



STRATEGIC PLAN
for the
2009–2013 Period

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Agency Strategic Plan
For Fiscal Years 2009- 2013
by the Texas Racing Commission

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G. Kent Carter, D.V.M., Vice-Chair	2/19/2004 - 2/1/2009	Caldwell
Gloria Hicks	11/9/2007 - 2/1/2013	Corpus Christi
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Rolando Pablos	10/3/2007 - 2/1/2011	San Antonio
Robert Schmidt, M.D.	11/16/2007 - 2/1/2011	Fort Worth
Charles L. Sowell	8/26/2003 - 2/1/2009	Houston
Ex-Officio Members		
Beth Anderson, Designee for Chair, Public Safety Commission	N/A	Dallas
Susan Combs, Comptroller of Public Accounts	N/A	Austin

July 11, 2008

Signed: 
Charla Ann King, Executive Director

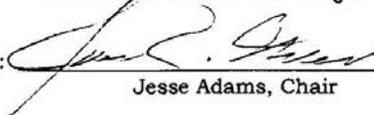
Approved: 
Jesse Adams, Chair

Table of Contents

Statewide Elements

Planning for Progress - Vision, Mission, and Philosophy	1
Relevant Goals and Benchmarks	4

Agency Elements

Mission and Philosophy	6
Strategic Planning Assessment	
Agency Overview	7
External Assessment	14
Internal Assessment	26
Goals	37
Objectives and Outcome Measures	38
Strategies and Output, Efficiency, and Explanatory Measures	40
Technology Initiative Alignment	43

Appendices

Planning Process	A
Organizational Chart	B
Outcome Projections 2009-2013	C
Measure Definitions*	D
Implementing the Texas Transformation	E
Workforce Plan	F
Survey of Organizational Excellence	G
Historically Underutilized Business Plan	H
Glossary	I

*Per the Agency Strategic Plan Instructions, the Measure Definitions are only included in copies submitted to Governor’s Office of Budget, Planning and Policy and the Legislative Budget Board.

STATEWIDE ELEMENTS

SECURING OUR FUTURE

THE STATEWIDE STRATEGIC PLANNING ELEMENTS
FOR TEXAS STATE GOVERNMENT

March 2008

Fellow Public Servants:

The old adage remains true: If you fail to plan, you plan to fail. So, in leading our state, we will apply strategic planning with an eye to future opportunity and prosperity. We must always be willing to critically reexamine the role of Texas State Government and assess the efficiency of its operations. This document specifies our mission and priorities, reflecting my philosophy of limited government and my belief in personal responsibility. Please use it as your agency prepares its Strategic Plan. In a properly-limited government, everything must be done with maximum efficiency and overriding fairness. Our first question should always be “what is best for the people of Texas?”

Throughout the strategic planning process and the next legislative session, policymakers will work to address our state’s priorities and agencies will be asked for detailed information. I encourage you to not only provide open and complete information, but also offer your innovative ideas to improve the delivery of government services.

Working together, I know we can address the priorities of our citizens. As my administration works to create greater opportunity and prosperity for our citizens, making our state and its people truly competitive in the global marketplace, we must remain focused on the following critical priorities:

Assuring open access to an educational system that not only guarantees the basic core knowledge necessary for productive citizens but also emphasizes excellence and accountability in all academic and intellectual undertakings;

Creating and retaining job opportunities and building a stronger economy to secure Texas’ global competitiveness, leading our people and a stable source of funding for core priorities;

Protecting and preserving the health, safety and well-being of our citizens by ensuring healthcare is accessible and affordable and by safeguarding our neighborhoods and communities from those who intend us harm; and

Providing disciplined principled government that invests public funds wisely and efficiently.

I appreciate your commitment to excellence in public service and look forward to the outcome of the necessarily rigorous process.

RICK PERRY

The Mission of Texas State Government

Texas State Government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

AIM HIGH...WE ARE NOT HERE TO ACHIEVE INCONSEQUENTIAL THINGS!

The Philosophy of Texas State Government

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics, or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.
- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

Relevant Goals and Benchmarks

General Government

Priority Goal:

To provide citizens with greater access to government services while reducing service delivery costs and protecting the fiscal resources for current and future taxpayers by:

- Supporting effective, efficient, and accountable state government operations;
- Ensuring the state’s bonds attain the highest possible bond rating; and
- Conservatively managing the state’s debt.

Benchmarks:

- Number of state services accessible by Internet
- Total savings realized in state spending by making reports/documents/processes available on the Internet

Regulatory

Priority Goal:

To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards;
- Ensuring compliance;
- Establishing market-based solutions; and
- Reducing the regulatory burden on people and business.

Benchmarks:

- Percent of state professional licensee population with no documented violations
- Percent of new professional licensees as compared to the existing population
- Percent of documented complaints to professional licensing agencies resolved within six months
- Percent of individuals given a test for professional licensure who received a passing score
- Percent of new and renewed professional licenses issued via Internet
- Percent increase in utilization of the state business portal

AGENCY ELEMENTS

SECURING OUR FUTURE

STRATEGIC PLANNING ELEMENTS
FOR THE TEXAS RACING COMMISSION

The Racing 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

The Texas Racing Commission will enforce the Texas Racing Act and its rules 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.

Agency Overview

The Texas Racing Commission regulates all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring, and enforcement. The Commission is required by statute and rule to:

- ♦ License racetracks that offer racing and the people who work at the racetracks or own race animals.
- ♦ Allocate race dates and 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 totalisator equipment, 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.

Organizational Structure

The Texas Racing Commission (TxRC) is authorized to have 76.6 full-time equivalent positions in FY08 and 76.8 in FY09. As required by the Texas Racing Act (Act), the Commission’s headquarters is in Austin, however, approximately 2/3 of the staff work at the operating racetracks.

Many of these employees are seasonal, working only when the racetracks conduct live racing. The agency’s workforce is comprised of many different professions, including auditors, veterinarians, stewards and racing judges, and investigators, as well as licensing staff and support personnel. (See Appendix B.)

The Commission has a field office at each of the operating three Class 1 and one Class 2 horse racetracks and at each of the two currently operating greyhound racetracks.

The agency’s major programs are:

EXECUTIVE

Executive Director

As head of the agency, the Executive Director supervises the agency’s activities as a whole. The Executive Director is responsible for establishing operating policies and procedures for the agency and ensuring that the agency's regulatory responsibilities are carried out. The Executive Director represents the agency before the Legislature and other governmental agencies.

With the assistance of the General Counsel and support staff, the Executive Director coordinates the evaluation of racetrack license applications, issues recommended race date allocations, and assesses administrative penalties against racetrack licensees.

The executive division is also responsible for other administrative functions of the Commission, including responding to all public information requests.



General Counsel

The General Counsel advises the Commissioners and staff on all legal issues affecting the agency. Coordinating all aspects of Commission meetings and rulemaking proceedings, the General Counsel also represents the agency before the State Office of Administrative Hearings when prosecuting appeals from decisions made by the Board of Stewards/Judges and disciplinary cases initiated by the Executive Director.

Investigations

The Director of Investigations reports directly to the Executive Director and oversees the investigators and their activities. The investigators, who are all licensed peace officers, coordinate the enforcement of the Commission's Rules and the Texas Racing Act.

Investigations are conducted on animal drug positives, criminal histories returned on license applicants, illegal wagering, use and possession of contraband, drug abuse and narcotics trafficking, and other illicit activities that could affect the integrity of pari-mutuel racing.

Drug testing of licensees suspected of using illegal drugs while performing their duties has become an important aspect of regulating the industry. If a licensee tests positive for an illegal controlled substance or alcohol, the licensee faces a suspension and is required to seek professional help.

Racing

The Director of Racing supervises personnel directly responsible for regulating the conduct of live racing. The division includes Stewards at horse tracks and Judges at greyhound tracks. The Judges and Stewards monitor the conduct of live races and enforce the Racing Act and the Commission's Rules of Racing.

The Stewards and Judges have broad authority to resolve matters arising during a race meeting. They may issue fines up to \$5,000 and/or suspend licensees for up to one year.

Veterinary Division

The Chief Veterinarian oversees this division, supervising the veterinarians and test barn supervisors working at the racetracks.

This division is responsible for inspecting all race animals before they race to ensure they are sound to compete, inspecting the stable and kennel areas for animal health and safety issues, and implementing the Commission's race animal drug testing program.

The Chief Veterinarian also serves as a liaison between the Commission and veterinary-related organizations and agencies, such as the Animal Health Commission, the American Association of Equine Practitioners, and the Texas Veterinary Medical Association.

FINANCE AND REGULATORY CONTROL

Deputy Director

The Deputy Director assists the Executive Director and oversees this division, which is responsible for all of the Commission's regulatory functions that are not restricted to live racing and the agency's support functions.

Pari-Mutuel and Auditing

This division regulates all activities related to wagering. The division protects the interest of the wagering public and assures the proper collection and distribution of funds in accordance with the Racing Act. To achieve this, tests of the pari-mutuel totalisator systems are performed to assure compliance with the Rules of Racing.

On-site pari-mutuel auditors perform daily audits and verifications of handle, earned purse, paid purse, outs balances, depository reports, and requests for simulcast approval. The audit staff also performs routine procedural audits, conducts random inspections of pari-mutuel wagering facilities, and responds to public complaints relating to wagering.

Occupational Licensing

The licensing division is responsible for issuing occupational licenses and registrations to all persons involved in pari-mutuel greyhound and horseracing. This division works closely with the Investigations and Racing Divisions.

Licensing staff at each racetrack help maintain the integrity of the industry by ensuring that all participants are licensed and in good standing.

Generally, any person who works on the grounds of a pari-mutuel racetrack or who seeks to make a living through pari-mutuel racing in Texas must be licensed by the Commission.

To ensure all participants in racing are properly licensed, the Commission has over fifty categories, including stable and kennel area occupations, such as jockeys, owners, kennel owners, trainers, and grooms, as well as all employees of the racetrack, such as management personnel, food service workers, and mutuel tellers.

Finance and Accounting

This division is responsible for the budget, accounting, purchasing, personnel, travel coordination, and other administrative functions of the Commission. The division also assists in preparing the biennial Legislative Appropriation Request, the operating budget, the annual financial report, and reports on performance measures.

Information Technology

The IT division is responsible for developing and maintaining the agency's network, database, and website. This division recommends and supports all hardware and software necessary for the day-to-day activities of the Commission. The Commission's custom programs and database operate

twenty-four hours a day, seven days a week, providing staff, licensees, the Department of Public Safety, the Texas A&M Drug Testing Laboratory, and the general public with up-to-date information regarding all aspects of the Commission’s regulatory programs.

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 and from revenue collected from uncashed winning tickets, commonly referred to as outstanding tickets or “OUTS.”

For FY 2008, the Commission has a total appropriation of approximately \$10.2 million. This includes a direct, dedicated-revenue pass-through of almost \$5.4 million for the Texas-Bred Incentive Program. The remaining \$4.8 million is the agency’s operational budget, of which over 80% are salary and salary related expenses.

The Act provides for purse supplements and monetary awards to breeders and owners of Texas-bred greyhounds and horses to encourage agriculture agribusiness, and 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 odd cents by which the amount payable on each dollar wagered exceeds a multiple of 10 cents.

Service Populations

The patrons (the wagering public) desire confidence in the integrity of the pari-mutuel racing offered in this state. These individuals supply the revenue that drives the industry; therefore, they require pari-mutuel wagering activity that is free from manipulation, and races that are conducted fairly and honestly. In 2007, on-track attendance continued to decline, down 3.5% over 2006, and down over 20% over the past five years. This downward trend is not expected to change materially unless new racetracks become operational.

On-track attendance
down 20%
over five years.

The breeders of race animals seek an active industry in which to sell their product. Breeders invest millions of dollars in real estate, construction, and operations to supply the industry with native-bred race animals. They benefit from pari-mutuel racing through the Texas-Bred Incentive Program. This program provides economic incentives to support the industry, encouraging it to grow and compete at a national level. In 2007, the total number of animals

accredited was 5,258, down over 28.5% from the 7,359 animals accredited in 2003.

For many occupational licensees pari-mutuel racing is their livelihood. These individuals are demonstrably committed to racing as they work hard to reap the rewards of an interesting and unique industry. In FY 2007, just over 15,000 people held an occupational license, down 14% from FY2003, when almost 17,400 held a license.

This population also includes the totalisator (tote) companies that provide complex computer systems, which tally and calculate the pari-mutuel wagers. A licensed racetrack will contract with one company to provide totalisator services at its facility. Only three totalisator companies operate in North America, each of which provides services in Texas.

The associations (licensed racetracks) provide the arena for racing and wagering - the racetrack facilities. These companies have built or renovated facilities, at the cost of tens of millions of dollars, for the privilege of inviting patrons to wager. The Act limits the number of Class 1 and greyhound licenses the Commission may issue to three each and all of these licenses have been granted. Therefore, under current law the only possibility for an increase in the number of associations is if the Commission issues additional Class 2, 3, or 4 licenses.

One greyhound track, Corpus Christi Greyhound Race Track, ceased all operations on December 30, 2007, when its request to go from a year-round live racing facility to a seasonal live racing facility was not approved. On July 2, management submitted a request for Commission approval to resume simulcast operations in 2009 and seasonal live racing in 2010.

Two Class 2 racetrack licensees, originally licensed in 1989, have not yet constructed a facility. Over the past 18 years, each has undergone several ownership changes as well as location changes. Neither of these licensees has submitted construction plans for Commission approval.

Three new Class 2 licenses were issued during 2007.

Two of the licensees posted security and agreed to schedules that call for simulcasting to begin on or before January 1, 2009, and their facilities to be ready for live racing on or before July 1, 2009. The third licensee posted security and agreed to a schedule that calls for simulcasting to begin on or before July 15, 2009, and its facility to be ready for live racing on or before December 1, 2009.

In 2007, three new
Class 2 horse
racetracks were
licensed.

The citizens of Texas profit from the tax dollars and overall economic benefits derived from pari-mutuel racing. Although the amount of direct revenue to the state treasury from pari-mutuel wagering is a small part of the state's total revenues, the public can rely on the Commission to regulate the industry in a manner that secures that revenue. Tax revenue to the state is down over \$.25 million, or approximately 6% over the past five years.

Race animals are the foundation of the pari-mutuel racing industry. Without their efforts, no wagering product would exist. Although the animals are not a service population in the traditional sense, the Commission recognizes its responsibility to protect the health and safety of these animal athletes. In FY 2007, Commission veterinarians performed more than 110,000 race animal inspections prior to the races, down over 17% from the approximately 133,000 inspections of race animals in FY2003.

Other Affected Populations

In addition to these direct service populations, the Commission's activities affect other populations. For example,

- Law enforcement agencies rely on Commission investigators to share information regarding licensees and to assist with arrests when necessary.
- Racing-related businesses, such as hay suppliers, tack vendors, and food service businesses, provide products or services either to the associations or to the occupational licensees or both.
- Other racing jurisdictions rely on the profitability of their own racetracks, which are affected by Commission decisions on race dates and simulcasting. In addition, neighboring racing jurisdictions often license many of the same occupational licensees as the Commission, and seek to exchange licensing and enforcement information with the Commission.
- The racing industry and its regulatory process may affect other Texas governmental entities including the judicial system and local law enforcement.

External Assessment

An Uncertain Future: Competition and Proposals for Change

A variety of factors have contributed to the current decline of the pari-mutuel racing industry. According to data from all operating racetracks, over the past five years, there has been both a 21% drop in attendance and a corresponding decrease of over 34% in the amount of money wagered. Accordingly, the amount of revenue allocated to racetracks, horse and greyhound purses, local communities, and the state has also decreased.

The losses to the pari-mutuel industry are due primarily to varying types of competition. It appears that competition from the broad range of entertainment options available has had significant impact. However, significant to members of the racing industry is the economic stress experienced due to advancements in technology, expansions in out-of-state racetrack gaming, and the proliferation of unregulated and illegal gambling.

