wagering system calculations on each unique wagering pool. If the monitoring system detects a difference of more than 5 cents, it alerts the auditor who investigates the difference and takes appropriate action.

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

The auditing staff monitors and verifies approximately 5.5 million unique wagering pools per year. Over the past five years, the auditing staff has monitored and verified approximately 28.3 million unique wagering pools and has provided verified takeout allocations that amount to \$149.1 million in purse money, \$22 million in breeder awards, and \$18.2 million to the state General Revenue Fund. The Commission is committed to the ongoing fair, disciplined and rigorous regulation and oversight of the wagering pools. Such regulation protects the public and industry stakeholders by assuring the proper payouts and takeouts.



The pari-mutuel auditing staff members also perform the comprehensive testing of the wagering systems software and hardware. **After reviewing the Commission’s oversight program, the State Auditor’s Office (SAO) found no issues with the Commission’s monitoring process.** Ultimately, however, the reliability of the monitoring system is dependent upon accurate and adequate data from the wagering systems. Recognizing this, the SAO recommended strengthening tote system testing to create greater confidence in the actual wagering systems operating in Texas. The Commission sought testing assistance from information technology experts.

In 2009, a certified testing laboratory—Gaming Laboratory International (GLI)—conducted an independent review of the tote systems operating at Texas racetracks. The Commission provided **GLI’s findings to the tote companies and requested written comment and feedback.** Staff prepared a final compilation report—including GLI’s final report and written comments from the tote companies—and submitted it to Commissioners in October 2009. The final report showed:

- That GLI validated the integrity of the tote systems operating at the Texas racetracks.
- The areas for improvement in tote system operations.
- The need for the Commission to adopt wagering terminal standards.
- A need to update Commission rules to maintain continuing advances of tote system technology.

To meet GLI's recommendations, the agency determined that it needed technical assistance to develop tote terminal standards and to review Commission rules concerning tote standards. The agency awarded a contract to BMM Compliance in April 2010 to review the applicable rules. After receiving BMM's written recommendations, the agency sought input from RCI and its member jurisdictions.

RCI is the national association of government pari-mutuel regulators and works toward the adoption of model rules regulating pari-mutuel racing and wagering. The Commission will continue to work in collaboration with other RCI member jurisdictions to achieve more efficient and consistent oversight in both wagering pool regulation and wagering systems regulation.

In October 2011, RCI formally adopted the Texas standards as new national standards. The Commission is now working to adopt and implement the new national standards by December 2012. Once the Commission implements these standards, it will seek assistance from a certified testing laboratory to continue enhancing the Commission's wagering systems testing program.

### **The Development of National Standards**

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

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

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

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

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## Increased Federal Government Interest in Racing

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Potential changes at the federal level may affect the sport along with **the states' racing regulators**. Two catastrophic injuries to horses, one in the 2006 Preakness and one in the 2008 Kentucky Derby, sparked an increased federal interest in horse racing. A series of stories that began to appear in *The New York Times* in March 2012 helped concentrate the federal spotlight on horse racing once again.

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

In late May of 2008, the subcommittee issued a request to RCI **for information from the “multitude of various racing commissions” it represents, noting that racing lacks** a central regulatory body or **“league”** to govern the rules of the game.

On June 19, 2008, the subcommittee conducted a hearing entitled, “Breeding, Drugs and Breakdowns: The State of Thoroughbred Horseracing and the Welfare of the Thoroughbred Racehorse.” Invited testimony covered a range of issues regarding Thoroughbred racing from race-day medication to equine health and safety. There was ample discussion on the need for reforms in these areas—whether attained through federal intervention or an industry-led central body. Some observers believe that the 2008 Congressional hearing, signifying the threat of federal intervention, served as a catalyst to bring racing stakeholders together to find common ground for industry reforms on several fronts.

Through the RCI Regulatory Veterinary Committee, racing jurisdictions began to consider guidelines and recommendations for pre-race horse exams and the use of non-steroidal anti-inflammatory medications and corticosteroids. The Racing Medication and Testing Consortium, a not-for-profit organization consisting of 25 racing industry stakeholder members, is providing research into pre-race exams to ensure the horse is not being compromised. Initiatives by the National Thoroughbred Racing Association are designed to certify race track adherence to safety and integrity standards.

Less than a week before the 2010 Kentucky Derby, however, a member of the Senate Committee on Commerce, Science and Transportation and a member of the House Committee on Energy and Commerce issued a new request to RCI for answers about the current state of horse racing in the

United States. The letter again noted that the sport of horse racing, unlike every other major professional sport, lacks a **governing body or 'league' that is capable of imposing mandatory regulations** for universal compliance.

*The New York Times* articles published in March 2012 served to refocus federal interest on the sport. Shortly after the stories began to appear, U.S. Sen. Tom Udall, D-N.M., and U.S. Rep. Ed Whitfield, R-Ky., renewed their call for federal legislation related to racehorse medication—Udall and Whitfield previously offered legislation in 2011 to develop national standards and fines. On April 30, 2012, a subcommittee of the House Committee on Energy and Commerce conducted a hearing titled, “A Review of Efforts to Protect the Health of Jockeys and Horses in Horseracing.” During the hearing, Rep. Whitfield said although he does not wish for federal involvement, industry efforts at national regulation have failed repeatedly.

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





# INTERNAL ASSESSMENT



## Internal Assessment

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Since the previous strategic planning period, the Commission has a new chair and a new vice chair—both of whom already were serving on the Commission—two new Commissioners and a new ex officio member. With new leadership at the Commission level, the agency continues to evolve.

The agency also experienced change at the executive level. In April 2011, the Commission selected a new executive director to replace a recent retiree from the position. Executive staff has worked with the new leadership to continue examining agency operations and exploring ways to improve regulatory efforts.

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

## Legislative Changes to the Racing Act

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### TxRC Funding Sources and Issues

As mentioned earlier, Sunset legislation related to the agency passed during the 82<sup>nd</sup> Legislative Session. Among the legislation's major provisions, one altered the Commission's method of finance, eliminating OUTs, or uncashed winning tickets, as a source of revenue. The OUTs had become an unreliable, unpredictable and diminishing funding source for agency operations. Revenue from OUTs had been decreasing due to the general decline in wagering, meaning less money was available for regulation. Also, innovations in betting technology meant fewer uncashed tickets, which further reduced total revenue.

In place of the OUTs, which the tracks now retain, the agency worked with all interested stakeholders to produce a rule to modify the fee structure. The new structure will ensure adequate cash flow and revenue to cover the agency's expenses. Further, the bill amended the Act to restrict sweeps of the agency's account to those unappropriated amounts above \$750,000.

## Regulating with Reduced Resources

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

The agency's turnover rate during FY 2011 was 17.2 percent, **higher than the state's average of 16.8 percent**. Overall employee satisfaction, as rated in the Survey of Employee Engagement, is similar to two years ago. Out of the 14 constructs for which results are available, six are areas of substantial strength, five are areas viewed more positively than negatively, and only one, fair pay, scores in a range to be of serious concern. Generally, the agency is sustaining the positive gains that the previous two surveys indicated.

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

The agency has an accrued cumulative liability of approximately \$382,000 in compensatory time, FLSA overtime and vacation time owed to current employees. The agency reduced this number from \$500,000 in previous years through retirements and overtime pay outs at the end of fiscal year 2011. The Commission is increasing its use of contract personnel when possible to fill staff positions, thus helping reduce the accrued cumulative liability.

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

The uncertainty of the racing industry has made it difficult for the agency to attract staff. The skill sets **that many of the Commission's positions require are rare, and the** unusual hours that come with working in the industry deter other individuals. Additionally, 21 employees, or more than 38 percent of the workforce, will be eligible for retirement over the next five years.

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

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## Consistency and Improvements in Regulating

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### Continued Policy Development

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

- Non-pari-mutuel regulation
- Enforcement inspections

### Non-Pari-mutuel Regulation

Before the legislature passed the Racing Act in 1986 and the state's citizens approved pari-mutuel racing in a statewide referendum in 1987, several well-known and respected horse racetracks already existed in Texas. These tracks all conducted racing without authorized betting. There were tracks in Bandera, Fredericksburg, Junction, Goliad, Manor, Nacogdoches and Del Rio, to name but a few.

After the Act became law, the Commission adopted rules in an attempt to provide at least minimal regulation for these traditional, but non-pari-mutuel, horse tracks. To register with the Commission, the American Quarter Horse Association would have to approve the racetrack or the track would have to provide Commission-approved stewards, horse identifiers, observers, a veterinarian and a test barn. The Commission required each track to test the race animals for drugs and prohibited participants from engaging in any activity at a non-pari-mutuel track that would be a violation if the participant engaged in the same activity at a pari-mutuel track. These rules remained in effect until the Attorney General issued Opinion Letter JM-1134 in 1990. The opinion concluded that the Act did not provide adequate standards to regulate non-pari-mutuel racing, and that attempts to provide such regulation were therefore unconstitutional. As a result, the Commission repealed its non-pari-mutuel rules in late 1990.

In 1991, the legislature amended the Act to address the shortcomings identified in the Opinion Letter JM-1134. However, since that time the Commission has not attempted to regulate these tracks for a number of reasons, foremost because resources are limited under the current budget. The largest unregulated racetrack in the state is Las Palmas Downs in Mission.

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

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

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

A number of news reports concern police raids of horse racing rings that included illegal gambling operations. News stories also have documented violence at these tracks. Two individuals were shot at an Ector County track and a horseman was killed at a track in Lubbock County.

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

Commission efforts to educate local law enforcement about the dangers of these tracks have proven effective. Commission personnel provided training to Texas sheriffs at their annual conference. Local law enforcement agencies currently are investigating several of these tracks. The Texas Department of Public Safety is enforcing **the Racing Act's prohibitions against** racing without a license. As the result of an investigation in Falls County, the operator of a bush track was sentenced to 3 years deferred adjudication and fined \$10,000. **The Commission's field staff, who work daily** with a wide variety of horsemen, estimate that there are 25 to 50 unregulated tracks operating in the state. **The Texas Greyhound Association reports that there may be two "match racing" tracks for** greyhounds in Texas.

The problem of unregulated racetracks is a multi-jurisdictional issue: the TxRC, the Department of Public Safety (DPS), the Texas **Animal Health Commission, the Comptroller's office and local law**

enforcement maintain overlapping authority. Informal discussions with these agencies indicate that they have the same difficulties in sizing the problem that the Commission has.

