



**John Keel, CPA**  
**State Auditor**

An Audit Report on

# **Racetrack License Application Processing at the Racing Commission**

June 2010

Report No. 10-031



An Audit Report on

## Racetrack License Application Processing at the Racing Commission

SAO Report No. 10-031  
June 2010

### Overall Conclusion

The Racing Commission (Agency) should improve its processing of racetrack license applications by establishing (1) a central repository of information for racetrack license applications and any related documentation and (2) detailed policies and procedures for racetrack license application processing.

The racetrack license application files that auditors reviewed were not complete. The Texas Racing Act requires that non-confidential racetrack license application information be maintained and available for public inspection. Incomplete application files may hinder the Agency's ability to comply in a timely and complete manner with Public Information Act requests for information related to racetrack license application files.

The Agency does not have written, detailed policies and procedures that provide guidance to Agency staff who perform the racetrack license application review process. The documentation the Agency provided when auditors requested policies and procedures did not contain specific procedure steps necessary to help ensure that staff process applications in a thorough and consistent manner.

The Agency substantially complied with the Texas Racing Act and the Texas Administrative Code when it processed the five racetrack license applications that auditors tested. However, neither the Texas Racing Act nor the Texas Administrative Code specifies a maximum number of days within which the Agency must process racetrack license applications. The Agency's processing of these applications took from 81 to 1,146 calendar days. Many factors, including the completeness of an application, can affect the amount of time the Agency takes to process a racetrack license application. Application processing also can require

#### Background Information

The Racing Commission (Agency) is charged with supervising every race meeting in Texas that involves pari-mutuel wagering on the result of greyhound or horse racing.

Every racetrack with pari-mutuel wagering must have a license to operate.

The members of the Racing Commission must approve all new racetrack licenses, any changes in ownership for existing licenses, and any changes of locations for existing licenses.

As of April 2010, there were 10 licensed horse racetracks in Texas, 5 of which were inactive. There were also three licensed greyhound racetracks in Texas, but only one was conducting live racing.

For fiscal year 2010, the Agency was appropriated \$10,148,402 and 75.5 full-time equivalent employees. Its appropriations were the same for fiscal year 2011.

Additional background information is available in the following appendices:

- Appendix 2 - Racetrack License Application Processing Time Lines (page 16).
- Appendix 3 - History of Racetrack Licenses Issued in Texas (page 21).
- Appendix 4 - Agency Revenues and Expenditures (page 27).
- Appendix 5 - Statutory Changes Related to Racetrack Application Processing Time Lines and the Term of a Racetrack License (page 30).
- Appendix 6 - State Racetrack Licensing Information (page 31).
- Appendix 7 - Racetrack Statistics for Texas and Other States (page 34).

the involvement of the Department of Public Safety, the Department of Transportation, and the State Office of Administrative Hearings.

## ***Summary of Management's Response***

The Agency generally agrees with the recommendations in this report, and it provided the following summary of its responses.

*Management appreciates the diligence with which the State Auditor's team worked to understand and evaluate the racetrack licensing process. It is a unique and complex area of government that is under review by the Sunset Commission and continues to be of interest to the general public. Management offers this response in good faith with the goal of improving areas of need. Of some note, the report does not mention that there are no agency staff resources funded or dedicated to process racetrack license applications. It is important for readers of this report to recognize that staff whose function is to regulate the complex pari-mutuel racing industry on a day-to-day basis complete the ownership change and application process under the common catch-all "other duties as assigned."*

The Agency's detailed management responses to the specific recommendations in this report are presented immediately following each set of recommendations in the Detailed Results section of this report.

## ***Summary of Objective, Scope, and Methodology***

The objective of this audit was to determine whether the Agency processes racetrack license applications in a timely manner and in accordance with applicable law and Agency rules.

The scope of this audit covered all new racetrack license applications submitted to the Agency since 2004 and all requests to change racetrack license ownership or location that were approved or denied from January 1, 2007, through December 31, 2009.

