



**TEXAS RACING COMMISSION**

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

Texas Racing Commission  
Tuesday, June 21, 2011  
10:30 a.m.  
Texas Department of Public Safety  
6100 Guadalupe  
Criminal Law Enforcement, Building E  
First Floor Auditorium  
Austin, Texas 78752

**AGENDA**

- I. CALL TO ORDER**  
Roll Call
- II. PUBLIC COMMENT**
- III. GENERAL BUSINESS**  
Discussion and consideration on the following matters:  
Reports by the Executive Director and Staff regarding Administrative Matters
  - A. Budget and Finance Update
  - B. Report on Racetrack Inspections
  - C. Report on Wagering Statistics
  - D. Enforcement Report
  - E. Report by the Rules Committee
  - F. Report on the Status of Sunset Legislation and Legislative Proposals by the 82<sup>nd</sup> Texas Legislature, Regular Session and 1<sup>st</sup> Called Session

Discussion, consideration and possible action on the following matters:

- G. Approval of Internal Auditing Charter
- H. Designation by the Chair of an Ad Hoc Committee on Rules to Implement HB 2271
- I. Designation by the Chair of an Ad Hoc Committee on Finance

**IV. PROCEEDINGS ON RACETRACKS**

Discussion, consideration, and possible action on the following matters:

- A. Request by the Austin Jockey Club to Modify its 2011 Live Racing Schedule

Discussion and consideration on the following matters:

- B. Conditions and Standards for Approval of a Temporary Location under Texas Racing Act § 6.15
- C. Progress Reports by Inactive Racetrack License Holders on Preparations to Begin Live Racing
  - 1. Progress Report by Austin Jockey Club
  - 2. Progress Report by Saddle Brook Park
  - 3. Progress Report by Valle de los Tesoros
  - 4. Progress Report by Laredo Downs
  - 5. Progress Report by Laredo Race Park
  - 6. Progress Report by Manor Downs

**V. PROCEEDINGS ON RULEMAKING**

Discussion, consideration, and possible action on the following matters:

Rule Proposals

- A. Proposal to Amend Rule 321.1, Definitions and General Provisions
- B. Proposal to Amend Rule 321.35, Claim for Payment
- C. Proposal to Amend Rule 321.41, Cashing Outstanding Tickets
- D. Proposal to Amend Rule 321.42, Cashing Outstanding Vouchers

Rule Reviews

Conclusion of current rule reviews under Texas Gov't Code § 2001.039, including the following chapters and subchapters:

- E. Chapter 307, Proceedings Before the Commission

- F. Chapter 321, Pari-mutuel Wagering
  - 1. Subchapter A, Mutuel Operations
  - 2. Subchapter C, Regulation of Live Wagering
  - 3. Subchapter D, Simulcast Wagering
  - 4. Subchapter E, Ticketless Electronic Wagering
- G. Chapter 323, Disciplinary Action and Enforcement

Opening of rule reviews under Texas Gov't Code § 2001.039:

- H. Chapter 301, Definitions
- I. Chapter 303, General Provisions
- J. Chapter 319, Veterinary Practices and Drug Testing

## **VI. EXECUTIVE SESSION**

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

- A. Under Government Code Sec. 551.071(1), the Commission may open an executive session to seek the advice of its attorney regarding pending or contemplated litigation, or regarding a settlement offer.
- B. Under Government Code Sec. 551.071(2), the Commission may open an executive session to discuss all matters identified in this agenda where the commission seeks the advice of their attorney as privileged communications under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas and to discuss the Open Meetings Act and the Administrative Procedures Act.
- C. Under Texas Racing Act, Tex. Rev. Civ. Stat. Ann. art. 179e, Sec. 6.03, the Commission may open an executive session to review security plans and management, concession, and totalisator contracts.
- D. Under Government Code Sec. 551.074(a)(1), the Commission may open an executive session to deliberate the employment, evaluation, and duties of the executive director.

## **VII. OLD/NEW BUSINESS**

Schedule next Commission Meeting

## **VIII. ADJOURN**



**Fiscal Year 2011  
Operational Budget**

Updated: June 13, 2011

Thru: May 31, 2011

**Summary of Operating Revenue**

By Revenue Type:

	Budget	Collected	Suspended	Uncollected Balance	%
<b>Account 597 - Racing Commission - GRD</b>	\$ 11,046,519	\$ 8,928,135	\$ 399,548	\$ 2,118,384	19%
<b>Account 1 - State of Texas - GR</b>	\$ -	\$ -	\$ -	\$ -	
<b>TOTAL - ALL REVENUES</b>	\$ 11,046,519	\$ 8,928,135	\$ 399,548	\$ 2,118,384	19%

**Summary of Appropriated Operating Expenses**

	Budget	Expended	Encumbered	Unexpended Balance	%
<b>1001 - Salaries and Wages:</b>	\$ 2,993,096	\$ 2,121,766	\$ -	\$ 871,330	29%
<b>1002 - Other Personnel Cost:</b>	\$ 173,400	\$ 118,624	\$ -	\$ 54,776	32%
<b>2001 - Professional Fees and Services:</b>	\$ 195,000	\$ 50,257	\$ -	\$ 144,742	74%
<b>2003 - Consumable Supplies:</b>	\$ 28,801	\$ 14,961	\$ -	\$ 13,840	48%
<b>2004 - Utilities:</b>	\$ 26,500	\$ 15,864	\$ -	\$ 10,636	40%
<b>2005 - Travel:</b>	\$ 177,615	\$ 67,424	\$ -	\$ 110,191	62%
<b>2006 - Rent Building:</b>	\$ 108,014	\$ 89,814	\$ -	\$ 18,200	17%
<b>2007 - Rent Machine and Other:</b>	\$ 14,500	\$ 7,473	\$ -	\$ 7,027	48%
<b>2009 - Other Operating Expense:</b>	\$ 329,925	\$ 206,170	\$ -	\$ 123,755	38%
<b>4000 - Grants</b>	\$ 3,407,389	\$ 2,496,856	\$ -	\$ 910,533	27%
<b>5000 - Capital Expenditures:</b>	\$ 33,800	\$ -	\$ -	\$ 33,800	100%
<b>TOTAL - ALL APPROPRIATED EXPENDITURES</b>	\$ 7,488,040	\$ 5,189,209	\$ -	\$ 2,298,830	31%

**Unappropriated Operating Expenses**

Type:

	Budget	Expended	Encumbered	Unexpended Balance	%
<b>TOTAL - ALL UNAPPROPRIATED EXPENDITURES</b>	\$ 886,441	\$ 662,433	\$ -	\$ 224,008	25%
<b>TOTAL - ALL EXPENDITURES</b>	\$ 8,374,481	\$ 5,851,642	\$ -	\$ 2,522,839	30%

**OPERATING SURPLUS / (DEFICIT)**

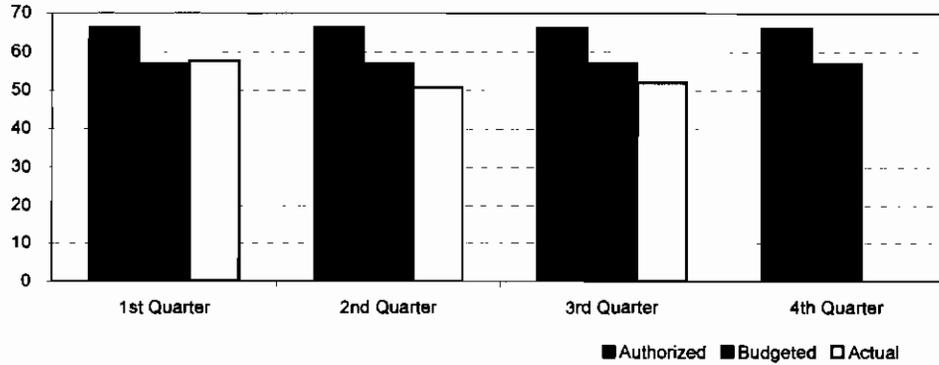
\$ 2,672,038 \$ 3,076,493

**Summary of FTE's**

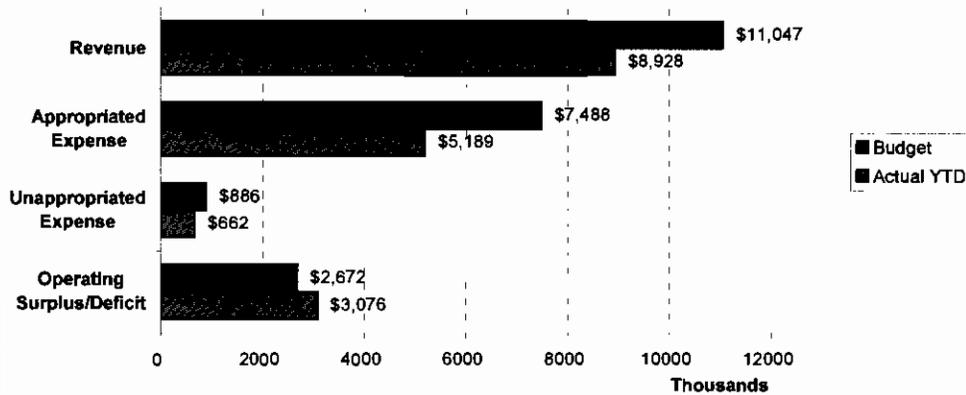
By Fiscal Quarter:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Authorized FTE's	66.20	66.20	66.20	66.20
Budgeted FTE's	56.90	56.90	56.90	56.90
Actual FTE's	57.72	50.71	52.00	
<b>Actual FTE's Over / (Under) Budget</b>	0.82	(6.19)	(4.90)	-
<b>Actual FTE's Over / (Under) Authorization</b>	-	-	-	-

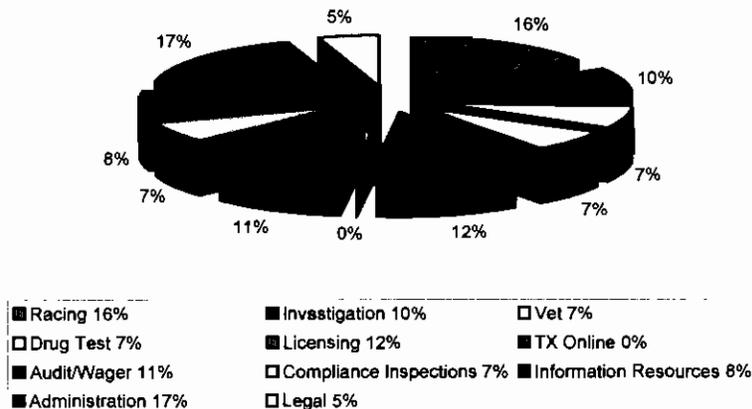
**Summary of FTE's by Quarter**



**Operating Budget YTD**



**Expended Operational Budget by Department**





**Fiscal Year 2011  
Operational Budget  
By LBB Obj Code**

Updated: June 13, 2011

Thru: May 31, 2011

**Summary of Operating Revenue**

By Revenue Type:	Budget	Collected	Suspended	Uncollected Balance	%
Cash Balance Carry Forward	\$ 2,800,000	\$ 2,800,000			0%
Live Race Day Fees	\$ 587,170	\$ 388,070		\$ 199,100	34%
Simulcast Race Day Fees	\$ 892,460	\$ 663,660		\$ 228,800	26%
Annual License Fees (Active & Inactive)	\$ 1,265,000	\$ 1,265,000	\$ 399,548	\$ -	0%
Outs	\$ 1,305,725	\$ 664,521		\$ 641,205	49%
Occupational License Fees and Fines	\$ 751,575	\$ 620,952		\$ 130,623	17%
ATB Program Pass Thru Fees	\$ 3,407,389	\$ 2,496,856		\$ 910,533	27%
Other Revenue	\$ 37,200	\$ 29,077		\$ 8,123	22%
<b>Account 597 - Racing Commission - GRD</b>	<b>\$ 11,046,519</b>	<b>\$ 8,928,135</b>	<b>\$ 399,548</b>	<b>\$ 2,118,384</b>	<b>19%</b>
State of Texas General Revenue Fund	\$ -	\$ -		\$ -	
<b>Account 1 - State of Texas - GR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL - ALL REVENUES</b>	<b>\$ 11,046,519</b>	<b>\$ 8,928,135</b>	<b>\$ 399,548</b>	<b>\$ 2,118,384</b>	<b>19%</b>

