

**SUBJECT:** Creating fund for deposits for pari-mutuel wagering's Texas-bred program

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

**VOTE:** 8 ayes — T. King, Goldman, Geren, Harless, Hernandez, Herrero, Kuempel, Paddie

0 nays

3 absent — Guillen, K. King, S. Thompson

**WITNESSES:** For — Jimmy Eller, Texas Quarter Horse Association; (*Registered, but did not testify*: Michael Pacheco, Texas Farm Bureau)

Against — None

On — Chuck Trout, Texas Racing Commission; (*Registered, but did not testify*: Adrienne Courtney, Texas Racing Commission)

**BACKGROUND:** Occupations Code secs. 2028.103 and 2028.202(3) require horse racetracks to set aside 1 percent of certain betting pools from live and simulcast races for a Texas-bred program, some of which is sent to the Racing Commission and then to the horse breed registries for awards. Sec. 2028.202(4) requires greyhound tracks to set aside 1 percent of certain simulcast wagering pools for a Texas-bred program for greyhound races. These funds must be distributed and used according to commission rules to promote greyhound breeding in Texas. The Racing Commission must adopt rules relating to the accounting, auditing, and distribution of all amounts set aside for the Texas-bred program.

Under the Texas Racing Act, breakage is the odd cents by which the amount paid on each dollar bet exceeds a multiple of 10 cents. Under Occupations Code sec. 2028.105, a portion of the breakage from wagering at horse tracks is sent to the commission and then to breed associations for various purposes. Similarly, under sec. 2028.154(a) a portion of the

breakage from greyhound tracks is distributed by the commission to the state greyhound breed registry, subject to commission rules.

The Texas Racing Commission is required to deposit money it collects into the Texas Racing Commission fund, which may be appropriated only for the administration and enforcement of the Texas Racing Act.

Concerns have been raised that sending funds designated for the Texas-bred program to the Racing Commission's fund that is appropriated only for administration artificially inflates the commission's fund with monies that are being passed through the agency to organizations for specific breeds.

**DIGEST:**

HB 3366 would establish the Texas bred incentive fund in the state treasury and would require the Racing Commission to deposit into the fund money set aside for the Texas-bred program.

Money currently set aside from the wagering pools that goes to the commission for the Texas-bred program would be deposited in the newly created fund instead of the general revenue dedicated Texas Racing Commission Account 597. The Racing Commission would be required to adopt rules for the use of the Texas-bred program and funds by the state breed registries. The current breakage amounts sent to the commission and then to state breed registries also would be deposited by the commission in the Texas-bred incentive fund before being distributed.

The bill would take effect September 1, 2019, and would apply to deductions and breakage from betting pools for a race conducted on or after that date.