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

### Enforcement Inspections

The Commission works to prevent rule violations that endanger the health and safety of race animals and participants, and disciplines licensees who commit these violations. As part of the Commission's efforts, it works closely with DPS to conduct effective compliance inspections. During live racing, random compliance inspections are conducted regularly within the restricted areas of racetracks with emphasis on vehicles and barn areas. For these unannounced inspections, teams of DPS and TxRC investigators search for contraband such as drugs, injection needles, shocking devices and firearms. If an investigator finds contraband, he or she prepares a case for presentation to the stewards or judges and, in many cases, to the local criminal prosecutor. In calendar years 2010 and 2011, investigators referred 41 contraband cases to the stewards or judges for disciplinary action.

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

### Racetrack Review Process

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To ensure consistent and efficient regulation of racetracks, staff has worked to improve the current racetrack inspection process, the racetrack review process, and the integration of these two regulatory tools.

One of the major improvements to the inspection program involves having department management conduct some random inspections rather than assigned field staff at each track. Since the department managers generally are located in Austin and not at a specific track, they provide a different perspective from field staff and help ensure a consistent inspection process at every track. This, along with other changes such as improved documentation and an enhanced report for Commissioners, is bringing consistency to all program areas.

The racetrack review process provides the Commission and its field staff at each track a mechanism for collecting and interpreting more meaningful statistics about race meets. It requires all staff, including the stewards, judges, veterinarians, test barn supervisors, investigators, licensing technicians and auditors, to document issues or comments over the span of the race meet. This change is in contrast to leaving the reporting to the discretion of the presiding steward or judge.

Staff continues to improve this review process and is seeing better communication with racetrack and agency staff. The Commission's existing staff designed and produced this innovative assessment tool. A byproduct of this process continues to be much needed cross-departmental training and a better overall understanding of agency-wide policies and procedures.

### **Use of Technology**

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

### **Responding to Changes in the Industry**

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

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

**TECHNOLOGY AND MARKET CHANGES  
DRIVE RACETRACK REQUESTS.**



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

**Unfortunately the State's biennial planning and appropriations cycle is much longer than the racing industry's planning cycle.** Mid-biennium changes in racing and wagering programs force the Commission to rebalance its regulatory priorities. The agency has tried to prepare for a variety of scenarios through the use of contingency riders in the General Appropriations Act, which would provide for additional funding and staffing as needed based on industry changes.





AGENCY GOALS  
&  
TECHNOLOGY INITIATIVE ALIGNMENT



**Agency Goals**

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Goal A. Enforce Racing Regulation

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

Goal B. Regulate Participation in Racing

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

Goal C. Regulate Pari-mutuel Wagering in Texas

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

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

{Government Code, § 2161.123}

**Objectives and Outcome Measures**

**Goal A: Enforce Racing Regulation**

**Objective 1** Regulate pari-mutuel racetracks effectively so racetrack inspections show all racetracks to be in 100% compliance by the year 2015.

Outcome Measures	1.1.1	Percentage of complaints regarding racetrack operations resolved in six months or less
	1.1.2	Percentage of racetracks with an inspection score of 100%
	1.1.3	Percentage of deficiency items closed

**Objective 2** Increase the number of Texas-bred race animals competing. Encourage an increase of 2% each year in the number of Texas-bred animals competing through 2015.

Outcome Measure	1.2.1	Percent increase in Texas-bred race animals accredited per year
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**Objective 3** Reduce the rate of rulings per occupational licensee to 1:30 through 2015.

Outcome Measures	1.3.1	Average number of rulings per occupational licensee
	1.3.2	Recidivism rate for those receiving disciplinary action
	1.3.3	Percentage of investigations (individual) resulting in disciplinary action
	1.3.4	Percentage of licensees with no recent violations

**Objective 4** Reduce the percentage of race animals that sustain a major injury as a result of pari-mutuel racing or are dismissed to less than 0.3% through 2015.

Outcome Measures	1.4.1	Percentage of race animals injured or dismissed from the racetrack
	1.4.2	Number of drug positives for illegal medications

**Goal B: Regulate Participation in Racing**

**Objective 1** Maintain the efficiency of the occupational licensing process so that all licensed individuals are qualified through 2015.

Outcome Measures	2.1.1	Average time required to issue a new occupational license
	2.1.2	Percent of license holders meeting qualifications
	2.1.3	Percent of new eligible individual licenses issued online
	2.1.4	Percent of licensees who renew online

**Goal C: Regulate Pari-mutuel Wagering in Texas**

**Objective 1** Increase the pass rate for initial tote tests to 97% and the pass rate for pari-mutuel compliance audits to 95% through 2015.

Outcome Measures	3.1.1	Percentage of tote tests passed on the first run
	3.1.2	Percentage of compliance audits passed

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

**Objective 1** Ensure purchases from historically underutilized businesses constitute at least 16% of the total value of purchases each year.

Outcome Measure	4.1.1	Percentage of total dollar value of purchases made from HUBs
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**Goal A: Enforce Racing Regulation**

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



**Goal B: Regulate the Participation in Racing**

Strategy 2.1.1 Administer the occupational licensing programs through enforcement of regulations.		
Output Measures	2.1.1.1	Number of new occupational licenses issued
	2.1.1.2	Number of occupational licenses renewed
Efficiency Measure	2.1.1.1	Average regulatory cost per individual license issued
Explanatory Measure	2.1.1.1	Total number of individuals licensed
Strategy 2.1.2 Provide for the processing of occupational license, registrations, or permit fees through TexasOnline.		

**Goal C: Regulate Pari-mutuel Wagering**

Strategy 3.1.1 Monitor wagering and conduct audits.		
Output Measures	3.1.1.1	Number of live and simulcast races audited and reviewed
	3.1.1.2	Number of compliance audits completed
Efficiency Measure	3.1.1.1	Average cost to audit and review a live or simulcast race
Explanatory Measures	3.1.1.1	Total pari-mutuel handle (in millions)
	3.1.1.2	Total take to the State Treasury from pari-mutuel wagering on live and simulcast races
	3.1.1.3	Ratio of simulcast handle to live handle
Strategy 3.1.2 Conduct wagering compliance inspections.		
Output Measures	3.1.2.1	Number of tote tests completed

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

Strategy D1.1 Develop and implement a plan for increasing purchasing from historically underutilized businesses.		
Output Measures	4.1.1.1	Number of HUBs contractors and subcontractors contacted for bid proposals
	4.1.1.2	Number of HUB contracts and subcontracts awarded
	4.1.1.3	Dollar value of HUB purchases

TECHNOLOGY INITIATIVE ASSESSMENT AND ALIGNMENT

<b>1. Initiative Name:</b> Expand and automate industry and public access to agency data	
<b>2. Initiative Description:</b> Create ad-hoc lookup of licensing, ruling, auditing and veterinary data.	
<b>3. Associated Project(s):</b> Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency’s Information Technology Detail.	
<b>Name</b>	<b>Status</b>
n/a	
<b>4. Agency Objective(s):</b> Identify the agency objective(s) that the technology initiative supports.	
This initiative supports the agency’s general government goal to provide access to reports and documents via the Internet.	
<b>5. Statewide Technology Priority(ies):</b> Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> <li>• P1 – Cloud</li> <li>• P2 – Data Management</li> <li>• P3 – Data Sharing</li> <li>• P4 – Infrastructure</li> <li>• P5 – Legacy Applications</li> </ul>	<ul style="list-style-type: none"> <li>• P6 – Mobility</li> <li>• P7 – Network</li> <li>• <b>P8 – Open Data</b></li> <li>• P9 – Security and Privacy</li> <li>• P10 – Social Media</li> </ul>
<b>6. Guiding Principles:</b> As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> <li>• Connect – expanding citizen access to services</li> <li>• Innovate – leveraging technology services and solutions across agencies</li> <li>• Trust – providing a clear and transparent accounting of government services and data</li> <li>• Deliver – promoting a connected and agile workforce</li> </ul>	
<b>Connect</b> – Provide access to public information.	
<b>Trust</b> - Reduce administrative overhead.	
<b>7. Anticipated Benefit(s):</b> Identify the benefits that are expected to be gained through the technology initiative.	
Types of benefits include:	
<ul style="list-style-type: none"> <li>• Operational efficiencies (time, cost, productivity)</li> <li>• Citizen/customer satisfaction (service delivery quality, cycle time)</li> <li>• Security improvements</li> <li>• Foundation for future operational improvements</li> <li>• Compliance (required by State/Federal laws or regulations)</li> </ul>	
<b>Operational efficiencies</b> – Reduce resources expended on open records requests.	
<b>Citizen/Customer satisfaction</b> – Improve access to information.	
<b>8. Capabilities or Barriers:</b>	
Project will require contract services to program new applications and implement services.	

<b>1. Initiative Name:</b> Hosted email services	
<b>2. Initiative Description:</b> Research hosted email solutions to potentially migrate existing in-house mail server to a Microsoft Exchange cloud service.	
<b>3. Associated Project(s):</b> Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
<b>Name</b>	<b>Status</b>
n/a	
<b>4. Agency Objective(s):</b> Identify the agency objective(s) that the technology initiative supports.	
This initiative supports the agency's general government goal to improve operational efficiencies and reduce long-term costs to the agency.	
<b>5. Statewide Technology Priority(ies):</b> Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> <li>• <b>P1 – Cloud</b></li> <li>• <b>P2 – Data Management</b></li> <li>• P3 – Data Sharing</li> <li>• <b>P4 – Infrastructure</b></li> <li>• P5 – Legacy Applications</li> </ul>	<ul style="list-style-type: none"> <li>• <b>P6 – Mobility</b></li> <li>• <b>P7 – Network</b></li> <li>• P8 – Open Data</li> <li>• P9 – Security and Privacy</li> <li>• P10 – Social Media</li> </ul>
<b>6. Guiding Principles:</b> As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> <li>• Connect – expanding citizen access to services</li> <li>• Innovate – leveraging technology services and solutions across agencies</li> <li>• Trust – providing a clear and transparent accounting of government services and data</li> <li>• Deliver – promoting a connected and agile workforce</li> </ul>	
<b>Deliver</b> – Will facilitate access to email and improve communication and connectivity.	
<b>7. Anticipated Benefit(s):</b> Identify the benefits that are expected to be gained through the technology initiative.	
Types of benefits include:	
<ul style="list-style-type: none"> <li>• Operational efficiencies (time, cost, productivity)</li> <li>• Citizen/customer satisfaction (service delivery quality, cycle time)</li> <li>• Security improvements</li> <li>• Foundation for future operational improvements</li> <li>• Compliance (required by State/Federal laws or regulations)</li> </ul>	
<p><b>Operational efficiencies</b> - While costs of the email service will be greater than current email server license and maintenance costs, a hosted solution will eliminate the need for costly migrations and upgrades in the future. A hosted service will also eliminate the need and associated costs for an existing anti-spam appliance as well as reduce disaster recovery time and associated disaster recovery costs.</p> <p><b>Foundation for future operation improvements</b> - Migrating to an Exchange solution should reduce incompatibility issues between Microsoft Exchange and the agency's current email solution as well as connect mobile users to email and calendar services.</p>	
<b>8. Capabilities or Barriers:</b> The agency currently hosts its own email application. Migrating existing accounts and email may be costly and cause temporary outages. Outsourcing and cloud technology include security risks. Negotiating service level agreements and terms and conditions will require considerable time and staff resources.	