**Summary of Appropriated Operating Expenses**

By Division:	Budget	Expended	Encumbered	Unexpended Balance	%
Racing Oversight	\$ 1,723,392	\$ 1,161,999		\$ 561,393	33%
Wagering & Racing Review	\$ 742,462	\$ 558,933		\$ 183,529	25%
Finance & Administration	\$ 527,242	\$ 400,834		\$ 126,409	24%
<b>1001 - Salaries and Wages:</b>	<b>\$ 2,993,096</b>	<b>\$ 2,121,766</b>	<b>\$ -</b>	<b>\$ 871,330</b>	<b>29%</b>
Racing Oversight	\$ 87,520	\$ 47,301		\$ 40,219	46%
Wagering & Racing Review	\$ 43,460	\$ 36,994		\$ 6,466	15%
Administration	\$ 42,420	\$ 34,329		\$ 8,091	19%
<b>1002 - Other Personnel Cost:</b>	<b>\$ 173,400</b>	<b>\$ 118,624</b>	<b>\$ -</b>	<b>\$ 54,776</b>	<b>32%</b>
Racing Oversight	\$ 54,000	\$ 32,799		\$ 21,201	39%
Wagering & Racing Review	\$ 116,000	\$ 4,552		\$ 111,448	96%
Finance & Administration	\$ 25,000	\$ 12,907		\$ 12,093	48%
<b>2001 - Professional Fees and Services:</b>	<b>\$ 195,000</b>	<b>\$ 50,257</b>	<b>\$ -</b>	<b>\$ 144,742</b>	<b>74%</b>
Racing Oversight	\$ 5,500	\$ 3,535		\$ 1,965	36%
Wagering & Racing Review	\$ 4,500	\$ 3,489		\$ 1,011	22%
Finance & Administration	\$ 18,801	\$ 7,937		\$ 10,864	58%
<b>2003 - Consumable Supplies:</b>	<b>\$ 28,801</b>	<b>\$ 14,961</b>	<b>\$ -</b>	<b>\$ 13,840</b>	<b>48%</b>
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ -	\$ 266		\$ (266)	
Administration	\$ 26,500	\$ 15,598		\$ 10,902	41%
<b>2004 - Utilities:</b>	<b>\$ 26,500</b>	<b>\$ 15,864</b>	<b>\$ -</b>	<b>\$ 10,636</b>	<b>40%</b>
Racing Oversight	\$ 110,250	\$ 37,523		\$ 72,727	66%
Wagering & Racing Review	\$ 37,365	\$ 20,990		\$ 16,375	44%
Finance & Administration	\$ 30,000	\$ 8,911		\$ 21,089	70%
<b>2005 - Travel:</b>	<b>\$ 177,615</b>	<b>\$ 67,424</b>	<b>\$ -</b>	<b>\$ 110,191</b>	<b>62%</b>
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ 2,700	\$ 2,700		\$ -	0%
Finance & Administration	\$ 105,314	\$ 87,114		\$ 18,200	17%
<b>2006 - Rent Building:</b>	<b>\$ 108,014</b>	<b>\$ 89,814</b>	<b>\$ -</b>	<b>\$ 18,200</b>	<b>17%</b>



**Fiscal Year 2011  
Operational Budget  
By LBB Obj Code**

Updated: June 13, 2011

Thru: May 31, 2011

**Summary of Operating Revenue**

	Budget	Expended	Encumbered	Uncollected Unexpended Balance	%
Racing Oversight	\$ 12,000	\$ 6,208		\$ 5,792	48%
Wagering & Racing Review	\$ -	\$ -		\$ -	
Finance & Administration	\$ 2,500	\$ 1,265		\$ 1,235	49%
<b>2007 - Rent Machine and Other:</b>	<b>\$ 14,500</b>	<b>\$ 7,473</b>	<b>\$ -</b>	<b>\$ 7,027</b>	<b>48%</b>
Racing Oversight	\$ 91,200	\$ 88,071		\$ 3,129	3%
Wagering & Racing Review	\$ 104,910	\$ 60,132		\$ 44,778	43%
Finance & Administration	\$ 133,815	\$ 57,967		\$ 75,848	57%
<b>2009 - Other Operating Expense:</b>	<b>\$ 329,925</b>	<b>\$ 206,170</b>	<b>\$ -</b>	<b>\$ 123,755</b>	<b>38%</b>
Racing Oversight	\$ -	\$ -		\$ -	
Wagering & Racing Review	\$ 3,407,389	\$ 2,496,856		\$ 910,533	27%
Administration	\$ -	\$ -		\$ -	
<b>4000 - Grants</b>	<b>\$ 3,407,389</b>	<b>\$ 2,496,856</b>	<b>\$ -</b>	<b>\$ 910,533</b>	<b>27%</b>
Racing Oversight	\$ 33,800	\$ -		\$ 33,800	100%
Wagering & Racing Review	\$ -	\$ -		\$ -	
Finance & Administration	\$ -	\$ -		\$ -	
<b>5000 - Capital Expenditures:</b>	<b>\$ 33,800</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,800</b>	<b>100%</b>
<b>TOTAL - ALL APPROPRIATED EXPENDITURES</b>	<b>\$ 7,488,040</b>	<b>\$ 5,189,209</b>	<b>\$ -</b>	<b>\$ 2,298,830</b>	<b>31%</b>

**Summary of Unappropriated Operating Expenses**

Type:	Budget	Expended	Encumbered	Unexpended Balance	%
OASI Match	\$ 229,630	\$ 166,559		\$ 63,071	27%
Group Insurance	\$ 257,107	\$ 224,932		\$ 32,175	13%
State Retirement	\$ 193,276	\$ 139,903		\$ 53,373	28%
Benefit Replacement	\$ 31,428	\$ 19,861		\$ 11,567	37%
ERS Retiree Insurance	\$ 100,000	\$ 77,986		\$ 22,014	22%
SWCAP GR Reimbursement	\$ 55,000	\$ 26,494		\$ 28,506	52%
Unemployment Cost	\$ 20,000	\$ 6,698		\$ 13,302	67%
Other	\$ -	\$ -		\$ -	
<b>Unappropriated Operating Expenses</b>	<b>\$ 886,441</b>	<b>\$ 662,433</b>	<b>\$ -</b>	<b>\$ 224,008</b>	<b>25%</b>
<b>TOTAL - ALL UNAPPROPRIATED EXPENDITURES</b>	<b>\$ 886,441</b>	<b>\$ 662,433</b>	<b>\$ -</b>	<b>\$ 224,008</b>	<b>25%</b>
<b>TOTAL - ALL EXPENDITURES</b>	<b>\$ 8,374,481</b>	<b>\$ 5,851,642</b>	<b>\$ -</b>	<b>\$ 2,522,839</b>	<b>30%</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>\$ 2,672,038</b>	<b>\$ 3,076,493</b>			

**Summary of FTE's**

By Fiscal Quarter:	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Authorized FTE's	66.20	66.20	66.20	66.20
Budgeted FTE's	56.90	56.90	56.90	56.90
<b>Budgeted FTE's Over / (Under) Authorization</b>	<b>(9.30)</b>	<b>(9.30)</b>	<b>(9.30)</b>	<b>(9.30)</b>
Budgeted FTE's	56.90	56.90	56.90	56.90
Actual FTE's	57.72	50.71	52.00	-
<b>Actual FTE's Over / (Under) Budget</b>	<b>0.82</b>	<b>(6.19)</b>	<b>(4.90)</b>	<b>-</b>
<b>Actual FTE's Over / (Under) Authorization</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

3 of 12 Months Remaining in Budget Cycle or 25.0%

**Texas Racing Commission  
Report on Racetrack Inspection Activities  
June 21, 2011**

<b>Date of Inspection</b>	<b>Track</b>	<b>Type of Inspection</b>	<b>Number of Unsatisfactory Items</b>	<b>Track Remediation</b>	<b>Remaining Unsatisfactory Items</b>
05/27/11	Gillespie Race Barn	Pari-mutuel	1 <sup>i</sup>	-	1
04/28/11	Gulf Greyhound Park	Safety & Security	0	-	-
04/27/11	Sam Houston Race Park	Stewards	1 <sup>ii</sup>	-	-
05/14/11	Sam Houston Race Park	Safety & Security	0	-	-
5/20/11	Sam Houston Race Park	Pari-mutuel	0	-	-

<sup>i</sup> **Gillespie Race Barn** – In-house security video was not time synchronized to totalisator system.

<sup>ii</sup> **Sam Houston Race Park** – Men’s steam room not working consistently. Facility will be re-inspected before live racing resumes.



