



TEXAS RACING COMMISSION

P. O. Box 12080

Austin, TX 78711-2080

(512) 833-6699

Fax (512) 833-6907

Date: April 29, 2016

To: Texas Racing Industry

From: Ad Hoc Committee on Finance

Re: Request for Funding Proposals

At the Texas Racing Commission's meeting on April 12, 2016, Chairman Pablos created an Ad Hoc Committee on Finance and appointed Commissioners Ederer, Hicks, and North as its members. At the same meeting, TRC staff laid out the history of the agency's FTE/expenditure/revenue structure over the past ten years, plus a projection of that structure for fiscal years 2016 and 2017, after adjusting for the loss of annual fees from Saddle Brook Park and Manor Downs. These losses total \$287,500 for FY 2016 and then increase to \$460,000 annually for FY 2017 and thereafter. Attached is an updated version of the projection. While the projected cash flow shows that the current structure will end with a balance of \$444,125 at the end of FY 2016, the accruing lost revenues will cause the Commission to exhaust its funds in June 2017. In order to establish a positive cash balance, build a sufficient carry forward to begin the next biennium, and maintain a stable cash flow into the future, the Commission must recover the \$287,500 loss for FY 2016 and also adjust the annual fee schedule to reapportion the \$460,000 loss among the remaining licensees.

The Commission last faced similar funding issues in 2011 when the Legislature removed the Outstanding Unclaimed Tickets (OUTs) as a source of revenue. Chairman Pablos appointed an Ad Hoc Committee which met and solicited input from industry participants as to how the Commission could restructure its funding. The current funding structure was established as a result of that process. A copy of the September 7, 2011, Committee Meeting Report and Meeting Packet is attached for your use.

The Committee will meet at Gulf Coast Racing's facility in Corpus Christi on Monday, May 23, 2016, at 11:00 a.m., to discuss the Commission's financing issue and possible solutions. In advance of that meeting, the Committee requests that industry participants offer their proposed solutions as they did previously. The Committee intends to meet only once before making its recommendation to the Commission, so it encourages participants to submit their solutions to Executive Director Trout no later than Friday, May 13, 2016, so that the materials can be distributed in advance of the meeting.

Thank you for your participation. If you have any questions regarding this memo, please contact Mr. Trout or Chief Financial Officer Adrienne Courtney.

Projected Cash Flow
and
Projected FTEs/Expenditures/Revenue

Texas Racing Commission
Projected Cash Flow Based on Current Fee Schedules
For: Fiscal Year Ending August 31, 2017

	<u>FY 2016</u>	<u>FY 2017</u>
Projected Active Licenses:	7	7
Projected Inactive Licenses:	6	4
Projected Revenues:		
Cash Balance Carry Forward	\$ 750,000	\$ 444,125
Annual Active License Fees	\$ 2,803,750	\$ 2,803,750
Annual Inactive License Fees	1,092,500	920,000
Occupational Licensing	703,955	703,955
Other	23,071	23,071
Total Projected Revenues:	\$ 5,373,276	\$ 4,894,901
Projected Expenses by Strategy:		
1-1 Regulate Racetracks	\$ 382,442	\$ 387,680
1-3 Supervise Live Racing	554,931	566,852
1-3 Monitor Licensee Activities	225,603	239,881
1-4 Emergency Care / Drug Test	577,990	616,592
2-1 Occupational Licensing / Texas OnLine	425,302	439,783
3-1 Pari-Mutuel Wagering & Compliance	437,109	383,145
4-1 Administration	727,630	767,019
4-1 I.T.	522,394	539,119
Unappropriated	1,075,752	1,081,091
Total Projected Expenses:	\$ 4,929,151	\$ 5,021,163
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Projected Agency Revenue Overage / (Shortage)	\$ 444,125	\$ (126,262)
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Lost Revenue from Saddle Brook and Manor Downs	(287,500)	(460,000)
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EXPENDITURES

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Projected	
											FY2016*	FY2017*
FTE's	68.6	71	67.8	65.5	58.3	52.9	46.6	48	48	47.5	47.5	46.5
Unappropriated Cost	\$909,368	\$963,235	\$941,157	\$935,545	\$935,172	\$902,182	\$804,888	\$885,819	\$956,981	\$984,298	\$1,075,752	\$1,081,091
Salaries	3,360,225	3,496,092	3,372,509	3,379,425	3,009,864	2,843,697	2,515,123	2,666,714	2,718,779	2,804,640	2,756,811	2,844,975
Operating Expenditures	1,049,096	1,050,832	1,061,102	886,084	915,062	1,078,277	1,037,921	1,151,975	1,130,712	1,327,553	1,096,588	1,095,095
Total	\$ 5,318,690	\$ 5,510,159	\$ 5,374,768	\$ 5,201,120	\$ 4,860,098	\$ 4,824,156	\$ 4,357,932	\$ 4,704,508	\$ 4,806,472	\$ 5,116,491	\$ 4,929,151	\$ 5,021,161

*Adjusted for revised Gulf Greyhound Schedule

REVENUE

Horse Racetracks

Gillespie

Annual			\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 70,609	\$ 40,831	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Live	5,200	10,200	5,200	5,200	5,200	5,200						
Simulcast	61,355	53,700	63,000	56,100	61,800	48,600	20,700					
Outs	-	20,991	27,890	11,267	17,017	17,042						
Total	\$ 66,555	\$ 84,891	\$ 101,090	\$ 77,567	\$ 89,017	\$ 75,842	\$ 91,309	\$ 40,831	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000

Lone Star Park

Annual			\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 918,478	\$ 359,478	\$ 616,248	\$ 616,248	\$ 612,500	\$ 612,500
Live	205,425	230,850	201,275	195,050	182,600	161,850	53,950					
Simulcast	146,240	127,100	148,830	148,010	148,010	116,440	49,610					
Outs	1,250,974	891,749	943,659	644,630	806,750	304,373						
Total	\$ 1,602,639	\$ 1,249,699	\$ 1,338,764	\$ 1,032,690	\$ 1,182,360	\$ 627,663	\$ 1,022,038	\$ 359,478	\$ 616,248	\$ 616,248	\$ 612,500	\$ 612,500

Manor Downs

Annual			\$ 15,000	\$ 15,000	\$ 15,000		\$ 34,465					
Live	37,350	52,350	37,350	37,350	29,050							
Simulcast	117,830	102,850	120,130	107,010	95,530							
Outs	92,714	88,224	89,981	83,461	79,312	15,811						
Total	\$ 247,894	\$ 243,424	\$ 262,461	\$ 242,821	\$ 218,892	\$ 15,811	\$ 34,465					

Retama Park

Annual			\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 471,807	\$ 293,853	\$ 503,748	\$ 503,748	\$ 500,000	\$ 500,000
Live	132,800	152,000	114,125	161,850	62,250	83,000	47,725					
Simulcast	146,240	127,100	149,240	148,420	148,010	116,850	49,610					
Outs	272,792	268,064	236,312	214,958	224,741	97,681						
Total	\$ 551,832	\$ 547,164	\$ 544,677	\$ 570,228	\$ 480,001	\$ 342,531	\$ 569,142	\$ 293,853	\$ 503,748	\$ 503,748	\$ 500,000	\$ 500,000

Sam Houston Race Park

Annual			\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 565,553	\$ 311,353	\$ 541,248	\$ 537,498	\$ 541,250	\$ 541,250
Live	251,075	243,300	211,650	116,200	219,950	114,125						
Simulcast	145,000	127,100	149,240	145,550	148,830	117,670	49,200					
Outs	314,592	365,669	342,878	311,263	460,143	162,831						
Total	\$ 710,667	\$ 736,069	\$ 748,768	\$ 618,013	\$ 873,923	\$ 439,626	\$ 614,753	\$ 311,353	\$ 541,248	\$ 537,498	\$ 541,250	\$ 541,250

EXPENDITURES

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Projected	
											FY2016*	FY2017*
FTE's	68.6	71	67.8	65.5	58.3	52.9	46.6	48	48	47.5	47.5	46.5
Unappropriated Cost	\$909,368	\$963,235	\$941,157	\$935,545	\$935,172	\$902,182	\$804,888	\$885,819	\$956,981	\$984,298	\$1,075,752	\$1,081,091
Salaries	3,360,225	3,496,092	3,372,509	3,379,425	3,009,864	2,843,697	2,515,123	2,666,714	2,718,779	2,804,640	2,756,811	2,844,975
Operating Expenditures	1,049,096	1,050,832	1,061,102	886,084	915,062	1,078,277	1,037,921	1,151,975	1,130,712	1,327,553	1,096,588	1,095,095
Total	\$ 5,318,690	\$ 5,510,159	\$ 5,374,768	\$ 5,201,120	\$ 4,860,098	\$ 4,824,156	\$ 4,357,932	\$ 4,704,508	\$ 4,806,472	\$ 5,116,491	\$ 4,929,151	\$ 5,021,161

*Adjusted for revised Gulf Greyhound Schedule

REVENUE

Greyhound Tracks

Gulf Coast Racing

Annual			\$ 175,000	\$ 150,000	\$ 175,000	\$ 175,000	\$ 300,824	\$ 210,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000
Live	212,960	273,020	57,750									
Simulcast	125,520	119,720	48,790	17,630	105,370	82,410	34,850					
Outs	-					35,154						
Breakage	26,547	21,446										
Total	\$ 365,027	\$ 414,186	\$ 281,540	\$ 167,630	\$ 280,370	\$ 292,564	\$ 335,674	\$ 210,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000

Gulf Greyhound Park

Annual			\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 263,504	\$ 217,700	\$ 372,228	\$ 360,000	\$ 360,000	\$ 360,000
Live	216,420	289,430	174,350	158,580	176,360	168,970	54,430					
Simulcast	143,250	126,690	148,420	142,270	148,010	115,620	48,380					
Outs	82,035	54,664	68,759	53,161	74,346	15,894						
Breakage	68,276	64,040										
Total	\$ 509,981	\$ 534,824	\$ 566,529	\$ 529,011	\$ 573,716	\$ 475,484	\$ 366,314	\$ 217,700	\$ 372,228	\$ 360,000	\$ 360,000	\$ 360,000