<b>1. Initiative Name:</b> Database and file system record management	
<b>2. Initiative Description:</b> Reduce duplication and eliminate information no longer required by agency.	
<b>3. Associated Project(s):</b> Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
<b>Name</b>	<b>Status</b>
n/a	
<b>4. Agency Objective(s):</b> Identify the agency objective(s) that the technology initiative supports.	
This initiative supports the agency's general government goal to improve operational efficiencies through the reduction and elimination of duplicative and unnecessary files and data.	
<b>5. Statewide Technology Priority(ies):</b> Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> <li>• P1 – Cloud</li> <li>• <b>P2 – Data Management</b></li> <li>• P3 – Data Sharing</li> <li>• P4 – Infrastructure</li> <li>• P5 – Legacy Applications</li> </ul>	<ul style="list-style-type: none"> <li>• P6 – Mobility</li> <li>• P7 – Network</li> <li>• P8 – Open Data</li> <li>• P9 – Security and Privacy</li> <li>• P10 – Social Media</li> </ul>
<b>6. Guiding Principles:</b> As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> <li>• Connect – expanding citizen access to services</li> <li>• Innovate – leveraging technology services and solutions across agencies</li> <li>• Trust – providing a clear and transparent accounting of government services and data</li> <li>• Deliver – promoting a connected and agile workforce</li> </ul>	
<b>Deliver</b> – Standardize file directory structure, improve ability to locate files and adhere to retention policies.	
<b>7. Anticipated Benefit(s):</b> Identify the benefits that are expected to be gained through the technology initiative.	
Types of benefits include:	
<ul style="list-style-type: none"> <li>• Operational efficiencies (time, cost, productivity)</li> <li>• Citizen/customer satisfaction (service delivery quality, cycle time)</li> <li>• Security improvements</li> <li>• Foundation for future operational improvements</li> <li>• Compliance (required by State/Federal laws or regulations)</li> </ul>	
<b>Operational efficiencies</b> - This initiative will reduce future storage costs, support retention policies and standardize location of files.	
<b>8. Capabilities or Barriers:</b>	
Allocating staff resources to examine, organize and delete files will be difficult and time consuming with limited staff resources. Staff may need training on file management.	

<b>1. Initiative Name:</b> Animal Injury reporting	
<b>2. Initiative Description:</b> Automate and integrate animal injury reporting, race performance data and racetrack surface data for statistical analysis.	
<b>3. Associated Project(s):</b> Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
<b>Name</b>	<b>Status</b>
n/a	
<b>4. Agency Objective(s):</b> Identify the agency objective(s) that the technology initiative supports.	
This initiative supports Goal A – Enforce Racing Regulation, Objective 4 – Reduce race animal injuries.	
<b>5. Statewide Technology Priority(ies):</b> Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> <li>• P1 – Cloud</li> <li>• <b>P2 – Data Management</b></li> <li>• P3 – Data Sharing</li> <li>• P4 – Infrastructure</li> <li>• P5 – Legacy Applications</li> </ul>	<ul style="list-style-type: none"> <li>• P6 – Mobility</li> <li>• P7 – Network</li> <li>• P8 – Open Data</li> <li>• P9 – Security and Privacy</li> <li>• P10 – Social Media</li> </ul>
<b>6. Guiding Principles:</b> As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> <li>• Connect – expanding citizen access to services</li> <li>• Innovate – leveraging technology services and solutions across agencies</li> <li>• Trust – providing a clear and transparent accounting of government services and data</li> <li>• Deliver – promoting a connected and agile workforce</li> </ul>	
<b>Innovate</b> – Use technology to automate and improve tracking of animal injuries.	
<b>7. Anticipated Benefit(s):</b> Identify the benefits that are expected to be gained through the technology initiative.	
Types of benefits include:	
<ul style="list-style-type: none"> <li>• Operational efficiencies (time, cost, productivity)</li> <li>• Citizen/customer satisfaction (service delivery quality, cycle time)</li> <li>• Security improvements</li> <li>• Foundation for future operational improvements</li> <li>• Compliance (required by State/Federal laws or regulations)</li> </ul>	
<b>Foundation for future operational improvements</b> – Better understand the nature and cause of injuries through improved, efficient and timely reporting and injury analysis.	
<b>8. Capabilities or Barriers:</b>	
The agency should be able to complete this migration with existing staff and information technology resources.	

<b>1. Initiative Name:</b> Mobile workforce	
<b>2. Initiative Description:</b> Explore mobile applications for agency website and database access.	
<b>3. Associated Project(s):</b> Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
<b>Name</b>	<b>Status</b>
n/a	
<b>4. Agency Objective(s):</b> Identify the agency objective(s) that the technology initiative supports.	
This initiative supports the agency's general government goal to improve operational efficiencies and increase access to agency data.	
<b>5. Statewide Technology Priority(ies):</b> Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> <li>• P1 – Cloud</li> <li>• P2 – Data Management</li> <li>• P3 – Data Sharing</li> <li>• P4 – Infrastructure</li> <li>• P5 – Legacy Applications</li> </ul>	<ul style="list-style-type: none"> <li>• <b>P6 – Mobility</b></li> <li>• <b>P7 – Network</b></li> <li>• P8 – Open Data</li> <li>• P9 – Security and Privacy</li> <li>• P10 – Social Media</li> </ul>
<b>6. Guiding Principles:</b> As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> <li>• Connect – expanding citizen access to services</li> <li>• Innovate – leveraging technology services and solutions across agencies</li> <li>• Trust – providing a clear and transparent accounting of government services and data</li> <li>• Deliver – promoting a connected and agile workforce</li> </ul>	
<b>Innovate and Deliver</b> - Use technology to improve and expand access to agency resources from mobile devices.	
<b>7. Anticipated Benefit(s):</b> Identify the benefits that are expected to be gained through the technology initiative.	
Types of benefits include:	
<ul style="list-style-type: none"> <li>• Operational efficiencies (time, cost, productivity)</li> <li>• Citizen/customer satisfaction (service delivery quality, cycle time)</li> <li>• Security improvements</li> <li>• Foundation for future operational improvements</li> <li>• Compliance (required by State/Federal laws or regulations)</li> </ul>	
<b>Operational efficiencies</b> – Increase productivity by improving speed and method of access.	
<b>Foundation for future operational improvements</b> – Access from mobile devices could reduce the need for overall count of computers and related peripherals in the future.	
<b>Citizen/customer satisfaction</b> – Improve and expand access to agency information and public data.	
<b>8. Capabilities or Barriers:</b>	
The agency will likely need contract services and staff training to implement this initiative.	

<b>1. Initiative Name:</b> Security Improvements	
<b>2. Initiative Description:</b> Maintain security awareness, expand security monitoring and improve security processes.	
<b>3. Associated Project(s):</b> Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
<b>Name</b>	<b>Status</b>
n/a	
<b>4. Agency Objective(s):</b> Identify the agency objective(s) that the technology initiative supports.	
While this initiative does not support a specific agency goal, security awareness training and policies will improve the staff's ability to identify and reduce risks associated with security threats to the agency's environment while improving the agency's ability to secure data and protect the privacy of information it stores.	
<b>5. Statewide Technology Priority(ies):</b> Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> <li>• P1 – Cloud</li> <li>• P2 – Data Management</li> <li>• P3 – Data Sharing</li> <li>• P4 – Infrastructure</li> <li>• P5 – Legacy Applications</li> </ul>	<ul style="list-style-type: none"> <li>• P6 – Mobility</li> <li>• P7 – Network</li> <li>• P8 – Open Data</li> <li>• <b>P9 – Security and Privacy</b></li> <li>• P10 – Social Media</li> </ul>
<b>6. Guiding Principles:</b> As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> <li>• Connect – expanding citizen access to services</li> <li>• Innovate – leveraging technology services and solutions across agencies</li> <li>• Trust – providing a clear and transparent accounting of government services and data</li> <li>• Deliver – promoting a connected and agile workforce</li> </ul>	
<b>Trust</b> – Reduce risk and safeguard privacy of government data and agency infrastructure.	
<b>7. Anticipated Benefit(s):</b> Identify the benefits that are expected to be gained through the technology initiative.	
Types of benefits include:	
<ul style="list-style-type: none"> <li>• Operational efficiencies (time, cost, productivity)</li> <li>• Citizen/customer satisfaction (service delivery quality, cycle time)</li> <li>• Security improvements</li> <li>• Foundation for future operational improvements</li> <li>• Compliance (required by State/Federal laws or regulations)</li> </ul>	
<b>Security improvements</b> - Leverage technology to improve security monitoring and reduce risk.	
<b>Compliance</b> – Implement policies and procedures to ensure compliance with government and agency policies.	
<b>8. Capabilities or Barriers:</b>	
Agency will need to dedicate resources to maintain security awareness. Management will need to support this initiative to ensure effectiveness. Budget will need to be allocated to support this initiative.	

<b>1. Initiative Name:</b> Social media	
<b>2. Initiative Description:</b> Explore social media as a delivery tool for agency meeting notifications.	
<b>3. Associated Project(s):</b> Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
<b>Name</b>	<b>Status</b>
n/a	
<b>4. Agency Objective(s):</b> Identify the agency objective(s) that the technology initiative supports.	
This initiative supports the agency's general government goal to deliver information effectively and improve operational efficiencies.	
<b>5. Statewide Technology Priority(ies):</b> Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> <li>• P1 – Cloud</li> <li>• P2 – Data Management</li> <li>• P3 – Data Sharing</li> <li>• P4 – Infrastructure</li> <li>• P5 – Legacy Applications</li> </ul>	<ul style="list-style-type: none"> <li>• P6 – Mobility</li> <li>• P7 – Network</li> <li>• P8 – Open Data</li> <li>• P9 – Security and Privacy</li> <li>• <b>P10 – Social Media</b></li> </ul>
<b>6. Guiding Principles:</b> As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> <li>• Connect – expanding citizen access to services</li> <li>• Innovate – leveraging technology services and solutions across agencies</li> <li>• Trust – providing a clear and transparent accounting of government services and data</li> <li>• Deliver – promoting a connected and agile workforce</li> </ul>	
<b>Connect</b> – Enhance and expand access to information and improve notification methods.	
<b>Innovate</b> – Use social media to improve delivery of information.	
<b>7. Anticipated Benefit(s):</b> Identify the benefits that are expected to be gained through the technology initiative.	
Types of benefits include:	
<ul style="list-style-type: none"> <li>• Operational efficiencies (time, cost, productivity)</li> <li>• Citizen/customer satisfaction (service delivery quality, cycle time)</li> <li>• Security improvements</li> <li>• Foundation for future operational improvements</li> <li>• Compliance (required by State/Federal laws or regulations)</li> </ul>	
<b>Citizen/customer satisfaction</b> – Improve delivery of information.	
<b>8. Capabilities or Barriers:</b>	
Agency should be able to implement this initiative with existing resources.	



