

ANNUAL REPORT
2015

— TEXAS —
RACING COMMISSION



Submitted February 1, 2016

TEXAS RACING COMMISSION 2015 ANNUAL REPORT

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TEXAS RACING COMMISSION 2015 ANNUAL REPORT

TEXAS RACING COMMISSION

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Jan. 29, 2016

The Honorable Greg Abbott
Governor of the State of Texas
State Capitol, Room 200
Austin, Texas 78701

Dear Governor Abbott:

On behalf of my fellow Commissioners and staff, I am pleased to submit the Texas Racing Commission's 2015 Annual Report in accordance with Section 3.10 of the Texas Racing Act, Article 179e, Vernon's Texas Civil Statutes. The Annual Report covers the operations of the Commission over the last calendar year and describes the condition of horse and greyhound racing and breeding as we begin calendar year 2016.

In addition to the usual challenges facing the pari-mutuel industry across the country, the Commission was confronted with unprecedented budgetary issues in 2015 that continue to threaten the very existence of this agency and the future of pari-mutuel racing in Texas. A rider included in the agency's fiscal 2016-2017 budget prevents the agency from expending certain administrative funds critical to its operations without approval from the Legislative Budget Board. That approval has not been forthcoming and as a result, the agency (and the Texas racing industry) shut down for one day in September and has only been able to continue operations through the temporary reallocation of other funds. This temporary funding is currently approved through the end of February 2016.

Some legislative leaders have strongly signaled that the agency's full funding will not be approved unless the historical racing rules passed by this Commission in 2014 are repealed. The possible repeal of these rules will likely be addressed at our Commission meeting scheduled for Feb. 9; however, the ultimate outcome is impossible to predict. Accordingly, and at my direction, all Texas racetracks have been notified by our executive director to cease all racing, live and simulcast, on February 16. This schedule will allow for the return of drug test results, purse distributions and an orderly winding down of operations by agency staff. While I remain hopeful that the budget issues will be resolved, I strongly believe we have a responsibility to our

(more)

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The Honorable Greg Abbott – Page 2

staff, the industry we regulate and the state of Texas as a whole to be prepared for the eventuality of a temporary or permanent shutdown.

Among the other challenges facing racing in Texas, the total amount of dollars wagered at racetracks in Texas, a critical measure of the health of a jurisdiction's pari-mutuel industry, has seen a significant decline since reaching a peak of \$633.7 million in the year 2000. This decline was reversed slightly in 2004, the year Lone Star Park in Grand Prairie hosted the Breeders Cup, but resumed in 2005. The most recent data illustrates a flattening of the downward trend. In 2015, the total amount of dollars wagered at Texas racetracks was approximately \$317 million, a decrease of just over 1 percent over 2014. However, the 2015 figure represents a near 50 percent decrease compared to the total amount of dollars wagered at Texas racetracks in 2000.

Obviously, horse racing in general has struggled over the same period of time, but Texas has been particularly hard hit due to the fact that our surrounding states all offer either alternative gaming and/or additional forms of pari-mutuel wagering—off-track wagering locations (OTBs) or advance deposit wagering (ADW)—to supplement the prize money. Owners and trainers go where the bigger purses are, and they're not finding them in Texas. Greyhound racing has faced similar and even more difficult challenges, and the future of the sport in Texas is in serious doubt as we begin 2016.

As a direct byproduct, the breeding industry and associated agricultural businesses are also suffering. For example, the Texas Thoroughbred breeding industry has seen a significant decline in foals produced and stallions standing for stud. From 2004 to 2013, the most recent year for which complete information is available, the number of thoroughbred foals from Texas declined by 66.6 percent.

Despite these struggles and the funding issue which is detailed further in this report, the Commission's role remains unchanged. On behalf of the Texas Racing Commission, I reiterate our goal to provide fair, effective, and efficient regulation of the pari-mutuel industry, our horse tracks, and greyhound tracks.

Respectfully submitted,



Rolando Pablos
Chairman

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Jan. 29, 2016

The Honorable Greg Abbott
Governor of the State of Texas
State Capitol, Room 200
Austin, Texas 78701

Dear Governor Abbott:

I respectfully submit the Commission's 2015 Annual Report.

The Commission regulates a complex industry that operates seven days a week, 365 days a year. Our Commissioners give time and energy, and, based on a wealth of professional and business expertise, provide quality leadership. Their contributions are invaluable.

I highly commend my staff. Agency employees work long hours in a highly regulated industry and do so with an ultimate sense of teamwork. We all remain determined and dedicated to protecting the broad public interest and integrity, as well as the health, safety and welfare of all involved in racing.

On behalf of the Commissioners and agency staff, I thank the Texas Department of Public Safety and the Texas Comptroller of Public Accounts as each consistently provides critical assistance in regulating the pari-mutuel industry. These state agency partnerships effectively demonstrate the benefits derived from coordinated efforts and resources.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Trout", is written over a white background.

Chuck Trout
Executive Director

THE COMMISSION

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

MISSION

To enforce the Texas Racing Act and the Rules of Racing to ensure the safety, integrity and fairness of Texas pari-mutuel racing.

PHILOSOPHY

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

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THE COMMISSIONERS

Of the nine board members, the governor appoints seven with the advice and consent of the Texas Senate. Two commissioners, the Comptroller of Public Accounts and the Chair of the Public Safety Commission, are ex-officio members. The seven non-salaried commissioners serve overlapping six-year terms.

Of the seven appointees, five represent the public and have general knowledge of business or agribusiness. One may be a veterinarian. One member must have experience or special knowledge of greyhound racing and one must have experience or special knowledge of horse racing. The governor designates the Commission's chairman. The nine members elect a vice chair for a two-year term.

COMMISSIONERS	TERM	HOMETOWN
Rolando Pablos, Chairman	11/06/2015 - 02/01/2021	El Paso
Ronald F. Ederer, Vice Chair	07/17/2007 - 02/01/2019	Corpus Christi
Gary P. Aber, DVM	05/15/2012 - 02/01/2021	Simonton
Gloria Hicks	11/09/2007 - 02/01/2017	Corpus Christi
Robert Schmidt, M.D.	11/09/2007 - 02/01/2017	Ft. Worth
John T. Steen III	10/03/2011 - 02/01/2019	Houston
Margaret Martin	11/06/2015 - 02/01/2021	Boerne
Ex-Officio Members		
Glenn Hegar, Comptroller of Public Accounts	N/A	Austin
A. Cynthia "Cindy" Leon, Chair, Public Safety Commission	N/A	Mission

