

TEXAS RACING COMMISSION  
MEETING

10:30 a.m.  
Tuesday,  
June 12, 2018

John H. Reagan Building  
Room JHR140  
105 West 15th Street  
Austin, Texas

COMMISSIONERS PRESENT:

JOHN T. STEEN III, Chair  
RONALD F. EDERER, Vice-Chair  
GLORIA HICKS  
MARGARET L. MARTIN  
ROBERT SCHMIDT, M.D. (absent)  
STEVEN P. MACH, Ex Officio  
SID MILLER, Ex Officio

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P R O C E E D I N G S

1  
2 CHAIRMAN STEEN: Good morning. The time is now  
3 10:31. At this time I'd like to call today's meeting of  
4 the Texas Racing Commission to order.

5 Jean, could you please call the roll?

6 MS. COOK: Commissioner Hicks?

7 COMMISSIONER HICKS: Here.

8 MS. COOK: Commissioner Mach?

9 COMMISSIONER MACH: Here.

10 MS. COOK: Commissioner Martin?

11 COMMISSIONER MARTIN: Present.

12 MS. COOK: Commissioner Miller?

13 COMMISSIONER MILLER: Here.

14 MS. COOK: Commissioner Schmidt?

15 (No response.)

16 MS. COOK: Commissioner Ederer?

17 COMMISSIONER EDERER: Here.

18 MS. COOK: Chairman Steen?

19 CHAIRMAN STEEN: Here.

20 CHAIRMAN STEEN: Moving on to item II. Public  
21 comment. Jean, has anyone signed up for public comment?

22 MS. COOK: No, sir.

23 CHAIRMAN STEEN: Thank you.

24 Next is agenda item III.A.1. Budget and finance  
25 report. Gerry Dube, would you please give us the update?

1 MR. DUBE: Mr. Chairman, Commissioners, I'm  
2 Gerald Dube, and I'm director of administration for the  
3 Racing Commission.

4 On pages 4 through 8 of your agenda packet is  
5 the agency's fiscal year 2018 operating budget with  
6 revenue collection and expenditures throughout the end of  
7 April 2018. With 66 percent of the year completed, the  
8 agency collected approximately \$4.84 million, or 64.0  
9 percent, of the projected revenue, and expended \$4.63  
10 million, or 62 percent, of budgeted expenditures. Of the  
11 \$4.63 million in expenditures, approximately \$3.94 million  
12 are appropriated expenditures and \$684,561 are  
13 unappropriated expenses such as the agency's share of  
14 retirement costs, insurance costs, and FICA costs.

15 Are there any questions for the budget itself?

16 CHAIRMAN STEEN: Commissioners, any questions?

17 (No response.)

18 CHAIRMAN STEEN: Thank you.

19 MR. DUBE: If not, if you'd like me to give an  
20 update on the request for proposals for the internal  
21 audit, I can do that.

22 CHAIRMAN STEEN: Sure. I think we've got that  
23 on IV.A., so we'll just move that up to now.

24 MR. DUBE: Sure. If you want to do it now, we  
25 can.

1                   CHAIRMAN STEEN: Okay.

2                   MR. DUBE: We submitted a request for proposal  
3 for an independent audit for economy, efficiency and  
4 effectiveness, and it was posted on April 27 of 2018, bids  
5 were due by May 29. No audit vendors inquired on the bid  
6 and no one bid on the RFP.

7                   Prior to reposting, if a decision is made to  
8 repost, the Texas Comptroller's State Purchasing Office  
9 recommended that we poll vendors, audit vendors in the  
10 state. We did poll a number of vendors.

11                   Two of the vendors recommended that the  
12 financial reporting requirements -- so bidders were asked  
13 to submit a financial audit of their business to make sure  
14 they had financial capacity to be able to do the audit --  
15 we could roll that financial audit requirement back a  
16 little bit. Some smaller vendors mentioned that this was  
17 a costly thing for them to produce.

18                   Two vendors recommended that the government  
19 audit experience requirement in the RFP and the work  
20 sample requirement be reduced. So they were required to  
21 have at least, I believe, three years of experience and  
22 that they provide three samples of previous audits.

23                   Some of them said they don't frequently do  
24 internal audits of this type, so that they may have had  
25 one example but definitely not three. So two vendors had

1 that issue.

2 One vendor was told by a CPA firm that they  
3 wanted to hire to come on as a subcontractor to do this  
4 that the cost to do the audit exceeded the RFP amount, so  
5 this particular vendor knew that there was about a couple  
6 hundred thousand maximum that we could pay and the CPA  
7 firm that this particular vendor contacted said that this  
8 audit would cost them \$300- to \$400,000 to do. However,  
9 two vendors did say that they thought that they would be  
10 interested in doing the RFP if it came up again, they had  
11 not seen the original posting, and that the amount was  
12 within their range. One vendor said the contract was too  
13 small for them but what they did do is they contacted  
14 subcontractors who worked with them in the past but none  
15 of those subcontractors picked up the information on the  
16 bid.

17 Finally, two vendors said that the timing of  
18 the posting might have been an issue. It was kind of the  
19 tail-end of tax season. A lot of auditing firms,  
20 particularly smaller ones who might have picked up our  
21 type of RFP, might have been doing their end of year tax  
22 work with other entities and/or had finished their tax  
23 season and were off, as some auditors apparently take the  
24 end of April off and go away.

25 So that's essentially what we found out from

1 our little vendor poll. The comptroller told us in an  
2 email yesterday that we could look at the financial  
3 capacity reporting requirements if we want to redo the bid  
4 and we could change the language in the request for  
5 proposal a little bit for that requirement if we want to  
6 post it and that we could also reduce the number of  
7 examples required.

8 For the audit experience itself, there are  
9 minimum audit experience requirements required by the  
10 State Auditor's Office in the Texas Code, so there's not  
11 too much we can do in terms of required level of  
12 experience, but there are at least a couple of things we  
13 could amend to make it a little easier for some potential  
14 bidders to bid if we want to.

15 CHAIRMAN STEEN: Commissioners, any questions?

16 COMMISSIONER EDERER: Yes. How much money do  
17 we have to pay for an audit?

18 MR. DUBE: We have up to \$200,000 is what we  
19 were allotted by the commission.

20 COMMISSIONER EDERER: If the decision was made  
21 to repost, how long would it take to be prepared to  
22 repost? When could you repost?

23 MR. DUBE: I think it would be feasible to do  
24 it in about a week or so, to do the edits and then to fix  
25 up the RFP and put it back out on the state CMBL which is

1 the state business bidding board.

2 COMMISSIONER EDERER: And then it's posted for  
3 how long?

4 MR. DUBE: This time we could post it for a  
5 full 30 days or we could just do a 14- to 21-day post. If  
6 we want to do a shorter period we can do a shorter period,  
7 or we can do a full 30 day.

8 COMMISSIONER EDERER: We posted 30 days before  
9 and we didn't get any responses, so probably the 30 days.  
10 And then once the posting, if there was someone  
11 acceptable and we did contract with them, then how long do  
12 they have to do the audit?

13 MR. DUBE: They would have 90 days to do the  
14 audit currently. The State Auditor has clarified that  
15 that's not fixed. If we wanted to extend that time, we  
16 could extend it, if we brought a contractor on that needed  
17 more time, but what we have asked for is for a contractor  
18 to do it in 90 days so that we could have the information  
19 we need basically for legislative session or whenever we  
20 need it.