<b>1. Initiative Name:</b> Telecommunications infrastructure upgrade	
<b>2. Initiative Description:</b> Replace the agency's phone system with new technology and upgrade legacy circuits to Multi Protocol Label Switching (MPLS).	
<b>3. Associated Project(s):</b> Name and status of current or planned project(s), if any, that support the technology initiative and that will be included in agency's Information Technology Detail.	
<b>Name</b>	<b>Status</b>
n/a	
<b>4. Agency Objective(s):</b> Identify the agency objective(s) that the technology initiative supports.	
This initiative supports the agency's general government goal to improve operational efficiencies through effective government operations.	
<b>5. Statewide Technology Priority(ies):</b> Identify the statewide technology priority or priorities the technology initiative aligns with, if any.	
<ul style="list-style-type: none"> <li>• P1 – Cloud</li> <li>• P2 – Data Management</li> <li>• P3 – Data Sharing</li> <li>• <b>P4 – Infrastructure</b></li> <li>• P5 – Legacy Applications</li> </ul>	<ul style="list-style-type: none"> <li>• P6 – Mobility</li> <li>• <b>P7 – Network</b></li> <li>• P8 – Open Data</li> <li>• P9 – Security and Privacy</li> <li>• P10 – Social Media</li> </ul>
<b>6. Guiding Principles:</b> As applicable, describe how the technology initiative will address the following statewide technology guiding principles:	
<ul style="list-style-type: none"> <li>• Connect – expanding citizen access to services</li> <li>• Innovate – leveraging technology services and solutions across agencies</li> <li>• Trust – providing a clear and transparent accounting of government services and data</li> <li>• Deliver – promoting a connected and agile workforce</li> </ul>	
<b>Innovate</b> – Leverage new services and improve stability of network infrastructure.	
<b>Deliver</b> – Use technology to improve connectivity and communications.	
<b>7. Anticipated Benefit(s):</b> Identify the benefits that are expected to be gained through the technology initiative.	
Types of benefits include:	
<ul style="list-style-type: none"> <li>• Operational efficiencies (time, cost, productivity)</li> <li>• Citizen/customer satisfaction (service delivery quality, cycle time)</li> <li>• Security improvements</li> <li>• Foundation for future operational improvements</li> <li>• Compliance (required by State/Federal laws or regulations)</li> </ul>	
<b>Foundation for future operational improvements</b> – New technology will expand features and improve connectivity and communication abilities.	
<b>Operation efficiencies</b> – To avoid higher costs, the agency must migrate legacy circuits to MPLS.	
<b>8. Capabilities or Barriers:</b> Agency funding will need to be reallocated or requested to cover the costs of this initiative.	



# Table of Contents

## Appendices

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A. Planning Process.....	59
B. Organizational Chart .....	60
C. Outcome Projections 2013-2017 .....	61
D. Measure Definitions* .....	62
E. Workforce Plan.....	81
F. Survey of Employee Engagement .....	87
G. Historically Underutilized Business Plan.....	93
H. Glossary .....	94

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



February

Customer service surveys available

March

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

April

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

May

Discuss and draft external/internal assessment  
Prepare outcome projections  
Discuss and draft workforce plan

June

Receive approval of performance measure changes  
Submit Customer Service Survey to LBB/GOBPP  
Prepare draft report of Strategic Plan  
Submit Strategic Plan draft to Commissioners for comment  
Submit Strategic Plan to Commission for approval

July

Distribute Strategic Plan to appropriate agencies

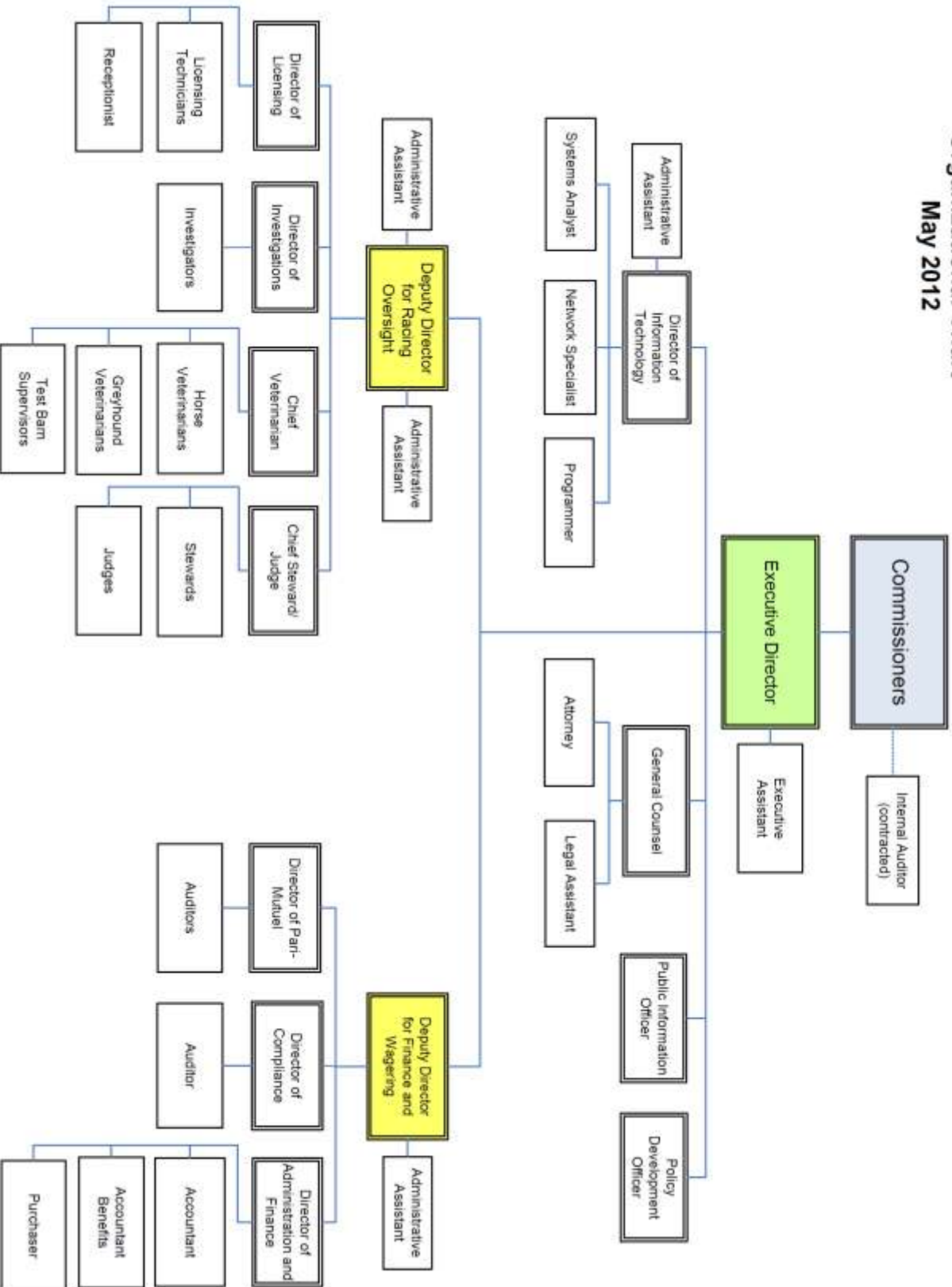
Ongoing

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

# TEXAS RACING COMMISSION

## Organizational Chart

May 2012



## Appendix C. Outcome Projections

OUTCOME	DESCRIPTION	2013	2014	2015	2016	2017
1.1.1	Percentage of Complaints Regarding Racetrack Operations Resolved in Six Months or Less	95%	95%	95%	95%	95%
1.1.2	Percentage of Racetracks with an Inspection Score of 100 Percent	70%	70%	70%	70%	70%
1.1.3	Percentage of Deficiency Items Closed	70%	70%	70%	70%	70%
1.2.1	Percent Increase in Texas-bred Race Animals Accredited per Year	-5%	-5%	-5%	-5%	-5%
1.3.1	Average Number of Rulings per Occupational Licensee	1:30	1:30	1:30	1:30	1:30
1.3.2	Recidivism Rate for Those Receiving Disciplinary Action	16%	16%	16%	16%	16%
1.3.3	Percentage of Investigations (Individual) Resulting in Disciplinary Action	95%	95%	95%	95%	95%
1.3.4	Percentage of Licensees with No Recent Violations	95%	95%	95%	95%	95%
1.4.1	Percentage of Race Animals Injured or Dismissed from the Racetrack	0.3%	0.3%	0.3%	0.3%	0.3%
1.4.2	Number of Drug Positives for Illegal Medications per 1,000 Samples	6	6	6	6	6
2.1.1	Average Time Required to Issue a New Occupational License	15	15	15	15	15
2.1.2	Percent of License Holders Meeting Qualifications	100%	100%	100%	100%	100%
2.1.3	Percent of New Eligible Individual Licenses Issued Online	NA	5%	5%	5%	5%
2.1.4	Percent of Licensees Who Renew Online	NA	9%	9%	9%	9%
3.1.1	Percentage of Tote Tests Passed on the First Run	97%	97%	97%	97%	97%
3.1.2	Percentage of Compliance Audits Passed	95%	95%	95%	95%	95%
4.1.1	Percentage of Total Dollar Value of Purchases Made from HUBs	16%	16%	16%	16%	16%

**GOAL A: ENFORCE RACING REGULATION**

Objective 1: Regulate pari-mutuel racetracks effectively so racetrack inspections show all racetracks to be in 100% compliance by 2015.