**Texas Pari-Mutuel Racetracks Wagering Statistics  
Comparison Report on Total Wagers Placed  
in Texas & on Texas Races**

For the Period: 01/01/10 - 06/05/10 to 01/01/11 - 06/05/11

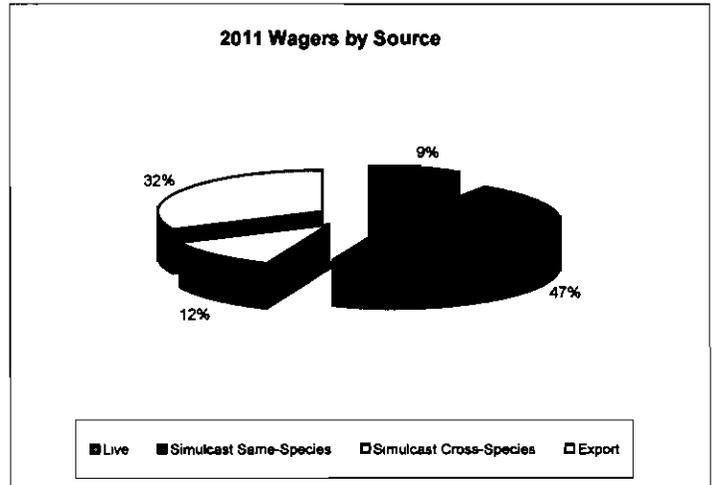
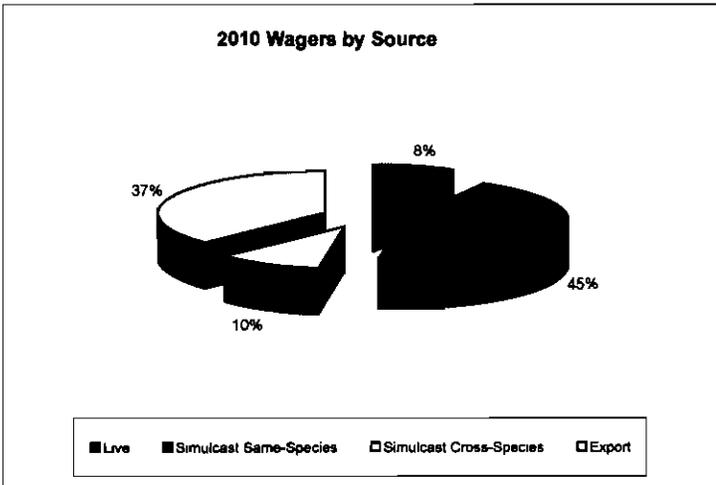
Sources of Wagers	Year 2010 01/01 - 06/05			Year 2011 01/01 - 06/05			Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wagers
<b>Greyhound Racetracks</b>								
Live	129	\$ 4,852,563	\$ 37,617	109	\$ 4,564,689	\$ 41,878	-5.93%	11.33%
Simulcast Same-Species	402	\$ 12,721,022	\$ 31,644	400	\$ 12,023,424	\$ 30,059	-5.48%	-5.01%
Simulcast Cross-Species	402	\$ 11,595,171	\$ 28,844	400	\$ 11,376,752	\$ 28,442	-1.88%	-1.39%
Export	129	\$ 6,884,172	\$ 53,368	109	\$ 5,654,564	\$ 51,877	-17.86%	-2.79%
<b>Total Wagers</b>		\$ 36,052,927	N/A		\$ 33,619,429	N/A	-6.75%	N/A

Sources of Wagers								
<b>Horse Racetracks</b>								
# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wagers	Percentage Change In
Live	113	\$ 16,815,487	\$ 148,810	89	\$ 15,055,425	\$ 169,162	-10.47%	-10.47%
Simulcast Same-Species	671	\$ 106,607,600	\$ 158,879	558	\$ 89,375,930	\$ 160,172	-16.16%	-16.16%
Simulcast Cross-Species	668	\$ 16,387,563	\$ 24,532	557	\$ 14,546,367	\$ 26,116	-11.24%	-11.24%
Export	99	\$ 92,771,181	\$ 937,083	89	\$ 63,467,906	\$ 713,123	-31.59%	-31.59%
<b>Total Wagers</b>		\$ 232,581,830	N/A		\$ 182,445,627	N/A	-21.56%	N/A

Sources of Wagers								
<b>All Texas Racetracks</b>								
# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wagers	Percentage Change In
Live	242	\$ 21,668,050	\$ 89,537	198	\$ 19,620,114	\$ 99,091	-9.45%	10.67%
Simulcast Same-Species	1,073	\$ 119,328,621	\$ 111,210	958	\$ 101,399,354	\$ 105,845	-15.03%	-4.82%
Simulcast Cross-Species	1,070	\$ 27,982,733	\$ 26,152	957	\$ 25,923,119	\$ 27,088	-7.36%	3.58%
Export	228	\$ 99,655,352	\$ 437,085	198	\$ 69,122,469	\$ 349,103	-30.64%	-20.13%
<b>Total Wagers</b>		\$ 268,634,757	N/A		\$ 216,065,057	N/A	-19.57%	N/A

<b>Total Wagers Placed In Texas</b>	\$ 168,979,405	N/A	\$ 146,942,587	N/A	-13.04%	N/A
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<b>Total Wagers Placed on Texas Races</b>	\$ 121,323,402	N/A	\$ 88,742,584	N/A	-26.85%	N/A
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**Greyhound Racetrack Wagering Statistics  
Comparison Report on Total Wagers Placed  
in Texas & on Texas Races**

For the Period: 01/01/10 - 06/05/10 to 01/01/11 -06/05/11

Sources of Wagers <u>Gulf Coast Racing</u>	Year 2010 01/01 - 06/05			Year 2011 01/01 - 06/05			Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Simulcast Same-Species	112	\$ 3,241,567	\$ 28,943	111	\$ 3,153,142	\$ 28,407	-2.73%	-1.85%
Simulcast Cross-Species	112	\$ 1,734,783	\$ 15,489	111	\$ 1,777,755	\$ 16,016	2.48%	3.40%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
<b>Total Wagers</b>		<b>\$ 4,976,350</b>	<b>N/A</b>		<b>\$ 4,930,897</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

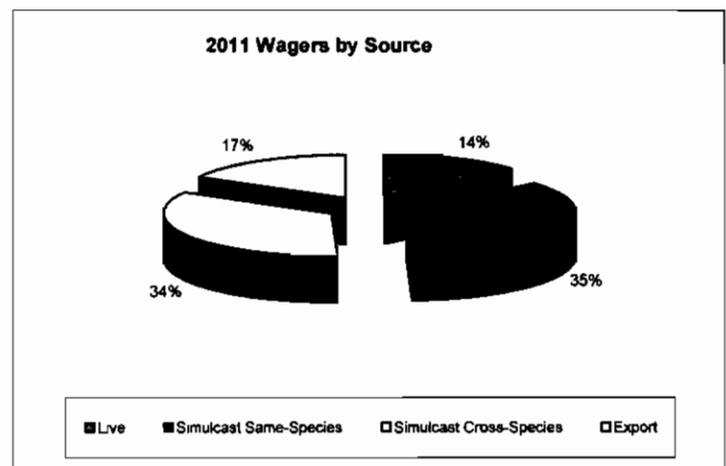
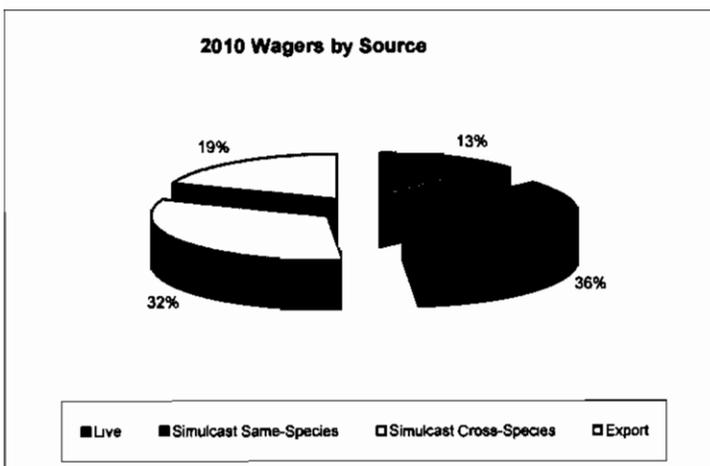
Sources of Wagers <u>Gulf Greyhound Park</u>	Year 2010 01/01 - 06/05			Year 2011 01/01 - 06/05			Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	129	\$ 4,852,563	\$ 37,617	109	\$ 4,564,689	\$ 41,878	-5.93%	11.33%
Simulcast Same-Species	156	\$ 6,336,388	\$ 40,618	155	\$ 5,614,874	\$ 36,225	-11.39%	-10.82%
Simulcast Cross-Species	156	\$ 6,710,664	\$ 43,017	155	\$ 6,290,123	\$ 40,581	-6.27%	-5.66%
Export	129	\$ 6,884,172	\$ 53,366	109	\$ 5,654,564	\$ 51,877	-17.86%	-2.79%
<b>Total Wagers</b>		<b>\$ 24,783,786</b>	<b>N/A</b>		<b>\$ 22,124,250</b>	<b>N/A</b>	<b>-10.73%</b>	<b>N/A</b>

Sources of Wagers <u>Valley Race Park</u>	Year 2010 01/01 - 06/05			Year 2011 01/01 - 06/05			Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Simulcast Same-Species	134	\$ 3,143,067	\$ 23,456	134	\$ 3,255,409	\$ 24,294	3.57%	3.57%
Simulcast Cross-Species	134	\$ 3,149,724	\$ 23,505	134	\$ 3,308,874	\$ 24,693	5.05%	5.05%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
<b>Total Wagers</b>		<b>\$ 6,292,790</b>	<b>N/A</b>		<b>\$ 6,564,283</b>	<b>N/A</b>	<b>4.31%</b>	<b>N/A</b>

Sources of Wagers <u>All Greyhound Racetracks</u>	Year 2010 01/01 - 06/05			Year 2011 01/01 - 06/05			Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
Live	129	\$ 4,852,563	\$ 37,617	109	\$ 4,564,689	\$ 41,878	-5.93%	11.33%
Simulcast Same-Species	402	\$ 12,721,022	\$ 31,644	400	\$ 12,023,424	\$ 30,059	-5.48%	-5.01%
Simulcast Cross-Species	402	\$ 11,595,171	\$ 28,844	400	\$ 11,376,752	\$ 28,442	-1.88%	-1.39%
Export	129	\$ 6,884,172	\$ 53,366	109	\$ 5,654,564	\$ 51,877	-17.86%	-2.79%
<b>Total Wagers</b>		<b>\$ 36,052,927</b>	<b>N/A</b>		<b>\$ 33,619,429</b>	<b>N/A</b>	<b>-6.75%</b>	<b>N/A</b>

<b>Total Wagers Placed in Texas</b>	<b>\$ 29,168,755</b>	<b>N/A</b>	<b>\$ 27,964,866</b>	<b>N/A</b>	<b>-4.13%</b>	<b>N/A</b>
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<b>Total Wagers Placed on Texas Races</b>	<b>\$ 11,736,734</b>	<b>N/A</b>	<b>\$ 10,219,253</b>	<b>N/A</b>	<b>-12.93%</b>	<b>N/A</b>
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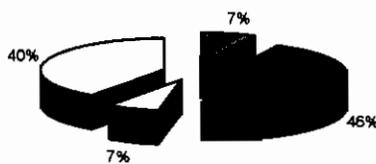
Horse Racetrack Wagering Statistics  
Comparison Report on Total Wagers Placed