No longer visiting the tracks to spend their recreational gaming dollars, instead many patrons are using changes in technology to participate in this evolving form of entertainment. Texans may now watch races via satellite television or their P.D.A. and call in their bets from home, the airport, or at their favorite restaurant. Fans get on the Internet to learn about pari-mutuel racing, place their wagers and watch races. In addition to this easy, any-where based gaming access, other Texans may go out to buy tickets from the state-run lottery, play bingo at a state-approved bingo halls, or travel to neighboring states to see higher quality racing and play games at racinos, casinos, and riverboats.

In addition, Texans find ample opportunities to spend their dollars at illegal eight-liner outlets and non-pari-mutuel tracks across the state. Official estimates of the revenue lost to illegal and unregulated gaming are not available though the industry estimates indicate significant amounts of revenue are lost. Provided below is a description of the competitive forces facing the industry.

Competition from Unregulated Sources

The racing industry suffers from competition with gaming alternatives that are unregulated at best and are frequently illegal.

Eight-liner Machines

Over the past year, eight-liners have continued to spread across the state. Numerous law enforcement actions were taken by local, state, and federal entities in 2007, including:

- In July 2007, the FBI raided three locations in Amarillo, seizing 200 eight-liners and \$26,832 in cash. Three men in this case were charged with providing bribes and kickbacks to an investigator in the county attorney's office who was working undercover for the FBI.
- Also in July, the United States Attorney's Office brought charges against two Laredo police officers for taking bribes from eight-liner locations in return for protection from law enforcement action. Each of these men was sentenced to three years in prison. The city's police chief was later implicated and pled guilty to extortion.
- In September, Arlington closed six game rooms under a new zoning ordinance prohibiting games of chance.
- In October, police closed game rooms in Brownsville.
- In December, the County Attorney for Potter County (in the Panhandle) asserted that the county had at least twenty-six illegal game rooms and asked for additional staff to investigate and prosecute the cases. Similarly, the Brownsville Chief of Police asserted that there were twenty-seven game rooms in the city, each making \$6,000 to \$7,000 per day, with 60% of the proceeds going to organized crime.

Enforcement actions have also taken place in 2008, including:

- In February 2008, the Pearland police seized 26 eight-liners and \$20,000 in cash from one game room.
- In April, the Department of Public Safety raided a gaming room in Bandera, seizing 55 eight-liners
- On May 21, the DPS and the Office of the Attorney General raided the operations of a business with ten game rooms in five Texas cities. Officers seized hundreds of machines and \$850,000 in cash, froze the company's bank accounts, and made several arrests.

Online Gambling

Recently, Congress did provide some relief to the industry from competition from online gambling. In September 2006, Congress passed the Unlawful Internet Gambling and Enforcement Act (UIGEA). This law prohibits banks from processing payments for illegal Internet gambling. After its passage, many online casinos, sportsbooks, and poker rooms left the U.S. market.

However, Congress carved out an exception in the UIGEA for wagering on horse races. This exception, combined with the lack of an expressed prohibition in the Texas Racing Act against accepting online or phone account wagers, has emboldened several companies to assert that they may legally accept wagers from Texas residents as long as the bet is not on a race held within the state of Texas. Called advance deposit wagering (ADW) companies, these businesses accept bets both through telephone-based interactive voice response systems

and through the Internet. They also allow individuals to set up an account and begin wagering using a credit or debit card. They are convenient, customer-friendly, and appeal to a tech-savvy audience, primarily those in the 21- to 40-year age bracket. They offer free training on how to wager, using systems such as YouBet’s learn-to-play, play-for-points, website.

They also frequently offer prizes and rebates to bettors that Texas racetracks cannot match, such as Xpressbet’s 3% Rebate Program. At least one Louisiana track, Harrah’s Louisiana Downs, has entered into a marketing partnership with an Internet-based betting service and encourages the public to wager on horse races through the service.

These ADW companies are not licensed in Texas because they engage in a business practice that the state has not viewed as legal. Therefore, the wagers that they accept do not contribute to the revenue stream of Texas state government or of the Texas racing industry. On wagers placed on out-of-state races through a Texas racetrack, the state of Texas receives 1 to 1.25%, the breeders’ associations receive 1%, the purse accounts receive 5 to 7%, and the receiving track receives 9 to 15%. However, when these bets are placed through an ADW company, they contribute nothing to the Texas’ general revenue fund or the Texas racing industry.

This loss by the industry to these ADW companies is growing. According to financial reports filed with the Oregon Racing Commission (which licenses most of ADW companies), the total wagering reported by its regulated online companies in 2007 was \$1.57 billion, an increase of 20% from \$1.31 billion in 2006. The five-year growth in Internet wagering through the Oregon Racing Commission shows an increase of over 89% from \$0.83 million in 2003 to the \$1.57 billion in 2007.

If the Texas share of those wagers is proportionate to its share of the reported national pari-mutuel handle, then Texans may have wagered over \$52 million through ADW companies in 2007. This would equate to a loss of about \$650,000 to state revenues alone, and a loss of approximately \$10 million to the tracks, breeders’ associations, kennelmen, and horsemen.

Unregulated Racing

The Texas racing industry is also challenged by the proliferation of unregulated racing, particularly horse racing. A long standing tradition of “brush” or “bush” horse tracks exists across the state, with a rough estimate of anywhere from 15 to 50 operating on any given week-end throughout the state. To a much smaller degree, greyhounds may also be participating in unregulated racing.

While the racing itself is not breaking any current laws, any wagering taking place at these locations may be in direct violation of the law. Obviously it is

difficult to determine if there is money changing hands at these locations that could have an impact on the amount of money that is legally wagered at the licensed Texas’ racetracks. For a full policy discussion on this issue, please see page 31.

Regional Racing Competition

Currently five horse and two greyhound racetracks operate in Texas. Fourteen horse racetracks and one greyhound racetrack operate in the surrounding states of Arkansas, Louisiana, New Mexico, and Oklahoma.

Competition in the pari-mutuel industry is not unlike most of the other sports industries in North America. It is highly competitive to get the customer through the admission gate and into the sporting event. It is also a challenge getting the most competitive athlete into the sporting event in order to satisfy the customer. In the pari-mutuel industry, the race athlete, the horse or greyhound, is attracted by the number of opportunities to compete and by the amount of money available to win.

For the past five years, Texas has not faired well in the regional competition to attract the athletes who put on the competitive show for the pari-mutuel customers. While the numbers vary among Thoroughbred, Quarter Horse, Arabian, Paint, and Greyhound, all are experiencing the same downward trend. However, this is not the case for Texas’ neighboring states.

Since 2003, neighboring states have generated significant increases in purse money to attract the Thoroughbred athletes as shown in Exhibit 1. Arkansas, Louisiana, New Mexico, and Oklahoma have increased their total Thoroughbred purse money by 31%, 47%, 42%, and 186% respectively during the past five years.

With these additional purse funds they have added more racing opportunities for the Thoroughbred athletes and this has attracted more racing athletes to compete.

Thoroughbred - Regional 5 Year Change (2003 – 2007)				
State	Total Change in Purse	Total Change In Avg. Purse	Total Change in # of Races	Total Change in # of TBs Competing
Arkansas	\$3,530,200	\$6,414	10	(73)
Louisiana	\$27,416,716	\$7,150	121	1,452
New Mexico	\$9,141,344	\$3,828	196	806
Oklahoma	\$11,849,720	\$7,409	366	1,642
Texas	(\$4,361,023)	\$653	(383)	(1,922)

Exhibit 1

Unfortunately, at the same time, Texas racetracks have experienced a 15% decline due to an overall decrease in the amount of money wagered and loss of participation of athletes. As a result, Texas racetracks have reduced Thoroughbred racing opportunities by 18% to keep the average purse per race minimally competitive.

Since 2003, Louisiana, New Mexico, and Oklahoma have also increased their total Quarter Horse purse money, as seen in Exhibit 2, by 66%, 27%, and 174% respectively. As with the Thoroughbreds, added racing opportunities for Quarter Horses in these states attracted more racing athletes.

Again, Texas racetracks have not only been unable to generate additional Quarter Horse purse money, but have had a 4% decline due to loss in handle and loss of participating race athletes. As a result, Quarter Horse racing opportunities in Texas are down 16%, keeping the average purse per race minimally competitive.

State	Total Change in Purse	Total Change In Avg. Purse	Total Change in # of Races	Total Change in # of QHs Competing
Louisiana	\$13,382,269	\$2,827	684	1,452
New Mexico	\$6,161,548	\$4,646	19	806
Oklahoma	\$9,594,516	\$5,677	411	1,642
Texas	(\$426,884)	\$1,286	(208)	(1,922)

Exhibit 2

As a result of declining purse funds and less racing opportunities, the number of racehorses bred in Texas is also in decline. In 2007, the Texas Thoroughbred Association accredited 1,196 Thoroughbreds of racing age, a 31.5% decline from the 1,747 that it accredited in 2006. Similarly, the American Quarter Horse Association registered 1,475 Texas Quarter Horses for racing purposes in 2007, approximately a 6% decline from the 1,567 registered in 2006.

This decline in purses and the resulting decrease in the number of horses available to Texas tracks continue to detract from the quality of racing in Texas and hinder the ability of the racetracks to offer a competitive gaming product.

Since 2003, the Texas greyhound industry has also had significant declines as indicated in Exhibit 3. With a 25% decline in purse money due to the decrease in amount of money wagered on greyhound racing, the Texas racetracks have also lost greyhounds to other venues.

State	Total Change in Purse	Total Change In Avg. Purse	Total Change in # of Races	Total Change in # of Greyhounds Competing
Texas	(\$1,494,123)	(\$895)	(2,898)	(1,669)

Exhibit 3

As a result, the Texas racetracks reduced greyhound racing opportunities by 23%. Stakeholders within the Texas greyhound industry point to the states of Arkansas, Florida, Iowa, and West Virginia as the key areas of competition for

the greyhound athlete. Although five year performance data could not be obtained from these states, 2006/2007 data was available for all but Arkansas. Exhibit 4 clearly shows that the greyhound athlete competes for substantially more money in Florida, Iowa, and West Virginia.

Less purse money and less racing opportunities has also affected the Texas greyhound breeding industry. Registration of Texas-bred greyhounds continues to drop – small breeders are getting out of the business and larger operations are scaling back and/or sending their animals to run out-of-state. The number of greyhounds accredited in 2007 was 2,464, down from 2,643 in 2006, or almost a 7% drop.

State	Total Purse Paid	Avg. Purse	Performances Ran
Florida	\$32,719,313	\$6,683	4,896
Iowa	\$13,449,107	\$29,111	462
West Virginia	\$27,096,469	\$32,451	835
Texas	\$4,400,460	\$4,532	971

Exhibit 4

Studies of racing by Dr. Margaret Ray, an economist and professor at the University of Arizona, show that the size and quality of the race field drives the entertainment value of the race. Bettors prefer betting on races with more, and more evenly matched, starters, and on races with higher purses. More starters give bettors more animals to choose from and a larger pool to win.

Higher purses generally draw better quality animals that have more extensive racing records and offer wagerers a better opportunity to handicap the contestants. Bettors also prefer wagering on races that offer exotic bets, such as the Trifecta and Superfecta. These wagers offer better handicapping opportunities and the chance for a larger return.

The results of the industry’s decline are shown by the trends in total amount wagered and total attendance. Over 2.8 million customers attended live racing events in 2003, but by 2007, that number declined to just over 2.2 million, dropping 21%. The total handle for all eight Texas tracks was \$114.4 million in 2003, but by 2007, that number declined to \$74.9 million, a drop of over 34%.

Proposed Solutions to the Decline and Potential Impact on the Agency

The racing industry has attempted to address these pari-mutuel decline issues primarily by working on legislation to expand authorized gaming at the race tracks. Members of the industry currently support legislation permitting video lottery terminals (VLTs) at pari-mutuel racetracks only. Other approaches, such as off-track betting outlets and account wagering, also referred to as Advance Deposit Wagering (ADW), have not been pursued in recent years. However, recent testimony received through the Sunset review process did yield

a proposal to authorize account wagering. And, recently some industry stakeholders have been reviewing approaches for vitalizing a county fair racing circuit that would better serve the expansive geographical distances of Texas, instead of limiting pari-mutuel racing, an agricultural-based industry, to the major metropolitan areas of the state.

Past legislation has varied widely. Bills have ranged from authorization of VLTs and electronic or traditional poker gaming at race tracks to approval of VLTs with the creation of a new gaming commission encompassing the functions of both the existing Lottery and Racing Commissions.

Through the consideration of the legislation and the fiscal note process, the Commission has been required to review the potential impact of expanded gaming on the Commission, its structure and regulatory programs. Any expansion of gaming at the racetracks, regardless of the format, would involve regulatory oversight by the Commission and necessitate increases in appropriations and FTEs to ensure the proper level of oversight. The most significant costs to the agency for additional oversight would generally include additional licensing, auditing, and investigative functions with corresponding increases in FTEs. However, the existing organizational structure already includes the regulatory functions needed to regulate expanded gaming. Therefore, responding to a legislative change would require an increase in the number of staff in those existing functional areas. Some additional technical expertise would also need to be developed.

Similarly, the Commission would be affected by an expansion of gaming that includes Internet gaming and/or ADW. Some states that authorize ADW have a licensing process in place to ensure that the entities conducting the wagering are appropriately and continuously reviewed when a license is issued. Depending on the type of ADW the Legislature may authorize, the agency is well-positioned for licensing and auditing such systems.

The agency has also reviewed the impact of proposed gaming legislation taking into consideration its impact on existing inactive racetrack licenses. Expanded gaming could result in the building of overdue tracks, the reopening of closed tracks and expansions of racing schedules at active tracks. The agency routinely forecasts the resources needed to open a track based on the projected live and simulcast racing schedule. Resources include personnel as well as some capital expenditures. Additional staffing is needed to oversee the live racing, including the stewards or judges, veterinarians and test barn supervisors, licensing personnel and an investigator.

For any of the industry proposed solutions, the agency would be well-positioned to address these needed resources through the use of contingency appropriation riders in the General Appropriations Act. The Legislative Budget

Board has supported the Commission’s use of contingency appropriation riders to address the fluctuating staffing and resources needed with racetrack regulation. For example, spending authority and plans for regulating the three Class 2 licensees granted by the Commission in 2007 as well as the possible two long-standing inactive Class 2 licensees never built are addressed by current rider language. This type of rider would also be used to grant the agency the additional resources, FTEs and appropriations allowing the agency to address any future legislation that expands current gaming or authorizes new forms of gaming in Texas.

While potential solutions are being considered, the Commission will continue to allocate resources as efficiently as possible as well as work with tracks in order to ensure that agency regulations are both fair and cost-effective.

Recognizing that the Legislature may or may not adopt industry proposed solutions, one of the recommendations in the Sunset Commission Staff Report is to continue the Commission for six years, instead of the standard 12 years. According to their report and testimony, this will allow the Legislature the opportunity to re-evaluate the Commission’s role in regulating a declining industry at that time.

Technological Advances in the Industry

Technology continues as a fundamental concern of the racing industry. All pari-mutuel wagering is handled through complex computer systems called totalisators (“totes”). Each of the three recognized major tote companies, American Tote, Scientific Games, and United Tote, provide services to multiple racetracks in Texas.

Industry Issues: Communication and Consolidation

One of the most significant issues currently being addressed by the industry is the method the tote companies presently use to communicate wagering information from one track to another. Each tote company, due to the extensive simulcasting activity that now makes up approximately 80% of all pari-mutuel wagers placed on all races conducted, must communicate wagering pool information from the guest-site (location where the wager is placed) to the host-site (location where the live race is conducted) so that the pari-mutuel common pools can be formed and the winning prices can be calculated. This currently is accomplished through a communication protocol developed during the early stages of common pool wagering.

This protocol is referred to as Inter-Tote System Protocol or “ITSP”. It is important to note that ITSP is based on “Guest-site In Control” technology whereby the guest-site is placed in control of the validation of all wagering transaction detail. As a result of this design, the guest-site transfers wagering

pool totals and not wagering transaction detail to the host-site. Because of this design, host-site racetracks are often unable to produce wagering transaction detail on bets placed into their common pools such as the case with the Breeders Cup Pick Six Scandal in 2002. This design in the protocol has slowed down many investigations and has frustrated much of the industry to the point that a call for change in the protocol was issued by prominent industry organizations such as Racing Commissioners International, National Thoroughbred Racing Association and the Jockey Club.