Valley Race Park

Annual			\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 303,261	\$ 210,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000
Live	55,110	134,110	64,945	62,300			2,750					
Simulcast	146,240	127,100	136,940	133,660	126,690	101,270	42,230					
Outs	53,483	61,452	57,368	49,478	74,176	15,734						
Breakage	23,494	21,520	-									
Total	\$ 278,327	\$ 344,182	\$ 434,253	\$ 420,438	\$ 375,866	\$ 292,004	\$ 348,241	\$ 210,000	\$ 360,000	\$ 360,000	\$ 360,000	\$ 360,000

Inactive Tracks	\$ 20,000	\$ 40,000	\$ 375,000	\$ 500,000	\$ 500,000	\$ 600,000	\$ 1,380,000	\$ 1,380,000	\$ 1,380,000	\$ 1,380,000	\$ 1,380,000	\$ 1,380,000
Less fees from: Saddle Brook											(172,500)	(230,000)
Manor Downs											(115,000)	(230,000)
Total Racetrack License Fees	4,352,922	4,194,438	4,653,083	4,158,398	4,574,145	3,161,526	4,761,934	3,023,215	4,203,472	4,187,494	3,896,250	3,723,750

Forfeiture of Laredo Park Bond					140,000							
Bkgrnd Fees/Change of Ownership		110,000			23,795	52,464	53,528	60,141				
Occupational Licensing Fees	848,558	825,230	808,775	794,057	853,063	838,070	747,537	749,851	744,866	760,850	705,000	720,000
Other	46,864	49,197	43,975	40,218	37,387	35,179	37,725	24,303	33,188	21,565	24,000	25,000

Total Revenue	\$ 5,248,344	\$ 5,178,865	\$ 5,505,833	\$ 4,992,673	\$ 5,628,390	\$ 4,087,239	\$ 5,600,725	\$ 3,857,510	\$ 4,981,525	\$ 4,969,909	\$ 4,625,250	\$ 4,468,750
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Notes and Materials
from the
2011 Ad Hoc Committee on Finance

**TEXAS RACING COMMISSION
AD HOC COMMITTEE ON FINANCE**

Meeting Report

**Texas Animal Health Commission
2105 Kramer Lane, Austin, TX**

**September 7, 2011
10:30 a.m.**

Attending were Commissioner Gloria Hicks, Commission staff and representatives from Texas racetrack associations, breed registries, and other interested parties. Commissioner Gloria Hicks chaired the meeting.

This meeting provided a forum for the racetracks, breed associations, horsemen's organization, racing industry stakeholders, and the public to provide input on potential changes to the Commission's financial policies and rules due to changes made by HB 2271, the Sunset legislation, to the Racing Act.

Executive Director Chuck Trout opened the meeting by thanking those who took the time and energy to respond to Commissioner Ederer's request to assist in helping formulate fair and equitable fees by providing specific fee proposals and comments. In response to statements in some of the submissions that the agency has not responded 'in kind' to the reductions in live race date activity over the years, Mr. Trout reminded the group that the Racing Commission is a state regulatory agency that has certain duties and obligations to meet regardless of whether one day of racing or 1,000 days of racing are conducted. Mr. Trout stated that one should not expect the agency's staffing levels to go down at the very same rate as live race date activity.

Mr. Trout then named a few of the 'non-live/simulcast racing related' reports and activities that the agency must address, including the Strategic Plan; the Legislative Appropriations Request; the Annual Report; various financial reports; responding to audits by the State Office of Auditing; the agency's Internal Auditor; the Comptroller's Audits of Fiscal Management and Purchasing; reporting to the State Office of Risk Management; ensuring staff meets professional continuing education requirements; conducting and reporting on required Customer Survey and Employee Survey; responding to Open Records Requests and reporting requirements; Information Technology reporting to Department of Information Resources; preparing reports on Requests for Changes in Racetrack Ownership and Location; preparing for Commission and committee meetings; and Texas Register administrative requirements for rule revisions.

Trout also reminded the group that because the state's fiscal year does not match up with the calendar year of racing, it is very difficult to make comparisons without converting the race date calendar to the state's fiscal year calendar. He stated that agency staffing had gone from 60.7 in 1996 to a high of 79.7 in 2002 to a low of 58.3 in

2010, and the staffing level in the revised budget being presented projects a 53.1 FTE count - showing clearly that agency staffing does fluctuate with industry activity.

Trout explained that with respect to the FY2012-2013 budget, the budget presented at the first Finance Committee meeting on July 26 included several reductions that in hindsight should have been highlighted as there was a recurring theme in the stakeholders' responses that the agency had not taken any budget reductions.

To summarize, Mr. Trout gave specific reductions that were included in the initial agency budget:

- Instead of four full time investigators, the budget funds one full time and three part-time, enough to cover the live race meets, resulting in a savings of 1.5 FTE's.
- Three FTE's were eliminated in Auditing. There will no longer be an auditor on duty at each track. Information will no longer be available on a sameday/next-day basis, nor will simulcast requests be turned around at the speed all have become accustomed to.
- Some travel budgets were reduced.
- Stewards, judges, veterinarians, and testbarn staff hours were all reduced. For example, a horseman will no longer be able to work a horse off the Vets' list without an appointment on one designated day a week. In the past, the agency staffed so that a horse could be worked off the vet's list almost any day of the week. Additionally, unless entries are taken on a non-race day, the test barn will not be staffed...so any business or questions of the veterinarians or test barn staff will be conducted on race days.

Mr. Trout explained that after the last meeting and at the direction of Commissioner Ederer, staff discussed the immediate need for new staff to implement the Sunset mandated review and renewal process and determined it would be possible to start that review process with current staff. Management also looked at the licensing operations and based on licensing volumes, the licensing position that serves Gulf Coast Racing and Valley Race Park will be eliminated and licensing hours at horse tracks during downtime will be reduced. Management also determined that capital expenditures could be postponed.

Several of the industry responses spoke to their respective staff having to do multiple jobs due to the downturn in the industry. Trout explained that he too has asked agency staff to do more. The Chief Veterinarian, Deputy Director for Racing Oversight, and the Director of Licensing are all covering their headquarter duties as well as working in the field during live racing. Additionally, Deputy Director Jackson is now assisting with tote loads and approving simulcast requests. Mr. Trout shared that he also directed Ms. Harris-Curtsinger, Deputy Director for Finance, to immediately begin a cross-training program with the administrative assistants headquartered in Austin so each will be able to assist with licensing at the field offices when needed.

Mr. Trout reported on staff's review of the suggestion that the agency could achieve cost savings by eliminating non-race day entries. Due to the already reduced hours scheduled and reduced travel budgets for the stewards and test techs, staff sees minimal potential savings. Mr. Trout then assured the attendees that the agency will support any track that wishes to implement this change.

Mr. Trout also reminded the group that the agency does carefully maintain its financial position and that when fees are 'over-collected', the agency has been quick to respond by declaring a moratorium on the fees. The latest example was just this past June when the agency waived the daily simulcast fee through the end of the fiscal year.

The discussion then centered on the stakeholders' and commission staff responses to Commissioner Ederer's request to submit comments and suggestions for fee adjustments to cover the projected \$2 million shortfall in both FY 2012 and FY2013.

Mr. Jackson led the group through staff's side-by-side comparison of the three proposed fee schedules as proposed by Lone Star Park, Retama Park and Sam Houston Race Park, as well as staff's alternative fee schedule.

Following a discussion of the pros and cons of each proposal, Commissioner Hicks asked the racetrack representatives which was the preferred proposal. Overall consensus was to support staff's proposed fee schedule. Staff was directed to continue to review the proposed fee schedule and finalize a proposed rule for the Committee on Rules to consider.

TEXAS RACING COMMISSION

P. O. Box 12080 ★ Austin, TX 78711-2080
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(512) 833-6699 ★ Fax (512) 833-6907



AD HOC COMMITTEE ON FINANCE

Wednesday, September 7, 2011
10:30 a.m.

Animal Health Commission
2105 Kramer Lane
Auditorium
Austin, Texas 78758

Agenda

The Committee will meet to discuss potential changes to the Commission's financial policies and rules, including those resulting from changes to the Texas Racing Act under HB 2271, 82nd Regular Legislative Session. The discussion will address fee adjustments resulting from the elimination of the uncashed tickets as revenue, the elimination of some occupational licensing requirements, implementation of racetrack license review and renewal fees, collection of full reimbursement costs for DPS background checks, and adjustments to annual fees, live racing fees, and simulcasting fees.

This meeting will provide a forum for the associations, breed associations, horsemen's organization, other racing industry stakeholders, and the public to provide input on these potential changes as well as proposed fee structures.

Persons with disabilities who plan to attend this meeting and who may need auxiliary aids, services, or special accommodations should contact Bill Childs at (512) 833-6699 at least two (2) working days prior to the meeting so that appropriate arrangements can be made.



Memorandum

P.O. Box 12080
Austin, Texas 78711-2080
(512) 833-6699
Fax (512) 833-6907

Date: September 8, 2011

To: Commissioner Gloria Hicks, Commissioner Ron Ederer, and
Executive Director Chuck Trout

From: Shelley Harris-Curtsinger, Deputy Director for Finance & Administration
Sammy Jackson, Deputy Director for Wagering & Racing Review *SH*

RE: Ad Hoc Finance Committee Meeting Agenda Packet Material

At the July 26, 2011, Ad Hoc Finance Committee Meeting, Commissioner Ederer directed staff to review the proposed FY2012-FY2013 budget for additional savings/cuts. He also directed the industry stakeholders to submit innovative ideas on how to fund the agency's projected revenue shortage. We are happy to report that both directives have been met.