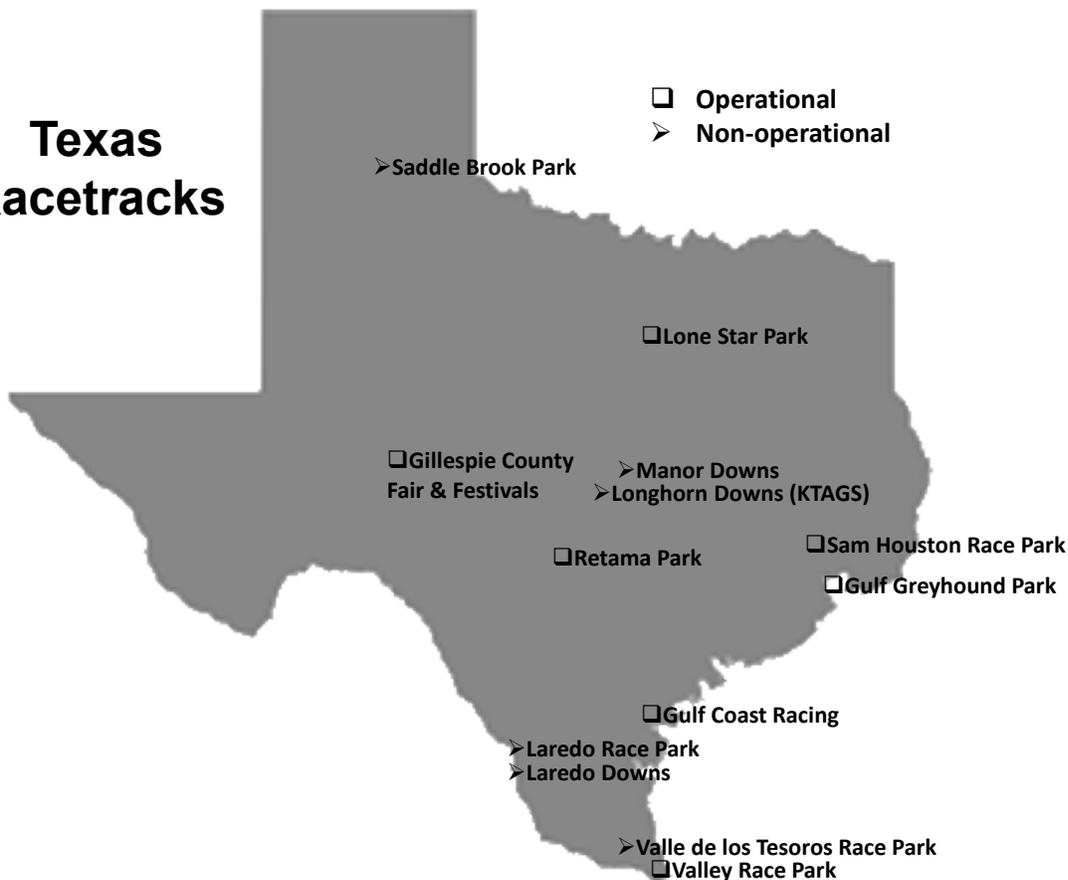
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AGENCY OVERVIEW

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

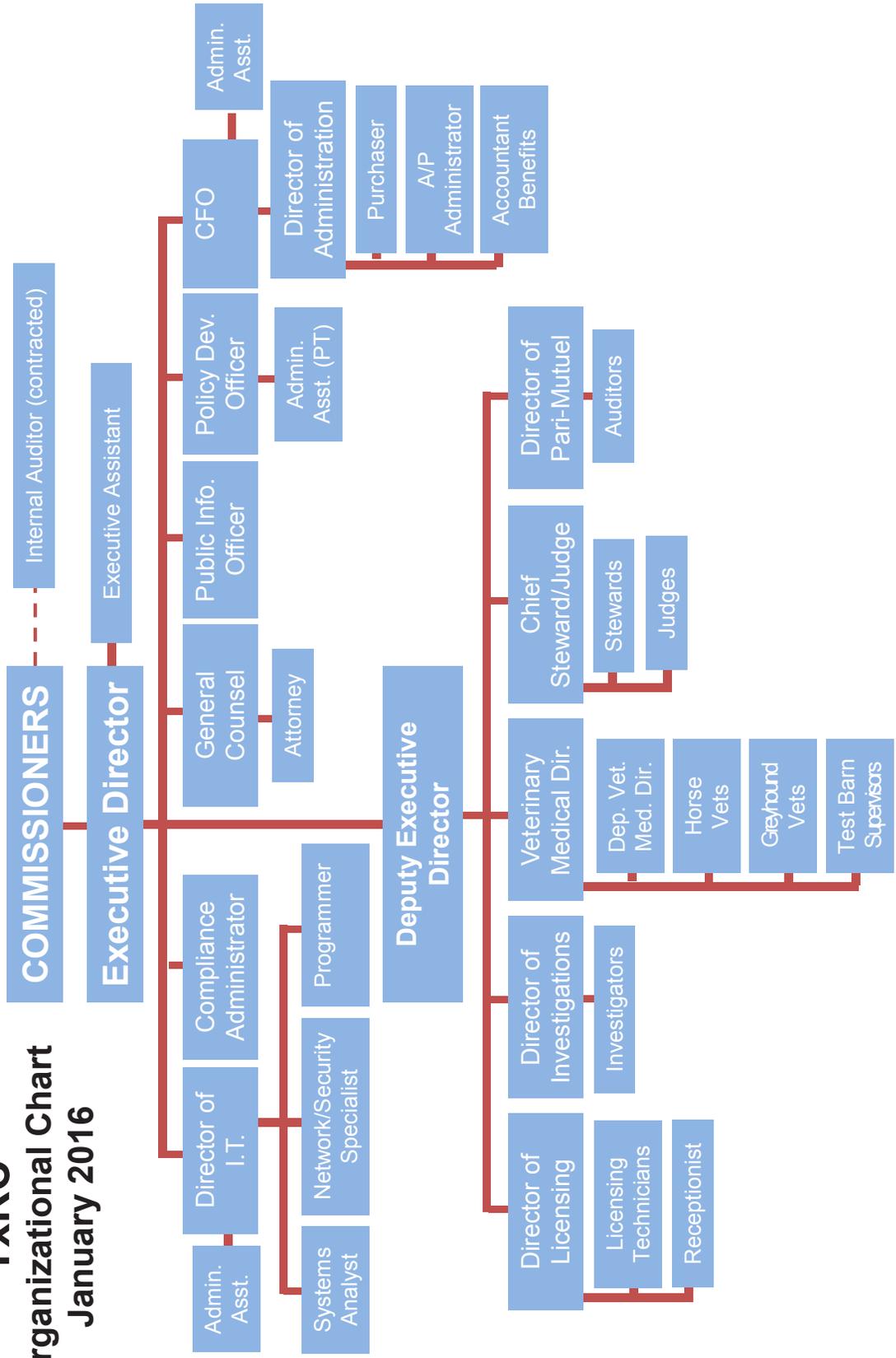
- License racetracks that offer racing with pari-mutuel wagering, those who participate in racing with pari-mutuel wagering and the people directly involved with pari-mutuel wagering who work at the racetracks.
- Allocate race dates, supervise the conduct of all races, monitor the health and safety of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

Texas Racetracks



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TxRC
Organizational Chart
January 2016



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ORGANIZATIONAL STRUCTURE

The General Appropriations Act authorized the agency to have 51.2 full-time equivalent positions (FTEs) in FY 2016 and FY 2017. This is down from the 52.6 authorized FTEs in FY 2014 and 51.6 in FY 2015. While the Racing Act requires the Commission's headquarters to be in Austin, a large number of staff members work at the operating racetracks. Many of the employees outside Austin are seasonal, working only when the racetracks conduct live racing.

TxRC's workforce features a diverse collection of professions that includes auditors, veterinarians, stewards, racing judges, investigators, licensing staff and support personnel.

TxRC maintains staffed field offices at the three operating Class 1 horse tracks. Additionally, staff is always present when any track is conducting live racing.

The agency's structure features an executive group and support staff headed by the executive director, as well as a deputy executive director responsible for regulatory and field staff.

FISCAL INFORMATION

BUDGET AND FINANCE

The Commission is self-funded by the entities it regulates and is appropriated only GR-Dedicated funds. The agency's revenue primarily comes from fees assessed to racetracks and occupational licensees.

For FY 2016, the Commission had a total appropriation of approximately \$7.74 million. The agency's operating budget was \$4.27 million, of which approximately 70 percent was salary and salary-related expenses. The \$7.74 million appropriation included a direct, dedicated-revenue pass-through of almost \$3.5 million for the Texas-Bred Incentive Program.

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

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

The final FY 2016-2017 budget (which includes the last four months of calendar 2015) approved by the 84th Legislature included a rider (7) which prevents the agency from expending appropriations from Strategy D.1.1, Central Admin & Other Support Services without written approval from the Legislative Budget Board (LBB). Strategy D.1.1 appropriations are essential to the continued operations of the Commission. They include authorization to expend funds for executive management and general administrative support services. The agency cannot operate without these funds and without statutorily mandated

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regulatory oversight, the entire pari-mutuel racing industry in Texas would effectively have to shut down as well.