A steering committee consisting of representatives of industry leaders was formed and is currently working with the tote companies in developing a new protocol termed Wagering Transmission Protocol or “WTP”. WTP is based on “Host-site In Control” technology whereby the host-site racetrack is placed in control of the validation of all wagering transaction detail. WTP will overhaul the current wagering technology environment by migrating from “store and forward” pool transmissions to systems that transmit wager detail from the point of sale to the host-site racetrack. The wager request will be validated and the host-site racetrack will authorize the retail point of sale to issue the wager, thus creating a “host-site in control” wagering environment. WTP 1.0 has recently been released and is being tested. However, the best estimate for full-scale implementation of WTP is 2012.

The Commission believes that it will be able to better assess any change that WTP will bring to the current operating environment during the next strategic planning period. Meanwhile, the agency will continue to monitor discussions on the communications issues.

In addition to calls for change in the communications protocol, the tote companies have been asked to develop more cost-effective methods of operation so as to reduce the cost for totalisator-contracted services paid by the racetracks. The tote companies responded by offering a totalisator service business model that networks multiple racetracks through a central server operation that may be located on or off the grounds of a racetrack. Over the past five years, this business model has been fully embraced by the industry and has resulted in the elimination of most stand-alone single site server operations.

The tote companies are now looking beyond this business model and are now working to eliminate many of the networked server sites via consolidation with the ultimate goal of having just two server sites operating in the U.S. per tote company. As of today, Texas no longer hosts either a stand-alone server site or a networked server site. All Texas racetracks are now networked through a server site located outside the state of Texas.

Regulatory Oversight of Wagering Systems

Regulation of pari-mutuel wagering and the totalisator systems that process this type of wagering has been evolving. The Commission re-joined with Racing Commissioners International (RCI) in February 2006 and has since worked in collaboration with other RCI member jurisdictions on achieving more efficient and consistent regulation in this area. An example of this successful collaborative effort has been the adoption of Tote Standards as part of the RCI model rules. Additionally, RCI is leading the initiative to combat wagering system fraud by advocating a national program of independent monitoring and fraud investigation. RCI proposes this be accomplished via two methods: (1) an independent certification of totalisator systems by certified gaming laboratories; and (2) independent real time monitoring of pari-mutuel wagering.

The Commission is supportive of RCI's efforts in these areas and performed a review of the two proposed regulatory methods in 2006 to determine how they aligned with the short-term and long-term goals and needs of the agency. The first method, independent certification of totalisator systems by a certified gaming laboratory, aligns better with the agency's short-term goals and needs. By using a certified gaming laboratory, the agency will strengthen the EDP reviews of the totalisator systems and will satisfy a finding issued by the State Auditor's Office (SAO) in May 2006 on the need to strengthen the EDP reviews of the totalisator systems to ensure the data coming from and stored within the totalisator systems can be relied upon.

The agency requested and received additional appropriations to achieve this goal during the 2008-09 biennium, and will include a request to continue funding this project in the 2010-11 biennium in the agency's Legislative Appropriation Request. After going through a Request for Proposal (RFP) process, the agency awarded a contract to Gaming Laboratory International in June 2008 to perform independent certification of totalisator systems operating at Texas racetracks. The agency's goal is to have each system reviewed and certified by December 31, 2008.

The second method, independent real time monitoring of pari-mutuel wagering, aligns with the agency's long-term goals, because the monitoring system would require the implementation of WTP before it can be fully operational. As stated above, with full-scale implementation of WTP not expected to occur until 2012, the agency believes that it will be able to better assess the effectiveness and need for this regulatory tool during the next strategic planning period. Additionally, the Commission is well positioned to assess WTP as an option, since it currently has its own regulatory monitoring system that is designed to operate with ITSP.

The Development of National Standards

The national nature of the racing industry applies to the regulatory effort as well. Racing participants often race at tracks in several states resulting in the desire for regulatory consistency across state lines. To address the industry's need for uniformity, racing commissions across the U.S. are working together through the Association of Racing Commissioners International (RCI), the national regulatory association of government pari-mutuel regulators.

The Commission joined RCI as a full member in February 2006. Membership brings Texas directly into an intensive national dialogue and active assessment of the status of racing regulation. In addition to state membership, the Commission's Executive Director is currently serving a second term on the RCI board of directors. Board membership has enhanced the Commission's ability to increase other jurisdictions' awareness of Texas' regulatory priorities and the strict standards that exist in the Lone Star state.

For example, the Commission's totalisator standards were one of the key originating documents that helped formulate the national totalisator standards recently adopted as a part of RCI's wagering integrity initiative. Additionally, the Commission's Compliance Audit Administrator is now chairing the RCI Pari-mutuel Auditors Committee. This committee's role is to provide technical assistance in drafting wagering model rules and helps establish best practices across jurisdictions.

The agency's participation recently resulted in the first-ever hosting of the 2008 Racing Commissioners International Conference on Racing and Wagering Integrity held in Austin, March 2008. The conference brought together a wide range of industry participants including regulators, race animal associations, jockeys, wagerers, veterinary researchers, lab chemists, audit/security specialists, and members of the media. At this meeting, representatives from the Commission and the agency staff also participated in the meeting of the Racing Medication and Testing Consortium (RMTC), which is responsible for improving the regulation of both therapeutic and prohibited medications in race horses. The Commission and the Texas racing industry contributed significant time and resources to support this national effort.

Participation in the development of national standards has also led the agency to pursue regional cooperation with the border and regional states of Arkansas, Colorado, Louisiana, New Mexico, and Oklahoma. This new initiative is resulting in regularly scheduled meetings where member states can exchange policy and practice information to enhance and make more consistent the enforcement efforts throughout the region. This also directly supports the efforts of RCI to adopt model rules throughout the country and other participating racing jurisdictions.

Increasing Federal Government Interest in Racing

Potential changes from the federal level may affect the sport of racing as well as the states' racing regulators. A focus on performance-enhancing drugs in all major league sports, including horseracing, by the House Subcommittee on Commerce, Trade, and Consumer Protection of the Committee on Energy, and Commerce, has been underway for some time. This subcommittee has primary jurisdiction over the commercial practices of sports and gambling, including the Interstate Horseracing Act (IHA) which authorizes simulcasting across state lines. The catastrophic injury to Eight Belles, the horse finishing second in the running of the Kentucky Derby in early May 2008, brought the discussion to the forefront.

In late May, the subcommittee issued a request to the Racing Commissioners International (RCI) for information from the “multitude of various racing commissions” it represents, noting that racing lacks a central regulatory body or ‘league’ that governs the rules of the game.

The request included five years' worth of information on trainer rulings for medication or performance-enhancing drugs infractions and on horse injuries. The subcommittee also asked selected policy-related questions, including whether a central body or league to govern horseracing would be supported by RCI and/or its individual members. The Commission provided the statistical information as requested and will continue to fulfill the requests of the subcommittee.

On June 19, 2008, the subcommittee conducted a hearing entitled: Breeding, Drugs and Breakdowns: The State of Thoroughbred Horseracing and the welfare of the Thoroughbred Racehorse. Invited testimony covered a range of issues regarding Thoroughbred racing from race-day medication to equine health and safety. There was ample discussion on the need for reforms in these areas – whether attained through federal intervention or perhaps, through an industry-led central body. Observers believe the Congressional hearing and the threat of federal intervention may be the catalyst to bring racing stakeholders together to find common ground for industry reforms.

The agency will continue its leadership role in adopting regional/national standards, advance enhancements to its drug testing program, and evaluate health and safety issues for all racing participants.

Internal Assessment

The Racing Commission continues to evolve and change with new leadership at the Commission level. A new Chairman, appointed in August of 2007, has welcomed five new appointees to the Commission since that time. Executive staff has worked with this new leadership to examine agency operations and explore ways to improve regulatory efforts.

Responding to and regulating an industry in decline challenges the agency to rebalance its priorities in a timely, flexible manner. The Commission's challenge to provide staff and regulatory oversight under such conditions is unique among state agencies.

Since the last strategic plan, the agency has made significant progress in several areas, including: working to ensure that necessary and significant updates were made to the Racing Act during the 80th Legislature; developing a comprehensive, integrated race track review process; improving agency information technology security; and increasing the Commission's participation in the development of national and regional racing standards. The agency is also undergoing the Sunset review process which provides further opportunities to address agency changes.

80th Legislative Changes to the Racing Act

HB2701 Summary

In December 2006, the Commission proposed a number of legislative recommendations to improve agency regulation and oversight. The 80th Legislature acted on the Commission's request and passed HB 2701, effective September 1, 2007.

The substantive changes included: (1) a clarification of the Commission's fee-setting authority that requires the agency to recover costs through fees for the regulation, oversight and licensing of racetracks including both live and simulcast racing; (2) added authority to cover the costs of background checks in the case of transfers of ownership in a racetrack license; (3) changed the expiration date of pari-mutuel tickets to expire 365 days after date of issue instead of being tied to an artificial deadline; and (4) eliminated greyhound breakage as an agency funding source.

Some of the minor modifications included: (1) a change to solve a problem in the greyhound testing program (that was noted by the State Auditor) by allowing drug tests to be conducted pre-race or post-race; (2) an adjustment to the revolving-door limitation for former employees to one year instead of two, the state's normal standard; (3) added some clarifying language to definitions; and (4) removed obsolete provisions.

HB2701 and TxRC Funding Sources

The Commission had requested the elimination of both the uncashed winning tickets, commonly referred to as outstanding tickets (OUTS), and the 50% of the greyhound breakage as agency revenue sources. The Commission took the position that revenue from these sources is too unreliable to support the costs of regulating the industry. The general decline in wagering has resulted in less money overall. Also, innovations in betting technology are decreasing the number of uncashed tickets, thus reducing the available money. OUTS revenue is a significant portion of the agency's funding while the greyhound breakage is not.

The introduced legislation would have allowed the racetracks to retain all of these funds, with the agency recouping costs by adjusting the racetrack fee structure accordingly. However, the final legislation changed the agency's recommendation, eliminating only the 50% of the greyhound breakage as a funding source, thereby reinstating the OUTS as a significant source of revenue for the agency.

Due to the fact that OUTS were not eliminated as a source of funding, the agency will continue to have difficulty projecting its revenue. This issue has been raised again through the Sunset review process and one of the Sunset Staff's recommendations is to eliminate the uncashed winning tickets as a source of revenue.

Sunset Review

Further overall progress to agency operations is being made as a result of the Sunset review process of the Racing Commission. The review began during the summer of 2007 as the agency developed its Self-Evaluation Report, a comprehensive overview of the agency that identifies problems, opportunities, and issues that the agency feels should be considered in the Sunset review. The Sunset staff worked extensively over a 6 month period with agency staff to evaluate the agency's programs and operations in order to develop their recommendations.

The resulting report, concluded that the Commission is well-managed and is currently meeting its mission, but is increasingly challenged because the Racing Act has not kept pace with changes in the industry – specifically the decline in wagering and overall industry profits. According to the report, the significant decline has resulted in increasing limitations on the Commission's ability to oversee racetrack license holders, ensure adequate racing facilities, and respond to changes in wagering technology.

The agency agrees with the Sunset Commission's recommendations for the following statutory changes:

1. Require the commission to review each racetrack license on a periodic basis and develop renewal criteria along with associated sanctions for failure to comply.
2. Clarify the Commission’s revocation authority and ability to refuse to renew a racetrack license.
3. Eliminate uncashed winning tickets as a source of Commission revenue.
4. Clarify that all unlicensed entities are prohibited from accepting wagers placed by Texas residents.

The agency recommended a modification that would change the Racing Act to allow the Commission to require racetrack license holders to post security at *any* time, instead of only when a new license is issued. This would allow the Commission to ensure that licensees fulfill their statutory obligation to build their tracks and run live race dates.

The second area of recommendations relate to improvements in the agency’s occupational licensing program. The Racing Act provides that all people involved in racing must be licensed without consideration of the individual’s level of involvement in pari-mutuel racing. This means everyone, from the racetrack parking lot attendant to the chef, must be licensed and submit fingerprints. Sunset concluded that licensing to that level is not an efficient use of resources and recommended two statutory changes that would enhance the agency’s occupational licensing program:

1. Require the Commission to license only those individuals who can affect pari-mutuel racing.
2. Require the Commission to obtain criminal history reports every three years.

The agency agrees with these two recommendations and has already adopted a change to the rule to obtain criminal history reports on a three year rather than a five year basis. With DPS’ and their contracted vendor’s assistance, the agency is also moving to electronic fingerprinting equipment, phasing out the outdated, time-consuming ink and paper fingerprinting. Using this new technology to fingerprint approximately 5,000 licensees a year means the agency will get a much faster turn-around on any criminal histories that may exclude a person from licensure.

Noting that the Commission is regulating an industry in decline, Sunset’s third recommendation is to continue the Commission as an independent agency for six years, instead of the standard 12 years. According to their report, “while the State should continue regulating the pari-mutuel racing industry, the

future of the industry is unknown at this time and the Commission may need additional tools to again readjust to a further decline or a revived industry.”

The Sunset Commission will consider adopting these recommendations at its July 15, 2008, meeting. These key recommendations, if adopted by the Sunset Commission and the 81st Legislature, will give the agency clear statutory authority, added flexibility, and enhance its ability to provide consistent, strict oversight of the pari-mutuel racing industry.

Regulating with Reduced Resources

The Commission is fortunate to have a dedicated, experienced staff comprised of varied occupations. Many of the positions do not fit the typical state work week model, as these positions require a routine work schedule that includes evenings, weekends, and holidays in order to match the racing occurring at all tracks.

The agency’s turnover rate during FY2007 was 12.3%, down 2% from the previous year, and well below the state’s average of 17.4%. Overall employee satisfaction, as rated in the Survey of Organizational Excellence, is more favorable than it was two years ago, with significant improvements in thirteen of the twenty areas surveyed. These positive trends show the agency is making progress in reducing some of the effects that prior budget reductions had on employee morale.

Although not at full staffing levels due to budget restrictions and cash flow problems, the agency continues to evaluate the need for additional staff to ensure the agency maintains quality regulation and provides optimum working conditions for all staff.

The agency has an accrued cumulative liability of approximately \$500,000 in compensatory-time, FLSA-overtime, and vacation time owed to current employees. Because of statutory requirements that set specific levels of staff at the racetracks during live race days and increased workloads, the agency has not been able to sustain an overall decrease in this liability. The agency simply does not have enough employees in certain positions, such as veterinarians, test barn supervisors, and judges and stewards, to provide meaningful relief of this liability.

Another effect of the prior budget cuts is that some managers consistently perform field staff work in addition to their managerial responsibilities. For example, the Chief Veterinarian works two full race meets and must fill-in for others from time to time. With additional staffing in these areas, the agency would be able to reduce the liability and enhance management practices.

The agency has had difficulty attracting staff to work at the agency with the

uncertainty of the racing industry. Unusual work hours that come with working in an entertainment industry is also a deterrent. Additionally, of the current workforces, 35 employees, over 46% of the workforce, will be eligible for retirement over the next five years.

Management is considering several options to ensure succession planning for these pending retirements. Additionally, management is exploring what changes can be made that will both attract and keep a stable workforce.

Consistency and Improvements in Regulating

Continued Policy Development

The agency continues to identify critical areas for the improvement of racing regulation. The following four policy areas have been identified:

- Non-pari-mutuel regulation;
- Enhanced penalties;
- Equine and canine safety; and
- Enforcement inspections.

Non-Pari-mutuel Regulation

Before the Texas Racing Act was passed in 1986 and approved by a statewide referendum in 1987, there were already several well-known and respected horse racetracks in Texas. These tracks all conducted racing without any associated betting. There were tracks in Bandera, Fredericksburg, Junction, Goliad, Manor, Nacogdoches, and Del Rio, to name but a few.

After the Racing Act became law, the Commission adopted rules in an attempt to provide at least minimal regulation for these traditional, but non-pari-mutuel, horse tracks. To be registered with the Commission, the racetrack would have to either be approved by the American Quarter Horse Association or it would have to provide Commission-approved stewards, horse identifiers, observers, a veterinarian, and a test barn. The Commission required each track to test the race animals for drugs and prohibited participants from engaging in any activity at a non-pari-mutuel track that would be a violation if the participant engaged in the same activity at a pari-mutuel track. These rules remained in effect until the Attorney General issued Opinion Letter JM-1134 in 1990. The opinion concluded that the Racing Act did not provide adequate standards to regulate non-pari-mutuel racing, and that it was therefore unconstitutional. As a result, the Commission repealed its non-pari-mutuel rules in late 1990.