Outcome Measures

<b>OC 1.1.1</b>	<b>PERCENTAGE OF COMPLAINTS REGARDING RACETRACK OPERATIONS RESOLVED IN SIX MONTHS OR LESS</b>
Short definition	- The percentage of complaints submitted by the public about racetrack operations resolved in six months or less. A complaint is an allegation that a specific Commission rule has been violated.
Purpose	- To determine the responsiveness of racetracks to expressed regulatory concerns.
Data Source	- The investigative department maintains records of complaints received, including the date received, the investigator assigned to handle the investigation, and the date resolved.
Calculation Method	- The number of complaints resolved in six months or less divided by the total number of complaints received, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on some factors outside the agency's control, such as financial constraints on the racetrack and type of complaints received.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected
<hr style="border-top: 1px dashed #000;"/>	
<b>OC 1.1.2</b>	<b>PERCENTAGE OF RACETRACK INSPECTIONS WITH A SCORE OF 100%</b>
Short definition	- The percentage of racetrack inspections with a score of 100%.
Purpose	- To determine the effectiveness of ongoing regulatory communication between the agency and the racetracks.
Data Source	- The score is derived from grading a checklist. Inspections include checking the racing surface, animal facilities, track security, patron facilities, and wagering equipment and operations for compliance with the Commission's rules. The inspection program administrator maintains the information.
Calculation Method	- The number of racetrack inspections with a score of 100% divided by the total number of inspections.
Calculation Method	- The number of racetrack inspections with a score of 100% divided by the total number of inspections, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on factors outside the agency's control, such as regulatory responsiveness of the racetracks.



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Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

---

**OC 1.1.3            PERCENTAGE OF DEFICIENCY ITEMS CLOSED**

Short definition	- The percentage of items confirmed to be corrected by follow-up inspection from the list of items not in compliance during the initial racetrack inspections.
Purpose	- To determine the effectiveness of regulatory communication between the agency and the racetracks after an unsatisfactory inspection.
Data Source	- The inspection program administrator maintains this information.
Calculation Method	- The number of deficiency items on inspection checklists that were corrected divided by the total number of deficiency items on inspection checklists in the report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on some factors outside the agency’s control, such as financial constraints on the racetrack and type of deficiency items.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

---

**Output Measures**

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**OP 1.1.1.1            NUMBER OF RACETRACK OPERATION COMPLAINTS CLOSED**

Short definition	- The number of complaints submitted by the public about racetrack operations resolved during the report period. A complaint is an allegation that a specific Commission rule has been violated.
Purpose	- To determine the responsiveness of the racetracks to expressed regulatory concerns.
Data Source	- The investigative department maintains a log book on all complaints received.
Calculation Method	- A physical count of all complaints regarding racetrack operations in the log book that were resolved during the report period.
Data Limitations	- Performance will depend on factors outside the agency’s control, such as financial constraints on the racetracks, the type of complaint received, and the willingness of the racetracks to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

---

**OP 1.1.1.2      NUMBER OF RACETRACK INSPECTIONS**

Short definition	- The number of inspections conducted by agency staff of all racetrack premises.
Purpose	- To determine the rate of inspection activity by the agency.
Data Source	- Inspections include checking the racing surface, animal facilities, track security, patron facilities, and wagering equipment and operations for compliance with the Commission's rules. The inspection program administrator maintains a log of all inspections conducted.
Calculation Method	- A physical count of all racetrack inspections conducted during the report period.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

---

**Efficiency Measures**

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**EFF 1.1.1.1      AVERAGE REGULATORY COST PER RACETRACK**

Short definition	- The average cost to regulate racetracks.
Purpose	- To determine the fiscal efficiency of regulating racetracks.
Data Source	- The finance department obtains the total strategy costs through USAS.
Calculation Method	- The total strategy costs allocated to racetracks divided by the total number of licensed racetracks. The total strategy costs are all expenditures coded to the strategy in USAS, plus 7% of indirect costs. Indirect costs are central administration, information resources, and other support services.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

---

**EFF 1.1.1.2      AVERAGE LENGTH OF TIME (DAYS) TO RESOLVE COMPLAINTS**

Short definition	- The average number of days taken by the agency to resolve all complaints during the report period.
Purpose	- To determine the efficiency of the agency's complaint resolution process.
Data Source	- The investigative department maintains records of complaints received, including the date received, the investigator assigned to handle the investigation, and the date resolved.
Calculation Method	- The total number of calendar days needed to resolve all complaints divided by the number of complaints resolved for the report period.

Data Limitations	- Performance will depend on factors outside the agency's control, such as financial constraints on the racetracks, the type of complaints received, and the willingness of the racetracks to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

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### Explanatory Measures

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**EX 1.1.1.1      NUMBER OF HORSE RACETRACKS REGULATED**

Short definition	- The total number of horse racetracks regulated during the report period.
Purpose	- To determine the targets of the agency's regulatory activity.
Data Source	- The executive division maintains a list of licensed and regulated horse racetracks.
Calculation Method	- A physical count of the horse racetracks regulated during the report period.
Data Limitations	- Performance may depend on factors outside the agency's control, such as a racetrack's financial solvency.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

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**EX 1.1.1.2      NUMBER OF GREYHOUND RACETRACKS REGULATED**

Short definition	- The total number of greyhound racetracks regulated during the report period.
Purpose	- To determine the targets of the agency's regulatory activity.
Data Source	- The executive division maintains a list of licensed and regulated greyhound racetracks.
Calculation Method	- A physical count of the greyhound racetracks regulated during the report period.
Data Limitations	- Performance may depend on factors outside the agency's control, such as a racetrack's financial solvency.
Calculation Type	- Cumulative
New Measure	- No

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**Objective 2: Increase the number of Texas-bred race animals competing by 2% each year through 2015.**

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### Outcome Measure

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**OC 1.2.1      PERCENT INCREASE IN TEXAS-BRED RACE ANIMALS ACCREDITED PER YEAR**

Short definition	- The annual percentage change in the number of animals newly
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	accredited by the Texas breed registries.
Purpose	- To determine the effectiveness of the Texas-bred Incentive Program.
Data Source	- The official breed registries named in the Texas Racing Act maintain this information.
Calculation Method	- The number of newly accredited Texas-bred animals for the report period divided by the number of newly accredited Texas-bred animals for the previous report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend entirely on factors outside the agency's control.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

### Output Measure

#### **OP 1.2.1.1      NUMBER OF TEXAS-BRED AWARDS**

Short definition	- The total number of breeder awards made by the breed registries during the report period.
Purpose	- To determine the extent of the Texas-bred Incentive Program.
Data Source	- The official breed registries named in the Texas Racing Act maintain this information and report it to the agency.
Calculation Method	- A summation of all breeder awards made by all official breed registries.
Data Limitations	- Performance will depend entirely on factors outside the agency's control, as breeder awards are based on winning animals.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

### Explanatory Measure

#### **EX 1.2.1.1      TOTAL AMOUNT OF MONEY DEDICATED TO TEXAS-BRED INCENTIVE PROGRAM**

Short definition	- The total amount of money received for the Texas-bred Incentive Program from pari-mutuel handle.
Purpose	- To determine the effectiveness of the Texas-bred Incentive Program.
Data Source	- The pari-mutuel and audit department maintains this information.
Calculation Method	A summation computer count of the total amount of money allocated to the Texas-bred Incentive Program during the report period.
Data Limitations	- Performance will depend entirely on factors outside the agency's control, since revenue for the program is derived from pari-mutuel handle.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Objective 3: Reduce the rate of rulings per occupational licensee to 1:30 through 2015.

Outcome Measures

**OC 1.3.1 AVERAGE NUMBER OF RULINGS PER OCCUPATIONAL LICENSEE**

Short definition	- The average number of rulings issued against occupational licensees during the report period. A ruling is a disciplinary order issued by the stewards or judges.
Purpose	- To determine the rate of compliance with the agency's rules.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The total number of rulings against occupational licensees for violations divided by the total number of occupational licensees, stated as a ratio.
Data Limitations	- Performance depends on factors that are mostly outside the agency's control.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

**OC 1.3.2 RECIDIVISM RATE FOR THOSE RECEIVING DISCIPLINARY ACTION**

Short definition	- The number of repeat offenders as a percentage of all offenders during the report period.
Purpose	- To determine the effectiveness of disciplinary actions as a deterrent.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The number of occupational licensees with two or more rulings that involved a fine of at least \$500 or suspension of the license divided by the number of licensees against whom any ruling was issued during the report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the willingness of occupational licensees to comply with regulatory requirements.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

**OC 1.3.3 PERCENTAGE OF INVESTIGATIONS (INDIVIDUAL) RESULTING IN DISCIPLINARY ACTION**

Short definition	- Percentage of investigations of alleged rule violations by occupational licensees resulting in disciplinary action.
Purpose	- To determine both the effectiveness of the investigative reports and the judicial process of the stewards' and judges' rulings.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The number of investigations that resulted in disciplinary action divided

	by the total number of investigations during the report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the facts derived in the investigations.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

**OC 1.3.4      PERCENTAGE OF LICENSEES WITH NO RECENT VIOLATIONS**

Short definition	- The percentage of licensees with no recent violations.
Purpose	- To determine the rate of compliance with the agency's law and rules.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The number of individuals currently licensed by the agency who have not committed a violation within the current year divided by the number of individuals currently licensed, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the willingness of occupational licensees to comply with regulatory requirements.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

**Output Measures**

**OP 1.3.1.1      NUMBER OF LIVE RACES MONITORED**

Short definition	- The number of live races conducted at Texas pari-mutuel racetracks and monitored by the stewards and judges.
Purpose	- To determine the volume of live racing regulatory work in Texas.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the live races conducted at the horse and greyhound pari-mutuel racetracks in Texas which were monitored by the stewards and judges during the reporting period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the number of live race dates requested by the racetracks.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

**OP 1.3.1.2      NUMBER OF RULINGS ISSUED AGAINST OCCUPATIONAL LICENSEES**

Short definition	- A physical count of all rulings issued by the judges or stewards at the racetracks after charges are made against occupational licensees.
Purpose	- To determine the compliance of the licensees with the rules and the law.

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Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the total number of rulings issued by the stewards and judges during a reporting period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the licensee's willingness to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

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**OP 1.3.1.3      Number of occupational licenses suspended or revoked**

Short definition	- The number of occupational licenses suspended or revoked. A license can only be revoked by the Commission, but can be suspended by the stewards or judges at the racetracks.
Purpose	- To determine the number of persons committing serious violations of the agency's rules.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A physical count of the number of licenses suspended or revoked for violations of the rules.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the licensee's willingness to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

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**OP 1.3.2.1      NUMBER OF INVESTIGATIONS COMPLETED**

Short definition	- A count of all investigations of alleged rule violations by occupational licensees completed during the report period. An investigation is considered completed when the supervising investigator reviews and closes the investigation.
Purpose	- To determine the rate of investigative activity.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of all investigations completed during the report period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the licensee's willingness to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

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**OP 1.3.2.2      NUMBER OF COMPLAINTS RECEIVED AGAINST LICENSEES**

Short definition	- A count of all complaints received and processed regarding licensees.
Purpose	- To determine the rate of complaints.
Data Source	- The data is maintained in an agency log.