The agency has submitted three requests to the LBB for approval to expend Strategy D.1.1 appropriations. The first request in August was denied, resulting in a one day closure of the agency on Sept. 1. However, late that same day, LBB notified the agency that it was approved to reallocate previously appropriated funds to support administrative costs that allowed the resumption of business for the next 90 days. The agency's second request, submitted on Sept. 11, was also denied, but another 90 days of temporary reallocated funding was approved on Nov. 6. The agency's third request is still pending. As of late January, the agency is funded through the end of February. If the most recent request is denied, absent another funding mechanism, the agency will cease all operations, including oversight of both live racing and simulcast wagering, at the close of business on Feb. 29.

AGENCY HIGHLIGHTS

ADMINISTRATIVE

During FY 2015, the agency met or exceeded four of its five key performance outcome measure targets. Those targets are related to: increasing the percentage of compliance audits passed; having a high percentage of licensees with no recent violations; improving the average time to issue a new occupational license and having a high percentage of its investigations resulting in disciplinary action.

The executive division coordinated six regular Commission meetings in 2015. The general counsel coordinated rule reviews for Chapters 301, 303, 307, 319, 321 and 323 as required by Government Code §2001.039. Apart from the historical racing rules, the Commission proposed 21 new rules or amendments to existing rules, 16 of which were adopted in 2015 and five are eligible for adoption in 2016.

As part of its deliberation on the potential repeal of the historical racing rules, the Commission proposed to repeal 10 rules and amend 13 rules at its June meeting. By a split vote, the Commission declined to adopt these changes at its August or December meetings, but did vote to withdraw and repost the proposals at its December meeting. This allows the Commission to reconsider the repeal of the historical racing rules at its February 2016 meeting.

TECHNOLOGY

With the loss of three out of five employees, the Information Technology Department experienced a 60 percent turnover in staff in 2015, but continues to focus on replacing end-of-life equipment, upgrading network infrastructure, and security.

The agency also purchased applications for records and document management to improve the management of agency records. The agency will begin migrating electronic records to these applications in 2016.

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REGULATORY

In 2015, pari-mutuel auditors reviewed wagering data on 4,942 live races and 661,216 simulcast races to ensure proper collection and distribution of funds. The auditing staff reviewed a total of 1,761 import and export simulcast requests for compliance with the Racing Act, the Texas Rules of Racing, and the Federal Interstate Horse Racing Act.

In 2015, the Commission issued 6,364 occupational licenses—up slightly over 2014—and 62 business licenses. Of the occupational licenses issued, 2,048 were new licenses and 4,316 were renewals. The 62 business licenses consisted of five kennel licenses and 57 vendor licenses.

INVESTIGATIONS

By allocating resources tactically and cooperating with the Department of Public Safety (DPS), the Investigations Department strives to secure voluntary compliance with agency rules. The critical assistance from DPS helps ensure the safety of the public, participants and animals involved in racing.

Investigators, along with the DPS, continue to perform random inspections at all operating racetracks and licensed training centers. These inspections resulted in 43 contraband case referrals to the respective Board of Stewards or Judges. Stewards and judges issued a total of 294 disciplinary rulings. These included 222 fines, 114 suspensions and one license revocation.

ANIMAL EXAMINATIONS/DRUG TESTING

Texas follows the model rules set forth by the Association of Racing Commissioners International (RCI). RCI Model Rules represent best practice regulatory policy developed by the collective deliberations of racing regulators in consultation with industry representatives. RCI Model Rules are recommendations and the association has no direct regulatory power.

The Racing and Medication Testing Consortium (RMTC) is a national, non-profit organization that strives to develop uniform medication rules, testing procedures, thresholds and withdrawal guidelines for therapeutic medications for jurisdictions across the country. RCI requested RMTC recommendations for thresholds and withdrawal times (how long an animal must be off a medication before racing) for therapeutic medications. RCI adopted the RMTC recommendations in April 2014.

The Texas Racing Commission's drug testing policy is already in line with the majority of the RCI Model Rules and will be adjusted accordingly to remain so moving forward. The policy revisions to thresholds and withdrawal periods apply only to certain therapeutic drugs. Texas remains a zero-tolerance state with regard to performance enhancing drugs.

Another ongoing development in drug testing methodology relates to the sensitivity of the tests themselves. Laboratories now are able to detect the presence of drugs at much lower

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concentrations. Improved techniques and tests are allowing screening for a greater number of drugs than ever before.

INSPECTION PROGRAM

The Commission helps ensure that pari-mutuel racing is safe for the participants and the public. To accomplish this, the Commission developed a comprehensive program for inspecting licensed racetracks and training facilities. Through this inspection program, the Commission oversees all pari-mutuel racetrack license holders to monitor and ensure compliance with Commission rules.

INSPECTIONS BY AREA

The Commission's inspection program is separated into six inspection areas:

- Live racing operations inspections focus on the condition of the track surface, starting gates and boxes, rails and distance markers, and all aspects of animal housing, including maintenance and cleanliness of barns and kennel areas.
- Animal health and safety/drug testing operations inspections cover the sample-collection facilities and equipment, the treatment areas and the equine ambulance. The inspections include a review of the overall maintenance of the backside areas with emphasis on ensuring a safe environment for both animals and licensees.

- Pari-mutuel wagering inspections include a review of all aspects of the wagering operations, including the track's mutuel department, the tote company's operations and all related wagering equipment.
- Safety and security inspections focus on all security aspects of the facility, including outdoor lighting, fencing, medical and first aid services, and fire prevention measures, including inspecting the barns to ensure proper storage of hay and feed.
- Administrative inspections center on association ownership records, bookkeeping and accounting systems. These inspections include a review from the patron's viewpoint, including cleanliness of patron facilities and amenities, posting of pertinent public notices and proper signage on automatic banking machines.

2015 INSPECTIONS BY AREA

TYPE OF INSPECTION	NUMBER
LIVE RACING OPERATIONS	20
ANIMAL HEALTH AND SAFETY/ DRUG TESTING OPERATIONS	17
PARI-MUTUEL WAGERING OPERATIONS	34
SAFETY AND SECURITY	12
ADMINISTRATIVE OPERATIONS	13
TRAINING TRACKS	2
TOTAL	98

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- Training track inspections focus on the facility's overall track condition, including the track surface, starting gate, rails and distance markers. Other areas of focus include checking for proper licensing of training facility personnel and those bringing horses for official works.

TEXAS-BRED INCENTIVE PROGRAM

The Racing Act provides purse supplements and monetary awards to breeders and owners of accredited Texas-bred horses and greyhounds to encourage the horse and greyhound breeding industries.

GREYHOUND PROGRAM

Funding for the Texas-Bred Greyhound Incentive Program is derived from:

- 50 percent of the total breakage from live, simulcast same-species and simulcast cross-species handle; and
- 1 percent of all multiple two and multiple three wagers from simulcast same-species and simulcast cross-species handle.

The 50 percent of breakage and the 1 percent of multiple two and three wagers are paid to the Texas Greyhound Association (TGA). The breakage money is dedicated 50 percent to stakes races and 50 percent for administration of the Accredited Texas-Bred (ATB) program. The money received from multiple two and three wagers is paid as awards

to those owners of accredited Texas-bred greyhounds finishing first in races run at Texas tracks. Once a month, these funds are distributed by dividing the monthly total available for awards by the number of winning Texas-bred greyhounds for that month.

Of the total money from breakage received by the TGA, 2 percent must be set aside for grants for rehabilitating or locating homes for greyhounds. During 2015, grants were distributed from this source of funding to qualified Texas non-profit rehabilitation and adoption groups totaling \$1,150, including an added contribution of \$3,850 by the TGA.

Purse money earned at a horse track from interstate simulcast wagering on greyhound races is also paid to the TGA for use at Texas greyhound racetracks. This resulted in \$1,445,515 going to purses at Gulf Greyhound Park in 2015. This source of purse money has remained fairly constant over the last several years, though 2015 saw a slight increase over 2014.

HORSE PROGRAM

The Racing Act provides an incentive award for each owner, breeder and stallion owner of an accredited Texas-bred horse that finishes first, second or third in any race other than a Texas-bred stakes race. The awards are funded from:

- breakage from all pari-mutuel pools; and
- 1 percent of all multiple two and multiple three wagers from live, simulcast same-species and simulcast cross-species handle.