In 1991, the Legislature amended the Racing Act to address the shortcomings identified in the Opinion Letter JM-1134. However, since that time the Commission has not attempted to regulate these tracks, largely because the tracks had either gone out of business or had become licensed as pari-mutuel tracks. Currently, the largest remaining unregulated racetrack in the state is Las Palmas Downs in Mission.

There have been a number of incidents in the past year or more that raise the question of whether the Commission should be taking a more active role in regulating non-pari-mutuel tracks, particularly horse tracks.

Unregulated tracks raise concerns about horse safety. For example, Las Palmas Downs allows two-year-old quarter horses to compete before March 1 of each year. If the track were regulated by the state, this would not be allowed because the rules of the Commission and the American Quarter Horse Association do not allow horses this immature to compete.

Races at unregulated tracks raise questions about the integrity of the information in a pari-mutuel track's program. A horse that wins at an unregulated track gains a competitive edge that is not reflected in the official program when that same horse later races at a pari-mutuel track. For example, this year's winner of Las Palmas Downs' \$94,000 Royal Shake Em Futurity later went on to compete at both Manor Downs and at Louisiana Downs. However, its previous success was not reflected in either of those tracks' programs. This presents a serious handicapping disadvantage to the average patron.

There have also been a number of recent news reports about police raids of horse racing rings that included illegal gambling operations. News stories have appeared about illegal tracks outside of San Antonio, Tyler, and along the Texas-Oklahoma border. For example, recently, outside of San Antonio, police charged five people with illegal racing and gambling. Near Tyler, a man was murdered in front of 600 patrons who were attending an afternoon of unregulated horse racing. Finally, two tracks on the Oklahoma side of the Texas border were raided by Oklahoma law enforcement authorities in response to reports of illegal horse racing and gambling. Nearly 100 people were arrested. Eleven later pled guilty to a variety of offenses, and charges remain pending against several others. Many of those charged were from Texas.

In each of these raided tracks, a key attraction for the patrons was the opportunity to engage in illegal gambling. The illegal racetracks made money by charging admission, selling concessions, and acting as bookmaker for the bettors. Unlike Texas' pari-mutuel tracks, these private tracks do not have to bear the costs of drug testing, contributing to the Texas-bred program, or paying taxes to the state. Tracks that sponsor or permit illegal wagering divert

customers away from licensed tracks and make it more difficult for the state to have a healthy horse racing industry.

Unfortunately, the Commission does not have enough information to give an accurate assessment of the extent of this problem – for either horse or greyhound tracks. The Commission’s field staff, who work daily with a wide variety of horsemen, estimate that there are 15 to 50 unregulated tracks operating in the state. The Texas Greyhound Association even reports that two “match racing” tracks for greyhounds may be operational.

The problem of unregulated racetracks is a multi-jurisdictional issue, with overlapping authority from the Racing Commission, the Department of Public Safety, the Animal Health Commission, the Comptroller’s office, and local law enforcement. Informal discussions with these agencies indicate that they have the same difficulties in sizing the problem that the Commission has.

The Commission will increase its monitoring of unregulated horse racing and may propose new rules or seek new legislation to address the problem.

Enhanced Penalties – Referral to Commission

Several members of the Texas Racing Commission have expressed an interest in monitoring disciplinary cases earlier in the hearing process so that it can review the penalties that stewards and judges are imposing for various rule violations. The agency has responded to this request by developing a system of posting on its website the decisions of all boards of stewards and judges. The new system will be implemented in August 2008.

The Act and the Rules also provide that the board of stewards or judges may refer a case to the Commission for further action if the board believes that the penalties available to it are not sufficient. A board may choose to do this because the penalties available to it are limited to a penalty of up to \$5,000 and a suspension of up to one year, while the Commission may impose any financial penalty and may also revoke a license entirely. Unfortunately, the Rules do not set out the procedure that must be followed in order to make this referral. It is uncertain whether the Commission may enhance a board’s penalties directly, or whether the case must first be referred to the State Office of Administrative Hearings for a full hearing on the merits of the case. This policy issue will be evaluated during the Commission’s review of Chapter 307 (16 TAC 307.1 et seq.) during the coming months.

Equine and Canine Safety

The Commission has found that there is a lack of policy guidance for determining when a track surface is safe for the animals and how to correct problems with a surface when they arise. One of the most frequent complaints the Commission hears from horsemen and kennelmen is that the texture,

composition, or consistency of the track surface is not satisfactory. Unfortunately, the agency has no individual on staff who is qualified to review track surfaces as an expert. Staff has therefore relied on a variety of ad hoc approaches to assess complaints. Staff periodically participate with horsemen and kennelmen in on-site inspections of the track, check injury rates, call track superintendents at other locations for input, and occasionally may hire an outside expert to assess the track and give a formal opinion.

The agency is working to develop formal policy guidelines, which may include the proposal of additional rules, to assist its efforts in ensuring that the associations provide a safe track surface for the race animals. These guidelines and rules may include a requirement that tracks maintain a log of all maintenance work performed on a track surface. Elements of the log could include a list of the dates, types and sources of all materials added to the surface, a listing of the dates and depths that the surface is harrowed, the results of any soil testing, and a record of all injuries that occur on the track. The agency may develop a schedule of required maintenance to be performed for each type of track, including a requirement that soil testing and core sampling be conducted by an outside expert on an annual or semi-annual basis. The required maintenance will include the types of surface review and conditioning that must take place, before, during, and after each race meet. The agency will review competency and training standards for track superintendents.

In addition, the agency will develop a standard process for evaluating track surfaces after complaints. This process may incorporate the formation of an evaluation committee to review the injury rates at the track, gather information from key personnel and racing participants, review the maintenance logs, assess changes from the track's original surface design over time, and request evaluation by outside experts.

Enforcement Inspections

The Commission works to prevent any rule violations that endanger the health and safety of race animals and participants, and disciplines licensees who commit these violations. As part of the Commission's efforts, it works closely with the Department of Public Safety to conduct effective compliance inspections. During these unannounced inspections, teams of DPS and Commission investigators search a racetrack's restricted areas for contraband such as drugs, injection needles, shocking devices, and firearms. Once contraband is found, the investigators will prepare a case for presentation to the stewards, and in many cases, for presentation to the local prosecutor. In calendar year 2007, DPS and the Commission conducted 125 compliance inspections and referred 31 contraband cases to the stewards or judges for disciplinary action.

Although DPS and the Commission have worked well together in the past, the agency may approach DPS in the upcoming year to discuss possible enhanced coordination between the two agencies. By more clearly defining expectations of each agency's role and creating a consistent framework for the frequency and geographic coverage of compliance inspections, both agencies could enhance their efforts to detect contraband and deter violations.

Racetrack Review Process

To ensure consistent and efficient regulation of racetracks, staff has worked to: (1) improve the current racetrack inspection process; (2) implement a new racetrack review process; and (3) integrate these two regulatory tools.

One of the major improvements to the inspection program is requiring random inspections done by department management, not the assigned field staff at each track. Since the department heads are generally located in Austin, and not at a specific track, they not only provide a different perspective from their field staff, but are also able to ensure a consistent inspection process at every track. This, along with other changes, including improved documentation, made to the overall inspection program, is bringing consistency across the board in all program areas.

The new racetrack review process, first piloted in early 2007, is giving the Commission and its field staff at each track, a mechanism for tracking more meaningful statistics about race meets. It requires all staff, including the stewards, veterinarians, test barn supervisor, investigator, licensing technicians, and auditors, to document issues or comments, over the span of the race meet. This change is in contrast to leaving the reporting to the presiding steward's discretion.

Formalizing this review process continues to improve and enhance communications with not only racetrack staff, but also among agency staff. This innovative change has come from organizing and utilizing our *existing* staff to design and produce this improved assessment tool. A by-product of this process is much-needed cross-departmental training and a better overall understanding of agency-wide policies and procedures.

Use of Technology

The Commission has been a leader among national racing regulators in the area of employing technology for licensing, regulation, and information distribution. The agency continues to be committed to exploring technological enhancements for its customer base. Initiatives related to technological modifications or upgrades include developing solutions to facilitate access to agency information for both internal and external customers and to enhance the productivity of staff.

Because the Commission employs technology for licensing, regulation, and information distribution, it must also continue to enhance security measures to protect the access and storage of vital data. During the most recent State Auditor’s Office audit, specific recommendations on ways to improve the agency’s Information Technology security were made. The agency has now acted on each of these specific recommendations and continues to work on enhancing security measures that protect the access and storage of vital data.

Responding to Changes in the Industry

The Commission must remain flexible in its use of staff and resources in order to address changes the racing industry makes in response to economic conditions and patron patterns. A racetrack may decide at any time during a year to alter its business product and approach for live and simulcast racing. Race animal owners, trainers, and handlers modify their approaches as well.

Technology and market changes drive racetrack requests.

In the past few years, the Commission has fielded requests for an increasing variety of changes. For example the tracks consistently request Commission approval for increases and decreases to live race dates. They request changes to post-times, exotic wagering requirements, configurations of electronic wagering machines, and simulcasting opportunities. Particularly challenging are the requests related to new, innovative technologies for wagering hardware, software, and telecommunications equipment.

In the area of race animal drug testing, the Commission established a new prohibited substance testing program to address the inappropriate use of a substance used to enhance racing performance in 2006.

Responding to some problems with race date requests, the agency revised a rule that gives the racetracks much more flexibility. Instead of requiring the racetracks to request race dates by July 1 of each year for the next calendar year, the revised rule gives the Commission the ability to accept race date requests for periods that may be longer or shorter than a calendar year.

These and other changes often require prompt action by the entire racing industry and by the Commission. The Commission’s unique challenge among state agencies is to provide staff and regulatory oversight under such conditions.

Unfortunately the State’s biennial planning and appropriations cycle is much longer than the racing industry’s planning cycle. Mid-biennium changes in racing and wagering programs force the Commission to rebalance its regulatory priorities. As mentioned in the External Assessment, the agency has tried to prepare for a variety of scenarios through the use of contingency riders in the

General Appropriations Act, which would provide for additional funding and FTEs as needed based on industry changes.

Agency Goals

Goal A. Enforce Racing Regulation

{V.T.C.S. Art. 179e, § 3.02; § 3.021; § 15.03}

Goal B. Regulate Participation in Racing

{V.T.C.S. Art. 179e, § 3.02; § 3.021; § 3.16; Article 7}

Goal C. Regulate Pari-mutuel Wagering in Texas

{V.T.C.S. Art. 179e, § 11.01; § 11.011}

Goal D. Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses.

{Government Code, § 2161.123}

Objectives and Outcome Measures

Goal A: Enforce Racing Regulation		
Objective 1	Regulate pari-mutuel racetracks effectively so racetrack inspections show all racetracks to be in 100% compliance by the year 2013.	
Outcome Measures	1.1.1	Percentage of complaints regarding racetrack operations resolved in six months or less
	1.1.2	Percentage of racetracks with an inspection score of 100%
	1.1.3	Percentage of deficiency items closed
Objective 2	Increase the number of Texas-bred race animals competing. Encourage an increase of 2% each year in the number of Texas-bred animals competing through 2013.	
Outcome Measure	1.2.1	Percent increase in Texas-bred race animals accredited per year
Objective 3	Reduce the rate of rulings per occupational licensee to 1:30 through 2013.	
Outcome Measures	1.3.1	Average number of rulings per occupational licensee
	1.3.2	Recidivism rate for those receiving disciplinary action
	1.3.3	Percentage of investigations (individual) resulting in disciplinary action
	1.3.4	Percentage of licensees with no recent violations
Objective 4	Reduce the percentage of race animals that sustain a major injury as a result of pari-mutuel racing or are dismissed to less than 0.3% through 2013.	
Outcome Measures	1.4.1	Percentage of race animals injured or dismissed from the racetrack
	1.4.2	Number of drug positives for illegal medications

Goal B: Regulate Participation in Racing		
Objective 1	Maintain the efficiency of the occupational licensing process so that all licensed individuals are qualified through 2013.	
Outcome Measures	2.1.1	Average time required to issue a new occupational license
	2.1.2	Percent of license holders meeting qualifications
Goal C: Regulate Pari-mutuel Wagering in Texas		
Objective 1	Increase the pass rate for initial tote tests to 97% and the pass rate for pari-mutuel compliance audits to 95% through 2013.	
Outcome Measures	3.1.1	Percentage of tote tests passed on the first run
	3.1.2	Percentage of compliance audits passed
Goal D: Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses.		
Objective 1	Ensure purchases from historically underutilized businesses constitute at least 16% of the total value of purchases each year.	
Outcome Measure	4.1.1	Percentage of total dollar value of purchases made from HUBs

Strategies and Output, Efficiency, and Explanatory Measures

Goal A: Enforce Racing Regulation		
Strategy 1.1.1	Monitor racetrack owners and their operations through regulatory and enforcement activities.	
Output Measures	1.1.1.1	Number of complaints regarding racetrack operations closed
	1.1.1.2	Number of racetrack inspections
Efficiency Measures	1.1.1.1	Average regulatory cost per racetrack
	1.1.1.2	Average length of time (days) to resolve complaints
Explanatory Measures	1.1.1.1	Number of horse racetracks regulated
	1.1.1.2	Number of greyhound racetracks regulated
Strategy 1.2.1	Administer the Texas Bred Incentive Programs by monitoring the Texas-bred races and account, and through timely allocation of funds to the breed registries.	
Output Measures	1.2.1.1	Number of Texas-bred awards
Explanatory Measures	1.2.1.1	Total amount of money dedicated to Texas Bred Incentive Programs
Strategy 1.3.1	Supervise the conduct of racing through enforcement of regulations and monitoring of races.	
Output Measure	1.3.1.1	Number of live races monitored
Strategy 1.3.2	Monitor occupational licensee activities.	
Output Measures	1.3.2.1	Number of investigations completed
	1.3.2.2	Number of rulings issued against occupational licensees
	1.3.2.3	Number of occupational licenses suspended or revoked

Strategy 1.4.1.	Inspect and provide emergency care.	
Output Measure	1.4.1.1	Number of race animals inspected pre-race
Efficiency Measure	1.4.1.1	Average regulatory cost per animal inspected
Explanatory Measures	1.4.1.1	Number of race animals dismissed from Texas pari-mutuel racetracks
	1.4.1.2	Number of race animals injured on Texas pari-mutuel racetracks

Strategy 1.4.2.	Administer the drug testing program.	
Output Measure	1.4.2.1	Number of animal specimens collected for drug testing

Goal B: Regulate the Participation in Racing

Strategy 2.1.1	Administer the occupational licensing programs through enforcement of regulations.	
Output Measures	2.1.1.1	Number of new occupational licenses issued
	2.1.1.2	Number of occupational licenses renewed
Efficiency Measure	2.1.1.1	Average regulatory cost per individual license issued
Explanatory Measure	2.1.1.1	Total number of individuals licensed

Strategy 2.1.2	Provide for the processing of occupational license, registrations, or permit fees through TexasOnline.	
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Goal C: Regulate Pari-mutuel Wagering

Strategy 3.1.1.	Monitor wagering and conduct audits.	
Output Measures	3.1.1.1	Number of live and simulcast races audited and reviewed
	3.1.1.2	Number of compliance audits completed

Efficiency Measure	3.1.1.1	Average cost to audit and review a live or simulcast race
Explanatory Measures	3.1.1.1	Total pari-mutuel handle (in millions)
	3.1.1.2	Total take to the State Treasury from pari-mutuel wagering on live and simulcast races
	3.1.1.3	Ratio of simulcast handle to live handle
Strategy 3.1.2.	Conduct wagering compliance inspections.	
Output Measures	3.1.2.1	Number of tote tests completed
Goal D:	Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses.	
Strategy D1.1.	Develop and implement a plan for increasing purchasing from historically underutilized businesses.	
Output Measures	4.1.1.1	Number of HUBs contractors and subcontractors contacted for bid proposals
	4.1.1.2	Number of HUB contracts and subcontracts awarded
	4.1.1.3	Dollar value of HUB purchases

Technology Initiative Alignment

AS DIRECTED, THE TABLE BELOW REFERENCES THE DEPARTMENT OF INFORMATION RESOURCE’S (DIR) STATE STRATEGIC PLAN (SSP)

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE (summarized)	RELATED STATE STRATEGIC PLAN STRATEGY	STATUS	ANTICIPATED BENEFITS	INNOVATION, BEST PRACTICE, BENCHMARKING
1. Redesign/Refresh Agency Website. Add online submission of items such as complaints, open records requests, etc. Add regulatory and training guidelines. Improve access to regulatory reports and statistics.	All objectives.	4-1 - Provide leadership & support in making state info available to all users; 5-1 - Plan & deploy innovative technologies	In Progress	Improve services, usability, and searchability of agency website.	Benchmark: Positive feedback on website survey and customer service surveys.
2. Create owner-management tracking system.	Obj. 1-1 – Regulate pari-mutuel racetracks effectively.		Planned	Assist in regulation of owners and operations. Improve enforcement	
3. Add online fine payments via Texas Online.	Obj. 1-3 - Reduce the rate of rulings per occupational licensee.	1-3 – Establish TXOnline as premier customer service portal	Planned	Improve services.	Benchmark: Reduce overdue fines.
4. Assist TVMDL to implementing the automation of negative sample reporting.	Obj. 1-4 Administer the drug testing program (Strategy 1-4-2).	4-2 – Provide support for cross-agency initiatives that enhance data sharing and interoperability	Planned	Increase efficiency and automate the reporting process. Increase productivity of TVMDL staff.	Benchmark: Measure response time for negative sample reporting. Best Practices: Automatic file transfer vs. manual entry.
5. Improve injury reporting and animal monitoring via expanded tracking system.	Obj. 1-4 – Reduce the % of race animals that sustain a major injury.		Planned	Increase tracking information for better analysis.	Benchmark: Reduce # of reported injuries.
6. Improve ruling system by adding templates and automate the ‘Notice of Alleged Violation’ process.	Obj. 1-3 – Reduce the rate of rulings per occupational licensee.		Planned	Improve employee efficiency and improve consistency of rulings.	Benchmark: Reduce time needed to enter rulings.