Staff has identified savings in three areas: delaying hiring of additional staff and outside counsel to assist with implementing the required racetrack license review; reducing hours of operation at licensing offices, and postponing some capital expenditures. Implementing these changes reduces the proposed two-year budget about \$450,000 each year, for a savings of 8.3%. The schedule on page 1 of the agenda packet reflects the projected savings for each fiscal year. The schedule on page 2 shows cost assignment and projected revenue under the current fee structures to the two major areas of agency' operations: Racing & Wagering and Occupational Licensing.

The occupational licensing shortfall of approximately \$197,000 in each year is attributed to the increased cost of the required finger print/background checks. Staff proposes this cost be passed on to each licensee that requires the background check. This is an estimated additional \$187,000 in revenue that will cover over 95% of the shortfall. The remaining shortfall can be covered by the operating margin built into the other fee schedules and cash carry forward from the previous year.

With the above suggested budget reductions, Racing & Wagering's shortfall is now projected at \$1.37 million for each fiscal year. As you know, this short fall is due to the elimination of the unclaimed winning tickets "OUTS" as a source of revenue to the agency. The Sunset bill provides that the "OUTS" revenue remain with the racetrack. Additionally, the Sunset Bill provided that to compensate the agency for the loss of the OUTS revenue, the agency could adjust racetrack fees.

Three industry stakeholders, Lone Star Park, Retama Park, and Sam Houston Race Park, submitted written proposals to generate the needed revenue. Comments were received from other racetrack operators and industry stakeholders. These comments were provided to you previously.

The schedule on page 4, titled "Fee Proposals", shows the current fee structure, the three racetrack's proposed fees, and a staff alternative proposal. This schedule lays out the proposals side by side for easy comparison. The schedule on page 5 shows the total estimated fees raised by each proposal, the revised Racing & Wagering expense, and the resulting projected revenue overage/(shortage). As you will see, Retama Park's and Sam Houston's proposals will not generate the amount of revenue needed. Staff's Alternative proposal provides for a modest 4% cushion.

The schedule on page 6, "Impact of Proposed Fee Changes to Each Licensee" reflects what the projected financial impact is to each individual racetrack by comparing the current fee schedule and out payments made from the fiscal year that ended August 31, 2011.

Much work remains on the fees as racedates are not solidified, the timing of implementation of a fee change is not set, the frequency of collecting the fees has not been decided, etc.

However, the agency is positioned financially so that any fee changes under consideration will not have to be implemented effective September 1, 2011 (the first day of fiscal year 2012). Based on staff's current analysis, the agency will have sufficient cash flow to allow for an implementation date effective either December 1st or January 1st. This means that the full impact of the new fee schedule on each racetrack, depending on the implementation schedule, may not be felt in FY-2012.

Texas Racing Commission
Comparison of Expenditures Fiscal Years 2012 - 2013
Expenditures shown by Strategy and by Object of Expense

FTE Breakdown	Previous Projected 2012	Revised Projected 2012	FTE Adjustment	Previous Projected 2013	Revised Projected 2013	FTE Adjustment
<i>Authorized</i>	61.3	61.3		61.3	61.3	
Actual	55.3	53.1	(2.2)	55.3	53.6	(1.7)
<i>Authorized, not utilized</i>	6.0	8.2	(2.2)	6.0	7.7	(1.7)
Expenditures by Strategy:	Projected 2012	Projected 2012	Adjustment +/-	Projected 2013	Projected 2013	Adjustment +/-
A.1.1. Regulate Racetrack Owners	\$ 608,102	\$ 364,926	\$ (243,176) *1	\$ 600,602	\$ 364,051	\$ (236,551) *1
A.3.1. Supervise & Conduct Live Races	605,727	605,727		605,727	605,727	
A.3.2. Monitor Licensee Activities	240,821	240,821		240,821	240,821	
A.4.1. Inspect & Provide Emergency Care	271,481	271,481		271,481	271,481	
A.4.2. Administer Drug Test	349,431	349,431		349,431	349,431	
B.1.1. Occupational Licensing Program	603,001	562,780	(40,221) *2	603,001	562,780	(40,221) *2
B.1.2. Texas OnLine	23,250	23,250		23,250	23,250	
C.1.1. Monitor Wagering & Audit	322,341	322,341		322,341	322,341	
C.1.2. Wagering Compliance Inspections	236,715	236,715		236,715	236,715	
D.1.1. Central Administration	719,463	719,463		719,463	719,463	
D.1.2. Information Resources	487,139	462,049	(25,090) *3	487,139	454,339	(32,800) *3
Total Expenditures by Strategy	\$ 4,467,471	\$ 4,158,984	\$ (308,487)	\$ 4,459,971	\$ 4,150,399	\$ (309,572)
Expenditures by Object-of-Expense:						
Salaries & Wages	\$ 2,967,576	\$ 2,852,355	\$ (115,221)	\$ 2,967,576	\$ 2,889,855	\$ (77,721)
Other Personnel Costs	124,920	124,920		124,920	124,920	
Professional Fees & Services	437,000	297,000	(140,000)	437,000	254,500	(182,500)
Consumable Supplies	26,908	26,908		26,908	26,908	
Utilities	26,500	26,500		26,500	26,500	
Travel	186,902	179,902		186,902	180,902	
Rent- Building	108,014	108,014	(7,000)	108,014	108,014	(6,000)
Rent- Machine & Other	14,500	14,500		14,500	14,500	
Other Operating Expense	541,351	520,175	(21,176)	533,851	523,300	(10,551)
Grants	-	-		-	-	
Capital Expenditures	33,800	8,710	(25,090)	33,800	1,000	(32,800)
Total Expenditures by OOE	\$ 4,467,471	\$ 4,158,984	\$ (308,487)	\$ 4,459,971	\$ 4,150,399	\$ (309,572)
Unappropriated Operating Expenses						
Includes Social Security Match, Group Insurance Retirement, Unemployment Cost, etc.						
Total Unappropriated Expenses	\$ 1,003,931	\$ 844,012	(148,018) *4	\$ 1,003,931	\$ 854,530	(137,508) *4
TOTAL - OPERATING EXPENDITURES	\$ 5,471,402	\$ 5,002,996	\$ (468,406)	\$ 5,463,902	\$ 5,004,929	\$ (458,973)

Note: Grants - Pass Through Funds for TxBred Program not included.
*1 Delayed hiring of additional staff and outside counsel to implement racetrack license reviews.
*2 Reduced hours of operation at licensing offices.
*3 Postponed capital replacements.
*4 Correction and reduction to unappropriated costs.

Texas Racing Commission
Projected Cash Flow Based on Current Fee Schedules
For: Fiscal Year Ending August 31, 2012

	<u>Racing & Wagering</u>	<u>Occupational Licensing</u>	<u>Totals</u>
Projected Active Licenses:	7	-	7
Live Race Performances	503	-	503
Simulcast Race Performances	2,232	-	2,232
 Projected Inactive Licenses:	 6	 -	 6
 Projected Revenues:			
Annual Active License Fees	\$ 665,000	\$ -	\$ 665,000
Live Race Day Fees	550,425	-	550,425
Simulcast Race Day Fees	892,240	-	892,240
Annual Inactive License Fees	600,000	-	600,000
Occupational Licensing	-	692,085	692,085
Other	-	37,200	37,200
Total Projected Revenues:	\$ 2,707,665	\$ 729,285	\$ 3,436,950
 Projected Expenses by Strategy:			
1-1 Regulate Racetracks	\$ 440,336	\$ -	\$ 440,336
1-3 Supervise Live Racing / Monitor Licensees	1,063,625	-	1,063,625
1-4 Emergency Care / Drug Test	759,337	-	759,337
2-1 Occupational Licensing / Texas OnLine	-	669,353	669,353
3-1 Audit & Monitor Pari-Mutuel Wagering	682,596	-	682,596
4-1 Administration & I.T.	1,131,015	256,734	1,387,749
Total Projected Expenses:	\$ 4,076,910	\$ 926,086	\$ 5,002,996
 Projected Agency Revenue Overage / (Shortage)	 \$ (1,369,245)	 \$ (196,801)	 \$ (1,566,046)

Texas Racing Commission
Occupational Licensing Cost Estimates
For FY-2012 & FY-2013

Projected Expenses:

<u>Agency Strategy</u>	FY-2012 Estimated Expense	FY-2013 Estimated Expense	Biennium Estimated Expense
1-1-1 Regulate Racetrack Owners	\$ -	\$ -	-
1-3-1 Supervise Racing and Licensees	-	-	-
1-3-2 Monitor Occupational Licensees	-	-	-
1-4-1 Inspect and Provide Emergency Care	-	-	-
1-4-2 Administer Drug Testing	-	-	-
2-1-1 Occupational Licensing	646,103	646,046	1,292,149
2-1-2 Texas OnLine	23,250	23,250	46,500
3-1-1 Monitor Wagering and Audit	-	-	-
3-1-2 Wagering and Compliance Inspections	-	-	-
4-1-1 Central Administration	154,803	154,788	309,591
4-1-2 Information Resources	101,931	100,493	202,424
Total Estimated Cost	\$ 926,087	\$ 924,577	\$ 1,850,664

Projected Revenue:

Occupational Licensing	692,085	692,085	1,384,170
Background Checks	187,500	187,500	375,000
Other	37,200	37,200	74,400
Total Estimated Revenue	\$ 916,785	\$ 916,785	\$ 1,833,570

Projected Agency Revenue Overage / (Shortage)	\$ (9,302)	\$ (7,792)	\$ (17,094)
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Fee Proposals