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Texas-bred stakes race supplements are funded from 9.8 percent of the breakage from all pari-mutuel pools. This money is retained by the race-tracks for distribution through the horsemen's bookkeeper. Horses finishing in an accredited Texas-bred stakes race receive an incentive award as a purse supplement according to the payout conditions of the race.

The remaining money is distributed on a 40 percent, 40 percent and 20 percent split, respectively, among the owners, breeders and stallion owners of accredited Texas-bred horses that finish first, second or third in a race.

The Racing Act names the official breed registries that are responsible for determining qualifications for Texas-bred accreditation, maintaining the eligibility lists and distributing the monetary awards: the Texas Thoroughbred Association, the Texas

Quarter Horse Association, the Texas Appaloosa Horse Club, the Texas Arabian Breeders Association, the Texas Paint Horse Breeders Association and the Texas Greyhound Association.

The Texas Appaloosa Horse Club does not participate in this program.

SIGNIFICANT COMMISSION ACTIONS AND ACTIVITIES

The Texas Racing Commission met six times during calendar year 2015. The Commission's meetings are open to the public and, in addition to the required postings in the Texas Register, the agendas and agenda materials are posted on the agency's website before meetings. Transcripts of each Commission meeting are also available at www.txrc.texas.gov.

COMPARATIVE DISTRIBUTIONS YEAR 2014 VS. YEAR 2015

	2014	2015	% CHANGE
TEXAS THOROUGHBRED ASSOCIATION	\$1,837,399	\$1,792,844	-2.42%
TEXAS QUARTER HORSE ASSOCIATION	\$941,257	\$900,649	-4.31%
TEXAS GREYHOUND ASSOCIATION	\$492,327	\$469,883	-4.56%
TEXAS-BRED STAKES RACE SUPPLEMENTS	\$101,861	\$93,300	-8.41%
TEXAS ARABIAN BREEDERS ASSOCIATION	\$53,777	\$51,894	-3.50%
TEXAS PAINT HORSE BREEDERS ASSOCIATION	\$26,952	\$26,106	-3.14%
TOTAL	\$3,453,573	\$3,334,675	-3.44%

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RACE DATE ALLOCATION

Between 2009 and 2014, the number of race dates that Texas horse tracks requested declined from 265 to 186. The reduced schedules carried into 2015 when tracks ran 186 days. With Lone Star Park (76), Retama Park (46), Sam Houston Race Park (56) and Gillespie Fair and Festivals Association (8) offering a total of 186 days of live racing in 2015, racing opportunities have stabilized for now.

In 2015, Gulf Greyhound Park continued its year-round racing, offering 255 performances. However, in August, Gulf Greyhound Park announced that they will no longer conduct live racing after Dec. 31, 2015 and requested no race dates for 2016. Gulf Coast Racing conducted no performances in 2015 and has requested five dates for 2016. Valley Race Park conducted one performance in 2015 and has requested one date for 2016.

COMMITTEE ON RULES

During 2015, the Committee on Rules met three times. The committee recommended closure of the reviews of Chapter 307, Proceedings before the Commission, and Chapter 323, Disciplinary Action and Enforcement. The committee also recommended opening rule reviews of Chapter 301, Definitions, Chapter 303, General Provisions, Chapter 319, Veterinary Practices and Drug Testing, and Chapter 321, Pari-mutuel Wagering.

The Committee considered 21 rule proposals during 2015 and recom-

mended the adoption of 16. The remaining five proposals are eligible for adoption in 2016.

SAFETY AND MEDICATION WORKING GROUP

The Safety and Medication Working Group met once in 2015, providing a valuable forum for all stakeholders to discuss critical safety and medication issues.

The group met on Feb. 12 at Sam Houston Race Park. Working group participants included two commissioners, representatives from Texas race-track associations, breed registries, the Texas Horsemen's Partnership, current practicing backside veterinarians, trainers, owners, and Commission staff. The topic of the meeting was Implementation of the TxRC Necropsy Program under Commission Rule 319.16.

ANNUAL REVIEW/RENEWAL OF INACTIVE RACETRACK LICENSES

Sunset legislation passed by the 82nd Legislature requires the Commission to conduct an annual review of each inactive racetrack license and determine whether to renew that license. The racetracks that currently hold inactive licenses are Laredo Downs, Laredo Race Park, Longhorn Downs, Manor Downs and Valle de los Tesoros. At these racetracks' unanimous request, the executive director extended the 2015 deadline for applying for renewal until Sept. 15, 2015. The Commission's 2015 review of inactive

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racetrack licenses will be completed in 2016.

OWNERSHIP AND MANAGEMENT REVIEWS OF ACTIVE RACETRACK LICENSES

Sunset legislation passed by the 82nd Legislature requires the Commission to conduct ownership and management review of each active racetrack license every five years. None of the active racetracks were scheduled for review in 2015. Ownership and management reviews of Lone Star Park, Sam Houston Race Park, and Valley Race Park are scheduled for 2016.

STATUTORY REQUIREMENTS RELATED TO ONLINE WAGERING

In its 2008 review of TxRC, the Sunset Commission took note of the unregulated entities that were taking wagers from Texans over the Internet.

In Texas, the only place a person may place a legal wager on a horse or greyhound race is on the grounds of a licensed pari-mutuel racetrack. However, these unregulated companies were using a technology not contemplated when the Texas Racing Act was passed and using the resulting ambiguity in the law to defend their actions. The Sunset legislation clarifies that all entities, whether in-state or out-of-state, are prohibited from accepting these types of wagers.

The Texas Legislature amended the Texas Racing Act in 2011 to clarify

that the existing prohibitions against off-track wagering also applied to the Internet. Accordingly, TxRC sent cease-and-desist letters to all of the advance deposit wagering (ADW) companies that reportedly accepted these wagers from Texas residents. Most of the contacted companies voluntarily complied with the statute. However, TwinSpires.com (Churchill Downs) refused and then filed a federal lawsuit against the TxRC in Sept. 2012. Churchill Downs and at least one other company continued to do business in Texas until a federal district judge ruled in favor of the Commission and dismissed the suit on Sept. 23, 2013.

Churchill Downs then filed an appeal with the U.S. 5th Circuit Court of Appeals, which issued an opinion Sept. 25, 2014, upholding the judgment in favor of the Commission. On Oct. 9, 2014, Churchill Downs filed a petition with the 5th Circuit for a rehearing en banc to reconsider the Circuit's prior decision affirming the trial court. On Oct. 27, the 5th Circuit denied Churchill Downs' petition. Churchill Downs could have filed a petition for writ of certiorari to the U.S. Supreme Court, but did not do so by the Jan. 26, 2015, deadline.

HISTORICAL RACING

Historical racing, also known as "instant racing," is an electronic wagering system which allows pari-mutuel betting on videos of previously run horse and dog races using machines that, cosmetically at least, resemble

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slot machines. These machines are currently in use in several states, including Arkansas, Kentucky and Oregon.

In the fall of 2013, representatives from the pari-mutuel industry approached the Commission concerning authorizing new rules regarding historic racing at licensed racetracks in Texas. The Commission formed the Advisory Committee on Pari-Mutuel Wagering in early 2014 to investigate and discuss a variety of issues related to pari-mutuel wagering in Texas, including the viability of the introduction of historical racing.

On May 27, 2014, representatives of the entire racing industry jointly submitted a request that the Commission propose rules that would, if eventually adopted, authorize historical racing terminals in Texas. At the June 10 Commission meeting, the Commission voted 7-1 (one member was not present) in favor of publishing the rules in the Texas Register for a 30-day public comment period. A total of nearly 13,000 comments were received during this period. Agency staff also held a public comment hearing on July 17 to allow members of the public to comment in person. In total, approximately 9,900 comments (76 percent) were in favor of the proposed rules, with around 3,100 (24 percent) opposed.