21 COMMISSIONER EDERER: So we're looking at four  
22 months down the road, minimum.

23 MR. DUBE: At least, yes.

24 COMMISSIONER EDERER: Do you have a  
25 recommendation?

1 MR. DUBE: I think it's really up to the  
2 commissioners. I think if we repost, it can't hurt. I  
3 think if you want the information that comes out of this  
4 type of audit, then you should move forward.

5 CHAIRMAN STEEN: I think my recommendation here  
6 would be -- I think some of us are getting this  
7 information for the first time, sort of the feedback,  
8 probably the industry as well, and I would think that the  
9 best thing to do here would be for everybody, both  
10 commissioners and the industry to consider the report and  
11 possibly take it up in the July rules meeting again to  
12 give everybody some time to think about it and give  
13 feedback on both sides.

14 MR. DUBE: Absolutely.

15 CHAIRMAN STEEN: Did we have anybody else  
16 signed up? I know we skipped to this item.

17 MS. COOK: No, sir.

18 CHAIRMAN STEEN: I don't know that we need any  
19 sort of action to do that, but that would be my  
20 recommendation.

21 MR. DUBE: And we certainly can do that.

22 COMMISSIONER HICKS: Excuse me. I think if you  
23 do that, you're just pushing it down further, and an RFP  
24 is an RFP, and if we make these changes and you go ahead  
25 and post it, you're still talking about plenty of time.

1 I understand what you're saying because I'm an  
2 accountant, and we did post it at a really strange time,  
3 so I think now if you make those changes and you've got  
4 people that you've talked to, vendors, I think, that know  
5 we're going to repost possibly, that we might get some  
6 good feedback on it. I think just to keep rolling it  
7 down, I don't think that's going to help us any. I would  
8 go ahead and repost it with these changes. It's very  
9 minor changes.

10 CHAIRMAN STEEN: Yes. I'd like to hear, I  
11 guess, if we could have -- and I'm not sure that we can  
12 kind of have further communication with potential vendors  
13 on the subject. It sounds like there's potentially a few  
14 levers to pull, given that we're just getting the  
15 information today broadly, I think it would be wise. I  
16 think we could do it in July and then potentially repost  
17 at the August meeting, or before that, potentially, even  
18 if we wanted to.

19 Is that possible to repost before August, or do  
20 we need a Commission order to repost?

21 MS. BIJANSKY: No, you wouldn't need a  
22 Commission order.

23 CHAIRMAN STEEN: Okay. So I guess maybe a  
24 compromise would be that we try to move up the July  
25 working meeting, and then if we want to do it more quickly

1 than August, then potentially we could get it back out  
2 there. Would that be acceptable?

3 COMMISSIONER HICKS: I think that's a good  
4 idea.

5 MR. DUBE: Any other questions?

6 (No response.)

7 CHAIRMAN STEEN: Thank you, Gerry.

8 MR. DUBE: Thank you.

9 CHAIRMAN STEEN: Moving on to the next item,  
10 agenda item III.A.2. Wagering statistics report.

11 Curley Trahan, you're here to give us the  
12 report.

13 MR. TRAHAN: Thank you, Mr. Chairman. Good  
14 morning, commissioners.

15 In your meeting materials on pages 9 through 11  
16 is the comparison report on wagering statistics for the  
17 period of January 1 through March 31 for years 2017 and  
18 2018. For the 2018 reporting period, total wagering  
19 activities at the greyhound racetracks showed an increase  
20 of 9.88 percent over the same period during 2017, equating  
21 to an increase of approximately \$1.06 million in handle.

22 Total wagering activities at the horse  
23 racetracks showed an increase of 1.43 percent for 2018 as  
24 compared to 2017. This represents an increase of  
25 approximately \$1.4 million in handle. Overall, total

1 wagers placed in Texas increased by 3.88 percent, or  
2 approximately \$2.6 million. Total wagers placed on Texas  
3 reflects a very slight increase of .12 percent, or just  
4 over \$57,000 in additional handle.

5 I'd be happy to answer any questions.

6 CHAIRMAN STEEN: Commissioners, do you have any  
7 questions?

8 (No response.)

9 CHAIRMAN STEEN: Thank you, Curley.

10 MR. TRAHAN: Thank you.

11 CHAIRMAN STEEN: The next item is agenda item  
12 III.A.3. Enforcement report.

13 Jim Blodgett, will you please present the  
14 report?

15 Mr. Blodgett: Mr. Chairman, commissioners,  
16 good morning.

17 Commissioners, your enforcement report this  
18 morning can be viewed on pages 12 and 13 in your materials  
19 packet. This report highlights the violations handled by  
20 our personnel during the Sam Houston Race Park Quarter  
21 Horse meet and by our personnel during the first six weeks  
22 of the Lone Star Thoroughbred meet.

23 Please keep in mind when reviewing these  
24 enforcement stats that these numbers represent only the  
25 violations that were adjudicated by our judges during this

1 time frame and that there are violations that are not  
2 included that remain in process.

3           Commissioners, within this material you notice  
4 a rather large number of contraband cases which involved  
5 investigations conducted from the discovery of needles,  
6 syringes, unlabeled medications and alcohol. Processed to  
7 completion thus far within the completed Quarter Horse  
8 meet at Sam Houston Race Park are a total of six animal  
9 medication violations.

10           A breakdown of the specific drugs and drug  
11 types can be found on page 12 for your review. There are  
12 no animal medication violations pending for the Lone Star  
13 Park Thoroughbred meet at this time.

14           I'd be happy to answer any questions.

15           CHAIRMAN STEEN: Commissioners, any questions?

16           (No response.)

17           CHAIRMAN STEEN: Thank you, Jim.

18           Next is agenda item III.B. Discussion and  
19 possible action to approve the strategic plan.

20           Chuck, will you please present this item?

21           MR. TROUT: Good morning, commissioners. Under  
22 Chapter 2056 of the Texas Government Code, in each even-  
23 numbered year the agency is required to provide the  
24 governor and the Legislative Budget Board a five-year  
25 strategic plan. Strategic planning is a long term and

1 future-oriented process of assessment, goal-setting and  
2 decision-making. The agency's strategic plan for 2019 to  
3 2023 was provided to you earlier last week, and I want to  
4 thank you for the time that you spent reviewing that plan.

5 Today I would ask that the Commission give the  
6 chairman the authority to approve the plan after we have  
7 incorporated any additional feedback from you  
8 commissioners. Now, there has been a late change that  
9 came up, I think, just either yesterday or day before  
10 yesterday, and I'll let Devon cover that.

11 MS. BIJANSKY: Thank you.

12 Commissioners, just yesterday we heard from the  
13 FBI, or actually, from DPS -- through DPS from the FBI  
14 that they have asked for us to have the Racing Act amended  
15 to specifically list the occupations that are required to  
16 have background checks or that we license. Currently  
17 there is a statute that grants us access to criminal  
18 history information from the FBI for licensees and  
19 applicants and there's a statute that delegates to the  
20 Commission the authority to decide which occupations need  
21 to hold a license, but the FBI wants the statute itself to  
22 include that list of occupations.