Fee Types	Current	Lone Star Park	Retama Park	Sam Houston	Staff Alternative
Annual Fees - ACTIVE					
Class - 1 Horse	\$45,000	\$150,000	\$45,000	\$50,000	\$500,000
Class - 2 Horse	\$15,000	\$50,000	\$45,000	\$20,000	\$230,000
Class - 3 or 4 Horse	\$5,000	\$15,000	\$10,000	\$10,000	\$70,000
Greyhound	\$175,000	\$250,000	\$145,000	\$50,000	\$360,000
Annual Fees - INACTIVE					
Class - 1 Horse	\$150,000	\$300,000	\$200,000	\$300,000	\$500,000
Class - 2 Horse	\$100,000	\$250,000	\$200,000	\$200,000	\$230,000
Class - 3 or 4 Horse	\$50,000	\$250,000	\$200,000	\$200,000	\$70,000
Greyhound	\$150,000	\$300,000	\$200,000	\$300,000	\$360,000
Live Race Day Fee					
				<i>For each day/perf that exceeds the base #</i>	
Class - 1 Horse	\$2,075	\$2,075	\$2,075	\$6,500	\$3,750
Class - 2 Horse	\$2,075	\$2,075	\$2,075	\$6,500	\$3,750
Class - 3 or 4 Horse	\$650	\$650	\$650	\$6,500	\$3,750
Greyhound	\$550	\$550	\$550	\$1,100	\$750
Simulcast Race Day Fee					
Class - 1 Horse	\$410	\$410	\$410	\$315	\$0
Class - 2 Horse	\$410	\$410	\$410	\$315	\$0
Class - 3 or 4 Horse	\$300	\$300	\$300	\$315	\$0
Greyhound	\$410	\$410	\$410	\$315	\$0
Proposed Simulcast Handle Fee					
Class - 1 Horse	n/a	n/a	0.2%	n/a	n/a
Class - 2 Horse	n/a	n/a	0.2%	n/a	n/a
Class - 3 or 4 Horse	n/a	n/a	0.2%	n/a	n/a
Greyhound	n/a	n/a	0.2%	n/a	n/a

Notes:

- 1) The Current column does not include the outs revenue that was eliminated by Sunset legislation.
- 2) Lone Star Park's proposal only increases the active and inactive annual fees.
- 3) Retama Park's proposal:
 - a. increases the annual fee for active class 2, 3 & 4 horse racetracks,
 - b. decreases the annual fee for active greyhound racetracks,
 - c. increases the annual fee for all classes of inactive horse racetracks and inactive greyhound racetracks,
 - d. maintains the live and simulcast race day fees, and
 - e. creates a new simulcast handle fee, 0.2% of simulcast handle, for all racetracks.
- 4) Sam Houston Race Park's proposal:
 - a. increases the annual fee for all classes of active horse racetracks,
 - b. decreases the annual fee for active greyhound racetracks,
 - c. increases the annual fee for all classes of inactive horse racetracks and inactive greyhound racetracks,
 - d. increases live race day/performance fees for all classes of horse racetracks and greyhound racetracks,
 - e. decreases the simulcast race day fees for Class 1 and 2 horse racetracks and greyhound racetracks, and
 - f. increases the simulcast race day fees for Class 3 and 4 horse racetracks.
- 5) Staff's Alternative proposal:
 - a. creates an annual fee for each class of horse racetrack and greyhound racetracks, *active or inactive*, that covers a fixed amount of live racing and simulcast racing cost and provides for an increase in the annual fee if live race days/performances exceed the following base levels:
 - i. Class 1 racetracks 45 days, each additional day @ \$3,750
 - ii. Class 2 racetracks 0 days, each additional day \$3,750
 - iii. Class 3 and 4 racetracks 8 days, each additional day @\$3,750
 - iv. Greyhound racetracks 270 performances, each additional performance @ \$750.
 - b. eliminates the simulcast race day fee.

FY 2012 Race Day / Performances Estimates and Resulting Fees

	<u>Live</u>	<u>Simulcast</u>	<u>Handle</u>	<u>Race Day/Max</u>
Horse Racetracks:				
Lone Star Park	79	363	112,744,241	45
Retama Park	45	363	42,200,248	45
Sam Houston Race Park	55	363	91,875,894	45
Gillespie County Fair	8	208	4,014,956	8
Totals	187	1,297	250,835,339	
Greyhound Racetracks:				
Gulf Greyhound Park	311	363	29,767,595	260
Gulf Coast Racing	-	260	10,715,481	5
Valley Race Park	5	312	13,630,758	5
Totals	316	935	54,113,834	

Resulting Fees by Proposal	<u>Current</u>	<u>Lone Star Park</u>	<u>Retama Park</u>	<u>Sam Houston</u>	<u>Staff</u>
Class 1 Horse Racetracks:					
Lone Star Park	\$357,755	\$462,755	\$583,243	\$677,845	\$627,500
Retama Park	\$287,205	\$392,205	\$371,605	\$456,845	\$500,000
Sam Houston Race Park	<u>\$307,955</u>	<u>\$412,955</u>	<u>\$491,707</u>	<u>\$521,845</u>	<u>\$537,500</u>
Sub-Total	\$952,915	\$1,267,915	\$1,446,556	\$1,656,535	\$1,665,000
Class 2 Horse Racetracks:					
Laredo Downs	\$100,000	\$250,000	\$200,000	\$200,000	\$230,000
Laredo Race Park	\$100,000	\$250,000	\$200,000	\$200,000	\$230,000
Longhorn Downs	\$100,000	\$250,000	\$200,000	\$200,000	\$230,000
Manor Downs	\$100,000	\$250,000	\$200,000	\$200,000	\$230,000
Saddle Brook Park	\$100,000	\$250,000	\$200,000	\$200,000	\$230,000
Valle de los Tesoros	<u>\$100,000</u>	<u>\$250,000</u>	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$230,000</u>
Sub-Total	\$600,000	\$1,500,000	\$1,200,000	\$1,200,000	\$1,380,000
Class 3 or 4 Horse Racetracks:					
Gillespie County Fair	\$72,600	\$82,600	\$85,630	\$127,520	\$70,000
Sub-Total	\$72,600	\$82,600	\$85,630	\$127,520	\$70,000
HORSE TOTALS	\$1,625,515	\$2,850,515	\$2,732,186	\$2,984,055	\$3,115,000
Greyhound Racetracks:					
Gulf Greyhound Park	\$494,880	\$569,880	\$524,415	\$506,445	\$398,250
Gulf Coast Racing	\$281,600	\$356,600	\$273,031	\$131,900	\$360,000
Valley Race Park	<u>\$305,670</u>	<u>\$380,670</u>	<u>\$302,932</u>	<u>\$153,780</u>	<u>\$360,000</u>
GREYHOUND TOTALS	\$1,082,150	\$1,307,150	\$1,100,378	\$792,125	\$1,118,250
Total Estimated Fees:	\$2,707,665	\$4,157,665	\$3,832,563	\$3,776,180	\$4,233,250
Estimated Racing/Wagering Expense	\$ 4,076,910	\$ 4,076,910	\$ 4,076,910	\$ 4,076,910	\$ 4,076,910
Projected Revenue + / (-)	(\$1,369,245)	\$80,755	(\$244,346)	(\$300,730)	\$156,340
Total \$ Increase to Fees (estimated)	\$0	\$1,450,000	\$1,124,898	\$1,068,515	\$1,525,585

Impact of Proposed Fee Changes To Each Licensee

	Gulf Coast Racing	Gulf Greyhound	Valley Race Park	Lone Star Park	Retama Park	Sam Houston	Laredo Downs	Laredo Race Park	Longhorn Downs	Manor Downs	Saddle Brook	Tesoros	Gillespie County	TOTAL
Current Status	Active	Active	Active	Active	Active	Active	Inactive	Inactive	Inactive	Inactive	Inactive	Inactive	Active	
Estimated Live Race Dates	-	311	5	79	45	55	-	-	-	-	-	-	8	503
Estimated Simulcast Race Dates	260	363	312	363	363	363	-	-	-	-	-	-	208	2,232
Fees Current Methodology	\$ 281,600	\$ 494,880	\$ 305,670	\$ 357,755	\$ 287,205	\$ 307,955	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 72,600	\$ 2,707,665
FY-2011 Outs Payments	\$ 78,820	\$ -	\$ 78,165	\$ 603,511	\$ 196,238	\$ 247,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,945	\$ 1,228,472
Total Fees Remitted To TXRC	\$ 360,420	\$ 494,880	\$ 383,835	\$ 961,266	\$ 483,443	\$ 555,748	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 96,545	\$ 3,936,137

Lone Star Park Proposal	\$ 356,600	\$ 569,880	\$ 380,670	\$ 462,755	\$ 392,205	\$ 412,955	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 82,600	\$ 4,157,665
Amount + / (-) Over Current	\$ (3,820)	\$ 75,000	\$ (3,165)	\$ (498,511)	\$ (91,238)	\$ (142,793)	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ (13,945)	\$ 221,528
% + / (-) Over Current	-1.1%	15.2%	-0.8%	-51.9%	-18.9%	-25.7%	150.0%	150.0%	150.0%	150.0%	150.0%	150.0%	-14.4%	5.6%

Retama Park Proposal	\$ 273,031	\$ 524,415	\$ 302,932	\$ 583,243	\$ 371,605	\$ 491,707	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 85,630	\$ 3,832,563
Amount + / (-) Over Current	\$ (87,390)	\$ 29,535	\$ (80,904)	\$ (378,023)	\$ (111,838)	\$ (64,041)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ (10,915)	\$ (103,574)
% + / (-) Over Current	-24.2%	6.0%	-21.1%	-39.3%	-23.1%	-11.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-11.3%	-2.6%

SHRP Proposal	\$ 131,900	\$ 506,445	\$ 153,780	\$ 677,845	\$ 456,845	\$ 521,845	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 127,520	\$ 3,776,180
Amount + / (-) Over Current	\$ (228,520)	\$ 11,565	\$ (230,055)	\$ (283,421)	\$ (26,598)	\$ (33,903)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 30,975	\$ (159,957)
% + / (-) Over Current	-63.4%	2.3%	-59.9%	-29.5%	-5.5%	-6.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	32.1%	-4.1%