On Aug. 29, 2014, after careful consideration and determining that historical racing fit the definition of pari-mutuel wagering, and that the proposed rule changes fell within the broad authority provided by the Texas

Racing Act, the Commission voted 7 to 1 (with one abstention) in favor of adopting the proposed rules. The rule changes were then published in the Texas Register and went into effect on Sept. 28. However, on Sept. 17, a group associated with charitable bingo operators (later joined by the Kickapoo Traditional Tribe of Texas) filed suit in Travis County to prevent the Commission from moving forward with the new rules on the grounds that the Commission did not have the authority to make the rule changes.

On Nov. 10, Judge Lora Livingston of the 261st Travis County District Court ruled that the new rules on historical racing exceeded the Commission's statutory authority. The judge concluded that historical racing was a new form of wagering, rather than merely new technology to place existing forms of wagers, and should therefore be taken up by the Legislature. The Commission did not appeal this decision; however, a coalition of racetracks and horsemen did. That appeal is still pending as of Jan. 31, 2016.

At the June 9, 2015, Commission meeting, the commissioners voted to publish the repeal of the historical racing rules for public comment. The Commission received approximately 1,300 comments during the comment period, with all but four opposed to repealing the rules. At the Aug. 25 Commission meeting, the commissioners voted 4 to 4 (with one abstention) on the motion to repeal the historical racing rules. The tie vote meant that the motion did not pass and the rules remained on the books.

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The commissioners voted again on a motion to repeal the historical racing rules at its Dec. 15 meeting and the vote was again 4 to 4 with one abstaining. However, the commissioners then voted unanimously to pass a motion to republish the repeal of the historical racing rules for another 30 days of public comment. That public comment period began Jan. 1, 2016, and the Commission will accept comments through Feb. 1.

As of Jan. 31, 2016, there are no historical racing terminals in operation in Texas, nor have any licensed Texas racetracks submitted the required application to the Commission seeking approval to conduct historical racing.

GREYHOUND RACING

Like horse racing, greyhound racing in Texas has struggled to remain viable for at least a decade. For the last several years, only one of the three operating greyhound tracks, Gulf Greyhound Park (GGP), conducted year-round live racing. In August, however, citing rising costs and increased competition, GGP announced it would cease all live racing at the end of the year, but planned to remain open for simulcast racing in 2016.

The Texas Racing Act requires that tracks must have granted live race dates in order to conduct simulcast wagering. GGP has requested dates for 2018, but none for 2016 or 2017. Gulf Coast Racing has five dates granted for 2016, but does not currently have adequate facilities to con-

duct live racing. Valley Race Park has one date granted for 2016.

Rule 321.401 of the Rules of Racing states that the, "primary advantage of wagering on simulcast races is the additional revenue it provides for purses for live races." The issue currently facing the Commission is whether to continue to allow simulcasting at the three greyhound tracks absent the conduct of significant or meaningful live racing within the next year. The Commission is expected to consider this issue at its meeting scheduled for Feb. 9, 2016.

TEXAS RACING COMMISSION 2015 ANNUAL REPORT

2015 PURSE STATISTICS

SOURCE OF FUNDS	QUARTER HORSE	THOROUGH-BRED	ARABIAN	PAINT	TOTAL HORSE
EARNED PURSE	\$5,550,214	\$13,975,995	\$282,535	\$32,500	\$19,841,244
TEXAS BRED STAKES	\$23,500	\$113,000	\$0	\$0	\$136,500
STAKES	\$3,921,162	\$434,407	\$64,400	\$25,010	\$4,444,979
SPONSORS	\$294,544	\$97,098	\$105,200	\$0	\$496,842
FUND TRANSFERS	\$0	\$0	\$0	\$0	\$0
ATB SPONSORED PURSE	\$116,333	\$275,000	\$6,900	\$40,000	\$438,233
TOTAL PURSES PAID	\$9,905,753	\$14,895,500	\$459,035	\$97,510	\$25,357,798
AVERAGE PURSES PAID PER PERF.	\$126,997	\$129,526	\$15,829	\$48,755	\$113,204

NOTE: Texas Appaloosa Horse Club no longer participates in the Texas-bred Program. For calendar year 2015, \$5,000 sponsorship of an Appaloosa race was added to the Arabian sponsorship figure.

SOURCE OF FUNDS	TOTAL GREYHOUND
EARNED PURSE	\$823,314
TEXAS BRED STAKES	\$0
STAKES	\$18,000
SPONSORS	\$9,290
FUND TRANSFERS	\$598,078
TGA CROSS SPECIES PURSE SUPPLEMENTS	\$1,445,515
TOTAL PURSES PAID	\$2,894,198
AVERAGE DAILY PURSES PAID PER PERF.	\$11,576.79

SOURCE OF FUNDS	2014 COMBINED	2015 COMBINED	% CHANGE
EARNED PURSE	\$19,962,912	\$20,664,558	3.51%
TEXAS BRED STAKES	\$95,700	\$136,500	42.63%
STAKES	\$3,839,667	\$4,462,979	16.23%
SPONSORS	\$151,247	\$506,133	234.64%
FUND TRANSFERS	\$554,448	\$598,078	7.87%
TGA CROSS SPECIES PURSE SUPPLEMENTS	\$1,417,162	\$1,445,515	2.00%
ATB SPONSORED PURSE	\$729,265	\$438,233	-39.91%
TOTAL PURSES PAID	\$26,750,401	\$28,251,996	5.61%

TEXAS RACING COMMISSION 2015 ANNUAL REPORT

SUMMARY OF ALL TEXAS GREYHOUND RACETRACKS JANUARY 1, 2015, THRU DECEMBER 31, 2015

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross- Species	Column 5 Sum of 1-4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	248		1,404	1,309	2,961	248	2,713	2,961
# of Performances	252		12,257	10,418	12,509	252	22,675	22,927
Attendance	62,947		120,441	1,129	183,388	62,947	121,570	184,517
Net Handle	6,099,436.60	10,841,717.00	26,803,412.10	20,262,299.50	64,006,865.20	16,941,153.60	47,065,712	53,165,148.20
Horse Purse				37,095.78	37,095.78	0.00	37,095.78	37,095.78
Greyhound Purse	286,572.52	32,528.05	828,437.64	121,102.43	1,268,640.64	319,100.57	949,540.07	1,236,112.59
TTA Purse			146,586.45	146,586.45	146,586.45		146,586.45	146,586.45
TQHA Purse			146,586.45	146,586.45	146,586.45		146,586.45	146,586.45
TGA Purse			1,685.69	1,685.69	1,685.69		1,685.69	1,685.69
Escrowed Horse Purse			805,084.40	805,084.40	805,084.40		805,084.40	805,084.40
TX Horsemen's Partnership								
THP Escrow Horse Purse			122,069.35	122,069.35	122,069.35		122,069.35	122,069.35
Texas Bred			254,362.71	158,524.42	412,887.13	0.00	412,887.13	412,887.13
State Tax			267,985.16	252,954.95	520,940.11		520,940.11	520,940.11
Hub Fee			730,482.66	293,590.08	293,590.08		293,590.08	293,590.08
Simulcast Fee	1,088,827.12	316,203.88	4,054,169.54	1,292,572.93	6,751,773.47	1,405,031.00	5,346,742.47	1,725,619.95
Racetracks			6,135,437.71	4,372,990.22	12,232,559.50	1,724,131.57	10,508,427.93	11,883,827.57
Total	1,375,399.64	348,731.93	6,135,437.71	4,372,990.22	12,232,559.50	1,724,131.57	10,508,427.93	11,883,827.57
Commissions								
Breakage	\$217,893	\$0	\$784,600	\$119,678	\$1,122,171	\$217,893	\$904,278	\$1,122,171