23 We'll continue to have dialogue with them to  
24 clarify exactly what it is that they need to see, but in  
25 the meantime, given the short timeline, we are proposing

1 to include an item on this, and I think Jean just brought  
2 you a revised page 13 showing redundancy and impediment  
3 number 8 that would add that to the strategic plan so that  
4 we can then ask that the legislature include that.

5 CHAIRMAN STEEN: Commissioners, any further  
6 discussion?

7 COMMISSIONER MILLER: Mr. Chairman. Do you  
8 have a list of those occupations for us today that would  
9 be listed?

10 MS. BIJANSKY: I don't have a list. It's in  
11 the rules, and I can certainly get that to you.

12 COMMISSIONER MILLER: That's fine.

13 MS. BIJANSKY: Well, actually, because we have  
14 an occupational license fee rule in the materials, the  
15 list is there on page 51; 51 through 52 is the list of  
16 occupations that we license.

17 COMMISSIONER MILLER: Okay. Thank you very  
18 much.

19 CHAIRMAN STEEN: We've got a couple of people  
20 signed up to speak on this item. I'll first call Tommy  
21 Azopardi, wishing to testify for, representing several  
22 licenses.

23 MR. AZOPARDI: Good morning, Mr. Chairman. My  
24 name is Tommy Azopardi, and I wanted to commend the staff  
25 and the Commission for the strategic plan.

1           Specifically on pages 30 through 33 of the  
2 strategic plan, the seven different items that are laid  
3 out under redundancies and impediments are exactly the  
4 type of initiatives that I think the industry will  
5 support, and I appreciate this being laid out in the  
6 strategic plan that gives us all a template to work with  
7 the legislature and hopefully we can see some of these.

8           I specifically like the cost savings as it  
9 relates to the redundancies and impediments -- number 7 as  
10 it relates to the ERS numbers, as well as some of the  
11 alternative funding for the agency, those recommendations  
12 under impediment number 1.

13           So just a word of congratulations and thanks to  
14 you and to the staff. Thank you, sir.

15           CHAIRMAN STEEN: Questions?

16           (No response.)

17           CHAIRMAN STEEN: Thank you, Tommy.

18           Next, Rob Werstler wishing to testify on the  
19 item, representing TQHA.

20           MR. WERSTLER: Good morning, Mr. Chairman,  
21 commissioners. Rob Werstler, representing Texas Quarter  
22 Horse Association.

23           We could not support redundancies and  
24 impediments number 6 where there's a plan to collect 3  
25 percent from the Accredited Texas Bred Program for

1 funding. The last legislative session we actually  
2 supported a bill that would take that away from the Racing  
3 Commission so you wouldn't have that work to be done and  
4 to let the Accredited Texas Bred Program be run by TQHA  
5 and TTA.

6 That bill did not pass but it was supported by  
7 everybody. So I just wanted to point out that everybody  
8 is hurting, taking 3 percent from us -- we're down 20  
9 percent Accredited Texas Bred accreditation, so taking 3  
10 percent from us would sting pretty good, and just wanted  
11 to make sure you all were aware that that was in there.

12 CHAIRMAN STEEN: Any questions, commissioners?

13 (No response.)

14 CHAIRMAN STEEN: Is this a new item that Mr.  
15 Werstler, a new recommendation or something that's ongoing  
16 at this point?

17 MR. TROUT: This is a recommendation that we  
18 just came up with. Now, his recommendation of letting the  
19 breed associations take care of it and us get out of it  
20 would be very acceptable to us, and that's another  
21 alternative, that's another way to handle that where we  
22 wouldn't get any money, but then we also wouldn't have the  
23 burden of having to manage that program, and that would be  
24 perfectly fine also.

25 MR. WERSTLER: And this would have to be done

1 through the legislature, anyway, both of those items.

2 CHAIRMAN STEEN: Okay.

3 MR. TROUT: That's correct.

4 CHAIRMAN STEEN: So what is your recommendation  
5 on the item?

6 MR. WERSTLER: Well, my recommendation is to  
7 strip number 6. We can't support that. Obviously, it  
8 would have to go through legislative approval and allow us  
9 to once again go to the legislature and try and change the  
10 Texas Racing Act that takes you out from underneath that  
11 burden. Right now it's just a pass-through, the money  
12 comes to you from the racetracks and you get it to us.

13 CHAIRMAN STEEN: Right.

14 And, Chuck, what's staff recommendation?  
15 You're saying you're in agreement with Mr. Werstler.

16 MR. TROUT: I am.

17 CHAIRMAN STEEN: But what would be the course  
18 of action we would take here?

19 MR. TROUT: I guess we could change the  
20 recommendation in here to correct the situation by giving  
21 them control over that account so that we wouldn't even  
22 have to be involved.

23 CHAIRMAN STEEN: Is there any regulatory issue  
24 with doing that as far as monitoring what's going on?

25 MR. TROUT: Well, we could still monitor, but

1 right now we actually do the pay-outs, we actually control  
2 how much money goes where, and so I personally would like  
3 to turn that over to the industry rather than us doing it.

4 COMMISSIONER MILLER: Mr. Chairman, currently  
5 does the Commission collect a fee for processing that?

6 MR. TROUT: No, sir. That's what this would  
7 do.

8 COMMISSIONER MILLER: Right. So this is to  
9 account for that. But what you're saying is that the  
10 program is basically a dedicated fee, it's not meant to  
11 supplement the Commission.

12 MR. TROUT: Yes, sir.

13 COMMISSIONER MILLER: But your association  
14 would be willing to take that on. Do you have the ability  
15 to manage that you feel like?

16 MR. WERSTLER: Yes, sir.

17 COMMISSIONER MILLER: Okay. Good.

18 CHAIRMAN STEEN: So I understand that we're  
19 sort of behind the timeline on needing to submit this.

20 MR. TROUT: Yes, sir. Because of the timing  
21 when they gave us the instructions was just prior to the  
22 last meeting and then the deadline was before this  
23 meeting, so when we only have meetings every two months,  
24 we always run into this time problem.

25 CHAIRMAN STEEN: Right.

1 MR. TROUT: However, we've already contacted  
2 the Governor's Office and the LBB and we've been given an  
3 extension, so I'm not concerned about that.

4 CHAIRMAN STEEN: If we were going to strike  
5 this, Devon, is there anything that we need to do as far  
6 as reposting or more analysis that the staff needs to do,  
7 or is that something we could do here?

8 MS. BIJANSKY: We could eliminate this item, I  
9 think, without any further discussion needed. If you  
10 wanted to revise it to reflect Mr. Werstler's proposal of  
11 getting the Commission entirely out of the business of  
12 managing that money, I suspect that we could get that done  
13 today. Someone else can correct me if I'm wrong.

14 MR. TROUT: I think so.

15 MS. BIJANSKY: I think that we could make that  
16 change and still submit today.

17 CHAIRMAN STEEN: Okay. And staff is completely  
18 comfortable with doing that?

19 MR. TROUT: I don't think so.

20 CHAIRMAN STEEN: Staff is comfortable with  
21 striking it and making the change?

22 MR. TROUT: Oh. Yes, sir.

23 CHAIRMAN STEEN: Commissioners, do we have any  
24 issues with that?

25 COMMISSIONER MACH: You know, my only concern

1 was yours about the regulatory function, but if you feel  
2 like we can continue to monitor that and effectively do  
3 our duty.

4 MR. TROUT: We would just have them report on  
5 what they're doing and we would monitor what they're doing  
6 instead of us actually doing the work ourselves.