in Texas & on Texas Races

For the Period: 01/01/10 - 06/05/10 to 01/01/11 -06/05/11

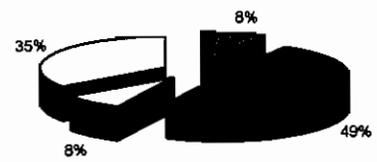
Sources of Wagers	Year 2010 01/01 - 06/05			Year 2011 01/01 - 06/05			Percentage Change In	
	# Days	Total Wagers	Avg. Wager	# Days	Total Wagers	Avg. Wager	Total Wagers	Avg. Wager
<b>Gillespie County Fair</b>								
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Simulcast Same-Species	90	\$ 1,599,567	\$ 17,773	90	\$ 1,776,000	\$ 19,733	11.03%	11.03%
Simulcast Cross-Species	90	\$ 166,188	\$ 1,847	90	\$ 181,809	\$ 2,020	9.40%	9.40%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
<b>Total Wagers</b>		<b>\$ 1,765,754</b>	<b>N/A</b>		<b>\$ 1,957,809</b>	<b>N/A</b>	<b>10.88%</b>	<b>N/A</b>
<b>Lone Star Park</b>								
Live	35	\$ 10,977,003	\$ 313,629	32	\$ 9,684,407	\$ 302,638	-11.78%	-3.50%
Simulcast Same-Species	156	\$ 50,653,904	\$ 324,705	156	\$ 42,627,115	\$ 273,251	-15.85%	-15.85%
Simulcast Cross-Species	153	\$ 2,782,193	\$ 18,184	155	\$ 2,434,228	\$ 15,705	-12.51%	-13.64%
Export	35	\$ 31,047,456	\$ 887,070	32	\$ 25,431,115	\$ 794,722	-18.09%	-10.41%
<b>Total Wagers</b>		<b>\$ 95,460,556</b>	<b>N/A</b>		<b>\$ 80,176,864</b>	<b>N/A</b>	<b>-16.01%</b>	<b>N/A</b>
<b>Manor Downs</b>								
Live	14	\$ 1,100,710	N/A	0	\$ -	N/A	-100.00%	-100.00%
Simulcast Same-Species	113	\$ 5,955,871	\$ 52,707	0	\$ -	N/A	-100.00%	-100.00%
Simulcast Cross-Species	113	\$ 1,023,065	\$ 9,054	0	\$ -	N/A	-100.00%	-100.00%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
<b>Total Wagers</b>		<b>\$ 8,079,646</b>	<b>N/A</b>		<b>\$ -</b>	<b>N/A</b>	<b>-100.00%</b>	<b>N/A</b>
<b>Retama Park</b>								
Live	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
Simulcast Same-Species	156	\$ 15,798,665	\$ 101,273	156	\$ 15,838,286	\$ 101,527	0.25%	0.25%
Simulcast Cross-Species	156	\$ 3,016,237	\$ 19,335	156	\$ 3,239,440	\$ 20,766	7.40%	7.40%
Export	0	\$ -	N/A	0	\$ -	N/A	N/A	N/A
<b>Total Wagers</b>		<b>\$ 18,814,902</b>	<b>N/A</b>		<b>\$ 19,077,726</b>	<b>N/A</b>	<b>1.40%</b>	<b>N/A</b>
<b>Sam Houston Race Park</b>								
Live	64	\$ 4,737,775	\$ 74,028	57	\$ 5,371,018	\$ 94,228	13.37%	13.37%
Simulcast Same-Species	156	\$ 32,599,593	\$ 208,972	156	\$ 29,134,529	\$ 186,760	-10.63%	-10.63%
Simulcast Cross-Species	156	\$ 9,399,880	\$ 60,256	156	\$ 8,690,891	\$ 55,711	-7.54%	-7.54%
Export	64	\$ 61,723,724	\$ 964,433	57	\$ 38,036,791	\$ 667,312	-38.38%	-38.38%
<b>Total Wagers</b>		<b>\$ 106,460,972</b>	<b>N/A</b>		<b>\$ 81,233,229</b>	<b>N/A</b>	<b>-25.10%</b>	<b>NA</b>
<b>All Horse Racetracks</b>								
Live	113	\$ 16,815,487	\$ 148,810	89	\$ 15,055,425	\$ 169,162	-10.47%	-10.47%
Simulcast Same-Species	671	\$ 106,607,600	\$ 158,879	558	\$ 89,375,930	\$ 160,172	-16.16%	-16.16%
Simulcast Cross-Species	668	\$ 16,387,583	\$ 24,532	557	\$ 14,546,367	\$ 26,116	-11.24%	-11.24%
Export	99	\$ 92,771,181	\$ 937,083	89	\$ 63,467,906	\$ 713,123	-31.59%	-31.59%
<b>Total Wagers</b>		<b>\$ 232,581,830</b>	<b>N/A</b>		<b>\$ 182,445,627</b>	<b>N/A</b>	<b>-21.56%</b>	<b>N/A</b>
<b>Total Wagers Placed in Texas</b>		<b>\$ 139,810,650</b>	<b>N/A</b>		<b>\$ 118,977,722</b>	<b>N/A</b>	<b>-14.90%</b>	<b>N/A</b>
<b>Total Wagers Placed on Texas Races</b>		<b>\$ 109,586,668</b>	<b>N/A</b>		<b>\$ 78,523,331</b>	<b>N/A</b>	<b>-28.35%</b>	<b>N/A</b>

2010 Wagers by Source



■ Live ■ Simulcast Same-Species □ Simulcast Cross-Species □ Export

2011 Wagers by Source



■ Live ■ Simulcast Same-Species □ Simulcast Cross-Species □ Export

**Texas Racing Commission  
Enforcement Report  
Selected Regulatory Statistics  
January 1, 2011 – May 31, 2011**

	<b>GREYHOUND</b>	<b>HORSE</b>	<b>NOTES</b>
<b># of Live Race Performances/Days</b>	125	85	SHRP meet ended 5/20; Retama starts on 7/1, Gillespie starts on 7/2, and LSP ends on 7/10.
<b># of Live Races</b>	1,618	832	
<b># of Animals Inspected</b>	12,728	6,937	
<b># of Samples</b>	2,484	1,752	
<b># of Animal Drug Positives*</b>	5	10	Horse – 5 Class 3, 1 Class 4, 2 Class 5 and 3 overages of permitted medication, phenylbutazone. Greyhound – all Class 6
<b>% of Samples Testing Positive</b>	0.2%	0.74%	
<b># of Simulcast Days</b>	385	539	
<b># of Simulcast Races</b>	117,956	159,787	
<b># of Import and Export Requests</b>	173	537	
<b># of New Licenses Issued</b>	1,444		
<b># of Licenses Renewed</b>	2,980		
<b># of Gate, Barn, and Kennel Searches</b>	23		
<b># of Administrative Investigations</b>	59		
<b># of Rulings</b>	12	99	
<b># of Suspensions</b>	1	31	
<b># of Animals DQ'ed for Drug Positive – Purse Redistributed</b>	0	3	
<b># of Rulings with Fines</b>	11	68	
<b>Total Fines Assessed</b>	\$1,200	\$18,650	

CLASSIFICATION OF DRUG POSITVES: Drugs are classified by their effect on the animals, with Class 1 being the most serious for greyhounds and horses and for greyhounds, Class 6 is the least serious, and for horses, Class 5 is the least serious.

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**TEXAS RACING COMMISSION  
COMMITTEE ON RULES**

***Meeting Report***

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

**June 7, 2011  
1:30 p.m.**

Attending were Commissioner Ann O'Connell, Commission staff and representatives from Texas racetrack associations, breed registries, and other interested parties. Commissioner O'Connell chaired the meeting.

**A. Current Rule Reviews:**

1. The rule review process of Chapter 307, Proceedings Before the Commission, is complete with the adoption of amendments to §307.62, Disciplinary Hearings, addressing rules of evidence, standard of proof, and continuances.

Outcome: Staff recommends Chapter 307 be placed on the next Commission meeting agenda for the Commission's consideration to readopt and close the rule review.

2. The rule review process of Chapter 321, Pari-Mutuel Wagering, Subchapters A, C, D, and E, is complete with the adoption of seven amendments and four new rules. These subchapters include Mutuel Operations, Regulation of Live Wagering, Simulcast Wagering, and Ticketless Electronic Wagering. Subchapter B pertains to the Totalisator Requirements and Operating Environment and rule revision is still pending. As previously reported, Carol Olewin, Compliance Audit Administrator, presented the standards that would match rules and regulations with today's technology to the RCI Board of Directors. Three major tote companies submitted their concerns over the proposed language and new language has been offered that appears to be acceptable to all parties. Staff intends to continue working with and through RCI to ensure that these new standards are both reasonable and practical to implement on state and national levels.

Outcome: Staff recommends Chapter 321, Subchapters A, C, D, and E be placed on the next Commission meeting agenda for consideration to readopt and close the rule review. Subchapter B will remain pending.

3. The rule review process of Chapter 323, Disciplinary Action and Enforcement, is complete with no revisions.

4. Outcome: Staff recommends Chapter 321 be placed on the next Commission meeting agenda for consideration to readopt and close the rule review.

## **B. Requests for Rule Changes:**

1. Sammy Jackson, Deputy Director of Wagering and Racing Review, discussed a proposal for rule changes regarding allowing claims for certain lost or destroyed pari-mutuel tickets or vouchers under strictly limited conditions. Four rules, Sections 321.1, Definitions and General Provisions; 321.35, Claim for Payment; 321.41, Cashing Outstanding Tickets; and 321.42, Cashing Outstanding Vouchers, would be affected.

Stakeholder Input: Drew Shubeck, General Manager of Lone Star Park suggested the proposed new definition of Player Tracking System to read "... The system can be used to customize highly specific promotions and tailor rewards to encourage *incremental visits* by patrons. ..." There was no opposition to this change. Although Retama Park expressed concerns for paying a claim/voucher twice, the associations supported the amendments to these four sections of Chapter 321.

Outcome: Staff recommends that these proposed changes be placed on the Commission's meeting agenda for consideration to publish in the *Texas Register* for comment.

2. Steve Ross, Simulcast Coordinator at Retama Park, proposed a change to Rule 321.407, Approval of Wagering on Simulcast Import Races. The Commission's current policy restricts a Texas racetrack from importing Standardbred (harness) races for simulcast wagering unless a meet-for-meet reciprocal agreement exists between the Standardbred racetrack and the Texas racetrack. The proposed change is requested to address two issues with this policy.

Not all Texas racetracks, specifically Class 2 and Class 3 horse racetracks find it profitable to export its live racing product. A racetrack's decision not to export its live racing prevents it from importing a Standardbred signal. Secondly, not all Texas racetracks, specifically greyhound racetracks, are able to sell their signal to Standardbred racetracks as greyhound racing is not authorized in any of the Standardbred jurisdictions.

Revising the current policy by eliminating the reciprocal meet-for-meet arrangement only for Standardbred racing ensures that all Texas racetracks are eligible to import Standardbred races. This solution mirrors the policy in place for all other imported horse or greyhound races.

This change would have a positive fiscal impact, including to the State's General Revenue Fund, if additional tracks are eligible to request and receive approval to import Standardbred races.

Outcome: Staff recommends the proposed change be placed on the Commission's next meeting agenda for briefing purposes.

### **C. Potential Rule Requirements**

As of this date, House Bill 2271, 82<sup>nd</sup> Legislature, the agency's Sunset bill, is awaiting Governor's desk. The Governor may sign the bill, veto it, or allow it to become law without his signature. Pending passage of this legislation, the bill would require adoption of rules addressing many issues that include penalties, security bonds, renewal of licenses, and designation of tracks as active or inactive. Also noted was the adjustment to fee schedules that would occur to compensate for the changes in the agency's revenue streams. Mark Fenner, General Counsel, encouraged the racetracks and associations to provide feedback.

### **D. Initiate Rule Reviews**

The Texas Government Code states that a state agency shall review and consider for re-adoption each of its rules every four years in accordance with Section 2001.039. Reviews of Chapter 301, Definitions; Chapter 303, General Provisions; and Chapter 319, Veterinary Practices and Drug Testing are next on the schedule. Commissioner O'Connell encouraged racetracks and associations to communicate their suggestions for rule changes in anyone of these chapters to Mark Fenner. Stakeholders are encouraged to complete the form, *Request for Proposed Change to an Existing Rule or Addition of a New Rule to the Rules of Racing* (available on website or by request).