TEXAS RACING COMMISSION 2015 ANNUAL REPORT

SUMMARY OF ALL TEXAS HORSE TRACKS JANUARY 1, 2015, THRU DECEMBER 31, 2015

	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross- Species	Column 5 Sum of 1-4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	187		1,724	2,182	4,093	187	3,906	4,093
# of Performances	187		23,897	12,099	24,084	187	35,996	36,183
Attendance	719,260		715,324	187	1,434,584	719,260	715,511	1,434,771
Net Handle	25,247,315.10	103,454,119.53	205,407,928.00	33,232,580.20	367,341,942.83	128,701,434.63	238,640,508	263,887,823.30
Horse Purse	1,882,499.59	1,505,129.82	14,733,801.28	415,043.47	18,536,474.16	3,387,629.41	15,148,844.75	17,031,344.34
Greyhound Purse				118,819.98	118,819.98	0.00	118,819.98	118,819.98
TTA Purse					0.00		0.00	0.00
TQHA Purse					0.00		0.00	0.00
TGA Purse				1,708,743.74	1,708,743.74		1,708,743.74	1,708,743.74
Escrowed Horse Purse								
TX Horsemen's Partnership Purse								
THP Escrow Horse Purse								
Texas Bred	127,671.86		1,536,642.46	306,907.18	1,971,221.50	127,671.86	1,843,549.64	1,971,221.50
State Tax			2,053,852.99	415,043.47	2,468,896.46		2,468,896.46	2,468,896.46
Hub Fee				465,867.17	465,867.17		465,867.17	465,867.17
Simulcast Fee			8,876,718.95	915,458.72	9,792,177.67		9,792,177.67	9,792,177.67
Racetracks	<u>3,164,720.12</u>	<u>2,517,481.56</u>	<u>16,389,926.10</u>	<u>3,256,088.80</u>	<u>25,328,216.58</u>	<u>5,682,201.68</u>	<u>19,646,014.90</u>	<u>22,810,735.02</u>
Total Commissions	5,174,891.57	4,022,611.38	43,590,941.78	7,601,972.53	60,390,417.26	9,197,502.95	51,192,914.31	56,367,805.88
Breakage	182,459.58		704,403.77	49,323.55	936,186.90	182,459.58	753,727.32	936,186.90

TEXAS RACING COMMISSION 2015 ANNUAL REPORT

SUMMARY OF ALL TEXAS RACETRACKS JANUARY 1, 2015, THRU DECEMBER 31, 2015

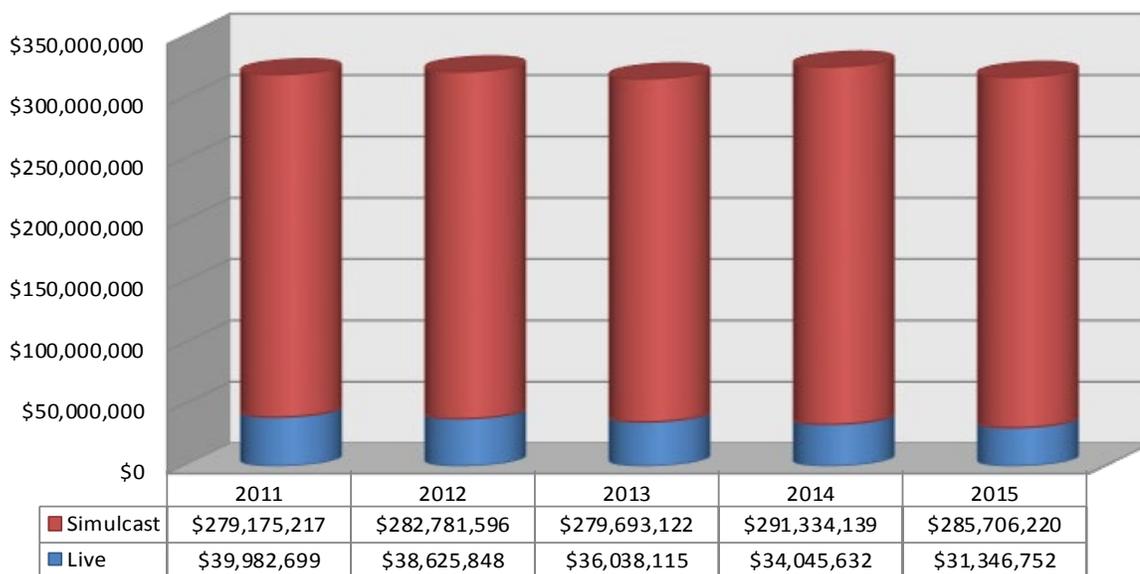
	Column 1 Live On-Track	Column 2 Live Export	Column 3 Simulcast Same-Species	Column 4 Simulcast Cross- Species	Column 5 Sum of 1 - 4 Total	Column 6 Sum of 1 & 2 Live On-Track & Export Total	Column 7 Sum of 3 & 4 Combined Simulcast Import Total	Column 8 Sum of 1 & 7 Combined On-Track Total
# of Race Days	439		3,128	3,491	7,058	439	6,619	7,058
# of Performances	435		36,154	22,517	36,589	435	58,671	59,106
Attendance	782,207		835,765	1,316	1,617,972	782,207	837,081	1,619,288
Net Handle	31,346,751.70	114,295,836.53	232,211,340.10	53,494,879.70	431,348,808.03	145,642,588.23	285,706,220	317,052,971.50
Horse Purse	1,882,499.59	1,505,129.82	828,437.65	452,139.25	4,668,206.31	3,387,629.41	1,280,576.90	3,163,076.49
Greyhound Purse	286,572.52	32,528.05	14,733,801.28	239,922.41	15,292,824.26	319,100.57	14,973,723.69	15,260,296.21
TTA Purse				146,586.45	146,586.45		146,586.45	146,586.45
TQHA Purse				146,586.45	146,586.45		146,586.45	146,586.45
TGA Purse				1,710,429.43	1,710,429.43		1,710,429.43	1,710,429.43
Escrowed Horse Purse				805,084.40	805,084.40		805,084.40	805,084.40
TX Horsemen's Partnership Purse								
THP Escrow Horse Purse								
Texas Bred State Tax Hub Fee	127,671.86		1,791,005.16	465,431.60	2,384,108.62	127,671.86	2,256,436.76	2,384,108.62
Simulcast Fee			2,321,838.15	667,998.42	2,989,836.57		2,989,836.57	2,989,836.57
Racetracks	4,253,547.24	2,833,685.44	20,444,095.64	4,548,661.73	32,079,990.05	7,087,232.68	24,992,757.37	29,246,304.61
Total Commissions	6,550,291.21	4,371,343.31	49,726,379.49	11,974,962.75	72,622,976.76	10,921,634.52	61,701,342.24	68,251,633.45
Breakage	199,238.48		736,632.64	114,308.15	1,050,179.27	199,238.48	850,940.79	1,050,179.27

TEXAS RACING COMMISSION 2015 ANNUAL REPORT

FIVE-YEAR OVERVIEW OF PARI-MUTUEL RACING GREYHOUND & HORSE TRACKS COMBINED

	2011	2012	2013	2014	2015
# of Active Tracks	7	8	8	8	7
Handle On-Track:					
Live	\$39,982,699	\$38,625,848	\$36,038,115	\$34,045,632	\$31,346,752
Simulcast	\$279,175,217	\$282,781,596	\$279,693,122	\$291,334,139	\$285,706,220
TOTAL	\$319,157,916	\$321,407,444	\$315,731,237	\$325,379,771	\$317,052,972
Live Performances	506	464	483	421	439
# of Simulcast Signals Taken	59,354	62,793	65,921	66,488	58,671
Purses Paid	\$26,947,152	\$27,559,441	\$26,931,778	\$26,750,502	\$28,251,996
State Tax	\$2,928,134	\$2,959,439	\$2,927,816	\$3,046,432	\$2,989,837
Tx Bred \$	\$3,390,338	\$3,458,027	\$3,385,136	\$3,514,007	\$3,393,141
Attendance	1,531,200	1,493,715	1,483,977	1,502,979	1,619,288

On-Track Handle Greyhound & Horse Combined



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GREYHOUND RACETRACK GULF COAST RACING

	2014	2015	% Change
Live On-Track Handle	\$0	\$0	N/A
Import Same Species Simulcast	\$8,163,288	\$8,421,416	3.16%
Import Cross Species Simulcast	\$4,160,086	\$4,082,826	-1.86%
Total On-Track Handle	\$12,323,374	\$12,504,243	1.47%
Total Export Handle	\$0	\$0	N/A
Total Wagered on GCR	\$0	\$0	N/A
Average Value per Point	\$0.00	\$0.00	N/A
Average Purses Paid/Performance	\$0	\$0	N/A
Total Purses Paid	\$0	\$0	N/A
Total Live Performances	0	0	N/A
Total # of Simulcast Signals Taken	5,799	5,476	-5.57%
Total Attendance	41,623	41,944	0.77%

*Corpus Christi Greyhound Race Track ceased pari-mutuel operations on Dec. 31, 2007. Under new ownership, Gulf Coast Racing resumed pari-mutuel operations on July 3, 2009.