TECHNOLOGY INITIATIVE	RELATED AGENCY OBJECTIVE (summarized)	RELATED STATE STRATEGIC PLAN STRATEGY	STATUS	ANTICIPATED BENEFITS	INNOVATION, BEST PRACTICE, BENCHMARKING
7. Foster vendor relations with HUB vendors	Obj. 4-1 – Ensure purchases from HUBs constitute at least 16% of total value of purchases each year.		Ongoing	Assist agency in achieving agency HUB goal.	Benchmark: 30% I.T. commodity and professional services purchasing with HUB vendors.
8. Evaluate and implement Project Management system	All objectives.	4-3 – Provide leadership/ support for delivery of state’s technology projects.	Planned	Improve tracking and management of agency projects.	Benchmark: Faster implementation of projects. Increased productivity.
9. Evaluate for implementation the following: Seat Management, Managed Services and other outsourcing options for security monitoring and infrastructure services.	Note: This does not directly correlate to an agency objective but aligns with the DIR initiatives in the SSP.	1-1-Implement high-performing, secure, and reliable data center services. 1-4 - Leverage shared applications and processes.	Planned	Reduce FTE and equipment costs. Improve utilization of IT resources.	Innovation: Managed Services. Benchmark: Reduced costs, improved efficiency in security costs and other IT projects.

Table of Contents

Appendices

Planning Process.....	A
Organizational Chart.....	B
Outcome Projections 2009-2013	C
Measure Definitions*.....	D
Implementing the Texas Transformation	E
Workforce Plan.....	F
Survey of Organizational Excellence	G
Historically Underutilized Business Plan	H
Glossary	I

*Per the Agency Strategic Plan Instructions, the Measure Definitions are only included in copies submitted to Governor’s Office of Budget, Planning and Policy and the Legislative Budget Board.

Appendix A.

Agency Planning Process – 2008

February

Solicit input regarding organizational effectiveness at state-wide employee meeting and at field team meetings.

March

Staff meeting to determine whether to request changes to budget/measure structure.

Senior management continues solicitation of input from field employees.

April

Evaluate requests for changes to measures.

Distribute Customer Service Surveys.

May

Solicit input on external/internal assessment from Commissioners.

Discuss and draft external/internal assessment.

Prepare outcome projections.

Discuss and draft workforce plan.

June

Submit Customer Service Survey to LBB/GOBPP.

Prepare draft report.

Submit to Commission for approval, with delegation of final approval to Chair.

July

Final review and approval by Chair.

Plan distribution to appropriate agencies.

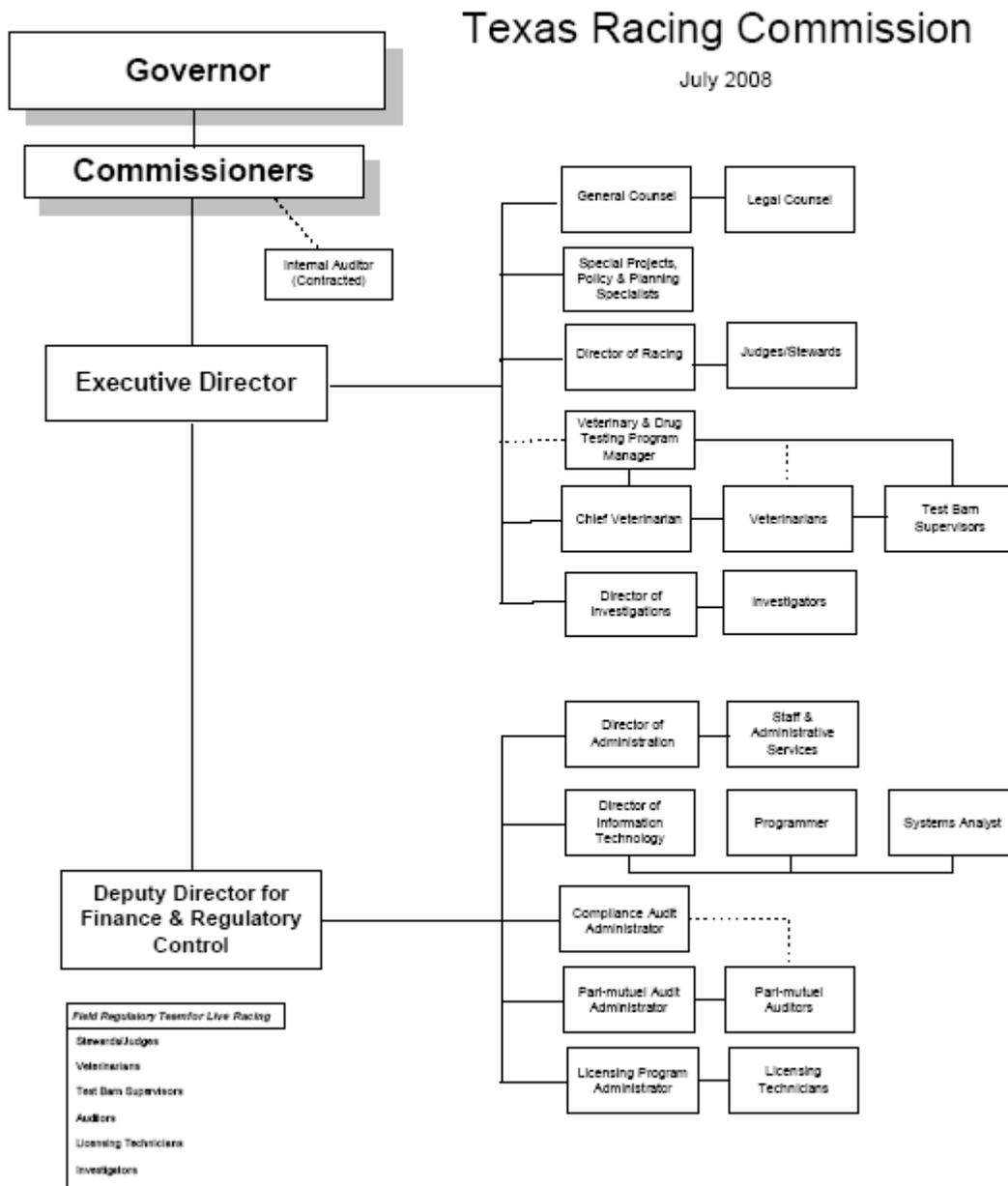
Ongoing

Quarterly reporting of Key Measures to Legislative Budget Board.

Quarterly management review of all measures.

Appendix B.

Agency Organizational Chart



Appendix C.

Outcome Projections 2009 – 2013

Outcome	Description	2009	2010	2011	2012	2013
1.1.1	Percentage of Complaints Regarding Racetrack Operations Resolved in Six Months or Less	100%	95%	95%	95%	95%
1.1.2	Percentage of Racetracks with an Inspection Score of 100 Percent	70%	70%	70%	70%	70%
1.1.3	Percentage of Deficiency Items Closed	95%	70%	70%	70%	70%
1.2.1	Percent Increase in Texas-Bred Race Animals Accredited per Year	-5%	-5%	-5%	-5%	-5%
1.3.1	Average Number of Rulings per Occupational Licensee	1:30	1:30	1:30	1:30	1:30
1.3.2	Recidivism Rate for Those Receiving Disciplinary Action	13%	13%	13%	13%	13%
1.3.3	Percentage of Investigations (Individual) Resulting in Disciplinary Action	99%	95%	95%	95%	95%
1.3.4	Percentage of Licensees with No Recent Violations	97.5%	95%	95%	95%	95%
1.4.1	Percentage of Race Animals Injured or Dismissed from the Racetrack	0.3%	0.3%	0.3%	0.3%	0.3%
1.4.2	Number of Drug Positives for Illegal Medications per 1,000 Samples	6	6	6	6	6
2.1.1	Average Time Required to Issue a New Occupational License	7.5	10	10	10	10
2.1.2	Percent of License Holders Meeting Qualifications	100%	100%	100%	100%	100%
3.1.1	Percentage of Tote Tests Passed on the First Run	96%	96%	96%	96%	96%
3.1.2	Percentage of Compliance Audits Passed	98%	95%	95%	95%	95%
4.1.1	Percentage of Total Dollar Value of Purchases Made from HUBs	16%	16%	16%	16%	16%

Appendix D.

Measure Definitions

Goal A: Enforce Racing Regulation

Objective 1: Regulate pari-mutuel racetracks effectively so racetrack inspections show all racetracks to be in 100% compliance by 2013.

Outcome Measures

OC 1.1.1 Percentage of complaints regarding racetrack operations resolved in six months or less

Short definition	- The percentage of complaints submitted by the public about racetrack operations resolved in six months or less. A complaint is an allegation that a specific Commission rule has been violated.
Purpose	- To determine the responsiveness of racetracks to expressed regulatory concerns.
Data Source	- The Investigative Department maintains records of complaints received, including the date received, the investigator assigned to handle the investigation, and the date resolved.
Calculation Method	- The number of complaints resolved in six months or less divided by the total number of complaints received, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on some factors outside the agency's control, such as financial constraints on the racetrack and type of complaints received.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

OC 1.1.2 Percentage of racetrack inspections with a score of 100%

Short definition	- The percentage of racetrack inspections with a score of 100%.
Purpose	- To determine the effectiveness of ongoing regulatory communication between the agency and the racetracks.
Data Source	- The score is derived from grading a checklist. Inspections include checking the racing surface, animal facilities, track security, patron facilities, and wagering equipment and operations for compliance with the Commission's rules. The Inspection Program Administrator maintains the

Appendix D.

Measure Definitions

	information.
Calculation Method	- The number of racetrack inspections with a score of 100% divided by the total number of inspections.
Calculation Method	- The number of racetrack inspections with a score of 100% divided by the total number of inspections, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on factors outside the agency's control, such as regulatory responsiveness of the racetracks.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

OC 1.1.3 Percentage of deficiency items closed

Short definition	- The percentage of items confirmed to be corrected by follow-up inspection from the list of items not in compliance during the initial racetrack inspections.
Purpose	- To determine the effectiveness of regulatory communication between the agency and the racetracks after an unsatisfactory inspection.
Data Source	- The Inspection Program Administrator maintains this information.
Calculation Method	- The number of deficiency items on inspection checklists that were corrected divided by the total number of deficiency items on inspection checklists in the report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on some factors outside the agency's control, such as financial constraints on the racetrack and type of deficiency items.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Output Measures

OP 1.1.1.1 Number of racetrack operation complaints closed

Short definition	- The number of complaints submitted by the public about racetrack operations resolved during the
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Appendix D.

Measure Definitions

	report period. A complaint is an allegation that a specific Commission rule has been violated.
Purpose	- To determine the responsiveness of the racetracks to expressed regulatory concerns.
Data Source	- The Investigative Department maintains a log book on all complaints received.
Calculation Method	- A physical count of all complaints regarding racetrack operations in the log book that were resolved during the report period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as financial constraints on the racetracks, the type of complaint received, and the willingness of the racetracks to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 1.1.1.2 Number of racetrack inspections

Short definition	- The number of inspections conducted by agency staff of all racetrack premises.
Purpose	- To determine the rate of inspection activity by the agency.
Data Source	- Inspections include checking the racing surface, animal facilities, track security, patron facilities, and wagering equipment and operations for compliance with the Commission's rules. The Inspection Program Administrator maintains a log of all inspections conducted.
Calculation Method	- A physical count of all racetrack inspections conducted during the report period.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Efficiency Measures

EFF 1.1.1.1 Average regulatory cost per racetrack

Short definition	- The average cost to regulate racetracks.
Purpose	- To determine the fiscal efficiency of regulating

Appendix D.

Measure Definitions

	racetracks.
Data Source	- The Finance Department obtains the total strategy costs through USAS.
Calculation Method	- The total strategy costs allocated to racetracks divided by the total number of licensed racetracks. The total strategy costs are all expenditures coded to the strategy in USAS, plus 7% of indirect costs. Indirect costs are central administration, information resources, and other support services.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

EFF 1.1.1.2 Average length of time (days) to resolve complaints

Short definition	- The average number of days taken by the agency to resolve all complaints during the report period.
Purpose	- To determine the efficiency of the agency's complaint resolution process.
Data Source	- The Investigative Department maintains records of complaints received, including the date received, the investigator assigned to handle the investigation, and the date resolved.
Calculation Method	- The total number of calendar days needed to resolve all complaints divided by the number of complaints resolved for the report period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as financial constraints on the racetracks, the type of complaints received, and the willingness of the racetracks to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

Explanatory Measures

EX 1.1.1.1 Number of horse racetracks regulated

Short definition	- The total number of horse racetracks regulated during the report period.
Purpose	- To determine the targets of the agency's regulatory

Appendix D.

Measure Definitions

	activity.
Data Source	- The Executive Division maintains a list of licensed and regulated horse racetracks.
Calculation Method	- A physical count of the horse racetracks regulated during the report period.
Data Limitations	- Performance may depend on factors outside the agency's control, such as a racetrack's financial solvency.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

EX 1.1.1.2 Number of greyhound racetracks regulated

Short definition	- The total number of greyhound racetracks regulated during the report period.
Purpose	- To determine the targets of the agency's regulatory activity.
Data Source	- The Executive Division maintains a list of licensed and regulated greyhound racetracks.
Calculation Method	- A physical count of the greyhound racetracks regulated during the report period.
Data Limitations	- Performance may depend on factors outside the agency's control, such as a racetrack's financial solvency.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

Objective 2: Increase the number of Texas-bred race animals competing by 2% each year through 2013.

Outcome Measure

OC 1.2.1	Percent increase in Texas-bred race animals accredited per year
Short definition	- The annual percentage change in the number of animals newly accredited by the Texas breed registries.
Purpose	- To determine the effectiveness of the Texas-Bred Incentive Programs.
Data Source	- The official breed registries named in the Texas Racing Act maintain this information.

Appendix D.