Staff Alternative Proposal:	\$ 360,000	\$ 398,250	\$ 360,000	\$ 627,500	\$ 500,000	\$ 537,500	\$ 230,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ 70,000	\$ 4,233,250
Amount + / (-) Over Current	\$ (420)	\$ (96,630)	\$ (23,835)	\$ (333,766)	\$ 16,557	\$ (18,248)	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ (26,545)	\$ 297,113
% + / (-) Over Current	-0.1%	-19.5%	-6.2%	-34.7%	3.4%	-3.3%	130.0%	130.0%	130.0%	130.0%	130.0%	130.0%	-27.5%	7.5%



August 15, 2011

Mr. Chuck Trout
Executive Director
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, TX 78754

Re: Ad Hoc Committee on Finance Meeting, July 26, 2011 – Retama Park Suggestions

Dear Mr. Trout,

As requested by Commissioner Ederer at the Ad Hoc Committee on Finance meeting held on July 26, 2011, please find the following recommendations from Retama Park to address the budgeted shortfall in revenue contemplated by the Commission for the next two fiscal years:

1. Annual Fee: Retama Park proposes revisions to the Annual Fee assessed by the Commission to cover regulation of the racetrack licenses. Please see attached schedule that provides a comparison of current fees and proposed fees. Our proposal generates approximately \$675,000 in additional revenue to the Commission, primarily by increasing the fees assessed to the inactive licenses. It is our belief that this shift in fees is necessary and justified given the budgeted increase in expenses that the Commission anticipates to oversee the inactive licenses.
2. Additional daily simulcast fee: Retama Park is proposing an additional daily simulcast fee that would be assessed to all racetracks based on a percentage of daily simulcast handle. Our proposal (please see attached schedule) contemplates a fee of .20% of daily simulcast handle, generating approximately \$625,000 in additional revenue to the Commission. This estimate is calculated using projected simulcast handle numbers, based on historical data. We believe that this would be an equitable way to generate additional fees for the Commission, taking into consideration the prior contributions from the outs revenue that is no longer available to the Commission. This fee is also responsive to the overall concern discussed at the July 26 meeting to not create an additional tax on live racing. This fee could be reviewed annually by the Commission, with input from the racetracks and the industry, to determine if the fees generated are adequate. We recognize that the fee may need to be increased to account for projected reductions in simulcast handle.

We greatly appreciate the opportunity to provide input to the discussions surrounding this important topic. The entire industry is at a very difficult crossroad and as stated by Commissioner Ederer at the July 26 meeting, everyone will have to be a participant in the ultimate solution.

As discussed with staff, we are very supportive of initiatives by the Commission to cut costs involved in regulating racing. We would encourage a very exhaustive and detailed look at all cost centers to insure that efficiency is maximized. The tracks as well as horsemen and breed organizations have painfully undergone staff reductions and other cost-cutting measures over the last several years. We would appreciate knowing that the Commission has done the same.

We will continue to review the various factors surrounding this issue and look forward to continued discussions regarding solutions. If there are any questions regarding our proposals, please feel free to contact me at (210) 651-7131.

Sincerely,



Bryan P. Brown, CEO
Retama Entertainment Group, Inc. as agent for
Retama Development Corporation d.b.a. Retama Park

Enc.

Retama Park
 Fee Proposal - Ad Hoc Committee on Finance

Annual Fee:

Budgeted Cost to TRC per License: \$145,000
 Total TRC Cost to Regulate Licenses: \$1,895,239

	Current Fee	# Tracks	Income from Current Fee	Proposed Fee	Proposed Income
A Greyhounds	175,000	1	175,000	145,000	145,000
A Class 1	45,000	3	135,000	45,000	135,000
A Class 2	15,000	0	0	45,000	0
A Class 3 & 4	5,000	1	5,000	10,000	10,000
I Greyhounds	150,000	2	300,000	200,000	400,000
I Class 1	150,000	0	0	200,000	0
I Class 2	100,000	6	600,000	200,000	1,200,000
I Class 3 & 4	50,000	0	0	200,000	0
		<u>13</u>	<u>1,215,000</u>		<u>1,890,000</u>

Proposed Increase in Revenue: \$675,000

Additional Daily Simulcast Fee:

2010 Actual Handle:

	Gulf Coast	Gulf Greyhound	Valley	LSP	SHRP	RP	Manor	Gilliespie	Total
Live	0	10,855,337	0	19,851,794	7,205,400	1,838,249	1,100,710	1,212,932	
Simulcast	10,715,481	29,787,585	13,630,758	112,744,241	91,875,894	42,200,248	8,804,181	4,014,956	<u>313,753,384</u>
Export	0	14,908,678	0	56,742,547	67,008,492	7,830,096	0	0	
	<u>10,715,481</u>	<u>55,531,610</u>	<u>13,630,758</u>	<u>189,338,582</u>	<u>166,089,786</u>	<u>51,868,593</u>	<u>9,904,891</u>	<u>5,227,888</u>	
% of Total Simulcast Handle	3%	9%	4%	36%	29%	13%	3%	1%	
Allocation of Fee	21,345	59,297	27,153	224,588	183,018	84,053	17,538	7,998	<u>625,000</u>
Fee as a % of Sim Handle	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	

Proposed Increase in Revenue: \$625,000

Total proposed increase in revenue: \$1,300,000



2011 AUG 16 PM 3:01

RECEIVED
TEXAS RACING
COMMISSION

VIA EMAIL AND OVERNIGHT DELIVERY

August 15, 2011

Commissioner Ronald Ederer
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, Texas 78754

Re: *Follow up to July 26, 2011 Ad Hoc Committee on Finance Meeting*

Dear Commissioner Ederer:

Thank you for the opportunity to participate in the July 26, 2011 Ad Hoc Committee on Finance meeting to discuss potential changes the Commission's financial policies and rules, including those resulting from changes to the Texas Racing Act under HB 2271, 82nd Regular Legislative session. The following comments are provided on behalf of Sam Houston Race Park, Valley Race Park and Laredo Race Park.

As you are aware, the Texas racing industry is facing intense competition from our surrounding states all of which offer slot machines at their racetracks. Over the past decade, we have had no choice but to cut expenses and staff to keep up with declining revenues as a result of this pressure. I recognize that certain adjustments to fee schedules must occur as a result of the elimination of the uncashed tickets as revenue to the Texas Racing Commission. However, as part of this exercise I urge you to have the Commission review its expense model just as the racetracks have done and present a budget that more closely mirrors the overall decline in business we have all experienced. As it stands, it is my strong belief that there is no fee structure that the racetracks can present that allows for rising expenses at the Agency. As such, I offer the following suggestions:

- Additional Expense Reductions at the Agency – At the July 26th meeting we were presented with a Summary of Expenditures from the years 2006 through 2010 & Projected Expenditures for the years 2011 through 2013. In these documents, the Commission's Projected 2012 and 2013 budgets are higher than at any point since 2006. This is difficult to reconcile given that in 2006 there were 1,298 performances (horse and dog) and in 2011 there will be just 509. While race dates have declined by a staggering 61%, the agency's FTE's have reduced by just 13 people or 19% (55.3 from 68.6). In fact, the Agency's projected 2012 expenses are more than a half a million dollars greater than the agency's last full fiscal year.

As a point of reference, in 2006 Sam Houston Race Park had approximately 140 full time, benefitted positions and total expenses of \$23.5 million. Today, Sam Houston Race Park has less than 40 full time benefitted positions and total annual expenses of \$14.9 million. I expect good regulation and oversight from the Commission, but I also expect that government make the same, difficult choices the businesses it regulates have.

- Revised Fee Structure that more closely follows actual expenses – At the July 26th meeting, we were provided a table that compared the actual costs by the various areas of regulation. This table demonstrated great inequities between the actual costs incurred by the Agency on

SAM HOUSTON RACE PARK LTD.

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simulcast and live race dates and the corresponding fees charged to the industry. For example, live race days are underfunded by more than 70% or \$5,722 per horse race day. And while overall greyhound regulation is underfunded by 6%, horse regulation is underfunded by 51%.

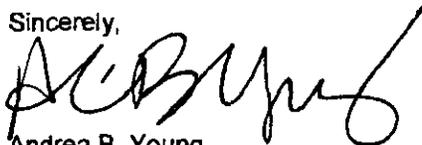
The fee structure I have enclosed with this letter, aims to correct such inequities and recognizes the new revenues from Uncashed Winning Tickets now available to the racetracks that previously went to the Texas Racing Commission. Greater fees on live racing will not discourage live racing when in fact there is a new revenue stream available to the racetracks. It is imperative that these new revenues be considered as they are far greater at some racetracks than at others. This proposal also shifts a larger financial burden to the inactive racetracks that are not currently contributing to the industry in a meaningful way.

- Annual Review of Racetrack Fees - The notion that fees can be set for an extended period of time is no longer realistic in an industry under significant pressure with declining race dates, racetrack closures and other financial hardships. As such, I would recommend a rule be included with any fee structure that requires an annual review of fees that allows for industry input.

Finally, at the July 26th meeting, the horse tracks were asked if it would be feasible to take entries one week in advance as it would allow the Agency to reduce expenses associated with live racing. Sam Houston Race Park has reviewed this request and will accommodate it. We welcome the opportunity to review any similar cost saving opportunities the Agency may find.

I would like to thank you for the opportunity to provide input and express our views on Racing Commission fees. We will continue to engage during this process and are willing to listen to any fair and reasonable proposals.