### **E. Public Comment**

1. Drew Shubeck, General Manager of Lone Star Park, inquired about what action might be taken regarding the Advanced Deposit Wagering prohibitions if House Bill 2271 becomes law. Mark Fenner stated he and Chuck Trout, Executive Director, will be meeting on the subject, with the likelihood of requesting assistance from the Attorney General's Office to communicate directly with ADW companies. Commissioner O'Connell asked that racetracks and associations direct comments to Mark Fenner.
2. Drew Shubeck asked about the 2012 Fee Schedule. Shelley Harris-Curtsinger, Deputy Director for Finance and Administration, advised that the staff is gathering data and will be able to better respond in the next four to eight weeks as several issues are pending.

# TEXAS RACING COMMISSION

## Internal Audit Charter

**TEXAS RACING COMMISSION**  
**INTERNAL AUDITING CHARTER**

**ESTABLISHMENT**

The internal auditing function is established for the Texas Racing Commission (“Agency”) in accordance with Texas Government Code, Title 10, Chapter 2102, and the Texas Internal Auditing Act. The Agency governing board (“Commission”) shall appoint the Internal Auditor. The Internal Auditor shall report directly to the Commission or Audit Committee on all matters, other than administrative matters, that require the decision of the Executive Director.

The Internal Auditor shall establish those internal auditing policies and procedures necessary to assist management in the accomplishment of the Agency’s objectives and to ensure compliance with applicable laws and regulations.

**ATTRIBUTE STANDARDS**

***Purpose, Authority and Responsibility - 1000***

**Purpose**

The internal auditing function is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Assurance services are defined as objective examinations of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Consulting services are advisory and related client service activities, the nature and scope of which are agreed upon with the client and which are intended to add value and improve an organization’s operations. Examples include counsel, advice, facilitation, research, and training.

**Authority**

The Internal Auditor is authorized to direct a broad, comprehensive program of internal auditing within the Agency. The internal auditing function is authorized to have full, free, and unrestricted access to all of the agency's functions, facilities, personnel, property, records (in any form) or other resources deemed by the Internal Auditor to be relevant to the subject under review. Agency personnel shall cooperate with the internal auditing function by providing access to records and other resources and by assisting in compiling information within their purview. Due consideration shall be given to the benefits and costs of gathering audit evidence so that optimal use will be made of the Agency's resources.

### **Responsibility**

The Internal Auditor is responsible for ensuring that the internal auditing function conforms to the internal auditing requirements of the *Texas Internal Auditing Act*, the *International Standards for the Professional Practice of Internal Auditing* as promulgated by the Institute of Internal Auditors, generally accepted governmental auditing standards as established by the Comptroller General of the United States, the Certified Internal Auditor Code of Professional Ethics, and the *Statement of Responsibilities of Internal Auditing* by the Institute of Internal Auditors.

### **Definitions**

The Internal Auditor should discuss the Definitions of Internal Auditing, the Code of Ethics, and the Standards with senior management and the Board:

- Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- Code of Ethics are principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.
- Standards are professional pronouncements promulgated by the Internal Audit Standards Board that delineate the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.

### ***Standards of Conduct***

The Internal Auditor will respect the value and ownership of information that he or she receives and will not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

III-15

The Internal Auditor shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Agency.

### **Independence and Objectivity - 1100**

The internal audit activity must be independent, and internal auditors must be objective in performing their work. Independence is the freedom from conditions that threaten the ability of the internal audit activity or the Internal Auditor to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Internal Auditor has direct and unrestricted access to senior management and the board. The internal auditing function shall be free of all operational and management responsibilities that would impair the ability to independently review all aspects of the Agency's operations. The internal auditing function shall not develop or install procedures, prepare records, or engage in any other activity normally subject to internal auditing review.

The Internal Auditor shall not have authority or responsibility over any of the activities or persons under review so that objectivity will not be impaired. Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.

### **Organizational Independence - 1110**

The Internal Auditor shall dual-report to the Executive Director and the Commission or Audit Committee to allow the internal audit activity to fulfill its responsibilities. The Internal Auditor must confirm to the Commission, at least annually, the organizational independence of the internal audit activity. The internal audit activity and Internal Auditor must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The Internal Auditor must communicate and interact directly with the board.

### **Individual Objectivity – 1120**

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

## **Impairment to Independence or Objectivity – 1130**

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment. Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

## **Proficiency and Due Professional Care – 1200**

Engagements must be performed with proficiency and due professional care.

### **Proficiency - 1210**

The Internal Auditor shall maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications, or supplement with contract services, to meet the requirements of this charter.

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

The Internal Auditor must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the Agency, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

The Internal Auditor must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

### **Due Professional Care – 1220**

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement’s objectives;
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management, and control processes;
- Probability of significant errors, fraud, or noncompliance; and
- Cost of assurance in relation to potential benefits.

In exercising due professional care, internal auditors must consider the use of technology-based audit and other data analysis techniques.

Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results;
- Relative complexity and extent of work needed to achieve the engagement’s objectives; and
- Cost of the consulting engagement in relation to potential benefits.

### **Continuing Professional Development – 1230**

Internal Audit shall conform to The Professional Practices Framework as promulgated by the Institute of Internal Auditors which includes The International Standards for the Professional Practice of Internal Auditing and the Code of Ethics, and to generally accepted government auditing standards. In addition, Internal Audit shall conform to requirements found under the Texas Internal Auditing Act (Chapter 2102, Texas Government Code). Internal Audit shall also comply with all policies and procedures of the Agency.

The professional staff of the Internal Audit Division shall maintain technical competence by attending a minimum of 40 hours annually of continuing professional education courses as required by the governing boards which regulate

the professional designations of Certified Public Accountant and Certified Internal Auditor as appropriate. Ordinary and necessary expenses of maintaining the above-named professional designations will be paid for by the Agency. Other relevant certification programs may also be supported on a case-by-case basis.

### **Quality Assurance and Improvement Program - 1300**

The Internal Auditor shall maintain an effective quality assurance and improvement program to include supervision, training, internal reviews, and periodic comprehensive external peer reviews to ensure compliance with the Texas Internal Auditing Act and professional standards.

The quality assurance and improvement program must include both internal and external assessments. The internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessment or by other persons within the Agency with sufficient knowledge of internal audit practices.

External assessments must be conducted at least every three years in accordance with Government Auditing Standards by a qualified, independent reviewer or review team from outside the Agency. The Internal Auditor must discuss with the board:

- The need for more frequent external assessments; and
- The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.

The Internal Auditor must communicate the results of the quality assurance and improvement program to senior management and the board.

### **Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing” - 1321**

The Internal Auditor shall conduct his or her activities in a manner that is consistent with the following standards:

- International Standards for the Professional Practice of Internal Auditing, the Institute of Internal Auditors, Inc.
- Code of Ethics, the Institute of Internal Auditors, Inc.
- Statement of Responsibilities of Internal Auditing, the Institute of Internal Auditors, Inc.
- Government Auditing Standards

- Texas Internal Auditing Act
- Policies of the Agency

The Internal Auditor may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* and generally accepted governmental auditing standards only if the results of the quality assurance and improvement program support this statement.

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit, the Internal Auditor must disclose the nonconformance and the impact to senior management and the board.

### **Disclosure of Nonconformance – 1322**

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, the Internal Auditor must disclose the nonconformance and the impact to senior management and the board.

## **PERFORMANCE STANDARDS**

### **Managing the Internal Audit Activity – 2000**

The Internal Auditor must effectively manage the internal audit activity to ensure that it adds value to the Agency.

The Internal Auditor must:

- establish risk-based plans to determine the priorities of the internal audit activity, consistent with the Agency’s goals.
- communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The Internal Auditor must also communicate the impact of resource limitations.
- ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
- establish policies and procedures to guide the internal audit activity.

### **Coordination – 2050**

The Internal Auditor should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts. III-20

## **Reporting to Senior Management and the Board – 2060**

The Internal Auditor must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board. For reporting purpose, Senior Management shall consist of the Executive Director and Deputy Director for Wagering and Racing Review, Deputy Director for Administration, and Deputy Director for Racing.

## **External Service Provider and Organizational Responsibility for Internal Auditing - 2070**

When an external service provider serves as the internal audit activity, the provider must make the Agency aware that the Agency has the responsibility for maintaining an effective internal audit activity.

## **Nature of Work - 2100**

The Internal Auditor shall evaluate the effectiveness and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

The scope of the internal auditing function shall encompass examination and evaluation of the adequacy and effectiveness of both the Agency's systems of internal control and the quality of performance in carrying out assigned responsibilities. Periodic audits of the Agency's major systems and controls, including accounting systems and controls, administrative systems and controls, and electronic data processing systems and controls shall be conducted. Internal auditing activities include, but are not limited to:

- Reviewing and appraising the reliability and integrity of accounting, financial, and operating information, and the means used to identify, measure, classify, and report such information.
- Reviewing and appraising the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports, and determining the extent of compliance.
- Reviewing and appraising the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- Reviewing and appraising operations and programs to determine whether results are consistent with established objectives and goals and whether the operations and programs are carried out as planned.
- Appraising the economy and efficiency with which resources are employed.
- Appraising the Agency's effectiveness in meeting its statutory duties.
- Reviewing the planning, design, development and implementation of major information systems to determine whether adequate controls are incorporated in the systems.
- Reviewing for the potential existence of fraud and abuse, and reporting to proper authorities when detected.

### **Governance - 2110**

The Internal Auditor must assess and make appropriate recommendations for improving the Agency's governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the Agency;
- Ensuring effective organizational performance management and accountability;
- Communicating risk and control information to appropriate areas of the Agency; and
- Coordinating the activities of and communicating information among the board, external and internal auditors, and management.

The internal audit activity must evaluate the design, implementation, and effectiveness of the Agency's ethics-related objectives, programs, and activities.

The internal audit activity must assess whether the information technology governance of the Agency supports the Agency's strategies and objectives.

Consulting engagement objectives must be consistent with the overall values and goals of the Agency.

### **Risk Management – 2120**

The Internal Auditor shall assist the Agency in identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.

The Internal Auditor shall evaluate risk exposures relating to the Agency's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operation information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

The Internal Auditor must evaluate the potential for the occurrence of fraud and how the Agency manages fraud risk.

During consulting engagements, the Internal Auditor shall address risk consistent with the engagement's objectives and should be alert to the existence of other significant risks. Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the agency's risk management processes.

When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

### **2130 – Control**

The Internal Auditor must assist the Agency in maintaining effective controls by evaluating its effectiveness and efficiency and by promoting continuous improvement. The Internal Auditor must evaluate the adequacy and effectiveness of controls in responding to risks within the Agency's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operation information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

The Internal Auditor should ascertain the extent to which operating and program goals and objectives have been established and conform to those of the Agency.

The Internal Auditor should review operations and programs to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended.

During consulting engagements, the Internal Auditor must address controls consistent with the engagement's objectives and be alert to significant control issues.

### **Engagement Planning - 2200**

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.

In planning the engagement, internal auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity's risk management and control processes compared to a relevant control framework or model; and
- The opportunities for making significant improvements to the activity's risk management and control processes.

Objectives must be established for each engagement and the established scope must be sufficient to satisfy the objectives of the engagement.