Measure Definitions

Calculation Method	- The number of newly accredited Texas-bred animals for the report period divided by the number of newly accredited Texas-bred animals for the previous report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend entirely on factors outside the agency's control.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

Output Measure

OP 1.2.1.1 Number of Texas-bred awards

Short definition	- The total number of breeder awards made by the breed registries during the report period.
Purpose	- To determine the extent of the Texas Bred Incentive Programs.
Data Source	- The official breed registries named in the Texas Racing Act maintain this information and report it to the agency.
Calculation Method	- A summation of all breeder awards made by all official breed registries.
Data Limitations	- Performance will depend entirely on factors outside the agency's control, as breeder awards are based on winning animals.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Explanatory Measure

EX 1.2.1.1 Total amount of money dedicated to Texas-Bred Incentive Programs

Short definition	- The total amount of money received for the Texas-Bred Incentive Programs from pari-mutuel handle.
Purpose	- To determine the effectiveness of the Texas Bred Incentive Programs.
Data Source	- The Pari-mutuel and Audit Department maintains this information.
Calculation Method	- A summation computer count of the total amount of money allocated to the Texas-Bred Incentive

Appendix D.

Measure Definitions

	Programs during the report period.
Data Limitations	- Performance will depend entirely on factors outside the agency's control, since revenue for the programs is derived from pari-mutuel handle.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Objective 3: Reduce the rate of rulings per occupational licensee to 1:30 through 2013.

Outcome Measures

OC 1.3.1	Average number of rulings per occupational licensee
Short definition	- The average number of rulings issued against occupational licensees during the report period. A ruling is a disciplinary order issued by the stewards or judges.
Purpose	- To determine the rate of compliance with the agency's rules.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The total number of rulings against occupational licensees for violations divided by the total number of occupational licensees, stated as a ratio.
Data Limitations	- Performance depends on factors that are mostly outside the agency's control.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

OC 1.3.2	Recidivism rate for those receiving disciplinary action
Short definition	- The number of repeat offenders as a percentage of all offenders during the report period.
Purpose	- To determine the effectiveness of disciplinary actions as a deterrent.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The number of occupational licensees with two or more rulings that involved a fine of at least \$500 or suspension of the license divided by the number of licensees against whom any ruling was issued during the report period, multiplied by 100,

Appendix D.

Measure Definitions

	stated as a percentage.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the willingness of occupational licensees to comply with regulatory requirements.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

OC 1.3.3	Percentage of investigations (individual) resulting in disciplinary action
Short definition	- Percentage of investigations of alleged rule violations by occupational licensees resulting in disciplinary action.
Purpose	- To determine both the effectiveness of the investigative reports and the judicial process of the stewards' and judges' rulings.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The number of investigations that resulted in disciplinary action divided by the total number of investigations during the report period, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the facts derived in the investigations.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

OC 1.3.4	Percentage of licensees with no recent violations
Short definition	- The percentage of licensees with no recent violations.
Purpose	- To determine the rate of compliance with the agency's law and rules.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The number of individuals currently licensed by the agency who have not committed a violation within the current year divided by the number of individuals currently licensed, multiplied by 100, stated as a percentage.
Data Limitations	- Performance will depend on factors outside the

Appendix D.

Measure Definitions

	agency's control, such as the willingness of occupational licensees to comply with regulatory requirements.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

Output Measures

OP 1.3.1.1 Number of live races monitored

Short definition	- The number of live races conducted at Texas pari-mutuel racetracks and monitored by the stewards and judges.
Purpose	- To determine the volume of live racing regulatory work in Texas.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the live races conducted at the horse and greyhound pari-mutuel racetracks in Texas which were monitored by the stewards and judges during the reporting period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the number of live race dates requested by the racetracks.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 1.3.2.1 Number of investigations completed

Short definition	- A count of all investigations of alleged rule violations by occupational licensees completed during the report period. An investigation is considered completed when the supervising investigator reviews and closes the investigation.
Purpose	- To determine the rate of investigative activity.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of all investigations completed during the report period.
Data Limitations	- Performance will depend on factors outside the agency's control, such as the licensee's willingness to comply with regulatory requirements.
Calculation Type	- Cumulative
New Measure	- No

Appendix D.

Measure Definitions

Desired Performance - Higher than projected

OP 1.3.2.2 Number of rulings issued against occupational licensees

Short definition - A physical count of all rulings issued by the judges or stewards at the racetracks after charges are made against occupational licensees.

Purpose - To determine the compliance of the licensees with the rules and the law.

Data Source - The data is maintained in the agency's database.

Calculation Method - A summation of the total number of rulings issued by the stewards and judges during a reporting period.

Data Limitations - Performance will depend on factors outside the agency's control, such as the licensee's willingness to comply with regulatory requirements.

Calculation Type - Cumulative

New Measure - No

Desired Performance - Lower than projected

OP 1.3.2.3 Number of occupational licenses suspended or revoked

Short definition - The number of occupational licenses suspended or revoked. A license can only be revoked by the Commission, but can be suspended by the stewards or judges at the racetracks.

Purpose - To determine the number of persons committing serious violations of the agency's rules.

Data Source - The data is maintained in the agency's database.

Calculation Method - A physical count of the number of licenses suspended or revoked for violations of the rules.

Data Limitations - Performance will depend on factors outside the agency's control, such as the licensee's willingness to comply with regulatory requirements.

Calculation Type - Cumulative

New Measure - No

Desired Performance - Lower than projected

Objective 4: Reduce the percentage of race animals that sustain a major injury or are dismissed as a result of pari-mutuel racing to less than 0.3% through 2013.

Appendix D.

Measure Definitions

Outcome Measures

OC 1.4.1	Percentage of race animals injured or dismissed from the racetrack
Short definition	- The percentage of race animals that suffer a major injury or death as a result of pari-mutuel racing. A major injury is one which requires a prolonged or permanent layoff from racing.
Purpose	- To monitor animal welfare by determining the rate of serious injuries/deaths as a result of pari-mutuel racing.
Data Source	- The data is maintained in the agency's database. The veterinarians input data regarding physical conditions they have observed or confirmed regarding race animals on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type and severity.
Calculation Method	- The number of race animals that suffer a major injury or death as a result of pari-mutuel racing divided by the total number of race animals who raced during the report period, multiplied by 100, stated as a percentage.
Data Limitations	- None
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected
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OC 1.4.2	Number of drug positives for illegal medications per 1,000 samples
Short definition	- The number of drug positives for illegal medications per 1,000 samples.
Purpose	- To monitor the number of drug positives.
Data Source	- The data is maintained in the agency's database. The testing laboratory reports to the agency the number of samples that test positive for illegal medications and enters the data into the agency's database.
Calculation Method	- The number of specimens that tested positive for an illegal medication during the report period divided by the number of specimens submitted for testing during the report period, multiplied by

Appendix D.

Measure Definitions

Data Limitations	1,000. - Performance depends on factors outside the agency's control, such as the licensee's willingness to comply with required regulations.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

Output Measures

OP 1.4.1.1 Number of race animals inspected pre-race

Short definition	- The number of race animals entered and inspected by Commission veterinarians before each race.
Purpose	- To determine the number of race animals participating in racing.
Data Source	- The data is maintained in the agency's database. Veterinarians and/or test barn technicians at the racetracks enter the information into the database.
Calculation Method	- A summation of the total number of animals entered in all pari-mutuel races at all Texas pari-mutuel racetracks.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 1.4.2.1 Number of animal specimens collected for drug testing

Short definition	- The number of animal specimens collected for testing for the presence of a prohibited drug, chemical, or other substance.
Purpose	- To assess the extent of the Commission's drug testing program.
Data Source	- The data is maintained in the agency's database. The stewards and racing judges order urine and/or blood specimens to be collected from a certain number of race animals from each live race. Details of drug testing are entered into the database system by the veterinarians and/or the test barn technicians.
Calculation Method	- A summation of the total number of race animals from which post-race specimens are collected at

Appendix D.

Measure Definitions

	the racetracks.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Efficiency Measure

EFF 1.4.1.1 Average regulatory cost per animal inspected

Short definition	- The average regulatory cost per animal inspected.
Purpose	- To determine the fiscal efficiency of examining every race animal before it races.
Data Source	- The data is maintained in the agency's database and USAS.
Calculation Method	- The total strategy cost divided by the total number of race animals inspected. The total strategy costs are all expenditures coded to the strategy in USAS, plus 18% of indirect costs. Indirect costs are central administration, information resources, and other support services.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

Explanatory Measures

EX 1.4.1.1 Number of race animals dismissed from Texas pari-mutuel racetracks

Short definition	- The number of race animals that suffer a major injury or death due to participating in a race. A major injury is one which requires a prolonged or permanent layoff from racing.
Purpose	- To monitor animal welfare by determining the rate of major injuries to animals while participating in a pari-mutuel race in Texas.
Data Source	- The data is maintained in the agency's database. The veterinarians input data regarding physical conditions they have observed or confirmed regarding race animals on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type and severity.

Appendix D.

Measure Definitions

Calculation Method	- A summation of the race animals with database codes for major injury or death during the report period.
Data Limitations	- Some injuries or deaths may not be apparent during or immediately after the running of a race and may not be reported.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

EX 1.4.1.2 Number of race animals injured on Texas pari-mutuel racetracks

Short definition	- The number of race animals that suffer a minor injury due to participating in a race. A minor injury is one which requires a layoff from racing of less than one month.
Purpose	- To monitor animal welfare by determining the rate of minor injuries to animals while participating in a pari-mutuel race in Texas.
Data Source	- The data is maintained in the agency's database. The veterinarians input data regarding physical conditions they have observed or confirmed regarding race animals on the grounds of Texas pari-mutuel racetracks. The conditions are coded by type and severity.
Calculation Method	- A summation of the race animals with database codes for minor injuries during the report period.
Data Limitations	- Some injuries may not be apparent during or immediately after the running of a race and may not be reported.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

Goal B: Regulate the Participation in Racing

Objective 1: Maintain the efficiency of the occupational licensing process so that all licensed individuals are qualified through 2013.

Outcome Measures

Appendix D.

Measure Definitions

OC 2.1.1 Average time required to issue a new occupational license

Short definition	- The average time required to issue a new occupational license.
Purpose	- To determine the efficiency of the licensing procedure.
Data Source	- Random samples taken at each licensing office. The Licensing Program Administrator oversees the timing.
Calculation Method	- Random sampling at each licensing office. The amount of time measured in minutes that elapses from receipt of completed original license application until the time the license information is input in the database as a valid license. The total number of minutes taken to issue a new occupational license divided by the number of licenses sampled. Does not include applications submitted by mail or online.
Data Limitations	- Variations in types of occupational licenses issued can affect the time necessary to issue the license.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Lower than projected

OC 2.1.2 Percent of license holders meeting qualifications

Short definition	- The percentage of license holders that meet all qualifications for licensing. If a person does not meet all the qualifications for an occupational license, a ruling is issued denying the license.
Purpose	- To determine the effectiveness of the Commission's licensing procedure.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The total number of applications minus the number of applications denied divided by the total number of issued licenses, multiplied by 100, stated as a percentage.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Appendix D.

Measure Definitions

Output Measures

OP 2.1.1.1 Number of new occupational licenses issued	
Short definition	- The number of occupational licenses issued to individuals who were not licensed in the previous year.
Purpose	- To determine the rate of licensing activity by the agency.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the number of licenses that were issued to individuals who were not licensed in the previous year.
Data Limitations	- Performance depends on factors outside the agency's control, such as the number of applicants desiring a new occupational license.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 2.1.1.2 Number of occupational licenses renewed	
Short definition	- The number of occupational licenses issued to individuals who were licensed in the previous year.
Purpose	- To determine the rate of licensing activity by the agency.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the number of licenses that were issued to individuals who were licensed in the previous year.
Data Limitations	- Performance depends on factors outside the agency's control, such as the number of applicants desiring to renew an occupational license.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Efficiency Measure

EFF 2.1.1.1 Average regulatory cost per individual license issued	
Short definition	- The average cost of issuing and maintaining an occupational license.
Purpose	- To determine the fiscal efficiency of issuing

Appendix D.

Measure Definitions

	occupational licenses.
Data Source	- The data is maintained in the agency's database and USAS.
Calculation Method	- The total cost of the licensing strategy plus 17% of indirect administrative costs divided by the total number of licensees for the report period.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Lower than projected

Explanatory Measure

EX 2.1.1.1 Total number of individuals licensed

Short definition	- The total number of individuals that hold occupational licenses.
Purpose	- To determine the rate of licensing activity.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of all current occupational licensees for the report period.
Data Limitations	- Performance depends on factors outside the agency's control, such as the number of applicants desiring occupational licenses.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

Goal C: Regulate Pari-mutuel Wagering in Texas

Objective 1: By 2013, increase the pass rate for initial tote tests to 97% and the pass rate for pari-mutuel compliance audits to 95%.

Outcome Measures

OC 3.1.1 Percentage of compliance audits passed

Short definition	- The number of compliance audits (pari-mutuel procedural reviews) with a pass rate of 80% or greater as a ratio of total compliance audits conducted.
Purpose	- To determine the effectiveness of ongoing regulatory communication between the agency and

Appendix D.

Measure Definitions

	the racetracks.
Data Source	- The Compliance Audit Administrator maintains records of all compliance audits.
Calculation Method	- The total number of compliance audits with a pass rate of 80% or greater divided by the total number of compliance audits conducted during the report period.
Data Limitations	- Performance depends on factors outside the agency's control, such as the racetracks willingness to comply with the required regulations.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

OC 3.1.2 Percentage of totalisator (tote) tests passed on the first run

Short definition	- The percentage of tote tests passed on the first run. A tote test is a simulation of wagering activity to determine whether the computer equipment that records wagers, totals wagering pools, and calculates payoffs is operating in compliance with Commission and Comptroller rules.
Purpose	- To determine the compliance rate of both the racetracks and the tote companies.
Data Source	- The Compliance Audit Administrator conducts or supervises the tests and maintains the results. If a tote test is not passed on the first run, adjustments are made and further tests are run until the systems operate with 100% accuracy.
Calculation Method	- The total number of tote tests passed on the first time divided by the total number of tests performed during the reporting period.
Data Limitations	- Performance depends on factors outside the agency's control, such as the tote companies' willingness to comply with the required regulations.
Calculation Type	- Non-cumulative
New Measure	- No
Desired Performance	- Higher than projected

Appendix D.

Measure Definitions

Output Measures

OP 3.1.1.1 Number of live and simulcast races audited and reviewed

Short definition	- The number of live and simulcast races on which pari-mutuel wagering is audited and reviewed by agency auditors.
Purpose	- To determine the volume of pari-mutuel wagering regulatory work in Texas.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of all live and simulcast races on which pari-mutuel wagering is conducted at Texas racetracks during the report period.
Data Limitations	- Performance depends on the preferences of the racetracks regarding the amount of live races and simulcast performances it desires to offer for wagering. Those preferences can be shaped by many factors, such as the economy in the track location and competitive forces, which are outside the agency's control.
Calculation Type	- Cumulative
New Measure	- Yes
Desired Performance	- Higher than projected

OP 3.1.1.2 Number of compliance audits completed

Short definition	- The total number of compliance audits completed.
Purpose	- To determine the rate of pari-mutuel regulatory activity.
Data Source	- The Compliance Audit Administrator maintains a log of all audits.
Calculation Method	- A summation of the number of compliance audits completed.
Data Limitations	- Performance will depend on number of pari-mutuel wagering approvals requested by the racetracks.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 3.1.2.1 Number of tote tests completed

Short definition	- The total number of tote tests performed.
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Appendix D.

Measure Definitions

Purpose	- To determine the rate of pari-mutuel activity.
Data Source	- The Compliance Audit Administrator maintains a log of all tote tests.
Calculation Method	- A summation of the number of tests performed on tote equipment at the racetracks. This test is performed at least once a year and/or before the opening of each live race meet and after any system change has been made.
Data Limitations	- None
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Efficiency Measure

EFF 3.1.1.1 Average cost to audit and review a live or simulcast race

Short definition	- The average cost of reviewing for regulatory compliance a live or simulcast race on which pari-mutuel wagering is conducted.
Purpose	- To determine the fiscal efficiency of performing audits on live and simulcast races.
Data Source	- The data is maintained in the agency's database and USAS.
Calculation Method	- The total strategy cost, including indirect costs, divided by the number of live and simulcast races on which pari-mutuel wagering is conducted in Texas during the report period.
Data Limitations	- None
Calculation Type	- Non-cumulative
New Measure	- Yes
Desired Performance	- Lower than projected

Explanatory Measures

EX 3.1.1.1 Total pari-mutuel handle (in millions)

Short definition	- The total amount wagered, in millions, at Texas racetracks on both live and simulcast races.
Purpose	- To determine the amount of money wagered in Texas.
Data Source	- The data is maintained in the agency's database. This data is updated daily by Commission

Appendix D.