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Calculation Method	- A summation of all complaints received during the quarter.
Data Limitations	- Performance will depend on factors outside the agency's control, such as such as the willingness of individuals to file complaints.
Calculation Type	- Cumulative
New Measure	- Yes
Desired Performance	- Lower than projected

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**Objective 4: Reduce the percentage of race animals that sustain a major injury or are dismissed as a result of pari-mutuel racing to less than 0.3% through 2015.**

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**Outcome Measures**

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<b>OC 1.4.1</b>	<b>PERCENTAGE OF RACE ANIMALS INJURED OR DISMISSED FROM THE RACETRACK</b>
Short definition	- The percentage of race animals that suffer a major injury or death as a result of pari-mutuel racing. A major injury is one which requires a prolonged or permanent layoff from racing.
Purpose	- To monitor animal welfare by determining the rate of serious injuries/deaths as a result of pari-mutuel racing.
Data Source	- The data is maintained in the agency's database. The veterinarians input data regarding physical conditions they have observed or confirmed regarding race animals on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type and severity.
Calculation Method	- The number of race animals that suffer a major injury or death as a result of pari-mutuel racing divided by the total number of race animals who raced during the report period, multiplied by 100, stated as a percentage.
Data Limitations	- None
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

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<b>OC 1.4.2</b>	<b>NUMBER OF DRUG POSITIVES FOR ILLEGAL MEDICATIONS PER 1,000 SAMPLES</b>
Short definition	- The number of drug positives for illegal medications per 1,000 samples.
Purpose	- To monitor the number of drug positives.
Data Source	- The data is maintained in the agency's database. The testing laboratory reports to the agency the number of samples that test positive for illegal medications and enters the data into the agency's database.
Calculation Method	- The number of specimens that tested positive for an illegal medication during the report period divided by the number of specimens submitted for testing during the report period, multiplied by 1,000.
Data Limitations	- Performance depends on factors outside the agency's control, such as the licensee's willingness to comply with required regulations.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected





## Output Measures

### **OP 1.4.1.1      NUMBER OF RACE ANIMALS INSPECTED PRE-RACE**

Short definition	- The number of race animals entered and inspected by Commission veterinarians before each race.
Purpose	- To determine the number of race animals participating in racing.
Data Source	- The data is maintained in the agency's database. Veterinarians and/or test barn technicians at the racetracks enter the information into the database.
Calculation Method	- A summation of the total number of animals entered in all pari-mutuel races at all Texas pari-mutuel racetracks.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

### **OP 1.4.2.1      NUMBER OF ANIMAL SPECIMENS COLLECTED FOR DRUG TESTING**

Short definition	- The number of animal specimens collected for testing for the presence of a prohibited drug, chemical, or other substance.
Purpose	- To assess the extent of the Commission's drug testing program.
Data Source	- The data is maintained in the agency's database. The stewards and racing judges order urine and/or blood specimens to be collected from a certain number of race animals from each live race. Details of drug testing are entered into the database system by the veterinarians and/or the test barn technicians.
Calculation Method	- A summation of the total number of race animals from which post-race specimens are collected at the racetracks.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

## Efficiency Measure

### **EFF 1.4.1.1      AVERAGE REGULATORY COST PER ANIMAL INSPECTED**

Short definition	- The average regulatory cost per animal inspected.
Purpose	- To determine the fiscal efficiency of examining every race animal before it races.
Data Source	- The data is maintained in the agency's database and USAS.
Calculation Method	- The total strategy cost divided by the total number of race animals inspected. The total strategy costs are all expenditures coded to the strategy in USAS, plus 18% of indirect costs. Indirect costs are central administration, information resources, and other support services.
Data Limitations	- None
Calculation Type	- Cumulative

New Measure	- No
Desired Performance	- Lower than projected

### Explanatory Measures

#### **EX 1.4.1.1      NUMBER OF RACE ANIMALS DISMISSED FROM TEXAS PARI-MUTUEL RACETRACKS**

Short definition	- The number of race animals that suffer a major injury or death due to participating in a race. A major injury is one which requires a prolonged or permanent layoff from racing.
Purpose	- To monitor animal welfare by determining the rate of major injuries to animals while participating in a pari-mutuel race in Texas.
Data Source	- The data is maintained in the agency's database. The veterinarians input data regarding physical conditions they have observed or confirmed regarding race animals on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type and severity.
Calculation Method	- A summation of the race animals with database codes for major injury or death during the report period.
Data Limitations	- Some injuries or deaths may not be apparent during or immediately after the running of a race and may not be reported.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

#### **EX 1.4.1.2      NUMBER OF RACE ANIMALS INJURED ON TEXAS PARI-MUTUEL RACETRACKS**

Short definition	- The number of race animals that suffer a minor injury due to participating in a race. A minor injury is one which requires a layoff from racing of less than one month.
Purpose	- To monitor animal welfare by determining the rate of minor injuries to animals while participating in a pari-mutuel race in Texas.
Data Source	- The data is maintained in the agency's database. The veterinarians input data regarding physical conditions they have observed or confirmed regarding race animals on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type and severity.
Calculation Method	- A summation of the race animals with database codes for minor injuries during the report period.
Data Limitations	- Some injuries may not be apparent during or immediately after the running of a race and may not be reported.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

**GOAL B: REGULATE THE PARTICIPATION IN RACING**

Objective 1: Maintain the efficiency of the occupational licensing process so that all licensed individuals are qualified through 2015.

Outcome Measures

**OC 2.1.1 AVERAGE TIME REQUIRED TO ISSUE A NEW OCCUPATIONAL LICENSE**

Short definition	- The average time required to issue a new occupational license.
Purpose	- To determine the efficiency of the licensing procedure.
Data Source	- Random samples taken at each licensing office. The licensing program administrator oversees the timing.
Calculation Method	- Random sampling at each licensing office. The amount of time measured in minutes that elapses from receipt of completed original license application until the time the license information is input in the database as a valid license. The total number of minutes taken to issue a new occupational license divided by the number of licenses sampled. Does not include applications submitted by mail or online.
Data Limitations	- Variations in types of occupational licenses issued can affect the time necessary to issue the license.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

**OC 2.1.2 PERCENT OF LICENSE HOLDERS MEETING QUALIFICATIONS**

Short definition	- The percentage of license holders that meet all qualifications for licensing. If a person does not meet all the qualifications for an occupational license, a ruling is issued denying the license.
Purpose	- To determine the effectiveness of the Commission's licensing procedure.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The total number of applications minus the number of applications denied divided by the total number of issued licenses, multiplied by 100, stated as a percentage.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

**OC 2.1.3 PERCENT OF NEW ELIGIBLE INDIVIDUAL LICENSES ISSUED ONLINE**

Short definition	- The percentage of all new licenses issued online to individuals for whom online application was available during the reporting period.
Purpose	- To track use of online license issuance technology by the licensee population.



**OP 2.1.1.2      NUMBER OF OCCUPATIONAL LICENSES RENEWED**

Short definition	- The number of occupational licenses issued to individuals who were licensed in the previous year.
Purpose	- To determine the rate of licensing activity by the agency.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the number of licenses that were issued to individuals who were licensed in the previous year.
Data Limitations	- Performance depends on factors outside the agency's control, such as the number of applicants desiring to renew an occupational license.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

**Efficiency Measure**

**EFF 2.1.1.1      AVERAGE REGULATORY COST PER INDIVIDUAL LICENSE ISSUED**

Short definition	- The average cost of issuing and maintaining an occupational license.
Purpose	- To determine the fiscal efficiency of issuing occupational licenses.
Data Source	- The data is maintained in the agency's database and USAS.
Calculation Method	- The total cost of the licensing strategy plus 17% of indirect administrative costs divided by the total number of licensees for the report period.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

**Explanatory Measure**

**EX 2.1.1.1      TOTAL NUMBER OF INDIVIDUALS LICENSED**

Short definition	- The total number of individuals that hold occupational licenses.
Purpose	- To determine the rate of licensing activity.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of all current occupational licensees for the report period.
Data Limitations	- Performance depends on factors outside the agency's control, such as the number of applicants desiring occupational licenses.
Calculation Type	- Cumulative
New Measure	- No
DESIRED PERFORMANCE	- N/A

**GOAL C: REGULATE PARI-MUTUEL WAGERING IN TEXAS**

Objective 1: By 2015, increase the pass rate for initial tote tests to 97% and the pass rate for pari-mutuel compliance audits to 95%.

**Outcome Measures**

**OC 3.1.1 PERCENTAGE OF COMPLIANCE AUDITS PASSED**

Short definition	- The number of compliance audits (pari-mutuel procedural reviews) with a pass rate of 80% or greater as a ratio of total compliance audits conducted.
Purpose	- To determine the effectiveness of ongoing regulatory communication between the agency and the racetracks.
Data Source	- The compliance audit administrator maintains records of all compliance audits.
Calculation Method	- The total number of compliance audits with a pass rate of 80% or greater divided by the total number of compliance audits conducted during the report period.
Data Limitations	- Performance depends on factors outside the agency's control, such as the racetracks willingness to comply with the required regulations.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

**OC 3.1.2 PERCENTAGE OF TOTALISATOR (TOTE) TESTS PASSED ON THE FIRST RUN**

Short definition	- The percentage of tote tests passed on the first run. A tote test is a simulation of wagering activity to determine whether the computer equipment that records wagers, totals wagering pools, and calculates payoffs is operating in compliance with Commission and Comptroller rules.
Purpose	- To determine the compliance rate of both the racetracks and the tote companies.
Data Source	- The compliance audit administrator conducts or supervises the tests and maintains the results. If a tote test is not passed on the first run, adjustments are made and further tests are run until the systems operate with 100% accuracy.
Calculation Method	- The total number of tote tests passed on the first time divided by the total number of tests performed during the reporting period.
Data Limitations	- Performance depends on factors outside the agency's control, such as the tote companies' willingness to comply with the required regulations.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected



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Output Measures

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<b>OP 3.1.1.1</b>	<b>NUMBER OF LIVE AND SIMULCAST RACES AUDITED AND REVIEWED</b>
Short definition	- The number of live and simulcast races on which pari-mutuel wagering is audited and reviewed by agency auditors.
Purpose	- To determine the volume of pari-mutuel wagering regulatory work in Texas.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of all live and simulcast races on which pari-mutuel wagering is conducted at Texas racetracks during the report period.
Data Limitations	- Performance depends on the preferences of the racetracks regarding the amount of live races and simulcast performances it desires to offer for wagering. Those preferences can be shaped by many factors, such as the economy in the track location and competitive forces, which are outside the agency's control.
Calculation Type	- Cumulative
New Measure	- Yes
Desired Performance	- Higher than projected

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<b>OP 3.1.1.2</b>	<b>NUMBER OF COMPLIANCE AUDITS COMPLETED</b>
Short definition	- The total number of compliance audits completed.
Purpose	- To determine the rate of pari-mutuel regulatory activity.
Data Source	- The compliance audit administrator maintains a log of all audits.
Calculation Method	- A summation of the number of compliance audits completed.
Data Limitations	- Performance will depend on number of pari-mutuel wagering approvals requested by the racetracks.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