The audit methodology included reviewing racetrack license application documentation; reviewing applicable law and Agency rules; and conducting interviews with Agency staff.

Auditors also identified other less significant issues that were communicated separately in writing to the Agency.

# Contents

## *Detailed Results*

---

Chapter 1 The Agency Should Establish a Central Repository of Information for Racetrack License Applications and Related Documentation and Develop and Implement Detailed Application Processing Policies and Procedures.....	1
Chapter 2 The Agency Processed Racetrack License Applications Substantially in Accordance with Statute and Rules, But Processing Time Took Between 81 and 1,146 Calendar Days.....	7

## *Appendices*

---

Appendix 1 Objective, Scope, and Methodology.....	13
Appendix 2 Racetrack License Application Processing Time Lines.....	16
Appendix 3 History of Racetrack Licenses Issued in Texas .....	21
Appendix 4 Agency Revenues and Expenditures .....	27
Appendix 5 Statutory Changes Related to Racetrack Application Processing Time Lines and the Term of a Racetrack License .....	30
Appendix 6 State Racetrack Licensing Information.....	31
Appendix 7 Racetrack Statistics for Texas and Other States .....	34
Appendix 8 Related State Auditor’s Office Work .....	43

# *Detailed Results*

## *Chapter 1*

### ***The Agency Should Establish a Central Repository of Information for Racetrack License Applications and Related Documentation and Develop and Implement Detailed Application Processing Policies and Procedures***

---

The Racing Commission (Agency) should improve its racetrack licensing process by establishing (1) a central repository of information for each racetrack license application and (2) creating and implementing detailed policies and procedures. Specifically:

- The racetrack license application files that auditors reviewed were not complete because the Agency lacks a central repository of information for each racetrack application. The Texas Racing Act requires that non-confidential racetrack license application information be maintained and available for public inspection. Incomplete application files may hinder the Agency's ability to comply in a timely and complete manner with Public Information Act requests for information related to racetrack license application files.
- The Agency does not have written, detailed policies and procedures for racetrack license application processing that include a step-by-step guide for Agency staff. Having written policies and procedures also would help to ensure that new staff are aware of and carry out all responsibilities related to processing racetrack license applications.

#### Chapter 1-A

### **The Agency Should Establish a Central Repository of Information for Racetrack License Applications and Related Documentation**

The racetrack license application files that auditors reviewed were not complete because the Agency lacks a central repository of information for each racetrack license application. In addition, Agency staff asserted that some documentation is kept throughout the office building with the respective Agency staff member who was responsible for the review.

The following items were not included in the files for five racetrack license applications that the Agency provided to auditors:

- The Agency's application files for two of five racetrack license applications did not contain support for all of the information contained in

the related executive reports that the Agency provided to the Racing Commission. Specifically, the racetrack license application files for Valle de los Tesoros Race Park and Longhorn Downs did not contain information to support statements in the executive reports that members of these racetracks' management teams were licensed and in good standing with the Racing Commission. The Longhorn Downs application file also did not contain information to support the information in the executive report regarding (1) the annexation plan for the proposed location, (2) the Department of Transportation's Loop 9 project, and (3) the percentage calculation for the decline in simulcasting wagers for Lone Star Park and all of the horse racetracks in the state.

- The Agency's application files for three of five racetrack license applications did not contain a written request from the Agency for the Department of Public Safety to conduct background checks.
- The Agency's application files for four of five racetrack license applications did not contain a written request from the Agency for the Department of Transportation to review the traffic flow study. However, auditors obtained two of the letters from the Department of Transportation.
- The Agency's application file for the Longhorn Downs racetrack license application did not contain the Agency's financial analysis for the application. However, Agency staff located and provided that analysis upon auditors' request.
- The Agency's application file for the Valle de los Tesoros Race Park license application did not contain documentation showing that the Agency reviewed the application for completeness within the required 15 calendar days after the close of the application period. The application file also did not contain a letter the Agency sent to the applicant 78 calendar days after the close of the new racetrack license application period stating that the application was complete. However, Agency staff located and provided that letter upon auditors' request.
- The Agency's application file for the Valle de los Tesoros Race Park license application did not contain a Department of Public Safety background check report. However, auditors obtained this report from the Department of Public Safety.
- The Agency's application files for two of five racetrack license applications did not contain the results of the Department of Transportation's review of the traffic flow study. However, auditors obtained that information from the Department of Transportation.