7 CHAIRMAN STEEN: Okay. Any further discussion?  
8 Thank you, Rob.

9 MR. WERSTLER: Thank you.

10 CHAIRMAN STEEN: Any further discussion?

11 (No response.)

12 COMMISSIONER MILLER: Is that in the form of a  
13 motion?

14 CHAIRMAN STEEN: I think we would need to do a  
15 motion amended for two items. Could you lay out the  
16 motion, what the motion would be, Devon?

17 MS. BIJANSKY: That would be a motion --

18 COMMISSIONER MILLER: To strike number 6,  
19 firstly?

20 COMMISSIONER MACH: And we are giving authority  
21 to the chairman to finalize the plan, which really could  
22 be wrapped up in striking number 6 anyway.

23 CHAIRMAN STEEN: And we need to add this item  
24 to it. So do you want to lay out the formal motion for  
25 us?

1 MS. BIJANSKY: Are you envisioning just  
2 striking 6 or replacing it with the alternative item?

3 CHAIRMAN STEEN: I would be replacing --

4 MS. BIJANSKY: Okay. Then the motion would be  
5 to authorize the chairman to approve the strategic plan,  
6 as printed in the materials, with the change to the  
7 addition of number 8 and the substitution of the item that  
8 you discussed for number 6.

9 COMMISSIONER MACH: I'll make that motion.

10 COMMISSIONER MARTIN: I'll second.

11 SPEAKER FROM AUDIENCE: Excuse me. Before you  
12 vote, I have a couple of questions on the other items in  
13 here.

14 CHAIRMAN STEEN: Sure.

15 SPEAKER FROM AUDIENCE: If I might address  
16 those before you go to the trouble of voting --

17 CHAIRMAN STEEN: Okay. I apologize if I missed  
18 you. Did you sign up to speak?

19 MS. COOK: Where is the card?

20 SPEAKER FROM AUDIENCE: Chuck has it.

21 MR. TROUT: Oh, I'm sorry.

22 CHAIRMAN STEEN: Sorry about that.

23 MS. RUYLE: Thank you. I'm Mary Ruyle with the  
24 Texas Thoroughbred Association, and I had a couple of  
25 questions on a couple of the items.

1           One is the redundancies and impediments number  
2           1 that Mr. Azopardi addressed, and that is to consider  
3           alternative funding structures. Example, reallocating the  
4           portion of the outstanding ticket revenue and the portion  
5           of the simulcast tax, the outs from the tracks. The outs  
6           typically go to the racetracks, this would go to the  
7           Commission instead. Would those measures reduce the  
8           track's license fees, and if so, would it simply be a  
9           wash, or how does that work?

10           CHAIRMAN STEEN: I'll defer to staff, but I  
11           don't think we track what those amounts are any longer.

12           MR. TROUT: We don't know what they are any  
13           longer. At one time I know that Lone Star Park's outs,  
14           after they paid their drug testing costs, was over a  
15           million dollars, and when that money was turned in to us,  
16           in a way, some tracks were paying more than others because  
17           while Lone Star Park's outs that they turned in to us  
18           might be over a million dollars, Retama Park's might have  
19           only been like \$400,000, and so it was somewhat unequal.

20           Now, that money -- and Commissioners, what outs  
21           are, this is the amount of money that the track is holding  
22           because wagers were not cashed. People won money, they  
23           didn't cash it, they didn't cash their ticket.

24           The racetracks are required to hold that money  
25           for a year because the betters are able to come in within

1 a year and collect that money, and then after that the  
2 tracks are allowed to keep that money. It's not really  
3 their money but they get to keep it.

4 It used to be, up until about seven years ago,  
5 that they were able to take that money, deduct out the  
6 cost of drug testing, and then turn it in to the Racing  
7 Commission. However, as the handle dropped over the  
8 years, so did the outs money and it became an unstable  
9 source of income for the Racing Commission.

10 So when we went through Sunset, the legislature  
11 took that money and said, Okay, the tracks are going to  
12 keep that money and then we're going to have a different  
13 form of financing by coming up with the fee structure that  
14 we have now. So when that happened, we stopped tracking  
15 how much the outs money is. I'm sure that for most  
16 tracks, like Lone Star and Houston, that outs money does  
17 cover their drug testing costs plus most of probably what  
18 they pay us is covered by that outs money.

19 But I can't tell you how much it would be or  
20 how much it would reduce their fees. I'm sure that from a  
21 track's point of view -- and you'd have to talk to  
22 somebody from the tracks how they view that because I  
23 think they view that as their money and so it doesn't  
24 matter whether they're paying our fees out of the outs  
25 money or otherwise.

1           I really don't know how that would work out as  
2 far as making it equitable across the board. I'm pretty  
3 sure that Retama, for example, doesn't have nearly the  
4 outs money that Lone Star Park has.

5           MS. RUYLE: Right. And in that instance,  
6 correct me if I'm wrong, but I'm assuming that, say, the  
7 outs money in to the Commission is a million dollars in  
8 any given year, that would potentially trigger perhaps a  
9 reduction in the fees that the racetracks pay.

10          MR. TROUT: Oh, sure, absolutely.

11          MS. RUYLE: Okay. And then my next question  
12 was on the impediments number 2 where you talk about the  
13 designation of a records management officer and an  
14 information security officer. Do you not have these  
15 positions now, or are they new positions?

16          MR. TROUT: We are doing that kind of like --  
17 no. These are new requirements that were laid down by the  
18 legislature. Right now especially, cybersecurity is a  
19 huge issue with the state government and they are laying  
20 requirements on us. One of the things we've been trying  
21 to do is find another agency where we could share the  
22 information security officer position, but we're still  
23 supposed to have somebody do that, and it's an important  
24 position because of that issue.

25          MS. RUYLE: Oh, absolutely.

1 MR. TROUT: We would like to have some kind of  
2 relief there. I would hope that we're going to be able to  
3 find another agency where maybe we could share an ISO.

4 MS. RUYLE: Then I had a question on the  
5 Schedule A, and it's on page 15. This is your budget  
6 structure with the objectives and outcome measures, and  
7 the objective number 2 is to provide oversight of the  
8 Texas Bred Program incentive funds, and the outcome there  
9 is: "Percentage increase in Texas-bred accredited  
10 horses." And having just completed my performance  
11 measures for calendar year '17, I'd like to recommend a  
12 change to this, because with decreasing foal crops every  
13 year, that figure is naturally going to come down.

14 What I'd like to see as a more accurate measure  
15 is the percentage of Texas-bred horses as opposed to the  
16 Texas foal crop that year. In other words, if we have 400  
17 Texas foals of a given year, how many of those are  
18 accredited through the program. And I've been tracking  
19 this over the last five or so years and our average is  
20 anywhere from 75 to 85 percent of those, but I think  
21 that's a more accurate of how the Texas Bred Program is  
22 doing, as I said, simply because the foal crop is  
23 decreasing every year so you're going to have less numbers  
24 every year.

25 And then along with that --

1           CHAIRMAN STEEN: Is that the task that we are  
2 talking about at the same time, number 6, with outsourcing  
3 back to the industry?

4           MR. TROUT: You're talking about an outcome  
5 from -- this is tracking, as opposed to paying the money.  
6 I think that this is the result of paying out the money.  
7 Am I correct?