Measure Definitions

	auditors.
Calculation Method	- A summation of the total amount wagered at each track for the report period.
Data Limitations	- Performance is completely outside the agency's control.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

EX 3.1.1.2 Total take to the State Treasury from pari-mutuel wagering on live and simulcast races

Short definition	- The amount of revenue to the state from pari-mutuel wagering on both live and simulcast races. The tax rate is determined by the Texas Racing Act.
Purpose	- To determine the amount of revenue due to the state.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- A summation of the state's share of the total amount wagered for the report period.
Data Limitations	- Performance is completely outside the agency's control.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- N/A

EX 3.1.1.3 Ratio of simulcast handle to live handle

Short definition	- The ratio of amount wagered on simulcast races compared to the amount wagered on live races.
Purpose	- To assess the relative wagering activity on simulcast races and live races.
Data Source	- The data is maintained in the agency's database.
Calculation Method	- The total amount wagered on simulcast races is divided by the total amount wagered on live races, stated as a ratio.
Data Limitations	- Performance depends on factors outside the agency's control, such as the amount of simulcast activity requested by the racetracks.
Calculation Type	- Non-cumulative
New Measure	- No

Appendix D.

Measure Definitions

Desired Performance - N/A

Goal D: Conduct Purchasing and Contracting Activities that Foster Meaningful and Substantive Inclusion of Historically Underutilized Businesses.

Objective 1: Ensure purchases from historically underutilized businesses constitute at least 16% of the total value of purchases each year.

Outcome Measure

OC 4.1.1 Percentage of total dollar value of purchases made from HUBs

Short definition - The percentage of purchases made from HUB's by the agency.

Purpose - To determine the percentage of business done with HUB's during the report period.

Data Source - The information is provided by the Texas Procurement and Support Services.

Calculation Method - The dollar value of purchases made to HUB's divided by the total dollar value of all purchases made during the report period.

Data Limitations - None

Calculation Type - Non-cumulative

New Measure - No

Desired Performance - Higher than projected

Output Measures

OP 4.1.1.1 Number of HUB contractors and subcontractors contacted for bid proposals

Short definition - The number of HUB contractors and subcontractors that the agency contacts for bid proposals.

Purpose - To assess the agency's efforts to include HUBs in purchasing and contracting activities.

Data Source - The information is provided by the Texas Procurement and Support Services.

Calculation Method - A summation of all HUBs contacted for bids on goods and services.

Data Limitations - None

Calculation Type - Cumulative

Appendix D.

Measure Definitions

New Measure	- No
Desired Performance	- Higher than projected

OP 4.1.1.2	Number of HUB contracts and subcontracts awarded
Short definition	- The number of HUBs awarded contracts by the agency.
Purpose	- To determine the agency's level of participation with HUBs.
Data Source	- The information is provided by the Texas Procurement and Support Services.
Calculation Method	- A summation of all contracts awarded to HUBs.
Data Limitations	- Performance will depend on the quality and cost of bids received from HUBs.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

OP 4.1.1.3	Dollar value of HUB purchases
Short definition	- The dollar value of all HUB purchases.
Purpose	- To determine the amount spent by the agency on purchases from HUBs.
Data Source	- The Texas Procurement and Support Services maintains and provides the information.
Calculation Method	- The summation of total dollar amount spent of purchases of goods and services from HUBs during the report period.
Data Limitations	- Performance will depend on the quality and cost of bids received from HUBs.
Calculation Type	- Cumulative
New Measure	- No
Desired Performance	- Higher than projected

Appendix E.

Implementing the Texas Transformation

MANAGED SERVICE DELIVERY

1. Has the agency considered use of managed services in order to focus more on its business needs?

Yes. The Information Technology (I.T.) department is currently evaluating a managed services contract to address security and infrastructure services. The agency went to online license applications via Texas Online in 2004. The agency has used the TEX-AN contracts for all telecommunications services for over ten years.

MANAGED IT SUPPLY CHAIN

2. Does the agency leverage and obtain additional value from the Information and Communications Technology (ICT) Cooperative Contracts program? (For example, by further negotiating not-to-exceed pricing?)

Yes. The I.T. department relies heavily on the D.I.R. GoDirect program and ICT contracts. The I.T. director, as well as the agency's purchaser, works closely with vendors to get the best price possible for I.T. equipment and services. In addition, these contracted vendors often will provide additional services such as on-site demos, knowledge transfer, and simple installation services as part of the negotiated purchase price.

SECURITY & PRIVACY

3. Describe the agency's strategies to align with the State Enterprise Security Plan
(<http://www.dir.state.tx.us/pubs/securityplan2007/index.htm>)

Other than daily operations, the primary concern of the I.T. department is the security of the agency's data and infrastructure. The department has implemented all areas of Texas Administrative Code 202 and has a policy governing the use of I.T. resources. The agency is in the process of reviewing and updating its Business Continuity Plan and Disaster Recovery Plan. Policies governing the use of Information Resources as well as security and system access policies and procedures are in place. Over the past two years, the agency has upgraded and improved its network infrastructure to minimize risk and monitor threats. The new equipment significantly improved the department's ability to route and to analyze network traffic. Additional budget was allocated to security in FY08 which allowed the department to purchase a new IPS (Intrusion Prevention System) device and to negotiate a short term Staff Services contract for both a security and network specialist. The I.T. department installs security and critical patches on all systems, has anti-virus and performs daily scans on every desktop. Even with these improvements, there is more work to be done. The agency has identified additional threats from spyware and

Appendix E.

Implementing the Texas Transformation

adware as well as viruses that are not being effectively blocked by the agency's firewall and anti-virus software. Additional funds will be allocated to address these new threats. The agency has undergone two penetration tests by D.I.R. with a third planned for the end of FY08. Additional training for I.T. staff and awareness training for agency staff is also planned for the next year.

4. Describe the agency's policies, practices and programs, implemented or planned, that comply with relevant statutes and administrative rules to ensure the privacy of confidential data. Consider federal privacy requirements (e.g., the Health Insurance Portability and Accountability Act or the Family Educational Rights and Privacy Act) that apply to the agency. List the organizational units (program, offices, IT, legal, etc.) that manage privacy functions. Describe any future plans for improvement.

Database access is requested by the department managers and assigned by the I.T. security officer. Access forms are signed by the employee's manager, the I.T. director and the head of Investigations. Policies to govern the use of portable storage devices and access to the agency's database and network drives from home computers is being evaluated.

TECHNOLOGY POLICY, BEST PRACTICES, & PARTNERSHIPS

5. What current practices or plans are in place to improve usability and searchability of the agency's Web content? (2007 SSP, Strategy 4 1)

The I.T. department is in the process of a major overhaul of the agency's website. New forms, reports, guides, search engines, analytics, and a menu structure will be added or expanded. Online forms for the submittal of complaint forms, open records requests and permanent surveys will be added. The agency will also add new reports and post rulings to the website. Department statistics such as number of animal injuries, drug positives, etc. will be posted to the website. Industry guidelines such as those used for medications and trainers test will also be added. A search engine and a new menu structure will be added to aid both the agency and its customers in the use of the agency's website. Additional website page counters will be added to aid the agency in analyzing which areas of the website are used and with what frequency.

6. What current practices or plans are in place to improve life cycle management of agency data and information? Include the agency's approach and ability to meet future open records and e-discovery requests. (2007 SSP, Strategy 4-1)

The agency's main application is its regulatory database. This application is constantly evolving as legislative mandates or business needs develop and

Appendix E.

Implementing the Texas Transformation

change. The agency recently implemented an executive oversight process to evaluate the need for new projects and thus adopt a more life cycle approach to the business decision making process. The agency also does periodic needs analysis on it's applications but this process needs to be more structured. The agency has a records retention schedule which governs the life cycle of the data kept by the agency. Open records requests are usually for database records. The majority of database records are classified as permanent records.

7. Describe agency methods and standards (federal, state, industry), implemented or planned, intended to enhance data sharing (i.e., improve interoperability) with other entities. (2007 SSP, Strategy 4-2)

Whenever possible, the agency encourages online or automated processing of data by entities or agencies outside the TxRC. The following projects are implemented or in the planning phase.

Texas Online (Implemented): Since 2004, the agency has been receiving licensing application from customers using Texas Online. Multiple file exchanges occur during this process. Several incoming files of applicant information and an outgoing file of eligible licensees are exchanged between the TxRC and Texas Online. Security is maintained by creating a virtual private network (VPN) tunnel for file exchange between the two entities.

Totalisator Wagering Data Transfer (Implemented) : The agency receives files from the three totalisator (tote) companies. These files contain wagering information that we upload and process to our database. The information is not sensitive and does not include secure information. A combination of email (un-encrypted) and the SFTP (encrypted traffic, or Secure File Transfer Protocol) is used to transfer these files.

Automated Negative Sample Reporting (Planned): An automated data exchange with Texas A&M's Veterinary Medical Diagnostic Laboratory (TVMDL) is planned for late FY08, early FY09. TVMDL currently enters all animal drug testing results manually. TVMDL is purchasing an Oracle database which will facilitate the exchange of sample results data between TVMDL and the TxRC. TVMDL will provide the TxRC with a file containing negative animal sample results. The TxRC will upload this file into their database. This automated process will replace the manual entry currently being done by TVMDL staff. This will reduce the reporting timeframe and allow the TxRC to clear races more quickly.

RCI Data Transfer (Planned): The agency will transfer data to a racing industry database maintained by the RCI (Racing Commissioners International). This project will enable other racing jurisdictions to access

Appendix E.

Implementing the Texas Transformation

TxRC licensing and rulings information.

Online Simulcast Contracts (Implemented) - A simulcast contract submittal program using HTML and the agency's database was begun in 2006. Enhancements were made this year which allow additional industry groups access to this automated process. This project has dramatically reduced the time needed for the racetracks to enter simulcast contract requests. The enhancements will enable other entities such as industry breed registries to view the contracts before they have been approved. This project will be completed in 2008.

CORE MISSIONS

8. Does the agency have any plans to simplify or reduce the number of existing software platforms (e.g., operating systems, application development environments, database systems, office suites, other COTS applications)? If no, is the agency fully leveraging its technology to support both its current and future business environment?

With the exception of the agency's Microsoft Office Suite products, the agency already has a minimal number of software platforms and applications. The agency currently has two main operating systems, Microsoft Windows XP for the desktop and Solaris (UNIX) for the agency's critical servers. The agency also has two Microsoft Server licenses to host any PC applications which will not run on the UNIX servers. All critical server applications such as the website (Oracle/Apache), databases (Oracle), application development servers (Oracle), and the email server (Oracle) all run on the Solaris/UNIX platform. All end-user desktops are Windows based (XP). The agency had originally used Microsoft office products such as Word, Excel, and PowerPoint. With the advent of Microsoft's Software Assurance program several years ago, the agency could no longer afford to maintain all of its Microsoft licenses. While the agency maintained a few licenses, the majority of the users began using a supported version of Open Office called Star Office. Currently, there is a mixture of Microsoft Office products and Star Office. As funds allow, the agency will purchase Microsoft licenses to return the agency to a single install base of the Office Suite applications. This should reduce the number of support calls and improve productivity in the agency. Additional COTS are limited and are consistently implemented across the agency such as badge I.D. software, Visio, Dreamweaver, and various Adobe products.

9. Describe any current or planned activities targeted at reducing the environmental resource consumption of technology equipment (recycling, consolidating, virtualizing, buying energy efficient equipment, etc.).

The I.T. department puts all computers, printers, monitors, etc. on the state

Appendix E.

Implementing the Texas Transformation

surplus list when the equipment has outgrown its usefulness to the agency. The agency has also replaced all CRTs with energy efficient LCD monitors. Whenever possible, the agency also uses vendor trade-ins with companies such as Cisco and Sun Microsystems who can then recycle these systems. The agency also purchases from vendors such as Cisco, Sun Microsystems, and Dell who have already complied with the WEEE standard, a recovery and recycle directive established in the European Union, in anticipation of similar standards being adopted in the U.S.

Appendix F.

Workforce Plan

AGENCY OVERVIEW

The Texas Racing Commission regulates all aspects of pari-mutuel horse and greyhound racing through licensing, on-site monitoring, and enforcement. The Commission is required by statute and rule to:

- License racetracks that offer racing and the people who work at the racetracks or own race animals.
- Allocate race dates and 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 totalisator equipment, 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.

Pari-mutuel racing was originally authorized by the Legislature in 1986 and endorsed by statewide referendum in 1987. Currently, the agency is authorized to employ 76.6 FTE's in FY2008 and 76.8 FTE's in FY2009.

The agency is composed of seven departments: five departments are directly responsible for the activities described above; and two departments provide administrative and information services support.

The agency is funded through revenue derived from the pari-mutuel racing industry and receives no general revenue funds. Excluding the Texas-Bred Incentive Program pass-through funds, approximately 80% of the agency's operating budget is used for salaries.

AGENCY MISSION

The Texas Racing Commission will enforce the Texas Racing Act and its rules to ensure the safety, integrity, and fairness of Texas pari-mutuel racing.

Appendix F.

Workforce Plan

STRATEGIC GOALS AND OBJECTIVES

Goal A. Enforce Racing Regulation

- Objective 1: Regulate Pari-Mutuel Racetracks Effectively
Strategy 1: Provide Regulatory and Enforcement Services to Racetrack Owners
- Objective 2: Increase the number of Texas Bred Race Animals Competing
Strategy 1: Allocate Texas Bred Funds to Breed Registries
- Objective 3: Reduce the Rate of Rulings per Occupational Licensee
Strategy 1: Supervise the Conduct of Racing through Enforcement and Monitoring
Strategy 2: Monitor Occupational Licensees Activities.
- Objective 4: Reduce the Percentage of Race Animals Injury or Dismissed
Strategy 1: Inspect and Provide Emergency Care.
Strategy 2: Administer Drug Tests
-

Goal B. Regulate Participation

- Objective 1: Maintain the Efficiency of the Occupational Licensing Process
Strategy 1: Administer the Occupational Licensing Programs through Enforcement
Strategy 2: TexasOnline
-

Goal C. Regulate Pari-mutuel Wagering

- Objective 1: Increase Pass Rate for Initial Tote Test and Compliance Audits
Strategy 1: Regulate Pari-mutuel Wagering to Maintain an Honest Racing Industry
Strategy 2: Conduct Wagering Compliance Inspections
-

Goal D. Indirect Administration

- Objective 1: Indirect Administration
Strategy 1: Central Administration and Other Support Services
Strategy 2: Information Resources
-

ANTICIPATED CHANGES IN STRATEGIES

The agency may require changes to its goals or strategies over the next five years in order to mirror any changes to the Texas Racing Act that affect the Commission's regulatory responsibilities.

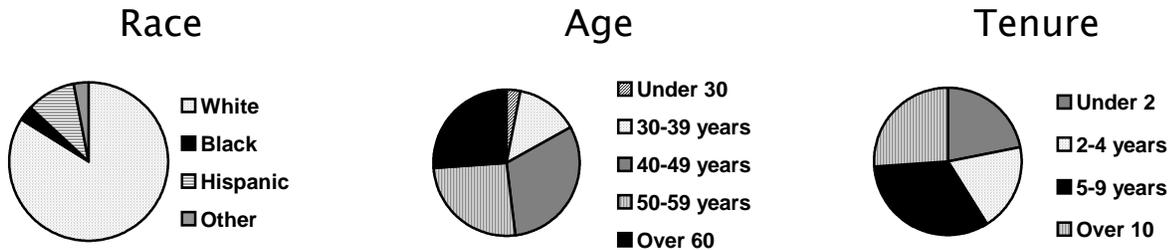
Appendix F.