## Recommendations

The Agency should establish a central repository of information that contains all documentation for each racetrack license application. At a minimum, each racetrack license application file should include:

- The original racetrack license application.
- All records of communication with the applicant and any other parties.
- All correspondence to and from, as well as all investigative reports and analyses provided by, the Department of Public Safety and the Department of Transportation.
- All information that supports the executive reports the Agency provides to the Racing Commission.

## Management's Response

*The agency agrees with the recommendation. Management at the Texas Racing Commission recognized the need for improvements to its filing structure but lacked resources for rapid, major change. However, with the 2009 addition of a new key staff member who has the appropriate experience and expertise, the agency began a project to convert to a central repository of information, or central filing system.*

*The decision to create a central filing system was part of the significant organizational changes made in the past three years to restructure and develop an integrated regulatory effort and team culture. Before the changes, the agency's departments operated in a silo manner, largely as distinct units. Communication across departments needed significant development to ensure that information flowed to personnel appropriately and agency work was accomplished at the highest available level of performance. Executive management implemented a new organizational structure on March 1st, 2010, to clearly reflect and establish the new agency approach.*

*Many of the weaknesses of the filing system were a direct reflection of the old organizational approach. Information and records became disbursed across the organization and maintained without the benefit of centralization. Information often was more difficult to track down, creating some inefficiency when retrieval was necessary.*

*The central file structure project fits nicely with the agency's new structure and cultural climate of integrated teamwork. Having a central file structure will improve access to information for everyone and will ensure that the*

*agency can continue to respond to public information requests in a timely manner.*

*Finally, maintaining a central filing system will help smooth the transition when employees leave the organization. Most of the file deficiency instances cited in the report can be attributed directly to the loss of the legal department staff member responsible for racetrack licensing processing. The SAO report failed to acknowledge the lack of staff resources during the conduct of the audit.*

*Management does appreciate that the Auditor's report further validates the agency's decision to develop a central repository for information. As this project moves forward, the agency will incorporate all of the recommendations.*

#### Chapter 1-B

### **The Agency Should Develop and Implement Detailed Racetrack License Application Processing Policies and Procedures**

The Agency does not have written, detailed policies and procedures that provide guidance to Agency staff who perform the racetrack license application review process. The documentation the Agency provided when auditors requested policies and procedures primarily cited the Texas Racing Act and the Texas Administrative Code and provided a broad overview of the racetrack license application review process, but it did not contain specific procedure steps necessary to help ensure that staff process applications in a thorough and consistent manner.

The Agency's racetrack license application files do not always contain information showing which staff member performed each component of the racetrack license application review or when they performed the review. In addition, the Agency's current process permits staff to provide oral summaries, rather than written summaries, for some components of the racetrack license application review process. While the Agency had in-depth written reports of its financial analyses for the five racetrack license applications that auditors tested, without written policies and procedures, the Agency cannot ensure that it will conduct this level of review on future applications.

Developing and implementing written policies and procedures that contain specific, step-by-step procedures for Agency staff to follow would help to ensure that staff consistently perform all responsibilities during the processing of racetrack license applications. Having written policies and procedures also would help to ensure that new staff are aware of and carry out all responsibilities related to processing racetrack license applications.