Sincerely,



Andrea B. Young
President & Chief Operating Officer

Enclosures

	#	Cost to TRC	Current	Proposal SHRP
Annual Lisc Fees				
- Active				
- Class 1	3	\$ 145,788	\$ 45,000	\$ 50,000
- Class 2	0	\$ 145,788	\$ 15,000	\$ 20,000
- Class 3/4	1	\$ 145,788	\$ 5,000	\$ 10,000
- Greyhound	3	\$ 145,788	\$ 175,000	\$ 50,000
- Inactive				
- Class 1	0	\$ 145,788	\$ 150,000	\$ 300,000
- Class 2	6	\$ 145,788	\$ 100,000	\$ 200,000
- Class 3/4	0	\$ 145,788	\$ 50,000	\$ 200,000
- Greyhound	0	\$ 145,788	\$ 150,000	\$ 300,000
Race Day Fees				
- Live Horse		\$ 7,797	\$ 2,075	\$ 6,500
- Live - Class 3/4		\$ 7,797	\$ 650	\$ 6,500
- Live Greyhound		\$ 1,316	\$ 550	\$ 1,100
- Simulcast		\$ 314	\$ 410	\$ 315
- Simulcast -Class 3/4		\$ 314	\$ 300	\$ 315

Proposed Racetrack Fee Adjustment Impact
Based on 2011 Projected Outs for Full Year

		Days		Outs FY2011 - Projected	YTD Simulcast Handle	Projected Impacts	
		Simulcast	Live			Total Incremental Fees Generated	Net Gain/(Loss)
- Lone Star Park	1	363	79	\$ 686,510	\$ 62,941,785	\$ 320,090	\$ 366,420
- Sam Houston Race Park	1	363	55	\$ 244,371	\$ 53,283,432	\$ 213,890	\$ 30,481
- Retama Park	1	363	45	\$ 227,053	\$ 26,805,375	\$ 169,640	\$ 57,413
- Gulf Greyhound Park	G	363	311	\$ 55,000	\$ 16,341,752	\$ 11,565	\$ 43,435
- Valley Race Park	G	312	5	\$ 69,590	\$ 8,926,411	\$ (151,890)	\$ 221,480
- Gulf Cost (Corpus)	G	260	0	\$ 89,875	\$ 7,211,910	\$ (149,700)	\$ 239,575
- Gillespie	3	208	8	\$ 11,191	\$ 2,868,280	\$ 54,920	\$ (43,729)
- Manor Downs	2/	0	0	\$ 55,024	\$ -	\$ 100,000	\$ (44,976)
- Laredo Race Park	2/	0	0	\$ -	\$ -	\$ 100,000	\$ (100,000)
- Laredo Downs	2/	0	0	\$ -	\$ -	\$ 100,000	\$ (100,000)
- Valle Del Tesoros	2/	0	0	\$ -	\$ -	\$ 100,000	\$ (100,000)
- Amarillo	2/	0	0	\$ -	\$ -	\$ 100,000	\$ (100,000)
- Longhorn Downs/AJC	2/	0	0	\$ -	\$ -	\$ 100,000	\$ (100,000)
Total				\$ 1,438,614	\$ 178,378,945	\$ 1,068,515	\$ 370,099



2011 AUG 15 PM 5:29

RECEIVED
TEXAS RACING
COMMISSION

August 15, 2011

Commissioner Ron Ederer
Ad Hoc Finance Committee Co-Chair
Texas Racing Commission
P.O. Box 12080
Austin, TX 78711

Dear Commissioner Ederer:

Since the initial meeting of the Texas Racing Commission's Ad Hoc Finance Committee, the Texas Thoroughbred Association's Racing Committee has considered proposals to take and draw entries only on race days, assess new entry or start fees for each horse, license breeders and/or breeding farms, and increase fees assessed to both currently licensed and operating racetracks and licensed, but unbuilt racetracks.

The same proposals were discussed in a subsequent conference call involving Dr. David Stephens, TTA's new president, Dr. Jacquelyn Rich, TTA's immediate past president, and me with Jan Haynes, president of the Texas Thoroughbred HBPA, Dr. Tommy Hays, president of the Texas Horsemen's Benevolent and Protective Association, Marsha Rountree, executive director of Texas Horsemen's Partnership, and Rob Werstler, director of racing for the Texas Quarter Horse Association.

Last Thursday, Rountree, Werstler and I had a productive meeting with key TRC staff to gain further insight in budget items, financial needs, and the state of the industry.

In summary, TTA has found TQHA and THP to be in concurrence with TTA's positions on each of the proposals, which are as follows:

TTA supports the proposal to take entries and hold the draw on race days rather than dark days whenever possible as a cost-saving measure;

TTA opposes implementation of entry or start fees for each horse in the belief that any added cost to running a horse in Texas increases the expense to an owner and places those owners who race in Texas in an even more non-competitive position with owners in neighbor states where purses are much higher and there are no start fees;

TTA opposes implementation of a licensing category for breeders and/or breeding farms for the following reasons. It is believed a majority of Texas breeders are already licensed as horse owners. To our knowledge, no other jurisdiction licenses breeders as such, nor breeding

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farms. There is certainly some question whether the TRC's statutory authority can extend to include breeding farms;

TTA supports limited increases in fees for currently operating or active licensed racetracks as they have been and continue to provide racing opportunities for Texas horsemen that might be cut back if they were to incur significant fee increases. TTA supports substantial increases in fees for currently unbuilt and inactive tracks as their license holders have failed to date to provide any of the racing opportunities identified in their respective applications for license approval.

TTA cannot identify any other areas for additional fees or new fees at this time.

Statistical data reveals that Texas peaked in the number of horse racing days and greyhound racing performances in 2003 with 333 horse dates and 1,062 greyhound performances for a combined total of 1,395. At that time, the TRC's actual staffing level totaled 73.1. In CY2011, the 166 horse racing days and 321 greyhound performances add up to a combined total of 509 and TRC's actual staff level for FY2011 is 54.3.

Since 2003, the number of horse race days has declined 50 percent, the number of greyhound racing performances has dropped 70 percent, but TRC actual staffing levels have fallen only 25.7 percent and operating expenses beginning with FY2006 have remained pretty flat-lined. Possibly some economies can be realized from within through consolidation of departments or responsibilities.

By contrast, TTA had as many as 8 employees on staff as recently as 2003 when its income was \$1,388,358. TTA now has three full-time employees and two part-time employees and projected income of \$523,323 for FY2011. The 50 percent decline in number of employees from 2003 to 2011 with a concurrent 62 percent drop in operating capital is a direct result of Texas being in a non-competitive position with the revenue streams to purses and breed programs in our neighbor states.

It is understood that TQHA and THP have incurred similar staffing cutbacks as income has continued to fall precipitously over the same period.

Thank you for encouraging continued participation in the dialog over finances and for seeking meaningful input. We look forward to further involvement in trying to find some reasonable and yet beneficial resolutions to the problems at hand.

Respectfully yours,


David E. Hooper
Executive Director



2011 AUG 15 PM 2:25

RECEIVED
TEXAS RACING
COMMISSION

August 15, 2011

Chuck Trout
Executive Director
Texas Racing Commission
P.O. Box 12080
Austin, Texas 78711-2080

Dear Mr. Trout,

First, I would like to thank you and your staff for meeting with Marsha Rountree, Dave Hooper and me last week to discuss the current TRC budget shortfall and possible ways to offset this problem. I thought the meeting was very productive and positive.

As we discussed at that meeting, it makes sense to take entries on days live racing takes place so you do not have staff working on dark days. Racing Secretaries at each track can make this change and there is no need of a formal rule change.

Entry or start fees in races would have a devastating effect on Texas racing. When you consider that the states that border Texas all offer much larger purses than those offered in Texas and they do not charge starting or entry fees, it would only add to the pressure on horsemen to leave Texas.

It has also been mentioned that requiring breeders to obtain licenses might be a way to raise revenue. I doubt this would raise much revenue at all since the majority of Texas breeders are already licensed as owners. Also, there is a doubt as to whether or not the TRC has jurisdiction over breeding farms.

It would appear that the most convenient way to raise revenue would be to add fees to existing racetracks as well as for the licensed tracks where there are currently no facilities. With current economic times, I would strongly urge the commission not to raise fees on tracks that conduct live racing. These tracks are actually trying to survive and they support the equine industry by conducting live racing, whereby creating handle that supports the commission as well as horsemen and breed organizations.

Licensed entities that have not yet begun construction on a facility may be where the industry needs to look for revenue at this time. They were awarded licenses and are

expected to make a good faith effort to build a racetrack, not wait on gaming legislation to pass.

I would urge you and the commission to meet again with all of the stakeholders so we can develop a plan that will see us through the next budget cycle. We must all tighten our belts if we are to find a solution. The TQHA is now down to three employees where at one time we had eight full-time employees.

Sincerely,



Rob Werstler
Director of Racing

2011 AUG 15 PM 5: 48

August 15, 2011

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TEXAS RACING
COMMISSION

Commissioner Ron Ederer
Co-Chair, Ad Hoc Finance Committee
Texas Racing Commission
P.O. Box 12080
Austin, TX 78711



PARTNERSHIP

Dear Commissioner Ederer:

In response to your request for input on proposals discussed during the meeting of the TxRc Ad-Hoc Finance Committee, I would like to submit the following, on behalf the Texas Horsemen's Partnership.

I was unable to attend the meeting, and relied on Dave Hooper for a summary of the proposals. The presidents of our two partner organizations participated in a conference call last week, along with Dave Hooper, Rob Werstler, Dr. David Stephens, Dr. Jacqueline Rich and I, to discuss the areas which directly affect horsemen and breeders in Texas.

All of the organizations represented on the conference call agreed on the following:

We support the proposal to take entries and to draw on race days instead of dark days. This change could result in cost savings to the TxRc, as well as the THP and possibly even the tracks;

THP is in opposition to start fees being imposed on owners of race horses. We believe that start fees would result in shorter fields as owners would look to other jurisdictions in neighboring states where there are no such fees. Texas owners are already at a disadvantage when they choose to compete at Texas tracks and an additional fee would drive even more of our members out of state.