Workforce Plan

CURRENT WORKFORCE PROFILE (SUPPLY ANALYSIS)

WORKFORCE DEMOGRAPHICS (5/31/2008)

The Commission's workforce is 54% male, 46% female. The charts below further breakdown the Commission's workforce:



Compared to the statewide civilian figures supplied by the Texas Workforce Commission, Civil Rights Division, the Commission's workforce breaks down as follows:

		Administration	Professional	Service & Maintenance	Administrative Support
White	Agency	100.00%	94.10%	86.80%	55.00%
	State	75.20%	71.30%	41.50%	60.60%
African American	Agency	0.00%	0.00%	2.60%	10.00%
	State	6.60%	8.30%	13.80%	11.20%
Hispanic	Agency	0.00%	5.90%	7.90%	30.00%
	State	14.20%	13.40%	40.70%	24.10%
Female	Agency	50.00%	11.70%	26.30%	66.70%
	State	37.30%	53.20%	39.00%	64.70%
Male	Agency	50.00%	88.30%	73.70%	33.30%
	State	62.70%	46.80%	61.00%	35.30%

Source: The data in this chart was extrapolated from the Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 2004, for the state of Texas.

Appendix F.

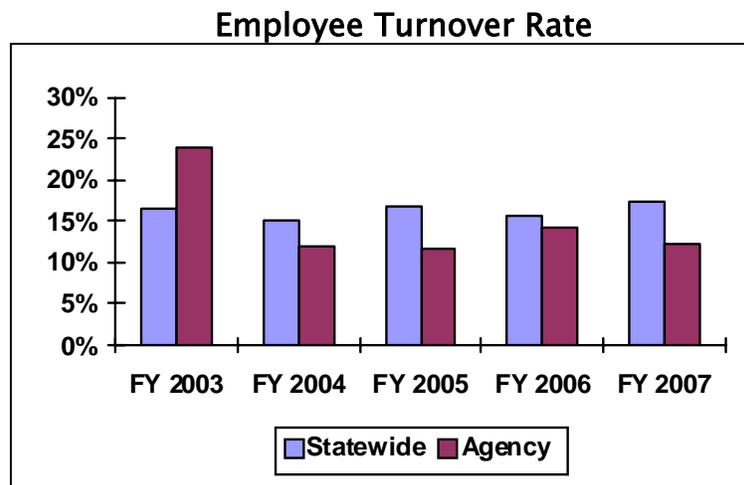
Workforce Plan

RETIREMENT ELIGIBILITY

According to the information from the state's USPS payroll system using age and years of state service, 35 of the agency's current employees or 46.7 percent of the authorized FTEs will be eligible to retire between 2008 and 2013. During FY2008, the agency currently employs five 'return-to-work' retirees. Almost half of the agency occupies positions that require specialized skills or professional training that cannot be supplied by the agency through on-the-job training.

EMPLOYEE TURNOVER

Turnover is an important issue in any organization and the Commission is no exception. In 2007, the Commission had a turnover rate of 12.3% down from 14.3% in 2006. The biggest workforce challenge facing the Commission in the next five years is the retention of qualified and experienced staff. The following graph compares the average of the Commission turnover to the state as a whole.



CRITICAL WORKFORCE SKILLS

In addition to general administrative and clerical skills, the Commission's workforce must have the following skills to accomplish its mission:

- Monitoring/reviewing live races for interference/misconduct
- Inspecting race animals for fitness
- Performing audits on pari-mutuel wagering activity
- Conducting racing-related investigations
- Developing and maintaining a specialized database and agency-wide computer network
- Interpreting statutes/drafting rules
- Conflict resolution skills

Appendix F.

Workforce Plan

FUTURE WORKFORCE PROFILE (DEMAND ANALYSIS)

CRITICAL FUNCTIONS

Assuming no change in statutory responsibilities, the Commission expects its current functions to continue in the future:

- Licensing racetracks and the occupational licensees who own race animals or work at the racetracks.
- Monitoring activities by racetrack personnel and occupational licensees for compliance with regulatory requirements.
- Supervising the conduct of the races.
- Monitoring the health and safety of the race animals and collecting specimens for drug tests.
- Overseeing all pari-mutuel wagering activity and testing totalisator equipment.
- Investigating and resolving complaints about licensees.
- Auditing the operation of racetracks and official breed registries' incentive programs.

EXPECTED WORKFORCE CHANGES

The Commission has three workforce issues under review and action that fall into the categories of: (1) contract personnel for additional IT security and for controls to ensure the integrity of wagering data; and (2) reduction of liability for comp-time, FLSA-overtime and vacation time for staff that supervise live racing.

IT Security and Improved Controls for Integrity of Wagering Data

In May 2006, the State Auditor's Office (SAO) published a report that recommended changes to a number of agency functions including improving controls in the Information Technology division. The agency has contracted with a specialist, through an approved Department of Information Resources contract, to resolve the security and network issues identified in the audit. The audit also recommended that the agency's audit programs used to review the totalisator systems be expanded to offer additional system security testing to ensure the integrity of the wagering data.

Reduction of Cumulative Liability for Supervision of Racing Staff

Agency management is in the process of an internal review of the agency's \$500,000 cumulative liability of comp-time, FLSA-overtime and vacation time. The Commission may need an additional FTE in Strategy A.3.1. - Supervise & Conduct Live Races to address this liability. Because of statutory requirements that set specific levels of staff at the racetracks during live race days and increased workloads, the agency has not been able to sustain an overall decrease in this liability.

Appendix F.

Workforce Plan

CHANGE IN NUMBER OF EMPLOYEES REQUIRED TO ACCOMPLISH MISSION

Assuming no significant increase in wagering or live racing activity, the Commission expects no increase in the number of FTE's required to accomplish its mission beyond what has been appropriated. In fact with the closing of Corpus Christi Greyhound the projections for the legislative appropriation request (LAR) will reduce the number of FTEs requested. For each new horse racetrack that begins simulcasting and live racing, the Commission will require up to an additional five FTE's to effectively regulate the wagering and racing activities in accordance with the Texas Racing Act and the Commission's rules. The Commission has approved three new class 2 racetrack licenses that could open in the next biennium. The additional FTE's needed should one of the approved racetracks open for business are requested though contingency riders within the LAR.

FUTURE WORKFORCE SKILLS REQUIRED

In the future, the Commission will need to accomplish more with less in an increasingly tight budgetary environment. As the racing industry matures and changes with technology, the Commission's workforce must be keenly aware of its regulatory role. Therefore, Commission employees will be required to use more of the following skills:

- Creativity and problem solving
- Communication
- Commitment to learning
- Leadership and team-building
- Organizational awareness
- External awareness
- Flexibility
- Integrity and honesty

GAP ANALYSIS

ANTICIPATED SURPLUS/SHORTAGE OF EMPLOYEES OR SKILLS

With over 46% of the Commission workforce eligible for retirement by FY 2013, the Commission projects a shortage in staffing and skill levels needed to meet future requirements. Staffing areas with anticipated shortages of employees that are most likely to be affected by the retirement eligibility include: veterinarians, stewards, and judges. In addition, the Commission continues to have difficulty retaining qualified veterinarians due to significant differences in salaries compared to the private sector.

Appendix G.

Survey of Organizational Excellence

Promoting excellence through participation and accountability, the Commission finds the Survey of Organizational Excellence a meaningful and useful tool for gauging the health of the agency. Administered by the School of Social Work at the University of Texas at Austin, the results reflect how staff views their total work environment. The benchmark data from all participating agencies gives an added perspective to the results.

Participation Rate

In addition to the standard questions provided by the University of Texas School of Social Work, the Commission asked each respondent to identify the department in which the respondent works, as well as whether the respondent is assigned to the Austin headquarters or a racetrack field office.

The agency distributed to 77 employees an e-mail with a link to the survey on the UT School of Social Work's website. Fifty-eight employees completed the survey for a response rate of 75%. This response rate, although down from a high of 78% in 2004, indicates a high degree of reliability.

According to The Survey of Organizational Excellence, one of the values of participating in multiple iterations of the Survey is the opportunity to measure organizational change over time. *If organizational health is sound*, rates tend to plateau above the 50% level.

Participation Rate				
2000	2002	2004	2006	2008
47%	52%	78%	63%	75%

The demographic information provided by the 58 respondents gives insight into the agency's staff: over 55% have worked for the Commission 6 years or longer; over 76% plan to be working for the Commission in two years; and almost 88% are 40 years or older.

The Commission has staff located at the 7 operating racetracks and at the Austin headquarters. The survey respondents were split evenly between the field and headquarters staff.

Survey Results

The survey groups its questions into twenty Survey Constructs designed to profile organizational areas of strengths and weaknesses. These constructs are designed to measure five workplace dimensions: Work Group; Accommodations; Organizational Features; Information; and Personal.

Appendix G.

Survey of Organizational Excellence

Scores for the constructs range from a low of 100 (negative) to a high of 500 (positive). Scores above 300 suggests that employees perceive the issue more positively than negatively; scores below 300 indicate employees view the issue more negatively. Scores below 200 indicate a significant source of concern.

Overall, Commission employees have a more favorable impression of the organization than they did two years ago. Scores in thirteen of the twenty constructs increased from the 2006 survey. The most significant improvements were in the following areas:

Diversity – Addresses the extent to which employees feel that individual differences, including ethnicity, age and lifestyle, may result in alienation and/or missed opportunities for learning or advancement.

Positive score increased from 342 to 366.

Change Oriented – Measures employee’s perceptions of the organization’s capability and readiness to change based on new information and ideas.

Positive score increased from 344 to 366.

Holographic – Refers to the degree to which all Commission actions “hang together” and are understood by all. It reflects staff perceptions of the consistency of decision-making and activity within the agency.

Positive score increased from 350 to 370.

Burnout – Refers to a feeling of extreme mental exhaustion that negatively impacts employees’ physical health and job performance, leading to lost organizational resources and opportunities. Higher scores means employees perceive a lower level of burnout.

Positive score increased from 375 to 389 and noted area of strength.

Supervisor Effectiveness – Provides insight into the nature of supervisory relationships in the organization, including the quality of communication, leadership, and fairness that employees perceive exist between supervisors and themselves.

Positive score increased from 345 to 360.

In addition to two of the above constructs, Diversity and Change Oriented, the 2008 survey results show the Commission’s strengths are in the following areas:

Appendix G.

Survey of Organizational Excellence

Fairness – Measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.

Highest scoring construct at 378, up 12 points.

External – Addresses how information flows between the organization and outside sources and the ability of the Commission to synthesize and apply external information to the agency's work.

High scoring construct at 382, up 7 points.

Goal Oriented – Addresses the organization's ability to include all its members in focusing resources toward goal accomplishment.

High scoring construct at 374, up 7 points.

In reviewing the other scores, the only construct that was perceived negatively was "availability of information." This score, 367, fell two points from 369 in 2006.

In reviewing the lower scores, "fair pay" was the lowest agency score even though it increased from the 2006 survey from 254 to 275. This low score is, however, not unique to Commission employees. All respondents from all participating organizations also scored "fair pay" lowest at 260; similar sized agencies scored it at 253; and similar mission agencies scored at 272.

Following are the areas that the survey results suggest that the Commission can improve:

Fair Pay – Addresses perceptions of the Commission's overall compensation package. It describes how employees feel the compensation package "holds up" when compared to similar jobs in other organizations.

Lowest scoring construct at 275, up 21 points.

Internal – Captures the extent to which communication exchanges are open and candid and move the organization toward goal achievement.

Lower scoring construct at 331, up 17 points.

Employment Development – Assessment of the priority given to employees' personal and job growth.

Although a lower scoring construct at 348, up 19 points.

Benefits – Provides an indication of the role that the employment benefit package plays in attracting and retaining

Appendix G.

Survey of Organizational Excellence

employees.

Although a lower scoring construct at 350, it improved 7 points

Team Effectiveness – Captures employees’ perceptions of the people they work with on a daily basis and how effective they think the work group is and the extent to which the environment supports cooperation among employees.

Although a lower scoring construct at 356, it improved 18 points.

The following charts compare the agency’s 2008 scores with the state average and with prior agency scores.

<i>Work Group: Describes the employees’ immediate work environment</i>						
Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	Agency 2008	All Agencies 2008
Supervisor Effectiveness	294	320	333	345	360	344
Fairness	295	361	362	366	378	363
Team Effectiveness	315	319	333	338	356	344
Diversity	322	337	345	342	366	359

<i>Accommodations: Describes the employees’ “total benefit package”</i>						
Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	Agency 2008	All Agencies 2008
Fair Pay	338	291	272	254	275	260
Physical Environment	363	377	365	373	373	380
Benefits	388	392	341	343	350	361
Employment Development	388	392	341	343	348	357

Appendix G.

Survey of Organizational Excellence

<i>Organizational Features: Evaluation of the agency's ability to assess changes and make adjustments; describes the "corporate culture"</i>						
Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	Agency 2008	All Agencies 2008
Change Oriented	314	317	326	344	366	346
Goal Oriented	329	345	353	367	374	362
Holographic	315	329	333	350	370	355
Strategic	378	359	372	392	393	394
Quality	359	373	386	393	393	391

<i>Information: Describes how focused, effective and accessible information is to employees</i>						
Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	Agency 2008	All Agencies 2008
Internal	323	303	318	314	331	335
Availability	328	361	370	369	367	373
External	351	356	362	375	382	378

<i>Personal: Addresses interface between employees' home and work lives and how this relationship may impact job performance and organizational efficiency.</i>						
Constructs	Agency 2000	Agency 2002	Agency 2004	Agency 2006	Agency 2008	All Agencies 2008
Job Satisfaction	363	366	372	373	378	369
Time and Stress	337	358	364	368	374	366
Burnout	322	350	357	375	389	371
Empowerment	307	342	356	368	377	363

Appendix G.

Survey of Organizational Excellence

Management Plan

With three-fourths of its employees participating in the survey, management is pleased with the overall positive results of the 2008 survey. Viewing the data from multiple iterations of the survey has given the survey further credence. Judging from the continued high participation rate, employees have seen the value in the process.

Addressing the “fair pay” issue will be challenging for the Commission given the already strained budget and the looming possibilities of further cuts during the upcoming biennium. Providing opportunities to discuss this issue may be beneficial to finding ways other than monetary compensation to offset the negativity.

Employees’ dissatisfaction with their pay has not, however, altered their attitude towards their job or the level of service provided. The overall favorable employee survey results correlate well with the agency’s recent customer service survey with over 84% of the respondents expressing an overall satisfaction with services received. As we continue to ask our employees to do more with less, it speaks well of staff that they continue to deliver a high level of customer service.

Management presented these results at the agency-wide meeting held in February 2008 to discuss and solicit their input and will continue to make organizational improvements.

Appendix H.

Historically Underutilized Businesses

The Commission remains committed to the State's program that encourages purchasing from these businesses. Although the Commission is not a significant purchasing power, using less than 5% of its operating budget for purchases, the Commission routinely exceeds its goal of 16% of total purchases with HUB's.

HUB Purchases as Percentage of Total Purchases

	Profess. Services	Other Purchases	Commodities	Total Purchases
2003	100%	7.08%	14.9%	16.9%
2004	100%	6.13%	37.2%	37.2%
2005	100%	7.48%	54.8%	41.2%
2006	100%	11.4%	70.2%	44.0%
2007	100%	21.7%	79.3%	48.9%

Appendix I.

Glossary

Breakage – the odd cents by which the amount payable on each dollar wagered exceeds a multiple of 10 cents, except in the event a minus pool occurs, in which case the breakage shall be in multiples of five cents.

Exotic Wagers – a mutuel wager that involves wagers on more than one entered horse or greyhound or on entries in more than one race.

Handle – the total amount of money wagered at a racetrack during a particular period.

Outstanding Ticket (OUTS) – a pari-mutuel ticket that is not presented for payment before the end of the race day for which the ticket was purchased.

Purse – the cash portion of the prize for a race.

Simulcast – the telecast or other transmission of live audio and visual signals of a race, transmitted from a sending track to a receiving location, for the purpose of wagering on the race at the receiving location.

Totalisator – a machine or system for registering and computing the wagering and payoffs in pari-mutuel wagering.