

**SUBJECT:** Racing commission funding and racing operations revisions

**COMMITTEE:** Licensing and Administrative Procedures — favorable, without amendment

**VOTE:** 7 ayes — Flores, Geren, Hamilton, Jones, Miles, Quintanilla, Thompson  
0 nays  
2 absent — Isett, Goolsby

**WITNESSES:** For — None  
Against — None  
On — Charla Ann King, Texas Racing Commission

**BACKGROUND:** The Texas Racing Commission oversees and regulates pari-mutuel horse and greyhound racing in Texas. Texas has five operational horse tracks and three greyhound tracks. Three of the horse tracks are class 1 tracks (large tracks with as many race days as the commission grants); one is a class 2 track (entitled to 60 days of live racing per year); and one is a class 3 track (up to 16 racing days a year). Tracks may present simulcast races, allowing bettors at one track to bet on races televised from another track, as approved by the commission.

The racing commission is funded through racetrack license fees, occupational license fees, fines assessed against licensees, uncashed winning tickets, and a portion of the breakage — a small amount of winnings, above a specified multiple, not paid to successful bettors — from greyhound tracks.

The commission is required to use post-race testing for the use of prohibited substances and is authorized to use pre-race testing.

**DIGEST:** HB 2701 would revise the way the Texas Racing Commission is funded by eliminating requirements that greyhound tracks pay 50 percent of the breakage to the commission and that tracks pay the balance of uncashed tickets to the Racing Commission. The bill would require the Racing

Commission to set fees to cover all of the costs of regulating, overseeing, and licensing live and simulcast racing.

The bill would shorten the time that tracks would have to wait before employing a commission member, some agency employees, or others related to these two groups of people from two years to one year after their employment with the Racing Commission.

The commission would be authorized to collect a fee for the costs of doing criminal background checks on persons who were requesting the transfer of the ownership of a racetrack license.

The commission would be authorized to determine whether to use pre- or post-race testing for prohibited substances.

The bill would extend the time that the commission has to forward fingerprints to law enforcement authorities from one day to no more than 10 business days after receiving them.

HB 2701 would extend the deadline for persons who claimed to be entitled to winnings to file with tracks a claim for the money. Instead of having to file the claim within 60 days of the closing of the meet, people would have one year from the day the ticket was purchased. The bill would establish the same deadline for those who claimed to be entitled to money from a pari-mutuel voucher.

The bill would take effect September 1, 2007.

**SUPPORTERS  
SAY:**

HB 2701 would revise the way the Racing Commission was funded to make it more efficient and predictable. Currently, part of the commission's funding comes from uncashed winning tickets and a part of the breakage from greyhound tracks. The commission must track and predict these funding sources before setting the fees that makes up the rest of its revenue. This is time-consuming and difficult.

HB 2701 would address these problems by requiring the Racing Commission to recover its regulatory costs through fees. This would be consistent with the ways other regulatory agencies are funded and would make the agency's funding more transparent, predictable, and efficient.

HB 2701 would have a different impact on different tracks. Although fees for some tracks could go up under HB 2701, fees at others might go down. However, in all, the system would be fairer and benefit the tracks because the commission could set its fees earlier and with more annual consistency. Tracks would get to keep the uncashed ticket amounts and greyhound tracks would keep their breakage.

HB 2701 would change the prohibition on tracks employing former commission members and some employees to make it consistent with the standards applied to other state agencies. The two-year time frame was enacted when the commission began from an abundance of caution about the industry. However, the two-year time frame has hurt the agency in recruiting qualified and diverse staff and should be changed. Employees and staff would continue to be governed by the standard conflict-of-interest and revolving-door policies applied to other agencies.

Other provisions in the bill would remove out-of-date provisions, clean up the statutes, and give the commission more flexibility to do its job. The bill would in no way expand gambling.

**OPPONENTS  
SAY:**

HB 2701 could hurt some racetracks by resulting in higher payments to the commission for regulation. Some tracks are struggling to keep afloat and could suffer under such a change.

The two-year restriction on employees moving from the commission to the tracks was imposed to ensure a high standard regarding conflicts. This is especially important in the racing industry because gambling is involved.