8           MS. RUYLE: You are. Let me explain just a  
9 little bit. What the Commission does is they collect the  
10 monies from the racetracks for the Texas-bred Fund, or  
11 they oversee it. Then when it's time to distribute those  
12 monies, they put in a request to the state comptroller and  
13 the comptroller distributes bulk money to the breed  
14 registry which then takes that money, does all the  
15 calculations, and distributes it to each of the award  
16 recipients which are the owners and breeders of the horses  
17 involved.

18           But we are required to do a performance  
19 measures evaluation of the Accredited Texas-bred Program  
20 every year, and this is one of the questions on that that  
21 we're looking at, and if something varies by 10 percent up  
22 or down each year, we need to provide an explanation for  
23 that, and having just completed that report, I noticed  
24 that our number of accredited Texas-bred horses is falling  
25 each year, but that's not due to the foal crop remaining

1 static and less people participating, it's just that there  
2 are less horses to participate with.

3 So I think an accurate measurement of the  
4 success of the Texas-bred Program is how many Texas-born  
5 foals are actually applying to and becoming accredited  
6 through the program. Does that make sense?

7 CHAIRMAN STEEN: So are you recommending  
8 replacing objective 2, or you're recommending adding an  
9 objective?

10 MS. RUYLE: I am recommending amending it.  
11 Instead of percentage increase in Texas-bred accredited  
12 horses, percentage increase in Texas-bred, Texas-foaled  
13 accredited horses. And I'd be open to whatever language  
14 makes that clearer, but I think it's an important measure.

15 MR. TROUT: We can change the wording on that.

16 MS. RUYLE: And then also -- I think that's the  
17 only one.

18 COMMISSIONER MILLER: Just a point of  
19 clarification. Can you define the difference between a  
20 Texas-bred and a Texas foaled?

21 MS. RUYLE: Yes. Texas foaled is born in Texas  
22 out of any mare sired by any stallion. An accredited  
23 Texas-bred horse is foaled in Texas out of an accredited  
24 Texas mare. They have to complete an application and pay  
25 a fee for that accredited Texas status. That makes them

1 eligible to earn incentive awards when they place first,  
2 second or third in any race in Texas.

3 COMMISSIONER MILLER: Okay. Thank you.

4 MS. RUYLE: And with no other questions, I  
5 would just echo Mr. Werstler's comments about the breed  
6 registries being responsible for the ATB Program, and we  
7 would absolutely support the measure that would give the  
8 Commission some relief from funding insurance and so on  
9 for employees.

10 CHAIRMAN STEEN: Jean.

11 MS. COOK: Yes. These performance measures  
12 have go be approved by the Governor's Office and the  
13 Budget Board. We could suggest the change but there is a  
14 process to go through to change these, so I'm not sure  
15 that we could say today with certainty that we can change  
16 it until we got that approval.

17 MS. RUYLE: Right. And as I said, I just  
18 completed my report, but going forward I think it would be  
19 a more accurate measurement.

20 MS. COOK: Right. I think we would need to  
21 leave it in here as such or put a note that we will make  
22 that request.

23 CHAIRMAN STEEN: Okay.

24 MS. RUYLE: Okay. Thank you.

25 CHAIRMAN STEEN: Any other questions on this?

1 (No response.)

2 MS. RUYLE: Thank you.

3 CHAIRMAN STEEN: Thank you, Ms. Ruyle.

4 Okay. So I guess we'd be adding one more  
5 request as part of that motion. So do you want to try to  
6 lay it out one more time, Devon?

7 MS. BIJANSKY: Sure. The motion will be to  
8 authorize the chairman to approve the strategic plan, as  
9 published in the materials, with the addition of  
10 redundancy and impediment number 8 and with the  
11 substitution for redundancy and impediment number 6, as  
12 discussed, and with, I think, a notation about outcome  
13 1.2.1 of objective 2 on page 35, as discussed.

14 COMMISSIONER MACH: I will make that amended  
15 motion.

16 CHAIRMAN STEEN: Amended motion made by  
17 Commissioner Mach.

18 COMMISSIONER MILLER: Second.

19 CHAIRMAN STEEN: Seconded by Commissioner  
20 Miller.

21 All in favor please signify by saying aye.

22 (A chorus of ayes.)

23 CHAIRMAN STEEN: Any opposed?

24 (No response.)

25 CHAIRMAN STEEN: That motion carries.

1 IV.A. we've covered previously.

2 We'll move on to agenda item IV.B. Discussion  
3 and possible action to propose amendments to rule 309.8,  
4 Racetrack License Fees.

5 Devon, will you please present this item?

6 MS. BIJANSKY: Yes, Mr. Chairman.

7 As you know, under the current rule, the new  
8 fees adopted in February are in place through August and  
9 in September they revert back to the old fee structure.  
10 This proposal would extend the current fee structure  
11 through February of next year and then revert to the old  
12 fees with two exceptions: first, the base fee for Class I  
13 tracks would increase from \$500,000 to \$540,000; and  
14 second, the base number of days for Class I tracks would  
15 be 25 days per track.

16 Now, note that this rule change is midyear the  
17 number of additional days a Class I track would have to  
18 pay for, as well as the cost of each additional day. This  
19 would be calculated without regard to when the days  
20 actually fall within the year. The fee will be calculated  
21 simply by calculating the total annual fee due under that  
22 particular calculation, divided out by six months, and  
23 that would be the monthly fee due, and then in the next  
24 six months that calculation would be made again and that  
25 would be the fee due per month for that part of the year.

1           These amendments are before you today for  
2 possible proposal and publishing in the *Texas Register* for  
3 public comment.

4           CHAIRMAN STEEN: I'd just make a comment before  
5 we go to comment from the commissioners and otherwise.  
6 With the audit result, how we got no responses, I do think  
7 it's prudent to give us a little bit more time to review  
8 and see whether we want to repost, and obviously that  
9 probably extends the timeline for any results and possible  
10 changes in that, and so I think it's prudent to give us a  
11 little more time. And this structure, I know we don't  
12 have consensus from the industry with this structure.

13           Also, the change regarding the possible  
14 reversion to an amended sort of old fee schedule, if we  
15 got to that point, would allow the Commission to operate  
16 within its budget, whereas, the rule as written today  
17 that's expiring automatically puts the Commission most  
18 likely in the red. So I think that's prudent to have that  
19 change out there that would allow us to operate within our  
20 budget if we got to that point and didn't have any other  
21 changes.

22           Do we have anybody signed up to speak on this  
23 item?

24           MS. COOK: No, sir.

25           CHAIRMAN STEEN: Commissioners, any questions

1 or discussion?

2 MR. AZOPARDI: Once again, Tommy Azopardi,  
3 representing Valle de los Tesoros, Laredo Race Partners,  
4 Gulf Greyhound Park and Gulf Coast Racing.

5 I've got a question, Mr. Chairman, on the way  
6 the rule is worded when it relates to March 1, and there's  
7 a little bit of ambiguity. Our attorneys have looked at  
8 this and we're just not really clear what actually happens  
9 on March 1 because it talks about half of a remaining  
10 balance. What does that mean, and can we be a little bit  
11 more clear, at least in the dialogue, of what does that do  
12 on March 1?