While THP does not represent breeders, many of our members who are currently licensed horse owners are also breeders. It appears that there is nothing in the Statute that would currently give the Agency the authority to require licensing for breeders or breeding farms.

We are not opposed to small increases in fees for operating race tracks. However, significant increases in those fees could possibly cause our operating tracks to re-evaluate their requests for live race dates. We do support a larger increase in fees for inactive or un-built race tracks. These license holders have continued to request race dates, year after year, only to rescind those requests when construction on their facilities never materializes. Millions of dollars have been "lost" due to these un-built facilities and horsemen lose out each year on unrealized racing opportunities.



PARTNERSHIP

During the past three years, Texas Horsemen's Partnership has seen a sharp decline in its revenue and as a consequence has been forced to terminate almost half of its staff. All of our remaining employees are performing multiple duties after thoughtful reorganization and planning. Perhaps the TxRc could look at similar reorganization and consolidation of job responsibilities.

Texas Horsemen's Partnership has no other suggestions for sources of additional revenue or additional fees.

Thank you for the opportunity to provide input and we look forward to participating in this process as it moves forward.

Sincerely,

A handwritten signature in cursive script that reads 'Marsha Rountree'.

Marsha Rountree
Interim Executive Director

2011 AUG 15 AM 9:24
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TEXAS RACING
COMMISSION

08/13/2011

JOHN EMERSON
639 WILSON RD
HUMBLE, TEXAS 77338

281-446-4424

FAX 281-446-4323

TO: EXECUTIVE DIRECTOR

I RECENTLY READ THE RECOMMENDATIONS FOR THE OVERALL RACE INDUSTRY. AS A CURRENT RACE HORSE OWNER, I KNOW VERY WELL THE PROBLEMS AND I APPRECIATE THE RECOMMENDATIONS THE COMMITTEE PROPOSED AS FAR AS CASINOS AND I WOULD LOVE TO SEE THAT HAPPEN AND IT WOULD DEFINITELY SOLVE A LOT OF PROBLEMS. UNFORTUNATELY, WE KNOW THAT'S NOT GOING TO HAPPEN FOR A WHILE.

MY DELIMA IS I RECENTLY TOOK ONE OF MY MARES TO THE MAGNOLIA HORSE AUCTION AFTER TRYING TO SELL HER ON CRAIGS LIST. I ENDED UP SELLING HER FOR 65 DOLLARS AND IN 2008 I BOUGHT HER FOR 5000. I HAVE 2 MORE RACE HORSES ON I WILL SELL AT THE LOUISIANA ACUTION IN September AND ANOTHER ONE I WILL TRY TO GET TO THE TRACK IN DELTA IN OCTOBER. IN ORDER TO GET AN OFFICIAL WORK RIGHT NOW I HAVE TO EITHER GOT TO SAN ANTONIO, TEXAS OR LOUISIANA DOWNS OR EVANGELINE DOWNS WHICH ARE SEVERAL HUNDRED MILES AWAY, WHILE SAM HOUSTON

RACE PARK IN LESS THAN 10 MILES AWAY. THE OTHER PROBLEM IS EXECISIE JOCKEYS. I PUT AND ADD IN THE PAPER FOR ONE AND HAVE GOTTEN NO CALLS OTHER THAN INEXPERIENCED PEOPLE WHO HAVE NO CLUE WHAT I AM LOOKING FOR.

RESULTS: I KNOW 1 FELLOW HORSEMAN THAT HAS 17 HORSE THAT IS GETTING OUT COMPLETELY. I AM CUTTING DOWN TO 1 AND SEVERAL OTHER HORSEMAN THAT ARE CUTTING DOWN ON THE NUMBER OF HORSES THEY OWN.

SO WHAT CAN BE DONE.

I THINK SAM HOUSTON RACE TRACK SHOULD EITHER SUB OUT THEIR FACILITIES WHILE THEY ARE NOT RACING TO SOME ORGANIZATION THAT CAN GET THE HORSEMAN AND TRAINERS WORK OUTS FOR THEIR HORSES OR KEEP IT OPEN FOR A COUPLE OF DAYS A WEEK FOR THE HORSEMAN. I WOULDN'T MIND PAYING LIKE THE EVANGELINE TRAINING CENTER A FEE TO USE THEIR FACILITES TO GET OFFICIAL WORK OUTS.

2) ALLOW THE RACING FACILITES TO OPEN UP OFFICIAL GAMING ROOM FACILITIES. THIS WILL ALLOW THE TRACKS TO HELP PICK UP MORE BUSINESS. THE BUSINESS CAN GIVE OUT GIFT CARDS OR PREPAID MASTER CARDS THAT COULD BE CASHED IN AT ATMS ELIMINATING THE NEED FOR CASINOS. IN ADDITION, THE TRAKCS SHOULD BE MORE FAMILY ORIENTED. LOOK AT THE SUCCESS OF THE

KEMAH BOARD WALK. WOW THE TRAFFIC LINES JUST TO GET TO THAT FACILITY IS HORRIBLE BUT FAMILIES ARE PAYING TOP DOLLAR AT THE RESTURANTS JUST BECAUSE OF THE CHEAP THINGS TO RIDE LIKE THE TRAIN OR OTHER GAMES THEY PROVIDE. CAN YOU IMAGINE HORSE EVENTS LIKE PONY RIDES, TRAIN RIDES, CARROUSELS, A KNOTSBERRY FARM TYPE ENVIRONMENT. IN ADDITION, EXCEPT FOR THE HOUSTON LIVESTOCK SHOW, THE TRAIL RIDERS REALLY DON'T DO MUCH. WHAT ABOUT TRAIL RIDING COMPETITIONS (INVENT SOMETHING NO BODY HAS TO DRAW THEM IN AND WOW YOU GOT SOMETHING) OLD WEST TYPE CHILIE COOK OFF EVENTS. THERE NO REASON THE TEXANS SHOULD HAVE TAIL GATE PARTIES AND SAM HOUSTON DOESN'T EVEN COMPETE. ANYWAY I HOPE THIS LETTER HELPS

RESPECTFULLY SUBMITTED,
A CONCERNED HORSEMAN

Zimbra Collaboration Suite

shelly.harris-curtsinger@txrc.state.tx.us

Re: Fees on breeding stock

Monday, August 15, 2011 3:35 PM

From: sammy.jackson@txrc.state.tx.us

To:

Mr. Kerby,

The answer to your first question is that Commissioner Ederer and Commissioner Hicks were designated by Chairman Pablos to head up the Ad Hoc Committee on Finances at the June 21st Commission Meeting. This was an agenda item that was published in the Texas Registrar, as well as, the agency's website. Additionally, the Ad Hoc Committee on Finance has its own agenda and agenda packet. These too were published in the same manner as the Commission Meeting Agenda for the public to view. Please see at the following link:

http://www.txrc.state.tx.us/agency/meetings/agendas/a20110726_Finance.pdf

I will forward your request to have meeting announcements posted on common social networking sites to our Executive Director as I believe this would require a change to current TRC policy. Additionally, I will forward your suggestions for financing to our Deputy Director for Finance and Administration. She is collecting the suggestion that are being submitted to provide to Commissioner's Ederer and Hicks.

As I stated in my earlier email, there will be another Ad Hoc Committee Meeting on Finances. If Chuck Wright, Brian Schartz, or you are able to attend, I feel comfortable that both of the Commissioners would welcome your input.

Respectfully,
Sammy Jackson
Deputy Director for Wagering & Racing Review
Texas Racing Commission
(512)-833-6699

----- Original Message -----

From:
To: "Sammy Jackson" <sammy.jackson@txrc.state.tx.us>
Sent: Monday, August 15, 2011 2:35:26 PM GMT -06:00 US/Canada Central
Subject: Re: Fees on breeding stock

Mr. Jackson,

The first question would be who was on the Ad Hoc Committee, simply because my folks on the TTA board know nothing about it. We rely heavily on information from our board members and what can be learned from our FB and PQ sites. Would it be possible for your information director to post this type of information on the more common social networking sites?

My first suggestion for financing would be for the TRC to take over the administration of the T-bred funds. We have tried for a decade to no avail to get the program reviewed through the TTA and can not get it done. We believe that the horsemen would have a better chance of getting change in this failed program through presenting our argument to the commission itself. This change in funding for the TTA would also make them more responsive to their membership simply because they would need the members for financial survival themselves. It would also force the TTA to take the management of the sales back from Fasig-Tipton or at least renegotiate those contracts. Hopefully in doing so they would also become more responsive to supporting the Texas sired Texas breds in the sale.

Finally, both associations need to have their skin in the game. They

Page 23 of 29

have been behaving above it all for a very long time and this is a golden opportunity to get the folks involved in their own industry again.

I would suggest or be most willing to have Brian Schartz and Chuck Wright look for other creative ways to close the financial gaps if you desire, they are both very creative thinkers as you know. .

-----Original Message-----

From: Sammy Jackson <sammy.jackson@txrc.state.tx.us>

To:

Sent: Mon, Aug 15, 2011 8:48 am

Subject: Re: Fees on breeding stock

Mr. Kerby,

The TRC recently held an Ad Hoc Committee Meeting on Finances, however, there was no dicussion regarding imposing fees on mares bred in Texas or stallions standing in Texas. Commissioner Ederer challenged the industry to come up with creative and inovative ideas to replace the funds loss due to the elimination of the outs revenue, and to submit those ideas by August 15th. There will be another meeting, the date yet to be determined, to review those ideas and discuss a course of action.

I hope this is helpful.

Respectfully,
Sammy Jackson
Texas Racing Commission
512-833-6699

----- Original Message -----

From:

To: "Sammy Jackson" <sammy@txrc.state.tx.us>

Sent: Friday, August 12, 2011 11:53:29 AM GMT -06:00 US/Canada Central

Subject: Fees on breeding stock

Mr. Jackson,

Someone is propagating the rumor that the TRC will be imposing fees on mares bred in Texas and stallions standing in Texas. I would like to know so we can post it on the facebook page to stem the panic a bit.