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

Internal auditors must develop and document work programs that achieve the engagement objectives.

### **Performing the Engagement - 2300**

Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

Internal auditors must consider concerns relating to the protection of personally identifiable information gathered during audit engagements as advances in information technology and communications continue to present privacy risks and threats. Privacy controls are legal requirements in many jurisdictions.

Internal auditors may use analytical procedures to obtain audit evidence. Analytical procedures involve studying and comparing relationships among both financial and

nonfinancial information. The application of analytical procedures is based on the premise that, in the absence of known conditions to the contrary, relationships among information may reasonably be expected to exist and continue. Examples of contrary conditions include unusual or nonrecurring transactions or events; accounting, organizational, operational, environmental, and technological changes; inefficiencies; ineffectiveness; errors; fraud; or illegal acts.

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives and must base conclusions and engagement results on appropriate analyses and evaluations. Internal auditors must document relevant information to support the conclusions and engagement results.

Engagements must be properly supervised to ensure that objectives are achieved, quality is assured, and staff is developed.

The Internal Auditor must control access to engagement records. The Director must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

### **Communicating Results, Criteria for Communicating, and Quality of Communications – 2400, 2410 and 2420**

The Internal Auditor must communicate the results of engagements to the appropriate parties. The Director is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

The Internal Auditor shall report directly to the Commission or Audit Committee. The Internal Auditor shall report to the Executive Director for administrative matters. At least on a semi-annual basis, the Internal Auditor will meet with the Executive Director, Deputy Director for Administration, Deputy Director for Racing, and Deputy Director for Wagering and Racing Review to discuss the status of the audit plan, the status of management's resolution of audit recommendations, and other significant issues involving the internal auditing function.

The Internal Auditor must communicate audit findings and recommendations with appropriate levels of management prior to issuing final reports. Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans. Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the Agency. Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

The Internal Auditor must exercise caution when communicating noncompliance with laws, regulations, and other legal issues. Developing policies and procedures regarding the handling of those matters as well as a close working relationship with other appropriate areas (e.g., legal counsel and compliance) is strongly encouraged.

**III-25**

The Internal Auditor shall issue a final written report that incorporates management's responses to audit findings and recommendations. Copies of the final report shall be provided to appropriate members of management, the Executive Director, the Audit Committee, and Commissioners.

Final communication of engagement results must, where appropriate, contain the auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information. Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

If a final communication contains a significant error or omission, the Internal Auditor must communicate corrected information to all parties who received the original communication.

If the Internal Auditor comes into possession of critically sensitive information that is substantial to the Agency and poses significant potential consequences, and deems the new information substantial and credible, the Internal Auditor shall communicate the information – in a timely manner – to senior management and the board. If the Director, after those discussions, concludes that senior management is exposing the Agency to an unacceptable risk and is not taking appropriate action, he or she must present the information and the differences of opinion to the board. The typical chain-of-command communication scenario may be accelerated for certain types of sensitive occurrences because of laws, regulations, or common practices, and Director may communicate the information to persons outside the normal chain of command or even outside the Agency.

The Internal Auditor shall follow-up on reported findings to ensure that appropriate and timely management resolution of audit issues has occurred. Management shall be responsible for deciding the appropriate actions to be taken in response to reported audit findings. The Internal Auditor shall provide follow-up reports on all significant findings to the Executive Director, Audit Committee, and Commissioners. Follow-up reports shall include significant audit findings where senior management has decided to assume the risk of not correcting the reported condition because of cost or other considerations.

When releasing engagement results to parties outside the Agency, the communication must include limitations on distribution and use of the results. If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the Agency the Internal Auditor must assess the potential risk to the Agency, consult with senior management and/or legal counsel as appropriate, and control dissemination by restricting the use of the results.

The Internal Auditor is responsible for communicating the final results of consulting engagements to the Agency. During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are

significant to the Agency, they must be communicated to senior management and the board.

### **Engagement Disclosure of Nonconformance – 2431**

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved;
- Reason(s) for nonconformance; and
- Impact of nonconformance on the engagement and the communicated engagement results.

### **Overall Opinions - 2450**

When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

### **Monitoring Progress - 2500**

The Internal Auditor must establish and maintain a system to monitor the disposition of results communicated to management.

The Internal Auditor must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

### **Resolution of Senior Management's Acceptance of Risks – 2600**

When the Internal Auditor believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the Director must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the Internal Auditor must report the matter to the board for resolution.

Deputy Director for Finance and  
Administration /Chief Audit Executive  
Texas Racing Commission

---

Chuck G. Trout  
Executive Director  
Texas Racing Commission

This Charter was approved by the Texas Racing Commission  
on \_\_\_\_\_, and replaces any previously approved versions.

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Rolando Pablos, Chair  
Texas Racing Commission

**Austin Jockey Club, Ltd.** 2011 MAY 23 AM 11: 44  
**3400 Penthouse 500 Dallas St.**  
**Houston, Tx 77002**

**RECEIVED**  
**TEXAS RACING**  
**COMMISSION**

May 20, 2011

VIA ELECTRONIC MAIL

Mr. Sammy Jackson  
Deputy Director of Finance and Regulatory Control  
Texas Racing Commission  
P.O. Box 12080  
Austin, TX 78711-2080

Dear Mr Jackson:

The Austin Jockey Club was granted 10 days of thoroughbred racing for 2011 commencing on Sunday, July 31 and extending through Sunday, August 21. While we continue to make progress toward ultimate development of Longhorn Downs, we will not be at a point which enables us to conduct racing this year. Given our status, we respectfully request that the Commission consider eliminating these dates from the 2011 calendar and that the matter be taken up at the next scheduled Commission meeting.

If you have any questions or need additional information please do not hesitate to contact me at (210) 651-7131.

Yours truly,



Bryan P. Brown  
Vice President

Cc: Drew Alexander  
Terry Blanton  
Brian Roeder  
Jan Haynes  
Dr. Tommy Hays  
Joe Archer

David Hooper  
Tooter Jordan  
Greg LaMantia  
Howard Phillips  
Marsha Rountree

Drew Shubeck  
Karen Utecht  
Rob Werstler  
Ed Wilson  
Andrea Young



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

### **MEMORANDUM**

**TO:** Texas Racing Commissioners  
**FROM:** Chuck Trout, Executive Director  
**DATE:** June 16, 2011  
**SUBJECT:** Policy Discussion – Conditions and Standards for a License to Conduct Racing at a Temporary Location

---

Over the past two years, the Commission has urged racetrack licensees on multiple occasions to find a way to fulfill their commitments to conduct live racing. The Commission's efforts have included granting live race dates to unbuilt tracks with the understanding that those licensees would conduct pre-opening simulcasting to provide purses for their live race meets. The Commission required licensees to regularly report and provide updates on their progress. The Commission approved shorter race meets at Gulf Coast Racing and Valley Race Park with the understanding that a portion of the purse moneys from simulcasting would support those tracks' live product, and that the excess would be transferred to Gulf Greyhound Park. When Valle de los Tesoros approached the Commission with the possibility of opening a temporary simulcasting facility to provide some money to the industry and to prepare for its own track, the Commission encouraged Valle de los Tesoros to further explore the idea and to submit an application.

Valle de los Tesoros has now submitted its application, and the owners of two other racetrack licenses have similarly expressed interest in securing a license to conduct racing at a temporary location. However, the Commission has never issued a license under this section of the law and has not developed an application form, established an

application fee, or discussed the conditions or standards that an applicant should meet in order to qualify for this specific license. As a result, staff asks for guidance on several policy issues.

## **LEGAL BACKGROUND**

Texas Racing Act (TRA, or the "Act") § 6.15, Racing at Temporary Location, provides:

After an association has been granted a license to operate a racetrack and before the completion of construction at the designated place for which the license was issued, the commission may, on application by the association, issue a temporary license that permits the association to conduct races at a location in the same county for a period expiring two years after the date of issuance of the temporary license or on the completion of the permanent facility, whichever occurs first. The commission may set the conditions and standards for issuance of a temporary license and allocation of appropriate race days. An applicant for a temporary license must pay the application fees and must post the bonds required of other licensees before the issuance of a temporary license. After a temporary license has expired, no individual, corporation, or association, nor any individual belonging to a corporation or association which has been granted a temporary license, may get an extension of the temporary license or a new temporary license.

The Act speaks to the location and operations of racetracks in several sections. TRA § 1.03(25) defines a racetrack as "a facility that is licensed under this Act for the conduct of pari-mutuel wagering on greyhound racing or horse racing." Section 1.03(67) defines "Racetrack facility" as a "facility operated by an association within its enclosure for the purpose of presenting races for pari-mutuel wagering." Section 1.03(74) defines "Race" to include "a live audio and visual signal of a race." Section 11.011(f) provides that "Nothing in the Act is to be construed to allow wagering in Texas on simulcast races at any location other than a racetrack licensed under this Act that has been granted live race dates by the commission."

The Attorney General's Office has addressed the question of whether a racetrack may conduct simulcast wagering before the facility is constructed. In Letter Opinion 96-137, issued December 13, 1996, the Opinion Committee concluded:

Section 11.011(f) of the Texas Racing Act, V.T.C.S article 179e, authorizes the Texas Racing Commission to approve the application of a licensed racetrack for wagering on simulcast races so long as the commission has granted the racetrack live race dates. Under the statute, the fact that the racetrack facilities are under construction, incomplete, or

otherwise incapable of accommodating a live race event at the time the racetrack begins accepting wagers on simulcast races is inconsequential.

Similarly, nothing in the act requires a licensed racetrack to conduct a live race event at the facility before it may offer simulcast racing. To the contrary, the only statutory prerequisite is that the commission has granted live race dates to the licensed racetrack.

Under certain circumstances the Commission is given the authority to permit a racetrack to begin operations at a location other than the site originally approved for the license. Section 6.14(a), Racing Restricted to Designated Place, provides:

An association may not conduct greyhound or horse racing at any place other than the place designated in the license except as provided by this section or by Section 6.15 of this Act. However, if the racetrack or enclosure designated in the license becomes unsuitable for racing because of fire, flood, or other catastrophe, the affected association, with the prior approval of the commission, may conduct a race meeting or any remaining portion of a meeting temporarily at any other racetrack licensed by the commission to conduct the same type of racing as may be conducted by the affected association if the licensee of the other racetrack also consents to the usage.

Finally, TRA § 6.07(a), Lease, provides: "The Commission may adopt rules to authorize an association, as lessee, to contract for the lease of a racetrack and the surrounding structures."

### **HISTORICAL BACKGROUND**

Although the Commission has never considered an application to conduct racing at a temporary location, at its February 7, 1994, meeting, the Commission considered and approved the request of Retama Park to include the Blue Bonnet Palace within Retama Park's enclosure. The Blue Bonnet Palace is a music and entertainment facility located in Guadalupe County approximately three miles from Retama Park. The Commission discussed the possibility that Retama Park would conduct simulcasting at Blue Bonnet Palace, but Retama Park did not request that approval and the Commission did not volunteer it. Instead, the Commission approved Retama Park's request for the limited purpose of locating its administrative offices and training new racetrack staff.