13 CHAIRMAN STEEN: Sure.

14 MR. AZOPARDI: What would be owed by  
15 specifically the inactive tracks?

16 CHAIRMAN STEEN: Sure. And I'll give staff a  
17 chance to answer that question. I will say just to the  
18 extent that we needed to work out some tweaks in this, I  
19 think also we could address some of those in July, if some  
20 of the wording were unclear but we weren't changing  
21 intent. I'll just say that, but I'll defer back to staff  
22 on the specific clause that you're talking about.

23 MR. AZOPARDI: The only other comment that I  
24 would have is just a question as to the timing of the  
25 selection of February. It seems like your strategic plan

1       lays out some really good opportunities for the  
2       legislature to give this industry some relief and perhaps  
3       change the funding of the Racing Commission, and so I'm  
4       wondering why we wouldn't push this deadline out until at  
5       least the end of the legislative session to see if we're  
6       granted any kind of relief from the legislature or not.

7                It just seems a little bit peculiar in the  
8       timing of this that you would throw this industry back  
9       into a state of flux right in the middle of a legislative  
10      session, and potentially put everybody back at odds  
11      instead of working towards getting your strategic plan  
12      implemented.

13               CHAIRMAN STEEN:  Sure.  And let me take that  
14      one as well.  I mean, I think we've kind of put ourselves,  
15      on the Commission side, staff side, industry side, I think  
16      it's good, especially if we can get the audit back out  
17      there to put a timeline on trying to implement some  
18      changes rather than continue to defer that out  
19      indefinitely.

20               I feel like it's good to have everybody working  
21      together and trying to make some deadlines.  And so that  
22      would be my recommendation is I think that's enough time  
23      to comfortably do that but also just it doesn't leave it  
24      sort of open-ended.

25               MR. AZOPARDI:  Thank you, Mr. Chairman.

1           CHAIRMAN STEEN: Devon, did you want to address  
2 the comment on March 1?

3           MS. BIJANSKY: Sure. And I think I understand  
4 the issue that Mr. Azopardi was referring to, and I  
5 already sort of had it in the back of my mind that we  
6 could tighten that up a bit between now and adoption. But  
7 the fee would be set as a monthly fee based on the initial  
8 calculation and then it would reset based on the March 1  
9 part of the rule, and yes, we can definitely clarify that.

10          CHAIRMAN STEEN: Thank you.

11          Commissioners, any further discussion?

12          (No response.)

13          CHAIRMAN STEEN: If not, then I'll entertain a  
14 motion.

15          COMMISSIONER EDERER: Is Devon going to set out  
16 the motion, or do you want me to just set a motion? I  
17 would make a motion that we approve the racetrack license  
18 and operation, the subchapter Licenses, the Racetrack  
19 License Fees, as set out in Rule 309.8, as amended.

20          CHAIRMAN STEEN: Motion made by Commissioner  
21 Ederer.

22          COMMISSIONER MARTIN: Second.

23          CHAIRMAN STEEN: Seconded by Commissioner  
24 Martin.

25          All in favor please signify by saying aye.

1 (A chorus of ayes.)

2 CHAIRMAN STEEN: Any opposed?

3 (No response.)

4 CHAIRMAN STEEN: The motion carries.

5 Up next is agenda item V.A. Discussion and  
6 possible action to propose amendments to Rule 311.5,  
7 License Fees.

8 Devon, will you present this item, please?

9 MS. BIJANSKY: Yes, sir.

10 These amendments would eliminate the license  
11 fee for four license types. The first three, chaplain,  
12 chaplain assistant, and adoption program personnel are  
13 charitable in nature, and the fourth, test barn  
14 technician, is employed by the racetrack but really works  
15 on behalf of the Commission. And there are a total of  
16 about 40 licensees among these four license types, so the  
17 fiscal impact to the agency would be about \$1,000 per  
18 year.

19 CHAIRMAN STEEN: Commissioners, do you have any  
20 questions?

21 (No response.)

22 CHAIRMAN STEEN: In that case, I'll entertain a  
23 motion to publish the proposed amendments to Rule 311.5 in  
24 the *Texas Register* for public comment.

25 COMMISSIONER MARTIN: So moved.

1 COMMISSIONER MACH: Second.

2 CHAIRMAN STEEN: Motion made by Commissioner  
3 Martin, seconded by Commissioner Mach.

4 Any further discussion?

5 (No response.)

6 CHAIRMAN STEEN: We'll take this up for a vote.  
7 All in favor please signify by saying aye.

8 (A chorus of ayes.)

9 CHAIRMAN STEEN: Any opposed?

10 (No response.)

11 CHAIRMAN STEEN: The motion carries.

12 The next item is agenda item V.B. Discussion  
13 and possible action to propose amendments to Rule 311.104,  
14 Trainers.

15 Devon, will you please present this item?

16 MS. BIJANSKY: Yes, sir.

17 These amendments would expand the list of who  
18 cannot take over for a suspended trainer. Currently  
19 members of the suspended trainer's household and relatives  
20 within the first degree of consanguinity, meaning a  
21 parent, child or spouse, may not take over for a suspended  
22 trainer. These amendments would expand that prohibition to  
23 include anyone who is related to the suspended trainer or  
24 who has worked for the suspended trainer within the last  
25 12 months, with an exception for cases where the executive

1 director has waived the prohibition in writing.

2 The draft you have in your materials refers to  
3 blood or marriage. I've given you a draft, and I would  
4 propose changing that to -- and it's highlighted in your  
5 draft -- by consanguinity or affinity, as determined by  
6 Subchapter B, Chapter 573 of the Texas Government Code.

7 CHAIRMAN STEEN: Commissioners, any questions  
8 on this item?

9 (No response.)

10 CHAIRMAN STEEN: If not, I'll entertain a  
11 motion to publish the proposed amendments to Rule 311.104  
12 in the *Texas Register* for public comment.

13 COMMISSIONER HICKS: I'll make a motion.

14 COMMISSIONER MACH: Second.

15 CHAIRMAN STEEN: Motion made by Commissioner  
16 Hicks, seconded by Commissioner Mach.

17 We'll take this up for a vote. All in favor  
18 please signify by saying aye.

19 (A chorus of ayes.)

20 CHAIRMAN STEEN: Any opposed?

21 (No response.)

22 CHAIRMAN STEEN: That motion carries.

23 The next item is agenda item V.C. Discussion  
24 and possible action to propose amendments to Rule 311.168,  
25 Scale of Weights for Age.

1 Devon, will you please present this item?

2 MS. BIJANSKY: Yes, Mr. Chairman.

3 These amendments would simply increase the  
4 weight to be carried by a Quarter Horse, Paint Horse or  
5 Appaloosa in races by two to four pounds, depending on the  
6 age of the horse. Ricky Walker, our chief steward, can  
7 speak to this issue further, and I believe Mr. Beech, from  
8 the Jockeys' Guild, is here to speak on this.

9 MR. BEECH: Good morning, Mr. Chairman,  
10 commissioners, staff. My name is John Beech. I'm the  
11 regional manager for the Jockeys' Guild, Inc., also a  
12 member of the AQHA Racing Committee, and I'm here if you  
13 have any questions on this matter.

14 CHAIRMAN STEEN: While Mr. Beech is standing  
15 here, would it be appropriate to also address the  
16 following item. He signed up to speak on both items.

17 MS. BIJANSKY: Oh, sure.

18 CHAIRMAN STEEN: If you don't mind. That would  
19 be item V.D. Discussion and possible action to propose  
20 amendments to 313.405, Whips and Other Equipment.