## Recommendations

The Agency should develop and implement written, detailed policies and step-by-step procedures for the entire racetrack license application review process, including policies and procedures both for reviewing new racetrack license applications and for reviewing applications for changes of ownership and/or location. At a minimum, these policies and procedures should:

- Provide guidance that details all the steps necessary to review each type of racetrack license application to ensure compliance with the Texas Racing Act and the Texas Administrative Code.
- Require written summaries for each component of the racetrack license application review process that specify the section of the racetrack license application that was reviewed, who conducted the review, the date the review was completed, and the results of the review.

## Management's Response

*The agency appreciates that the SAO audit team validated that the Racing Commission's current racetrack license application process "substantially complied with the Texas Racing Act and the Texas Administrative Code." Additionally, the agency agrees that it can develop more detailed racetrack license application processing policies and procedures.*

*It is important to note that during the sunset review process last biennium, the agency identified a need for additional regulatory tools and resources, as well as changes to the Texas Racing Act that would assist in providing clarity, direction and consistency to the racetrack license application and ownership change process. The Sunset Commission recommended to the 81st Legislature that the Racing Commission move from a system that issues "perpetual licenses" to a system that issues "renewable licenses." The sunset review process yielded proposed changes that would allow the agency to devote new staff resources to racetrack licensing oversight. The changes proposed by Sunset Staff would allow improved documentation of the racetrack licensing processes by staff dedicated to overseeing and managing the racetrack licensing function instead of relying solely on staff assigned to other areas as is currently the practice.*

*The fiscal impact of changes suggested by the auditor is addressed, in part, by the fiscal note estimates developed for the Racing Commission's sunset legislation. Although developing and implementing detailed racetrack licensing procedures would not require all of the \$300,000 to \$400,000 and 3 FTEs (estimated by the Legislative Budget Board), a significant portion of such funding would make it possible to fully accomplish the goals of improving the process as recommended by the SAO.*

*The agency is again going through the sunset review process in 2010-11 in preparation for the 82nd Legislative Session. Based on discussions with legislative staff, the Racing Commission anticipates that this area will be addressed once again during the upcoming review and hearings. In the interim, the agency will ensure improved documentation by existing staff members handling reviews of requests.*

## ***The Agency Processed Racetrack License Applications Substantially in Accordance with Statute and Rules, But Processing Time Took Between 81 and 1,146 Calendar Days***

---

The Agency substantially complied with the Texas Racing Act and the Texas Administrative Code when it processed five racetrack license applications that auditors tested. The Agency's racetrack license application form contains all but one statutory requirement<sup>1</sup>, and its background check disclosure form contains information necessary for the required Department of Public Safety personal, financial, and business background check.

However, neither the Texas Racing Act nor the Texas Administrative Code specifies a maximum number of days within which the Agency must process racetrack license applications. The Agency took from 81 to 1,146 calendar days to process the five racetrack license applications that auditors tested. Those applications were processed and approved or denied between January 29, 2004, and September 15, 2009. The applications tested included three applications for new licenses, an application for a 100 percent change in ownership, and an application for a 100 percent change of ownership and a change of location. Many factors, including the completeness of an application, can affect the amount of time the Agency takes to process a racetrack license application. Application processing also can require the involvement of the Department of Public Safety, the Department of Transportation, and the State Office of Administrative Hearings.

From January 1, 2007, through December 31, 2009, the Agency processed and the Racing Commission approved an additional 13 racetrack license applications requesting less than 100 percent changes in ownership. The Agency took between 14 and 173 calendar days to process those applications, with an average processing time of 60 calendar days. The Agency substantially complied with the Texas Racing Act and the Texas Administrative Code when processing those applications.

---

<sup>1</sup> The Texas Racing Act, Section 6.03, requires a physical description of the applicant, but the Agency's application form does not request this information.

Table 1 summarizes Agency processing times for applications for new racetrack licenses, 100 percent change in ownership, and/or change in location. See Appendix 2 for a detailed processing time line for each application.