GREYHOUND RACETRACK GULF GREYHOUND PARK

	2014	2015	% Change
Live On-Track Handle	\$6,880,550	\$6,099,437	-11.35%
Import Same Species Simulcast	\$12,233,557	\$11,142,960	-8.91%
Import Cross Species Simulcast	\$10,545,742	\$10,338,763	-1.96%
Total On-Track Handle	\$29,659,849	\$27,581,160	-7.01%
Total Export Handle	\$10,586,749	\$10,841,717	2.41%
Total Wagered on GULF	\$17,467,299	\$16,941,154	-3.01%
Average Value per Point	\$85.64	\$82.49	-3.68%
Average Purses Paid/Performance	\$12,671	\$11,577	-8.64%
Total Purses Paid	\$2,965,012	\$2,894,198	-2.39%
Total Live Performances	234	250	6.84%
Total # of Simulcast Signals Taken	7,656	7,685	0.38%
Total Attendance	103,842	93,020	-10.42%

TEXAS RACING COMMISSION 2015 ANNUAL REPORT

GREYHOUND RACETRACK VALLEY RACE PARK

	2014	2015	% Change
Live On-Track Handle	\$0	\$0	N/A
Import Same Species Simulcast	\$7,517,449	\$7,239,035	-3.70%
Import Cross Species Simulcast	\$6,479,363	\$5,840,711	-9.86%
Total On-Track Handle	\$13,996,812	\$13,079,746	-6.55%
Total Export Handle	\$0	\$0	N/A
Total Wagered on VGP	\$0	\$0	N/A
Purses Paid/Race	\$0	\$0	N/A
Average Purses Paid/Performance	\$0	\$0	N/A
Total Purses Paid	\$0	\$0	N/A
Total Live Performances	0	0	N/A
Total # of Simulcast Signals Taken	10,124	9,514	-6.03%
Total Attendance	51,042	49,553	-2.92%

CLASS 1 HORSE RACETRACK LONE STAR PARK

	2014	2015	% Change
Live On-Track Handle	\$16,100,971	\$14,684,732	-8.80%
Import Same Species Simulcast	\$100,209,528	\$101,027,798	0.82%
Import Cross Species Simulcast	\$6,928,094	\$5,651,031	-18.43%
Total On-Track Handle	\$123,238,593	\$121,363,561	-1.52%
Total Export Handle	\$37,845,680	\$35,317,614	-6.68%
Total Wagered on LSP	\$53,946,651	\$50,002,345	-7.31%
Average Purses Paid/Quarter Horse	\$129,582	\$190,626	47.11%
# of Quarter Horse Race Dates	26	26	0.00%
Average Purses Paid/Thoroughbred	\$137,716	\$140,040	1.69%
# of Thoroughbred Race Dates	50	50	0.00%
Total Purses Paid	\$10,463,092	\$12,158,167	16.20%
Total Live Performances	76	76	0.00%
Total # of Simulcast Signals Taken	10,980	10,428	-5.03%
Total Attendance	691,960	838,402	21.16%

TEXAS RACING COMMISSION

2015 ANNUAL REPORT

CLASS 1 HORSE RACETRACK RETAMA PARK

	2014	2015	% Change
Live On-Track Handle	\$3,888,908	\$3,547,166	-8.79%
Import Same Species Simulcast	\$37,400,355	\$36,038,085	-3.64%
Import Cross Species Simulcast	\$7,146,022	\$8,537,162	19.47%
Total On-Track Handle	\$48,435,285	\$48,122,412	-0.65%
Total Export Handle	\$16,008,049	\$13,005,626	-18.76%
Total Wagered on RETA	\$19,896,957	\$16,552,792	-16.81%
Average Purses Paid/Quarter Horse	\$94,068	\$95,339	1.35%
# of Quarter Horse Race Dates	20	20	0.00%
Average Purses Paid/Thoroughbred	\$100,885	\$96,127	-4.72%
# of Thoroughbred Race Dates	26	26	0.00%
Total Purses Paid	\$4,652,565	\$4,526,926	-2.70%
Total Live Performances	46	46	0.00%
Total # of Simulcast Signals Taken	9,934	9,482	-4.55%
Total Attendance	203,920	190,561	-6.55%

CLASS 1 HORSE RACETRACK SAM HOUSTON RACE PARK

	2014	2015	% Change
Live On-Track Handle	\$5,850,750	\$5,800,483	-0.86%
Import Same Species Simulcast	\$64,835,688	\$64,934,126	0.15%
Import Cross Species Simulcast	\$17,360,903	\$18,619,135	7.25%
Total On-Track Handle	\$88,047,341	\$89,353,745	1.48%
Total Export Handle	\$48,435,369	\$55,130,880	13.82%
Total Wagered on SHRP	\$54,286,119	\$60,931,363	12.24%
Average Purses Paid/Quarter Horse	\$103,121	\$105,149	1.97%
# of Quarter Horse Race Dates	24	24	0.00%
Average Purses Paid/Thoroughbred	\$166,021	\$165,784	-0.14%
# of Thoroughbred Race Dates	32	32	0.00%
Total Purses Paid	\$8,019,475	\$8,053,087	0.42%
Total Live Performances	56	56	0.00%
Total # of Simulcast Signals Taken	13,530	13,007	-3.87%
Total Attendance	393,548	392,922	-0.16%

TEXAS RACING COMMISSION 2015 ANNUAL REPORT

CLASS 2 HORSE RACETRACK SADDLE BROOK JOCKEY CLUB*

	2014	2015	% Change
Live On-Track Handle	\$0	\$0	0.00%
Import Same Species Simulcast	\$4,321,755	\$0	-100.00%
Import Cross Species Simulcast	\$567,142	\$0	-100.00%
Total On-Track Handle	\$4,888,897	\$0	-100.00%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on SBP	\$0	\$0	0.00%
Average Purses Paid/Quarter Horse	\$0	\$0	0.00%
Average Purses Paid/Thoroughbred	\$0	\$0	0.00%
Average Purses Paid/Minor Breed	\$0	\$0	0.00%
# of Mixed Race Dates	0	0	0.00%
Total Purses Paid	\$0	\$0	0.00%
Total Live Performances	0	0	0.00%
Total # of Simulcast Signals Taken	5,266	0	-100.00%
Total Attendance	N/A	N/A	0.00%

*Saddle Brook Jockey Club (Saddle Brook Park) commenced pari-mutuel operations on Dec. 13, 2012, and ceased pari-mutuel operations on Dec. 12, 2014.