21 MS. BIJANSKY: Yes. And those amendments would  
22 change the term "whip" to "crop" throughout the rule, and  
23 also establish specifications for an acceptable crop.

24 MR. BEECH: First of all -- excuse me,  
25 allergies -- on the weight rule, it went through a process

1 before the AQHA. It went through the Racing Committee to  
2 the Executive Committee and Racing Council, and then it  
3 was passed and it was taken before the ARCI for approval  
4 also, and it was passed through the ARCI.

5 And what we're trying to do is raise the scale  
6 of weights because they were so low on the bottom end  
7 especially that when you would go to a racetrack on the  
8 lower end the weights were like everybody but maybe one or  
9 two horses in the race were overweight. Some of them were  
10 four or five pounds overweight. So we're trying to bring  
11 this up so jockeys won't have to reduce as hard and can  
12 perform better on their horses.

13 MR. TROUT: Mr. Chairman.

14 CHAIRMAN STEEN: Sure.

15 MR. TROUT: From our perspective, this is a  
16 safety issue. We have jockeys in the middle of the summer  
17 sitting in a steam room or a sauna and then they go out to  
18 perform and obviously they're in a weakened condition, and  
19 this is a safety hazard in my view, so I'm in favor of  
20 this.

21 CHAIRMAN STEEN: Any other discussion or  
22 questions, Commissioners, on either item?

23 (No response.)

24 CHAIRMAN STEEN: Thank you, Mr. Beech.  
25 Appreciate it.

1 MR. BEECH: And I'd also, if I may, sir?

2 CHAIRMAN STEEN: Sure.

3 MR. BEECH: I want to thank the staff for their  
4 diligence on proposing, doing what you have to do to get  
5 the rule done.

6 CHAIRMAN STEEN: Thank you.

7 MR. BEECH: Thank you very much.

8 CHAIRMAN STEEN: So if we have no further  
9 discussion, I'll entertain a motion to publish the  
10 proposed amendments to both Rule 313.168 and Rule 313.405.

11 COMMISSIONER MILLER: Mr. Chairman, I move that  
12 they be published for comment.

13 CHAIRMAN STEEN: Motion made by Commissioner  
14 Miller.

15 COMMISSIONER MACH: Second.

16 CHAIRMAN STEEN: Second by Commissioner Mach.

17 Further discussion?

18 (No response.)

19 CHAIRMAN STEEN: We'll take that up for a vote.  
20 All in favor please signify by saying aye.

21 (A chorus of ayes.)

22 CHAIRMAN STEEN: Any opposed?

23 (No response.)

24 CHAIRMAN STEEN: That motion carries.

25 COMMISSIONER EDERER: It was discussed at the

1 Rules Committee meeting that maybe the jockeys are getting  
2 fatter and that's what they needed it for, but they  
3 assured me that that wasn't the case, but I did question  
4 them on that.

5 (General laughter.)

6 CHAIRMAN STEEN: Thank you.

7 The next item is agenda item V.E. Discussion  
8 and possible action to propose amendments to Rule 319.3,  
9 Medication Restricted.

10 Devon, will you please present this item?

11 MS. BIJANSKY: Yes, sir.

12 These amendments would ban clenbuterol at all  
13 times in racing, eliminating the current threshold of 140  
14 pg/mL in urine. Under the rule as amended, a horse found  
15 to have clenbuterol in its system would be put on the  
16 Vet's List for at least 60 days and would have to test  
17 negative for clenbuterol to be taken off the list.

18 There's an exception in the draft for  
19 therapeutic use of clenbuterol if it's prescribed by a  
20 licensed veterinarian and the use is reported to the  
21 Commission within 24 hours of initiating treatment, at  
22 which time the horse is placed on the Vet's List for at  
23 least 30 days, and again must test negative to come back  
24 off.

25 Dr. James is here to provide some additional

1 background on this proposal.

2 DR. JAMES: Thank you, Devon.

3 Good morning, Mr. Chairman, commissioners. My  
4 name is Dr. Trey James, and I'm the veterinary medical  
5 director for the Texas Racing Commission.

6 In consideration of this proposal, I wanted to  
7 give you all some background information on clenbuterol.  
8 Clenbuterol is an FDA-approved drug that can be prescribed  
9 by licensed veterinarians for the treatment of certain  
10 equine respiratory disorders which can cause airway  
11 obstruction, such as chronic obstructive pulmonary  
12 disease, which is essentially similar to asthma.

13 Clenbuterol is a beta agonist that works by  
14 relaxing the smooth muscles that surround the airways and  
15 the lungs that can tighten up or become constricted during  
16 these disease conditions. It also reportedly helps to  
17 move out mucus or other debris that may build up in the  
18 lungs and allow the horses to breathe easier. When  
19 properly prescribed and administered, clenbuterol is an  
20 effective drug in allowing the airways to return to their  
21 normal size and function.

22 However, the controversy with this drug stems  
23 from the drug's reported side effects. According to some  
24 reports, clenbuterol can have a repartitioning effect on  
25 skeletal muscle which mimics the effects of androgenic or

1 anabolic steroids. In simple terms, clenbuterol  
2 reportedly increases the muscle mass while decreasing body  
3 fat. It is this performance enhancing side effect that  
4 has led the ARCI to go to a zero level concentration in  
5 Quarter Horses, and for some racing jurisdictions, such as  
6 New Mexico, California and Oklahoma, to prohibit the use  
7 of clenbuterol except for limited exception.

8 As for the use of clenbuterol in Texas, in 2017  
9 the Commission saw a significant increase in the number of  
10 positive cases in post-race samples as compared to other  
11 recent years. Also, at a recent Commission meeting there  
12 was a public testimony explaining how the continued  
13 permitted use of clenbuterol is adversely affecting or  
14 impacting racing in Texas for those individuals who choose  
15 to also race their horses in other jurisdictions where the  
16 drug is banned.

17 Lastly, some commissioners have asked about the  
18 issues related to clenbuterol and that they be addressed.

19 So it is for these reasons that the proposed changes to  
20 Rule 319.3 prohibiting the use of clenbuterol is before  
21 you today for your consideration.

22 In addition to Ms. Bijansky's synopsis of the  
23 clenbuterol rule, I'd like to point out that there are  
24 also a number of proposed revisions to rules 319.3, items  
25 (a) through (e). These revisions are not substantive

1 changes to that rule; they're simply either to replace or  
2 add language to that rule in order that it becomes  
3 consistent with language found in other Commission rules  
4 and policies. The prohibition on clenbuterol is found in  
5 your packet on pages 61 to 63 under 319.3(f).

6 I'd like to point out that on page 64 of your  
7 packet is a letter of support for adopting the prohibition  
8 on clenbuterol that was submitted by the American Quarter  
9 Horse Association.

10 I'd be happy to answer any questions you may  
11 have.

12 CHAIRMAN STEEN: So with this rule, what  
13 jurisdictions would we be matching and where would we  
14 be -- you mentioned a few jurisdictions where it's banned  
15 altogether already and some that it's allowed, depending  
16 on the breed. Can you go through that one more time?

17 DR. JAMES: Yes, sir. What it would do,  
18 although there may be some subtle differences between us  
19 and other jurisdictions, it basically would be bringing us  
20 in alliance with New Mexico, Oklahoma and California.

