

# *Texas Racing Commission*

## *Equine Research Account Advisory Committee*

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### **Summary**

In 1986, the Legislature passed the Texas Racing Act, allowing pari-mutuel wagering on horse and greyhound races and creating the Texas Racing Commission (Commission) to oversee the racing industry. The Commission's authority spans from licensing racetracks and their employees, to overseeing live racing events, and monitoring and certifying wagering transactions. Last fiscal year, the Commission spent about \$4.3 million for its operations, funded by fees, fines, and a portion of wagers. The State also received about \$3.6 million in pari-mutuel taxes.

Created by the Legislature in 1991, the 11-member Equine Research Account Advisory Committee recommends funding for equine research projects, initially using a portion of the wagers placed on Texas horse races. The Director of Texas AgriLife Research makes the final grant awards. For the past three Sessions, the Legislature has not appropriated Account funds and instead, Texas AgriLife funded grants recommended by the Committee.

House Bill 2271 continues the Racing Commission for six years and abolishes the Equine Research Account Advisory Committee. The Legislature adopted all of the Sunset Commission's recommendations and added several other statutory modifications to H.B. 2271. Most of the Legislature's modifications affect the Commission's application approval process and the process for identifying tracks as active or inactive, and how these two types of licenses are reviewed. A discussion of the bill's major provisions follows.

### **Sunset Provisions**

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#### **1. Provide the Commission regulatory tools to ensure proper oversight of today's racing industry.**

House Bill 2271 grants the Commission authority to determine whether each racetrack license holder is actively conducting, or working towards conducting, live racing and then to designate each racetrack license either active or inactive. Inactive licenses are subject to an annual license renewal until active status is achieved or the Commission refuses to renew the license. The Commission is authorized to charge inactive racetracks a fee to cover any additional costs associated with processing license renewals, and the Commission is authorized to not renew an inactive license. The Legislature modified the Sunset provision to require the Racing Commission to establish renewal criteria in rule and to develop rules on what constitutes good faith efforts to conduct live racing.

The bill clarifies the Commission's authority to revoke a license from any license holder for significant violations of the Racing Act or Commission rules and provides that licenses are not held in perpetuity. The Legislature modified the Sunset provision to specify that an active racetrack license is effective

unless designated as inactive and non-renewed, or is surrendered, suspended, or revoked. The Legislature also modified the Sunset provision to make clear that the Commission may only use revocation when it reasonably determines that other disciplinary actions are inadequate.

The bill also authorizes the Commission to require racetrack license holders to post a bond at any time, instead of only when a new license is issued. The Legislature modified the Sunset approach to provide that the posting of security be in an amount reasonably necessary to ensure compliance with the substantive requirements of the Racing Act and Commission rule.

In addition, the bill eliminates uncashed winning tickets as a source of Commission revenue, allowing racetracks to keep revenue from uncashed winning tickets. The Commission will replace the lost revenue by adjusting other racing-related regulatory fees paid by each licensed racetrack. Finally, the bill clarifies that all unlicensed entities are prohibited from accepting wagers placed by Texas residents.

## **2. Strengthen the Commission's oversight of racing industry occupations.**

House Bill 2271 limits Commission licensure of racing industry occupations to only those individuals directly involved with pari-mutuel racing. The bill also requires the Commission to perform criminal history checks on licensees every three years.

## **3. Continue the Texas Racing Commission for six years.**

The bill continues the Racing Commission as an independent agency for six years, instead of the standard 12 years. This will allow the Legislature a sooner opportunity to re-evaluate the Commission's role in regulating a declining industry. In addition, the bill applies the standard Sunset across-the-board requirements to the Commission regarding alternative dispute resolution and Commission member conflicts of interest.

## **4. Abolish the Equine Research Account Advisory Committee.**

The bill abolishes the Equine Research Account Advisory Committee and continues Texas AgriLife Research's authority to expend appropriated Equine Research Account funds.

# **Provisions Added by the Legislature**

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## **5. Modify the definition of greyhound performance.**

House Bill 2271 removes from statute the specific number of greyhound races that make up a "performance" and allows the Racing Commission to determine the number of races in rule.

## **6. Authorize the executive director to review and modify disciplinary decisions of stewards and judges.**

The bill provides the director of the Racing Commission with authority to review and modify decisions made by racetrack stewards and judges regarding unethical practices or violations of racing rules, and to levy enhanced penalties including a fine of up to \$10,000, a suspension of not more than two years, or both.

**7. Specify that the Comptroller will sweep from the agency's account only funds above \$750,000 at the end of each biennium.**

The bill specifies that unspent funds exceeding \$750,000, instead of all funds, that remain in the Commission's account at the end of the biennium shall be transferred to the General Revenue Fund.

**8. Eliminate the statutory limitation of \$200 on ATM withdrawals at racetracks.**

The bill removes the statutory cap on ATM withdrawals of \$200 per day at a racetrack, allowing patrons to withdraw up to the limit imposed by their financial institution.

**9. Require the Commission to establish a process and schedule for conducting active racetrack reviews.**

The bill requires the Commission to set up a staggered schedule for review of racetrack licenses that have been designated active.

**10. Require the Commission to make a determination on a racetrack application within 120 days from the time the application is administratively complete.**

The bill requires the Commission to make a final determination on an application for a racetrack license within 120 days from the time the Commission receives all information required from the applicant by the Racing Act. At this time, the Commission must send a notice informing the applicant that the application is complete.

## Fiscal Implication Summary

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House Bill 2271 will not have a fiscal impact to the State.