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<b>OP 3.1.2.1</b>	<b>NUMBER OF TOTE TESTS COMPLETED</b>
Short definition	- The total number of tote tests performed.
Purpose	- To determine the rate of pari-mutuel activity.
Data Source	- The compliance audit administrator maintains a log of all tote tests.
Calculation Method	- A summation of the number of tests performed on tote equipment at the racetracks. This test is performed at least once a year and/or before the opening of each live race meet and after any system change has been made.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No



Desired Performance - Higher than projected

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**Efficiency Measure**

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**EFF 3.1.1.1 AVERAGE COST TO AUDIT AND REVIEW A LIVE OR SIMULCAST RACE**

- Short definition - The average cost of reviewing for regulatory compliance a live or simulcast race on which pari-mutuel wagering is conducted.
- Purpose - To determine the fiscal efficiency of performing audits on live and simulcast races.
- Data Source - The data is maintained in the agency's database and USAS.
- Calculation Method - The total strategy cost, including indirect costs, divided by the number of live and simulcast races on which pari-mutuel wagering is conducted in Texas during the report period.
- Data Limitations - None
- Calculation Type - Non-cumulative
- New Measure - Yes
- Desired Performance - Lower than projected

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**Explanatory Measures**

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**EX 3.1.1.1 TOTAL PARI-MUTUEL HANDLE (IN MILLIONS)**

- Short definition - The total amount wagered, in millions, at Texas racetracks on both live and simulcast races.
- Purpose - To determine the amount of money wagered in Texas.
- Data Source - The data is maintained in the agency's database. This data is updated daily by Commission auditors.
- Calculation Method - A summation of the total amount wagered at each track for the report period.
- Data Limitations - Performance is completely outside the agency's control.
- Calculation Type - Cumulative
- New Measure - No
- Desired Performance - N/A

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**EX 3.1.1.2 TOTAL TAKE TO THE STATE TREASURY FROM PARI-MUTUEL WAGERING ON LIVE AND SIMULCAST RACES**

- Short definition - The amount of revenue to the state from pari-mutuel wagering on both live and simulcast races. The tax rate is determined by the Texas Racing Act.
- Purpose - To determine the amount of revenue due to the state.
- Data Source - The data is maintained in the agency's database.
- Calculation Method - A summation of the state's share of the total amount wagered for the report period.





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Data Limitations	- Performance is completely outside the agency's control.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

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**EX 3.1.1.3      RATIO OF SIMULCAST HANDLE TO LIVE HANDLE**

Short definition	- The ratio of amount wagered on simulcast races compared to the amount wagered on live races.
Purpose	- To assess the relative wagering activity on simulcast races and live races.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The total amount wagered on simulcast races is divided by the total amount wagered on live races, stated as a ratio.
Data Limitations	- Performance depends on factors outside the agency's control, such as the amount of simulcast activity requested by the racetracks.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- N/A

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

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Objective 1: Ensure purchases from historically underutilized businesses constitute at least 16% of the total value of purchases each year.

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**Outcome Measure**

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**OC 4.1.1      PERCENTAGE OF TOTAL DOLLAR VALUE OF PURCHASES MADE FROM HUBS**

Short definition	- The percentage of purchases made from HUBs by the agency.
Purpose	- To determine the percentage of business done with HUBs during the report period.
Data Source	- The information is provided by the Texas Procurement and Support Services.
Calculation Method	- The dollar value of purchases made to HUBs divided by the total dollar value of all purchases made during the report period.
Data Limitations	- None
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

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**Output Measures**

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**OP 4.1.1.1      NUMBER OF HUB CONTRACTORS AND SUBCONTRACTORS CONTACTED FOR BID PROPOSALS**

Short definition	- The number of HUB contractors and subcontractors that the agency contacts for bid proposals.
Purpose	- To assess the agency's efforts to include HUBs in purchasing and contracting activities.
Data Source	- The information is provided by the Texas Procurement and Support Services.
Calculation Method	- A summation of all HUBs contacted for bids on goods and services.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

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**OP 4.1.1.2      NUMBER OF HUB CONTRACTS AND SUBCONTRACTS AWARDED**

Short definition	- The number of HUBs awarded contracts by the agency.
Purpose	- To determine the agency's level of participation with HUBs.
Data Source	- The information is provided by the Texas Procurement and Support Services.
Calculation Method	- A summation of all contracts awarded to HUBs.
Data Limitations	- Performance will depend on the quality and cost of bids received from HUBs.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

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**OP 4.1.1.3      DOLLAR VALUE OF HUB PURCHASES**

Short definition	- The dollar value of all HUB purchases.
Purpose	- To determine the amount spent by the agency on purchases from HUBs.
Data Source	- The Texas Procurement and Support Services maintains and provides the information.
Calculation Method	- The summation of total dollar amount spent of purchases of goods and services from HUBs during the report period.
Data Limitations	- Performance will depend on the quality and cost of bids received from HUBs.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

## Agency Overview

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

- License racetracks that offer racing and the people directly involved with pari-mutuel wagering who work at the racetracks or own race animals.
- Allocate race dates, supervise the conduct of all races, monitor the health and safety of the race animals, and conduct drug tests to ensure the animals race without prohibited substances.
- Oversee all pari-mutuel wagering activity, approve simulcasts, test the totalisator systems (complex computer systems that tally and calculate pari-mutuel wagers), and ensure the proper allocation and distribution of revenue generated by pari-mutuel wagering.
- Administer the Texas-bred Incentive Program, which provides economic incentives to support a healthy and vigorous breeding industry in the state.

Pari-mutuel racing was originally authorized by the legislature in 1986 and endorsed by statewide referendum in 1987. Currently, the agency is authorized to employ 62.3 FTEs in FY 2012 and in FY 2013. The agency's structure consists of two divisions and an executive group. The deputy director for racing oversight leads the Racing Oversight Division and the deputy director for finance and wagering heads the Finance and Wagering Division. The agency's executive director leads the executive group.

The Commission is self-funded by the entities it regulates and is typically appropriated only GR–Dedicated funds. Before passage of Sunset legislation last session, the agency's primary method of finance was uncashed outstanding ticket revenue, or OUTs. Now the agency's revenue primarily comes from fees assessed to racetracks and occupational licensees. For FY 2010 and FY 2011, the legislature provided an additional \$1.5 million in General Revenue Funds. The additional funding helped compensate for fluctuations in the agency's cash flow caused by variations in the OUTs. The agency has repaid the \$1.5 million plus interest to General Revenue. Excluding Texas-bred Incentive Program pass-through funds, approximately 75 percent of the agency's operating budget is used for salaries.

## Agency Mission and Philosophy

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

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## Strategic Goals and Objectives

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

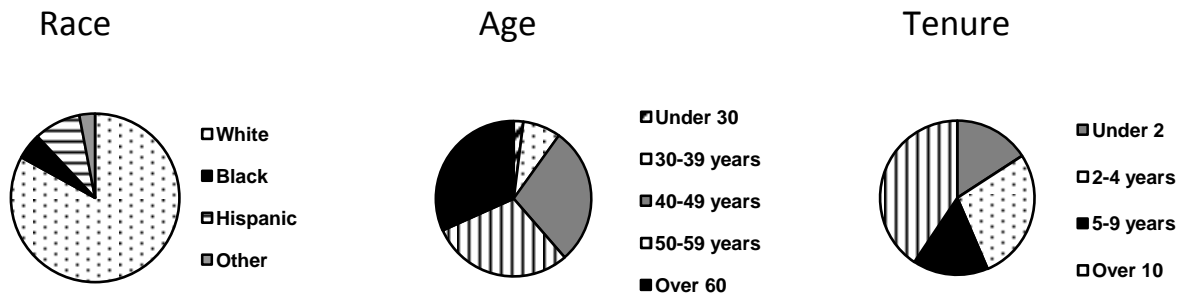
### Anticipated Changes in Strategies

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

## Current Workforce Profile (Supply Analysis)

### Demographics (Fiscal Year 2011)

The Commission's workforce is 54% male, 46% female. The charts below further breakdown the Commission's workforce:



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

		Administration	Professional	Service & Maintenance	Administrative Support
White	Agency	100.00%	81.82%	93.55%	50.00%
	State	70.42%	59.31%	42.99%	47.88%
African American	Agency	0.00%	0.00%	0.00%	14.29%
	State	10.34%	11.27%	29.25%	19.15%
Hispanic	Agency	0.00%	18.18%	3.23	28.57%
	State	13.5%	15.66%	25.42%	28.78%
Female	Agency	55.56%	9.09%	35.48%	92.86%
	State	50.61%	55.90%	51.39%	87.72%
Male	Agency	44.44%	90.91%	64.52%	7.14%
	State	49.39%	44.10%	48.61%	12.28%

**Source:** The data in this chart was extrapolated from the Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 2010, for the state of Texas.

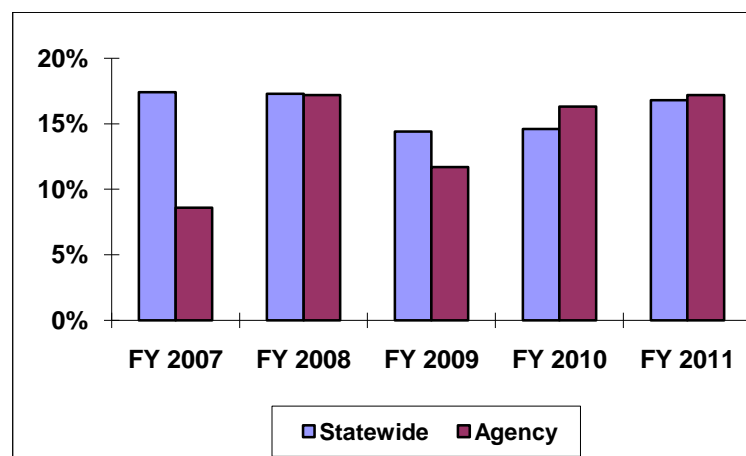
### Retirement Eligibility

According to the information from the state's USPS payroll system using age and years of state service, 21 of the agency's current employees, or 38 percent, of the authorized FTEs will be eligible to retire between 2012 and 2017. During current FY 2012, the agency employs twelve 'return-to-work' retirees. Almost half of the staff occupies positions that require specialized skills or professional training that cannot be supplied by the agency through on-the-job training.

### Employee Turnover

Turnover is an important issue in any organization and the Commission is no exception. In 2011, the Commission had a turnover rate of 17.2 percent, up from 11.7 percent in 2009. The increased turnover from 2009 to 2011 is the result of retirements and staff reductions at the racetracks caused by decreases in live racing. Retaining qualified and experienced staff will be the biggest workforce challenge the Commission will face for the next five years. The following graph compares the average of the Commission turnover to the state as a whole.