21 CHAIRMAN STEEN: Did you want to comment at  
22 all, Vice-Chairman, on the discussion at the Rules meeting  
23 on this?

24 COMMISSIONER EDERER: It was thoroughly  
25 discussed at the Rules Committee meeting, and it's

1 something that's been needed for a long time.

2 DR. JAMES: Yes, sir.

3 CHAIRMAN STEEN: Was there any opposition to  
4 this?

5 COMMISSIONER EDERER: None whatsoever.

6 CHAIRMAN STEEN: Thank you.

7 DR. JAMES: Yes, sir.

8 CHAIRMAN STEEN: With that, I'll entertain a  
9 motion to publish the proposed amendments to Rule 319.3 in  
10 the *Texas Register* for public comment.

11 COMMISSIONER MACH: So moved.

12 COMMISSIONER MARTIN: Second.

13 CHAIRMAN STEEN: Motion made by Commissioner  
14 Mach, seconded by Commissioner Martin.

15 Any further discussion?

16 (No response.)

17 CHAIRMAN STEEN: We'll take this up for a vote.

18 All in favor please signify by saying aye.

19 (A chorus of ayes.)

20 CHAIRMAN STEEN: Any opposed?

21 (No response.)

22 CHAIRMAN STEEN: That motion carries. Thank  
23 you.

24 The next item is agenda item VI.A. Update and  
25 discussion regarding Gulf Coast Racing's 2018-2019 live

1 meet.

2 Jim Blodgett, will you please present this  
3 item?

4 MR. BLODGETT: Commissioners, on May 8, 2018,  
5 staff conducted a safety and general facilities condition  
6 inspection of Gulf Coast Racing facility located in Corpus  
7 Christi, Texas. The staff was joined by Inspector Norman  
8 Walters from the Corpus Christi City Inspection Office.  
9 The summary from this inspection can be found on pages 66  
10 and 67 of your packets.

11 Commissioners, some of the areas we inspected  
12 during this trip were the paddock area, veterinarian  
13 offices, lockout area, racing official offices and judge's  
14 towers and the racetrack itself. General observations  
15 that the team made revealed the need for repairs in these  
16 areas that included correcting roof leaks, falling air-  
17 conditioning ducts, ceiling tiles, exposed wiring, missing  
18 plumbing fixtures, the tote board in need of repair,  
19 missing and decaying racetrack perimeter fencing, and an  
20 eroded track surface that was overgrown with weeds and  
21 brush. In addition, the kennel buildings were observed to  
22 be overgrown and the racetrack's general manager indicated  
23 that there were questions regarding the water systems and  
24 air conditioning in those buildings.

25 According to Inspector Walters, the facility

1 areas inspected would require repairs before the racetrack  
2 could operate a live meet. Mr. Walters further advised  
3 that the simulcast areas in the main building were safe to  
4 operate at this time.

5 And I would be willing to answer any questions  
6 that you might have.

7 CHAIRMAN STEEN: Do we -- I mean, this is  
8 probably better to ask the owners, but did staff have any  
9 thoughts around the timing and cost it would take to  
10 repair something like this?

11 MR. BLODGETT: Mr. Chairman, we just, off the  
12 cuff, discussed time frame based kind of on what it took  
13 the Valley to get up and running. The Valley track was in  
14 nowhere the kind of shape that this Corpus Christi  
15 facility is, and it still took a good three or four months  
16 for Valley to get into racing shape a couple of years ago.

17 And I guess it all depends on the degree and the  
18 commitment that they have to get crews in there and fix  
19 these issues.

20 CHAIRMAN STEEN: And when is the meet scheduled  
21 to start?

22 MR. BLODGETT: I believe it's scheduled for  
23 December. Chuck?

24 MR. TROUT: End of December.

25 CHAIRMAN STEEN: Okay. Thank you.

1                   Commissioners, do you have any other questions?

2                   (No response.)

3                   CHAIRMAN STEEN: I'll invite Tommy Azopardi to  
4 testify on behalf of the track.

5                   MR. AZOPARDI: Sorry to monopolize all the time  
6 at the podium today, commissioners. Once again, Tommy  
7 Azopardi.

8                   Before I answer any questions you may have, I'd  
9 like to commend the staff, specifically Chuck Trout, Mr.  
10 Walker, Mr. Blodgett and Dr. James on the professional and  
11 courteous manner that they conducted themselves in in  
12 doing the inspection report.

13                   The inspection report speaks for itself. I can  
14 tell you today that, you know, because of the situation  
15 regarding fees and the position that our owners of these  
16 licenses, including Gulf Coast Racing, took, they were  
17 resistant to make any improvements until they could see  
18 whether or not this license had any viability moving  
19 forward. And so I can tell you today that we've been  
20 waiting on that and there's still, as we speak today, some  
21 ambiguity on what the final rule structure is going to  
22 look like, and based on that, I can tell you that I do not  
23 think Gulf Coast Racing will be in a position to run these  
24 days come December.

25                   We are willing to work with other tracks. The

1 other track I represent is Gulf Greyhound -- and Sally  
2 Briggs is here, she can answer questions about that --  
3 however, I'll tell you that we can't really talk a lot  
4 about our future plans because based on litigation that is  
5 ongoing with the Texas Greyhound Association.

6 We have a court agreed to mediation date set  
7 for this coming Monday, and so we're kind of in a  
8 situation or a state of flux until we can get through that  
9 set of discussions with the Greyhound Association and see  
10 what is in everyone's best interests as we move forward  
11 relative to greyhound racing.

12 CHAIRMAN STEEN: What are the potential  
13 options, in your mind, without -- I understand people may  
14 have different positions, but what are the viable options?

15 MR. AZOPARDI: I think the most viable option,  
16 in my mind, Mr. Chairman, is that the dates could be moved  
17 to Gulf Greyhound to provide those opportunities to make  
18 sure the greyhounds don't lose the opportunity to run for  
19 the purse money that's been generated this year for them.

20 And Ms. Briggs can address the timing of how long it  
21 would take to get Gulf Greyhound up and running, should  
22 that be what the Texas Greyhound and others agree to.

23 CHAIRMAN STEEN: I wanted to go ahead, I know  
24 staff had done the report but I wanted to go ahead and get  
25 this discussion going as soon as possible, given where we

1 are timing-wise. And so it sounds like you've got some  
2 discussions to have next week, and I'll entertain any  
3 other comments or questions from commissioners, but at  
4 least I'd like to have at least have this item on your  
5 July meeting to kind of report on progress and possible  
6 paths forward.

7 MR. TROUT: We can do that.

8 CHAIRMAN STEEN: Any other questions?

9 (No response.)

10 CHAIRMAN STEEN: Thank you.

11 MR. AZOPARDI: Thank you, Mr. Chairman.

12 CHAIRMAN STEEN: Okay. We're not entering into  
13 executive session today on VII.

14 The next meeting, item VIII., is scheduled for  
15 Tuesday, August 14.

16 The time is now 11:34. With all business  
17 concluded, we are now adjourned. Thank you.

18 (Whereupon, at 11:34 a.m., the meeting was  
19 adjourned.)

20  
21 I certify that the foregoing is a correct  
22 transcript from the electronic sound recording of the  
23 proceedings in the above-entitled matter.  
24

25  
26 /s/ Nancy H. King  
27 Certified Electronic Reporter  
28 AAERT No. CER-153  
29

06/20/2018  
Date

30