As part of its discussion, the Commission adopted the following resolution:

## **RESOLUTION OF THE TEXAS RACING COMMISSION**

**February 7, 1994.**

**WHEREAS**, the Texas Racing Act requires the Commission to find before issuing a pari-mutuel racetrack license that racing at the proposed location will be in the public interest; and

**WHEREAS**, because of this finding any pari-mutuel racetrack license that is issued is site-specific to the site proposed in the license application; and

**WHEREAS**, the Texas Racing Act Section 11.011 prohibits pari-mutuel wagering at a site other than a licensed racetrack that has been granted live race dates; and

**WHEREAS**, the Texas Racing Act Section 1.03 defines "racetrack" as a facility that is licensed under this Act to conduct pari-mutuel wagering on greyhound racing or horse racing; and

**WHEREAS**, the Texas Racing Act in Section 6.14 and Section 6.15 authorizes the Commission to permit under certain circumstances the conduct of racing at locations other than the site originally approved for the license; and

**WHEREAS**, the Commission finds that situations may arise where an association may wish to expand the site of its racetrack to foster the development of the racetrack or to conduct activities related to pari-mutuel racing that will enhance the operations of the racetrack;

**NOW THEREFORE BE IT RESOLVED**, the Commission will consider the following factors when determining whether to approve a proposed site expansion:

1. If the proposed additional property is not contiguous to the main racetrack site, the distance of the proposed additional property from the main racetrack site;
2. the unconditional committed and declared use for the additional property;
3. the length of time that the proposed additional property will be used;
4. if the declared use of the proposed additional property is for pari-mutuel or simulcast wagering, the extent to which live races are capable of being conducted at the racetrack;

5. the degree to which the planned use of the proposed additional property directly relates to the ongoing operations of the racetrack rather than to other business purposes;
6. the number and class of other pari-mutuel racetracks located within 100 miles of the proposed additional property;
7. the extent to which the racetrack requesting approval of the site expansion is in full compliance with Commission rules; and
8. the estimated increase in regulatory cost to the Commission caused by the expansion.

**AND BE IT FURTHER RESOLVED**, the Commission will not approve a proposed site expansion to include property that is not contiguous to the main racetrack site if the Commission determines the additional property is more than five miles from the boundary of the main racetrack site.

**AND BE IT FURTHER RESOLVED**, if the Commission approves a site expansion to include a property that is not contiguous to the main racetrack site, the Commission will not authorize pari-mutuel wagering on the non-contiguous property if the Commission determines that the association requesting approval of the pari-mutuel wagering is, or is capable of, conducting pari-mutuel wagering on the main racetrack site.

At the June 27, 1994, Commission meeting, Retama Park requested approval to begin simulcasting at the Pavilion, which is located immediately adjacent to the grandstand on Retama Park's racetrack site. The Commission approved the request, to be effective after the conclusion of Bandera Downs' live race meet on Labor Day, September 5, 1994. By September, 1994, Retama Park decided to focus its efforts on completing the overall construction of the track and ultimately did not conduct any pre-opening simulcasting.

#### **POLICY ISSUES FOR DISCUSSION**

At the Commission meeting on June 21, 2011, staff requests guidance as to whether the Commission's resolution in 1994 remains satisfactory, whether the following issues should also be addressed, and whether the Commission identifies any other conditions or standards that should be addressed as part of the issuance of a license to conduct racing at a temporary location.

1. Whether the applicant for a temporary location should commit to building its permanent facility or making other specific good faith efforts towards conducting live racing as a condition of receiving the license.

2. Whether there should be a limit to the length of time that a racetrack may conduct pre-opening simulcasting in advance of the racetrack's first day of live racing.
3. Whether the Commission should require an applicant to pay any specific fees or post any bonds before issuing a license for a temporary location.
4. Whether an existing, built racetrack could request a temporary location in order to facilitate major renovations at the racetrack site.
5. Whether there are specific conditions that, if not met, would result in the suspension of simulcasting privileges at the temporary location.
6. Whether an Agreed Order should be required as a condition of granting a license for a temporary location.

**Austin Jockey Club, Ltd.**  
**Status Report**  
**June 21, 2011**

2011 JUN 10 PM 4:13  
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COMMISSION

Since the last Texas Racing Commission meeting, progress has been made in a few areas:

- The Mayor of Creedmoor is setting up a meeting after the special session with the principals behind a municipal utility district which has been set up for the Creedmoor area. Longhorn Downs could be a catalyst for this MUD moving forward with a wastewater treatment system.
- The Mayor will be attending the June 21 meeting and is willing to speak on Creedmoor's view of the project.

Further information will provided be at the next Commission meeting on June 21.



June 10, 2011

RECEIVED  
 TEXAS RACING  
 COMMISSION  
 2011 JUN 10 PM 4 30

Texas Racing Commission  
 Atten. Mr. Charles G. Trout, Executive Director  
 PO Box 12080  
 Austin, Texas 78711-2080

Re: Progress Report for Saddle Brook Park

Dear Mr. Trout;

Because of the Sunset Bill's impact on issued and outstanding racing licenses, Saddle Brook Park intends to participate in the Commission's forthcoming rule making proceedings. Saddle Brook will monitor the rule making proceedings and provide input so that the future development plans for Saddle Brook Park can be designed and implemented in a way that ensures that it will remain an "active" racing license. Upon the adoption of the new rules, Saddle Brook Park intends to present such development plan to the Commission.

Respectfully Submitted,

Drew Alexander  
 President and C.E.O.  
 Saddle Brook Park

Office 806-359-9546 • Fax 806-359-5239  
 3611 Soney, Suite 9A • P. O. Box 50597 • Amarillo, Texas 79159  
[www.saddlebrookpark.net](http://www.saddlebrookpark.net)

IV-8

Valle de los Tesoros, Ltd  
3900 N. McCall Road  
McAllen, Texas 78501  
Phone: 958-687-7751 Fax: 956-687-8569

2011 JUN 10 PM 4: 30  
RECEIVED  
TEXAS RACING  
COMMISSION

June 10, 2011

VIA FACSIMILE: (512) 833-6907

Mr. Chuck Trout  
Executive Director  
Texas Racing Commission  
8505 Cross Park Drive, Suite 110  
P. O. Box 12080  
Austin, Texas 78711

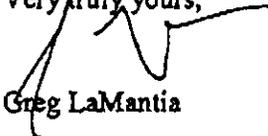
RE: Tesoros Race Park Progress Report

Dear Mr. Trout:

Please accept this written progress report for Tesoros Race Park in preparation for the June 21, 2011, Commission meeting.

Valle de los Tesoros, Ltd.'s ("VDLT") Request for Approval of Simulcast Operations at a Temporary Location in Hidalgo County (McAllen), Texas is pending before the Commission. It is my understanding that discussion of and possible action on this Request may be an agenda item for the upcoming Commission meeting.

Very truly yours,

  
Greg LaMantia

*LRP Group, LTD  
3900 N. McColl Road  
McAllen, Texas 78501  
Phone: 956-687-7751 Fax: 956-687-8569*

2011 JUN 10 PM 4:30  
RECEIVED  
TEXAS RACING  
COMMISSION

June 10, 2011

VIA FACSIMILE: (512) 833-6907

Mr. Chuck Trout  
Executive Director  
Texas Racing Commission  
8505 Cross Park Drive, Suite 110  
P. O. Box 12080  
Austin, Texas 78711

RE: Laredo Downs Status Report

Dear Mr. Trout:

Please accept this written progress report for Laredo Downs in preparation for the June 21, 2011 Commission meeting.

On October 27, 2010, LRP Group, Ltd. filed a Request for Approval of Change of Location ("Application") seeking Commission approval to relocate the proposed Laredo Downs racetrack from Laredo, Webb County, Texas, to Fort Worth, Tarrant County, Texas. It is my understanding that Commission staff is currently reviewing that Application. We are awaiting Commission action on this Application.

Very truly yours,

  
Greg LaMantia



VIA EMAIL AND REGULAR MAIL

June 8, 2011

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

2011 JUN 10 PM 2:10  
RECEIVED  
TEXAS RACING  
COMMISSION

Dear Mr. Trout:

We are in receipt of the Commission's request seeking a written progress report with respect to Laredo Race Park. We understand that this progress report will be included in the agenda packet for discussion during the upcoming Texas Racing Commission meeting on June 21, 2011.

We have no significant updates related to progress since the last Commission meeting on May 13, 2011. However, we do have a meeting of the PM Texas Board scheduled for June 22, 2011. At that meeting, it is our intent to discuss the current status of the license and our future plans. We hope to have some better guidance as to next steps following that meeting.

We look forward to answering any questions that the Commissioners may have at the June 21<sup>st</sup> meeting.

Sincerely,



Andrea B. Young  
President

IV-11

**Laredo Race Park**

7575 North Sam Houston Parkway West, Houston, TX, 77064 · 281.807.8700



P.O. Box 141309

Anstin, Texas 78714

512/272-5581

2011 JUN -9 PM 3:05  
RECEIVED  
TEXAS RACING  
COMMISSION

June 8, 2011

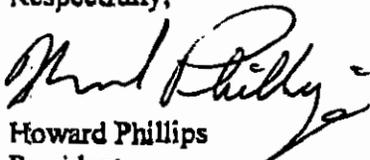
Chuck Trout  
Executive Director  
Texas Racing Commission  
PO Box 12080  
Austin, TX 78711-2080

Dear Mr. Trout:

Manor Downs is currently maintaining its facility including the racetrack surface and equipment at a level that would allow a return to racing within 60 days.

We are currently engaged in a recapitalization project that we have extended to July 31, 2011.

Respectfully,

  
Howard Phillips  
President

IV-12

1 Section 321.1. Definitions

2 (a) The following words and terms, when used in this chapter,  
3 shall have the following meanings, unless the context clearly  
4 indicates otherwise:

5 (1) ASCII formatted flat file--A data file containing  
6 structured data which is both record and field delimited  
7 containing only characters found in the American Standard Code  
8 for Information Interchange (ASCII) specification.

9 (2) Betting interest--a single race animal or a group of race  
10 animals coupled pursuant to the Rules which the totalisator  
11 system designates as an interest on which a patron may wager.

12 (3) Export simulcast--a race simulcast from a racetrack  
13 facility.

14 (4) Firmware--The system software permanently stored in a  
15 computer or ticket issuing machine's read-only memory or  
16 elsewhere in the circuitry that cannot be modified by the user.

17 (5) Guest racetrack--a racetrack facility at which a simulcast  
18 race is received and offered for wagering purposes; a receiving  
19 location, as defined in the Act, §1.03(64).

20 (6) Host racetrack--a racetrack facility at which a race is  
21 conducted and simulcast for wagering purposes; a sending track,  
22 as defined in the Act, §1.03(66).

23 (7) Import simulcast--a simulcast race received at a racetrack  
24 facility.

25 (8) Intelligent Terminal--a terminal or peripheral device  
26 which contains code extending beyond that which is necessary to  
27 allow the terminal to communicate with the central controlling  
28 device to which it is directly attached or to control the  
29 presentation of data on the display unit of the device.

1 (9) Log--an itemized list of each command, inquiry, or  
2 transaction given to a computer during operation.

3 (10) Major Revision--a specific release of a hardware or  
4 software product, including additional functionality, major user  
5 interface revisions, or other program changes that significantly  
6 alter the basic function of the application.