Employee Turnover Rate



### Critical Workforce Skills

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

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

## Future Workforce Profile (Demand Analysis)

### Critical Functions

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

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

### Expected Workforce Changes

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

#### *Improved Controls for Integrity of Wagering Data*

Complex computer systems called totalisators (totes) process all pari-mutuel wagering at Texas racetracks. The agency contracted with a certified testing laboratory in July 2008 to perform an independent review of tote systems operating at Texas racetracks. The final project report validated the integrity of the tote systems operating at the Texas racetracks. With this testing project, the agency satisfied a finding issued by the State Auditor's Office in May 2006 that the agency strengthen its electronic data processing reviews of the tote systems to ensure the data coming from and stored within the systems is reliable. The review showed some areas for improvement in tote system operations and the need for wagering terminal standards and rule updates to reflect ongoing advances in tote system technology. The agency requested and received additional appropriations to continue with these advancements during the 2010-11 biennium. In 2010, the agency contracted with a consultant to assist in developing tote terminal standards and to review Commission rules related to tote standards. In late 2011, Racing Commissioners International adopted Texas' newly developed tote standards as the model for the nation. The agency included a request to continue funding for this project in the 2012-13 biennium. The Commission is working to adopt and implement the new national standards, which it hopes to complete by December 2012. Once the new standards are implemented, the Commission will seek assistance from a certified testing laboratory to further enhance the wagering systems testing program.

### Change in Number of Employees Required to Accomplish Mission

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

### **Future Workforce Skills Required**

In the future, the Commission will need to accomplish more with less in an increasingly tight budgetary environment. As the racing industry matures and changes with technology, the Commission's workforce must remain keenly aware of its regulatory role. Therefore, Commission employees will be required to use more of the following skills:

- Creativity and problem solving
- Communication
- Commitment to learning
- Leadership and team-building
- Organizational awareness
- External awareness
- Flexibility
- Integrity and honesty

### **Gap Analysis**

#### **Anticipated Surplus/Shortage of Employees or Skills**

With more than 38 percent of its workforce eligible for retirement by FY 2017 and with another 21 percent consisting of return-to-work retirees, the Commission projects a shortage in staffing and skill levels needed to meet future requirements. These shortages will be across the agency staffing in all departments. Additionally, the Commission continues to have difficulty retaining qualified veterinarians due to significant differences in agency salaries compared to those in the private sector.



## Survey of Employee Engagement

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

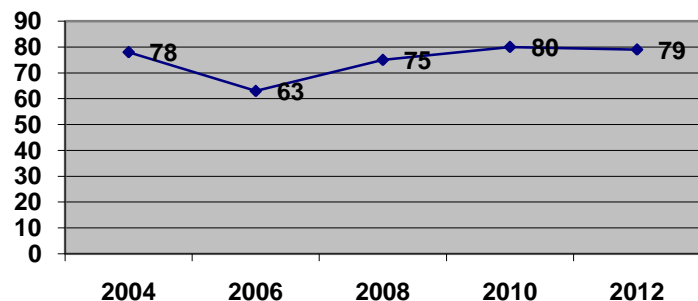
The EES survey consists of 71 primary statements that are used to assess essential and fundamental aspects of how the organization functions, the climate, the potential barriers to improvement and integral organizational strengths. The items are all scored on a five-point scale from Strongly Disagree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

## Participation Rate

In addition to the standard questions provided by the University of Texas School of Social Work, the Commission asked each respondent to identify the department in which he or she works.

Of all the employees invited to take the online survey, 79 percent responded. The EES report states that, as a general rule, rates higher than 50 percent suggest soundness. The agency's 79 percent rate is considered high. According to the analysis, high participation rates mean that employees have an investment in the organization, want to see the organization improve and generally have a sense of responsibility to the organization.

Response Rate Over Time



One of the values of participating in multiple iterations of the survey is the opportunity to measure organizational change over time. If organizational health is sound, rates tend to plateau above the 50% level.

The demographic information gives insight into the agency's staff: more than 68 percent of respondents have worked for the Commission 6 years or longer; nearly 87 percent plan to be working for the Commission in one year; and almost 58 percent are 50 years or older.

## Survey Results

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

## Appendix F. Survey of Organizational Excellence

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

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

The agency's results are overwhelmingly positive. Out of the 14 constructs, there was only one area that is a significant source of concern for the agency. Scores for six of the constructs were substantially strong, ranging from 375 to 399. Positive scores for five of the constructs ranged from 374 to 352. Two other constructs fell in a range from 343 to 349. The lowest score by far was Pay at 249.

Physical Environment	399
Strategic	392
Team	387
External Communication	380
Supervision	378
Employee Engagement	375
Quality	374
Job Satisfaction	373
Benefits	367
Diversity	352
Internal Communication	352
Information Systems	349
Employee Development	343
Pay	249

## Relative Strengths

With the highest score of 399, the Physical Environment construct captures employees' perceptions of the total work atmosphere and the degree to which employees believe it is a 'safe' working environment. This high score indicates that Commission employees see the work setting as satisfactory, safe and that adequate tools and resources are available.

Coming in only a few points lower at 392, the Strategic construct reflects employees' thinking about how the organization responds to external influences that should play a role in defining the organization's mission, vision, services, and products. Implied in this construct is the ability of the organization to seek out and work with relevant external entities. A high score indicates that employees view the organization as able to quickly relate its mission and goals to environmental changes and demands. It is viewed as creating programs that advance the organization and having highly capable means of drawing information and meaning from the environment.

With a high score of 387, the Team construct captures employees' perceptions of the people within the organization that they work with on a daily basis to accomplish their jobs—the work group or team. This construct gathers data about how effective employees think their work group is as well as the extent to which the organization supports cooperation among employees. This high Team score indicates that employees view their work groups as effective, cohesive and open to the opinions of all its members.

## Areas of Improvement

With an average score of 349, the Information Systems construct provides insight into whether computer and communication systems enhance employees' ability to get the job done by providing accessible, accurate, and clear information. The construct addresses the extent to which employees feel that they know where to get needed information, and that they know how to use it once they obtain it. Average scores suggest that room for improvement exists and there is frustration with securing needed information. In general, a low score stems from these factors: traditional dependence on word of mouth, low investment in appropriate technology, and possibly some persons using their control of information to control others.

The score of 343 for the Employee Development construct is an assessment of the priority given to employees' personal and job growth needs. It provides insight into whether the culture of the organization sees human resources as the most important resource or as one of many resources. It directly addresses the degree to which the organization is seeking to maximize gains from investment in employees. Average scores suggest employees feel that minimum needs are being met for personal development and enhancement of job skills.

The Pay construct addresses perceptions of the Commission's overall compensation package. It describes how employees feel the compensation package "holds up" when compared to similar jobs in other organizations. At 249, or 94 points lower than the next second lowest score, this score suggests that pay is a central concern or reason for dissatisfaction or discontent. In some situations pay does not meet comparables in similar organizations. In other cases individuals may feel that pay levels are not appropriately set to work demands, experience and ability. Cost of living increases may cause sharp drops in purchasing power, and as a result, employees will view pay levels as unfair.

## Climate Analysis

The climate in which employees work does, to a large extent, determine the efficiency and effectiveness of an organization. Overall, the agency's results are positive. Out of the five climate areas, none received a score which should cause significant concern.

Ethics	398
Atmosphere	386
Fairness	361
Management	350
Feedback	346

## BENCHMARK COMPARISONS

The following charts compare the agency's 2012 scores with the most recently available average benchmark scores (from 2010) for all participating state agencies, for all similar mission agencies — regulatory and all similar sized agencies — 26 to 100 employees.

### Overall Score

Texas Racing Commission	365
Regulatory Agencies	378
Similar Size Agencies	367
Average Scores for All Participating Agencies	360

### Response Rate

Texas Racing Commission	80.0%
Similar Mission Agencies - Regulatory	88.5%
Similar Size Agencies 26 to 100 employees	84.9%
Average Scores for All Participating Agencies	57.8%

## Constructs

	TxRC	Regulatory Agencies	Similar Size Agencies	All Agencies
Physical Environment	399	396	391	390
Strategic	392	401	394	399
Team	387	380	366	375
External Communication	380	399	388	386
Supervision	378	404	390	396
Employee Engagement	375	382	377	379
Quality	374	386	376	380
Job Satisfaction	373	386	380	378
Benefits	367	389	380	387
Diversity	352	367	355	361
Internal Communication	352	357	338	351
Information Systems	349	378	360	374
Employee Development	343	375	370	382
Pay	249	287	268	270

## Climate

	TxRC	Regulatory Agencies	Similar Size Agencies	All Agencies
Ethics	398	393	382	389
Atmosphere	386	388	378	386
Fairness	361	354	337	347
Management	350	364	346	344
Feedback	346	358	342	350

## Management Plan

Management is pleased with the 79 percent rate and overall positive results of the 2012 survey. Judging from the continued high participation rate, employees have seen the value in the process.

It will be challenging for the Commission to address the “fair pay” issue given the already strained budget and uncertainty as preparations begin for the upcoming biennium. Providing opportunities to discuss this issue and finding ways other than monetary compensation may prove beneficial.

Employee dissatisfaction with pay has not, however, altered employee attitudes toward their jobs or the level of service provided. The overall favorable employee survey results correlate well with the agency’s recent customer service survey with more than 84 percent of the respondents expressing an overall satisfaction with services received. As the Commission asks employees to do more with less, it speaks well of staff that they continue to deliver a high level of customer service.

Appendix G.  
Historically Underutilized Business Plan

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

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

	Professional Services	Other Services	Commodities	Total Expenditures
2007	100.0%	21.7%	79.3%	48.9%
2008	100.0%	35.4%	60.4%	49.6%
2009	100.0%	19.0%	85.0%	33.6%
2010	100.0%	9.0%	70.8%	25.1%
2011	100.0%	21.9%	66.6%	34.9%



**Breakage** – Generally, breakage is the amount left over after payoffs to winning ticket holders rounded down to the nearest dime.

**Exotic Wagers** – a mutuel wager that involves wagers on more than one entered horse or greyhound or on entries in more than one race.

**Handle** – the total amount of money wagered at a racetrack during a particular period.

**Outstanding Ticket (OUTS)** – a pari-mutuel ticket that is not presented for payment before the end of the race day for which the ticket was purchased.

**Purse** – the cash portion of the prize for a race.

**Simulcast** – the telecast or other transmission of live audio and visual signals of a race, transmitted from a sending track to a receiving location, for the purpose of wagering on the race at the receiving location.

**Totalisator (Tote)** – a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.