Thank You, always at your service and in your debt. Mr. Kerby



■ GULF GREYHOUND PARK ■

www.gulfgreyhound.com

August 27, 2011

Mr. Chuck Trout
Executive Director
Texas Racing Commission
Austin, Texas 78711-2080

Dear Mr. Trout,

On behalf of Gulf Greyhound Park, I would like to submit the following comments and suggestions in accordance with the request Commissioner Ederer made at the Ad Hoc Committee meeting held on July 26, 2011.

Our first concern when it comes to evaluating the current situation regarding the Racing Commission's proposed budget and corresponding fee structure to offset those costs is that it does not appear the agency has aggressively made adjustments to staff that accurately reflect the overall decline in the industry. Over the past several years, Gulf Greyhound has been forced to lay off employees, reduce benefits provided to the remaining employees and trim virtually all controllable expenses in order to survive in these challenging economic times. During this same period, it appears the Commission staff has either maintained the same overall number of employees or, in some cases, increased the total number of employees and expenses of the agency. I fully recognize and appreciate that there is a minimum threshold at which the agency must operate in order to maintain a diligent role in protecting the betting public and enforcing the laws and rules governing pari-mutuel racing and I am not suggesting that effort be compromised in any respect. However, as a matter of common sense, there should be a certain number of reductions available based solely on the fact the industry is not operating at nearly the same level it was in 1997. We strongly encourage you to direct staff to take another hard look at all possible means to reduce the expenses of the Texas Racing Commission. It is encouraging to hear that the staff is looking at some cost saving measures such as going to a much smaller number of post-race drug tests done on a random basis and reviewing whether it is feasible to reduce the number of judges necessary at greyhound tracks. We strongly urge these changes, as we believe these moves could change the financial picture and allow continued operations similar to the last several years.

P.O. Box 488 ■ La Marque, Texas 77568-0488 ■ (409) 986-9500 ■ Fax: (409) 986-9603

I next ask you to consider the base fee structure assessed on the various licenses issued by the Commission and the impact of the current structure on live racing. Specifically, please examine the disparity between the amount charged as an “active” fee to Gulf Greyhound, currently \$175,000.00, and the \$45,000.00 charged to each of the Class I horse tracks for the same “active” fee. We do not understand the justification for the \$130,000 difference. The Class II fee structure also seems disproportionate especially if you consider that some such facilities are in much better locations than our facility. We concede there should be a major difference in the fees as they relate to Class III licenses because of their non-profit, charitable status, but all others should be treated as equal as possible.

The differences in the “active fee” are further exacerbated when you consider the effect of the live race day fees. Generally, we concur with the other associations and organizations in the industry that there should not be penalty placed on racetracks that has the effect of discouraging live racing. In the same way we also strongly believe that there should not be an economic incentive (a fee that can be avoided by not racing) to stop running live days either. A review of the following chart (which attempts to annualize 2010 fee payments) demonstrates our issue with the disparity between fees associated with live racing paid by Gulf Greyhound and the much lower fees effectively paid as a result of running fewer days of racing.

TRACK	ACTIVE FEE	PERFORMANCE FEE	TOTAL
Retama Park	\$45,000.00	\$2075 – 16 Days	\$78,200
Lone Star Park	\$45,000.00	\$2075 – 86 Days	\$223,450
SHRP	\$45,000.00	\$2075 – 94 Days	\$240,050
Gulf Greyhound	\$175,000.00	\$550 – 311 Performances	\$346,500

The disincentive to run live race dates is apparent in the current structure. Therefore, we suggest that the annual fee should be based on a reasonable expectation of a certain number of live days that should be conducted at each facility. If the track chooses not to run that many days, they can make such a choice; however, the fee will remain the same. If the track chooses to run more than the base number, the Commission might consider a small additional fee, but it should be very affordable and encourage more live racing, not discourage such racing.

Relative to the issue of fees levied on simulcast wagering, it should be expected that all tracks will simulcast as much as economically feasible to generate the necessary purse money to fund the live racing operations. Therefore, here again we believe that the annual fee should include a flat amount charged to each license that adequately covers the real cost associated with regulating simulcast activity and

that should be the same rate regardless of the type of license that is issued (with the exception of the non-profits).

"Inactive licenses" are special considerations and we have no specific suggestions as to how the Commission might approach that issue. Some licenses have been "inactive" for relatively short periods. Others have been "inactive" for long periods. The Commission might consider that distinction. While there may be reasonable justification for a relatively recent awarded license to be inactive (site issue, opportunities to improve location, etc.) the structure should provide little economic incentive for an active license to become inactive.

We recognize and are extremely grateful that the Commission staff has arguably the best resource for determining the fair levels of fees should be based on the above concepts. Sammy Jackson has demonstrated time and time again that he has an astute grasp of how all the various elements of pari-mutuel racing interact and what it takes to make them function properly. We have the utmost confidence that with Sammy's leadership, you and your staff will consider all of the suggestions offered by stakeholders and develop a revenue model that is fair and equitable to all.

In the meantime, as a starting point for discussion, we would like to propose that the Commission adopt a policy of a fee based on the assumptions outlined above regarding a base level of activity at each Class and type of license that is all encompassing of the license fee, live racing and simulcast wagering. While we will not attempt to state what is fair and equitable for all tracks, we believe that a total fee between \$200,000 and \$225,000 is reasonable as to Gulf Greyhound, especially when combined with the cost savings to the agency's budget by reducing the number of drug tests and judges at our facility. More importantly, this fee range will be affordable and allow us to continue operations at Gulf Greyhound for 2012.

Respectfully yours,



Sally B. Briggs
General Manager
Gulf Greyhound Park

Gulf Coast Racing LLC / LRP Group LTD / Valle de los Tesoros LTD
3900 N. McColi Road
McAllen, Texas 78501

Phone: 956-687-7751 Fax: 956-687-8569

copied:

August 22, 2011

Mr. Chuck Trout
Executive Director
Texas Racing commission
P.O. Box 12080
Austin Texas 78711-2080

chuck
Bill
Mark
Jean

Sammy
Shelley
Mike

Dear Mr. Trout:

The purpose of this letter is to submit written thoughts and suggestions relating to the Texas Racing Commission's proposed budget and corresponding fee structure, as suggested by Commissioner Ederer at the July 26, 2011 meeting of the Ad Hoc Committee on Finance. I appreciate the opportunity to provide input on this matter and look forward to continued discussions.

As you are aware, I represent interests in three licenses issued by the Texas Racing Commission. Each of those licenses is in a unique situation. One thing they all have in common, however, is the opportunity to help ensure the survival of an industry that has been in decline for several years and now finds itself at a critical juncture facing catastrophic economic times. We must therefore be diligent in finding all cost savings possible and assess a fair but reasonable fee structure that won't place an undue economic burden on a distressed industry.

After Gulf Coast Racing acquired the greyhound facility in Corpus Christi, we made a decision to reopen the dormant facility and restore simulcast wagering. We understood the urgent need for greyhound purse money, so we worked in cooperation with the Texas Greyhound Association and the operators of Gulf Greyhound Park to immediately provide additional racing opportunities and purse money to support the industry. We were only able to accomplish this by keeping a close eye on the economics of the Corpus Christi facility and ensuring that all of our expenses are as efficient as possible. We recognize that the Commission staff has a responsibility to enforce the Texas Racing Act and protect the patrons of the sport, however, like our approach to operating the Corpus Christi facility, we strongly encourage the Commission to further analyze the proposed budget expenses and determine if there are other budget cuts that will more accurately reflect the shrinking industry and the decline in its overall attendance and handle.

With respect to the licenses we hold which are not currently conducting live racing, we have made every effort to support the economically struggling industry. The best and currently only feasible way to accomplish this end has been to conduct simulcasting in compliance with the Texas Racing Act. We have done this in Corpus Christi and are seeking Commission approval to do it in McAllen. In addition, we pay very significant fees to the Commission although those fees already reflect a

(65110/1/00035912.3)

disproportionate amount of the Commission's budget considering the actual cost to the State of overseeing our facilities. We understand the thought and policy adopted when those fees were set and, while we may not agree that it is commensurate with the costs associated with regulating the license, we understood the need and have paid our fees without fail. Additionally, we recognize that recent changes to the Texas Racing Act call for a review of all licenses and this may add additional work and expenses to the agency at some point in the future. However, it is abundantly clear that the fees we pay as well as the revenue generated for the State and the industry by our simulcasting operations result in a significant net benefit to the industry and the State. We see absolutely no benefit to anyone for the Commission to expend or budget to expend significant resources aimed at a goal of thwarting such efforts or even stopping them altogether. Ultimately, such counterproductive actions could only harm the Commission and the industry it is charged with regulating.

One example of such counterproductive expenditures would be for the Commission to hire an additional attorney, as described at the recent Ad Hoc Committee on finance by Mark Fenner. Instead of gearing up to fight the industry, the Commission should be exploring ways to work with the industry. Hiring additional staff for such a purpose would only place an ill-timed financial burden, both directly and indirectly, on the industry that has to underwrite the budget. We feel this is an unnecessary and ill-advised expense at a time when it is already difficult to raise needed funding.

We again stand ready to review the current fees associated with our licenses and see if there are ways that we can assist in shouldering some more of the shortfalls in the Commission's anticipated revenue. We can only do so, however, if we do not have to expend our resources in other ways due to counterproductive regulatory activities.

Finally, we fully agree that any fees imposed by the Commission should be set in such a manner as to avoid discouraging live racing. We are fully prepared to sit down with Commission staff and work on a reasonable fee structure that will allow the Commission to perform its responsibilities.

Respectfully,

Greg Lamantia



(65110/1/000359123)