CLASS 3 HORSE RACETRACK GILLESPIE COUNTY FAIR & FESTIVALS ASSOCIATION

	2014	2015	% Change
Live On-Track Handle	\$1,324,453	\$1,214,934	-8.27%
Import Same Species Simulcast	\$2,988,700	\$3,407,918	14.03%
Import Cross Species Simulcast	\$476,469	\$425,253	-10.75%
Total On-Track Handle	\$4,789,622	\$5,048,105	5.40%
Total Export Handle	\$0	\$0	0.00%
Total Wagered on GCF	\$1,324,453	\$1,214,934	-8.27%
Average Purses Paid/Quarter Horse	\$64,857	\$64,890	0.05%
Average Purses Paid/Thoroughbred	\$15,550	\$11,138	-28.38%
# of Mixed Race Dates	8	8	0.00%
Total Purses Paid	\$650,358	\$619,618	-4.73%
Total Live Performances	8	8	0.00%
Total # of Simulcast Signals Taken	3,199	3,079	-3.75%
Total Attendance	17,044	12,886	-24.40%

TEXAS RACING COMMISSION

2015 ANNUAL REPORT

KEY AGENCY STATISTICS: SUMMARY OF FY 2015 FINANCIAL DATA

Source: Annual Financial Reports	FY 2014	FY 2015	CHANGE +/- %
REVENUES:			
Federal Pass-through Revenue	0.00	0.00	
Legislative Appropriations	0.00	0.00	
Licenses, Fees & Permits	4,937,647.11	4,940,672.42	0.06%
Interest & Other Investment Income	18,509.00	18,942.20	2.34%
Other Revenues	3,379,663.31	3,318,456.57	-1.81%
TOTAL REVENUES	8,335,819.42	8,278,071.19	-0.69%
EXPENDITURES:			
Salaries & Wages	2,814,572.01	2,982,056.34	5.95%
Payroll Related Costs	981,558.06	1,010,417.78	2.94%
Professional Fees & Services	260,910.83	191,827.41	-26.48%
Travel	153,702.86	205,115.01	33.45%
Materials & Supplies	126,272.06	136,883.83	8.40%
Communications & Utilities	115,133.36	132,845.73	15.38%
Repairs & Maintenance	73,717.73	52,591.54	-28.66%
Rentals & Leases	97,509.61	95,026.29	-2.55%
Printing, Reproduction & Publications	312.13	287.58	-7.87%
Claims & Judgments	0.00	0.00	0.00%
Distributions to Others	3,531,229.08	3,447,356.63	-2.38%
Depreciation Expense	0.00	0.00	0.00%
Capital Outlay	45,297.26	25,328.61	-44.08%
TOTAL EXPENDITURES	8,200,214.99	8,279,736.75	0.97%
EXCESS REVENUES OVER EXPENDITURES	135,604.43	(1,665.56)	-101.23%
OTHER FINANCING SOURCES (USES):			
Sale of Capital Asset	0.00	0.00	0.00%
Gain on Sale of Asset	4,212.97	0.00	-100.00%
Operating Transfers Out (Agy 902, Fund 0001)	(222,328.70)	0.00	100.00%
Operating Transfers Out (Agy 556, Fund 0001)	(58,502.59)	(59,984.96)	2.53%
Total Other Financing Sources (Uses)	(276,618.32)	(59,984.96)	-78.31%
NET GAIN/LOSS FROM OPERATIONS	(141,013.89)	(61,650.52)	-56.28
BEGINNING FUND BALANCE	1,083,341.92	968,828.03	-10.57%
Adjusting entry to fund balance:			
Funds in Suspense	26,500.00	10,000.00	-62.26%
Restatements	0.00	0.00	0.00%
After AFR deadline	0.00	0.00	0.00%
BEGINNING FUND BALANCE – RESTATED	968,828.03	917,177.51	-5.33%

TEXAS RACING COMMISSION 2015 ANNUAL REPORT

KEY AGENCY STATISTICS: SUMMARY OF FY 2015 PERFORMANCE MEASURE DATA

FY 2015 KEY MEASURES	TARGET	ACTUAL	% OF TARGET
Number of Horse Racetracks Regulated	10	10	100%
Number of Greyhound Racetracks Regulated	3	3	100%
Average Regulatory Cost per Racetrack	\$37,564	\$34,981	93%
Number of Racetrack Inspections	75	106	141%
Number of Texas-bred Awards	9,541	9,061	95%
Number of Occupational Licenses Suspended or Revoked	95	117	123%
Number of Investigations Completed	120	139	116%
Percentage of Investigations Resulting in Disciplinary Action	95.00%	97.92%	103%
Percentage of Licensees with No Recent Violations	95.00%	97%	102%
Number of Race Animals Inspected Prior to Participating in a Race	42,949	40,104	93%
Percentage of Race Animals Injured or Dismissed from Racetracks	0.35%	0.42%	120%
Number of New Occupational Licenses Issued	2,000	2,151	108%
Number of Occupational Licenses Renewed	4,000	4,562	114%
Average Regulatory Cost per Licensee	\$73.61	\$74.17	101%
Average Time (minutes) Required to Issue a New Occupational License	15.00	10.30	73%
Percentage of Compliance Audits Passed	95.00%	99.29%	105%
Total Pari-Mutuel Handle (in millions)	\$310.13	\$301.61	97%
Total take to the State Treasury from Pari-mutuel Wagering (in millions)	\$2,876,411	\$2,998,238	104%

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TEXAS DEPARTMENT OF PUBLIC SAFETY

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STEVEN P. MACH
RANDY WATSON

January 07, 2016

Rolando Pablos, Chairman
Texas Racing Commission
8505 Cross Park Drive, Suite 110
Austin, Texas 78754-4594

RE: ARTICLE 179e, SECTION 3.10
VERNON'S TEXAS CIVIL STATUTES

Dear Chairman Pablos,

Pursuant to the requirements outlined in Article 179e, Section 3.10 of Vernon's Texas Civil Statutes, the Texas Department of Public Safety provides the following information relating to organized crime and illegal gambling in Texas for the year 2015.

CRIMINAL ACTIVITY AND CRIME TRENDS

Today, Texas faces far more insidious threats than it has in the past, to include ruthless Mexican cartels, violent transnational and statewide gangs, high-threat criminals such as sex offenders who prey upon children, domestic terrorists, and international terrorist organizations that seek to destroy us and our way of life.

In 2015, the Department was committed to enhancing its resources regarding Homeland Security in order to continue to protect Texas from increasingly dangerous criminal and terrorism threats. To accomplish this goal, the Department concentrated its resources on criminal organizations and transnational gangs involved in criminal enterprises such as drug trafficking, human trafficking, vehicle theft, and other types of major criminal activity. The Texas-Mexico border region contains distinctive and complex security challenges that impact not only local areas, but also metropolitan areas across the United States. The continued violence along the border and the multi-billion dollar drug and human smuggling businesses posed the most serious threat to Texas and the nation. Efforts to curtail the border violence continued to be effective due to the growing partnerships cultivated with local, state, and federal agencies in Texas. This multi-agency collaboration contributed to numerous successes in 2015 through extensive investigations regarding high-risk criminals and predatory criminal gangs.

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Rolando Pablos, Chairman
January 07, 2016
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Additionally, the increasing number of identity theft and other fraud schemes, aided by rapidly changing technology, continued to plague law enforcement agencies at all levels of government. Law enforcement officials continued to work to protect citizens who have fallen victim to these types of criminal activities.

The reportable crime index for 2015 will not be available until late 2016.

ILLEGAL GAMBLING

Illegal gambling involving 8-liner businesses continued to be an issue, reflected by the number of referrals received by local and state officers this past year. Gambling related to animals, such as dog fights and cockfights, is known to occur and challenge law enforcement, predominantly in the rural areas and the inner metropolitan city neighborhoods of Texas.

Unsanctioned horse racing at non pari-mutuel tracks, or “brush tracks,” continued to occur in both metropolitan and rural areas in Texas. Racing authorities and racing interests are certain these unsanctioned tracks have an adverse impact on the legitimate pari-mutuel tracks and the racing industry in Texas, both operationally and economically. While unsanctioned horse racing is an issue, using covert operations to identify individuals involved in illegal activities at these tracks is difficult due to the familiarity the participants have with each other. Moreover, the erratic scheduling of these operations and the undisclosed rural locations further hindered investigations by law enforcement officers. The Department continues to coordinate with local and state law enforcement agencies in an effort to reduce and eliminate these illegal businesses.

Sincerely yours,

Thomas Ruocco
Texas Department of Public Safety
Assistant Director
Chief - Criminal Investigations Division



Wynn Reynolds
Texas Department of Public Safety
Major - Criminal Investigations Division



— TEXAS —

RACING COMMISSION

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Note: Except where otherwise indicated, information in this report is for calendar year 2015 and has not been audited.