Table 1

Summary of Racetrack License Applications the Agency Processed and Submitted to the Racing Commission from January 29, 2004, through September 15, 2009					
	Applications for New Racetrack Licenses			Application for 100 Percent Change in Ownership and Change in Location	Application for 100 Percent Change in Ownership
Racetrack	Laredo Downs	Laredo Race Park	Valle de los Tesoros Race Park	Longhorn Downs	Corpus Christi Greyhound Race Park
Date Agency Received Application	January 29, 2004	January 29, 2004	May 27, 2005	July 23, 2008 <sup>a</sup>	January 16, 2009 <sup>a</sup>
Date Agency Submitted Application to the Racing Commission	March 20, 2007	March 20, 2007	March 20, 2007	September 15, 2009	April 7, 2009
Number of Calendar Days Between Application Receipt and Submission of Application to the Racing Commission	1,146 calendar days <sup>b</sup>	1,146 calendar days <sup>b</sup>	662 calendar days	419 calendar days	81 calendar days
<p><sup>a</sup> The dates presented for both Longhorn Downs and Corpus Christi Greyhound Race Park are the dates on which the applicant resubmitted its original application.</p> <p><sup>b</sup> The Agency referred this application to the State Office of Administrative Hearings, and the application was there for 869 calendar days.</p>					

Source: Auditor analysis of Agency information.

### Processing Time for Racetrack License Applications

Auditors were unable to perform a detailed analysis of the processing times for the five racetrack license applications tested because the Agency did not consistently document key dates in its application files. This hindered an analysis of opportunities to improve the Agency's license application review process. Documenting key milestone dates could enable the Agency to better monitor the timeliness of its review process and identify potential bottlenecks or other problems in processing applications.

There was no Agency review activity for 13 months for the racetrack license application for the Valle de los Tesoros Race Park. The Agency asserted that, during the 13-month period, all of its “racetrack licensing efforts were focused on processing the contested case hearing for the two Webb County [Laredo Downs and Laredo Race Park] applications.” After the Agency began reviewing the Valle de los Tesoros Race Park application, it processed that application in fewer than six months.

#### Factors That Affect Racetrack License Application Processing Time

The processing times for the five applications in Table 1 varied due to the complexity of each application. For example, applications for new racetrack licenses may require more information than an application for a 100 percent change of ownership for a racetrack that has already been built. Other factors that affect racetrack license application processing time include the following:

- **Application completeness.** If the initial application is not complete, the Agency will need to request additional information. For example, processing times for the applications for Laredo Downs and Longhorn Downs included an additional 23 and 35 calendar days, respectively, because the applicants needed to submit additional information.
- **Number of persons for whom a comprehensive background check must be conducted.** The Agency must obtain a complete personal, financial, and business background check from the Department of Public Safety for each individual who is listed in the racetrack license application as owning an interest in the license. Of the 5 racetrack license applications tested, Laredo Race Park had the most individuals requiring a background check at 28, and Longhorn Downs had the fewest at 3. The Agency documented the dates on which it requested background checks for only two of the five racetrack license applications tested: Corpus Christi Greyhound Race Park, for which background check on 9 individuals were completed in 38 calendar days, and Longhorn Downs, for which background checks on 3 individuals were completed in 250 calendar days.

The Agency does not have a written agreement with the Department of Public Safety to provide interagency services. Although the Agency is exempt from the Interagency Cooperation Act requirement to have a written agreement (see text box), it is required to document the exchange through informal letters of agreement or memoranda. Having a written agreement could help to establish expectations regarding how long background checks will take.

**Interagency Cooperation Act  
Texas Government Code,  
Section 771.004**

The Interagency Cooperation Act states that, before an agency may provide or receive services or resources from another agency, there must be a written agreement or contract that contains the kind and amount of services, the basis for computing costs, and the maximum cost during the period.