7 (11) Minor Revision--an incrementally improved version of  
8 hardware or software, usually representing an error (bug) fix,  
9 or a minor improvement in program performance which does not  
10 alter basic functionality.

11 (12) Multi-leg wager--a wagering pool that involves more than  
12 one race.

13 (13) Player Tracking System - a system that provides detailed  
14 information about pari-mutuel play activity of patrons who  
15 volunteer to participate. The system can be used to customize  
16 highly specific promotions and tailor rewards to encourage  
17 incremental visits by patrons. The system should be able to  
18 produce customized informational reports based on such  
19 parameters as type of wager, type of race, favorite race meet,  
20 or other parameters deemed helpful by the association in  
21 supporting the patron.

22 ~~(14)~~ Remote site--a racetrack or other location at which  
23 wagering is occurring that is linked via the totalisator system  
24 to a racetrack facility for pari-mutuel wagering purposes.

25 ~~(15)~~ Report--a summary of betting activity.

26 ~~(16)~~ Resultant--the profit-per-dollar wagered in a pari-  
27 mutuel pool computation.

28 ~~(17)~~ Ticketless Electronic Wagering (E-wagering)--a form  
29 of pari-mutuel wagering in which wagers are placed and cashed

1 through an electronic ticketless account system operated through  
2 a licensed totalisator vendor in accordance with §11.04 of this  
3 Act. Wagers are automatically debited and credited to the  
4 account holder.

5 (18)~~(17)~~ TIM--ticket-issuing machine.

6 (19)~~(18)~~ TIM-to-Tote network--a wagering network consisting of  
7 a single central processing unit and the TIMs at any number of  
8 remote sites.

9 (20)~~(19)~~ Totalisator system--a computer system that registers  
10 and computes the wagering and payoffs in pari-mutuel wagering.

11 (21)~~(20)~~ Totalisator operator--the individual assigned to  
12 operate the totalisator system at a racetrack facility.

13 (22)~~(21)~~ Tote-to-tote network--a wagering network in which  
14 each wagering location has a central processing unit.

15 (23)~~(22)~~ User--a totalisator company employee authorized to  
16 use the totalisator system in the normal course of business.

17 (b) A reference in this chapter to the mutuel manager includes  
18 the mutuel manager's designee, in accordance with §313.53 of  
19 this title (relating to Mutuel Manager) or §315.36 of this title  
20 (relating to Mutuel Manager.)

21 (c) A request required to be made in writing under this chapter  
22 may be transmitted via hand delivery, e-mail, facsimile, courier  
23 service, or U.S. mail.

1 Section 321.35. Claim for Payment

2 (a) Claims on pari-mutuel tickets or vouchers presented for  
3 payment.

4 (1) An association shall accept a claim for payment if the  
5 association has withheld payment or has refused to cash a pari-  
6 mutuel ticket or a voucher presented for payment. The claim for  
7 payment must be made on a form prescribed by the association and  
8 approved by the executive secretary. ~~signed by the claimant.~~

9 ~~(b)~~ (2) The original of the claim must be signed by the  
10 claimant and shall be promptly forwarded to the Commission.

11 ~~(b) If a claim is made for payment of a mutilated ticket that~~  
12 ~~does not contain the information required under §321.29 of this~~  
13 ~~title (relating to Mutuel Tickets), the~~

14 (3) The association shall make a recommendation to  
15 accompany the claim forwarded to the Commission. The  
16 recommendation must state whether or not the ~~mutilated~~ ticket or  
17 voucher can ~~has sufficient elements to~~ be positively identified  
18 as a winning ticket or voucher.

19 ~~(c) If a claim is made for payment of a mutilated voucher that~~  
20 ~~does not contain the information required under §321.31 of this~~  
21 ~~title (relating to Vouchers), the association shall make a~~  
22 ~~recommendation to accompany the claim forwarded to the~~  
23 ~~Commission. The recommendation must state whether or not the~~  
24 ~~mutilated voucher has sufficient elements to be positively~~  
25 ~~identified as an outstanding voucher.~~

26 ~~(d)~~ (4) If a claim is made for the payment of a mutuel ticket  
27 or a voucher, the executive secretary shall investigate the  
28 claim and may:

29 (A) ~~(1)~~ order the association to pay the claim;

1           ~~(B)(2)~~ deny the claim; or

2           ~~(C)(3)~~ enter any other order the executive secretary  
3 determines appropriate.

4   (b) Claims on pari-mutuel tickets or vouchers that have been  
5 lost or destroyed.

6           (1) An association may cash a lost or destroyed ticket  
7 voucher if the ticket or voucher has not been previously cashed  
8 and the claimant can:

9           (A) demonstrate ownership via the use of the  
10 claimant's unique and personally identifiable player tracking  
11 account at the association where the transaction was made on the  
12 claimant's account; or

13           (B) provide the mutuel manager sufficient information  
14 whereby the transaction can be positively verified through  
15 wagering system logs.

16           (2) If an association refuses to pay a claim for a lost or  
17 destroyed ticket or voucher, the claimant may file a claim for  
18 payment with the Commission. The claim for payment must be on a  
19 form prescribed by the association and approved by the executive  
20 secretary.

21           (A) The original of the claim must be signed by the  
22 claimant, and shall be promptly forwarded to the Commission.

23           (B) The association shall make a recommendation to  
24 accompany the claim forwarded to the Commission. The  
25 recommendation must state;

26           (i) whether or not the ticket or voucher can be  
27 positively verified as a winning transaction.

1                   (ii) whether or not the ticket or voucher has  
2 been previously cashed, and date the ticket or voucher was  
3 cashed, and

4                   (iii) the reason the association refused to pay  
5 the claimant.

6           (3) If a claim for payment is received by the executive  
7 secretary under subsection (b) (2) of this section, the executive  
8 secretary shall investigate the claim and may:

9                   (A) order the association to pay the claim;

10                   (B) deny the claim; or

11                   (C) enter any other order the executive secretary  
12 determines appropriate.

13           (c) An association shall be responsible for maintaining records  
14 and logs to validate claims for payments in this section.

15 Records and logs must be maintained for 365 days.

16           (d) In the event a claim is made for a ticket that meets the  
17 criteria established in §321.41(a) of this chapter (relating to  
18 Cashing Outstanding Tickets), the claim must be approved by the  
19 executive secretary before the claim may be paid.

20           ~~(e) A claim may not be made for a lost or destroyed mutuel~~  
21 ~~ticket or voucher.~~ In the event a claim is made for a voucher  
22 that meets the criteria established in §321.42(a) of this  
23 chapter (relating to Cashing Outstanding Vouchers), the claim  
24 must be approved by the executive secretary before the claim may  
25 be paid.

1 Section 321.41. Cashing Outstanding Tickets

2 (a) For purposes of this section, an outstanding ticket is one  
3 that was purchased for a race held at least 21 days before the  
4 date the ticket is presented for payment.

5 (b) An association shall designate one ticket window where a  
6 patron must cash an outstanding ticket. If the association needs  
7 more than one window, the association must submit a written  
8 request for approval from the executive secretary for additional  
9 windows.

10 (c) The association may not permit an outstanding ticket to be  
11 cashed at a ticket window other than a designated window.

12 (d) At the end of each race day, the mutuel manager shall  
13 deliver to the pari-mutuel auditor:

14 (1) a list of the outstanding tickets that were cashed on the  
15 previous race day; and

16 (2) a photostatic copy of each outstanding ticket cashed on  
17 the previous race day.

18 (e) In the event a photostatic copy can not be provided, the  
19 association will not be held liable for:

20 (1) a reader cashed ticket if the association can produce  
21 documentation to support the ticket's existence; or

22 (2) a ticket cashed in accordance with the executive  
23 secretary's approval under §321.35 (b) or (d) of this chapter  
24 (relating to Claim for Payment).

1 Section 321.42. Cashing Outstanding Vouchers

2 (a) For purposes of this section, an outstanding voucher is one  
3 that was issued at least 21 days before the date the voucher is  
4 presented for payment.

5 (b) An association shall designate one mutuel window where a  
6 patron must cash an outstanding voucher. If the association  
7 needs more than one window, the association must submit a  
8 written request for approval from the executive secretary for  
9 additional windows.

10 (c) The association may not permit an outstanding voucher to be  
11 cashed at a mutuel window other than a designated window.

12 (d) At the end of each race day, the mutuel manager shall  
13 deliver to the pari-mutuel auditor:

14 (1) a list of the outstanding vouchers that were cashed on the  
15 previous race day; and

16 (2) a photostatic copy of each outstanding voucher cashed on  
17 the previous race day.

18 (e) In the event a photostatic copy can not be provided, the  
19 association will not be held liable for:

20 (1) a reader cashed voucher if the association can produce  
21 documentation to support the ticket's existence; or

22 (2) a voucher cashed in accordance with the executive  
23 secretary's approval under §321.35(b) or (e) of this chapter  
24 (relating to Claim for Payment).

## **CURRENT RULE REVIEWS CHAPTERS 307, 321, & 323**

Texas Government Code § 2001.039 requires state agencies to review all current rules to determine whether the reasons for initially adopting the rules continue to exist. The review must be conducted not later than the fourth anniversary of the date on which the rule takes effect and every four years after that date. The state agency must readopt, readopt with amendments, or repeal a rule as the result of reviewing the rule.

On December 2, 2009, the Commission opened the review of Chapter 307, Proceedings before the Commission, Chapter 321, Pari-mutuel Wagering, and Chapter 323, Disciplinary Action and Enforcement. Notice of the review was published in the January 1, 2010, edition of the *Texas Register* (35 TexReg 113). The commission received no comments on the rule review in response to the notice other than the comments received in response to individual rule proposals.

The *Table of Contents* for Chapters 307, 321, and 323 are attached. A notation has been placed beside each rule that has been repealed, added, or amended during the review process. Staff has completed its review of each chapter, with the exception of Subchapter B of Chapter 321. Staff is working with Racing Commissioners International (RCI) on the rules within Subchapter B and has proposed that revisions to these rules be considered by RCI for adoption as national model rules.

Staff recommends that the Commission authorize staff to publish notice of readoption of Chapters 307 and 323, and readoption of Subchapters A, C, D and E of Chapter 321.

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## **RULE REVIEW CHAPTERS 301, 303, & 319**

Texas Government Code 2001.039 directs each state agency to review, and consider for readoption, each of its rules every four years. During the review, the Commission must assess whether the reasons for adopting the rules continue to exist.

To formally initiate the rule review process, the Commission must vote at a public meeting to publish notice in the *Texas Register* of the Commission's intention to review specific rules. The Committee on Rules may consider proposing that the Commission open the review of Chapter 301, Chapter 303, and Chapter 319 at the next Commission meeting. After the time for public comment has passed, the Commission will take one of the following actions in regard to the rules in Chapter 301, Chapter 303, and Chapter 319: readoption, add, repeal, or readoption with revisions.

If the Commission readopts a rule (with no changes), notice of the readoption will appear in the *Texas Register* "Rules Review" section, but the text of the readopted rule will not be published.

Any proposed repeal of a rule, any new rule, or any proposed amendment to a rule will be published in the "Proposed Rules" section of the *Texas Register*, and will be the subject of an additional 30-day comment period.

The *Table of Contents* for Chapters 301, 303, and 319 are attached below.

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