The Agency is exempt from the requirement to have a written agreement or contract because the amount involved is less than \$50,000, but it is still required to document the exchange through informal letters of agreement or memoranda.

- Applicant litigation. The processing of the racetrack license application for Longhorn Downs was affected by unresolved litigation between the applicants and their prior partners. Because of this, the Department of Public Safety ceased the comprehensive background checks for at least 28 calendar days.<sup>2</sup>
- Required traffic flow studies. Applicants are required to submit a traffic flow study prepared by a traffic engineer. The Department of Transportation then reviews this study. The Agency documented the dates on which it requested the Department of Transportation's review for only three of the five applications tested. The Department of Transportation's reviews took 63 calendar days for Valle de los Tesoros Race Park, 79 days for Corpus Christi Greyhound Race Park<sup>3</sup>, and 305 calendar days for Longhorn Downs.

The Agency does not have a written agreement with the Department of Transportation to provide interagency services, but having a written agreement could help to establish expectations regarding how long traffic flow study reviews will take. The Interagency Cooperation Act requires the Agency to document the exchange through informal letters of agreement or memoranda.

- Referral to the State Office of Administrative Hearings. The Agency referred the applications for Laredo Downs and Laredo Race Park to the State Office of Administrative Hearings on May 3, 2004. The application files did not contain a reason for the referral. These applications were at the State Office of Administrative Hearings for 869 calendar days. The State Office of Administrative Hearings issued a proposal for decision for both applications on September 19, 2006.

## Recommendations

The Agency should:

- Document all key processing dates for each racetrack license application so that it can better determine the time required to complete each component of the application review process.
- Establish written agreements with the Department of Public Safety and the Department of Transportation that include, at a minimum, the scope of work, deliverables, and time lines.

---

<sup>2</sup> The application file did not contain the exact dates on which the background checks were ceased or when those checks resumed. The file contains only the date on which the applicants were notified that the background checks ceased and the date on which the Racing Commission asked the Department of Public Safety to resume the background checks.

<sup>3</sup> The traffic flow study review was completed for a previous application for the same location.

## Management's Response

*Management agrees with the second part of the recommendation suggesting that the agency coordinate with the Department of Public Safety and the Department of Transportation to develop informal letters of agreement or memoranda for exchange of services.*

*However, the SAO recommendation on variability in processing time raises several issues requiring explanation. In good faith, the report clearly identifies the numerous factors that contribute to the wide disparity in the number of days it takes to process an application. The report also clearly acknowledges that variance in processing time is attributable to external factors outside the agency's control.*

*However, the wide range of days from 81 to 1,146 days is presented in a way that report readers could draw the conclusion that some applications took too long to process. By citing the wide range of days in a State audit report, readers can only assume it is problematic as the purpose of the State Auditor is to find problems and in this specific audit, the objective was to determine whether the agency processes racetrack license applications in a timely manner within the law. The SAO does not indicate that a problem exists and in fact points out that neither the Act nor the Rules specify a time frame. Neither does the SAO indicate that the applications are processed timely.*

*The statute and rules in fact support the wide variability of processing in many ways and for a very important reason. The number of days to process an application is a direct result of applicant choices and decision making. For example applicants frequently submit incomplete applications. Time is added to the process each time staff has to contact the applicant for additional information. If the agency rejected incomplete applications, the processing times might look more uniform. Further, there are instances beyond agency control where legal, financial or background issues arise that require further State investigation or consideration by other bodies before the Commission can act on an application. Of some note is that the agency's very funding mechanism recognizes the need for flexibility by allowing the agency to collect more in fees if the process takes longer or to refund fees if it takes less time.*

*To date, no legislative or other accountability review of any kind has indicated that processing time by the Racing Commission has been unreasonable in any way. Indeed, the State's interest would not be effectively served by having shorter processing times or artificially structured key processing date milestones with the goal of having a narrower variance in processing time. The agency supports the recommendation to document key processing dates for each application to better determine the time required to complete each component of the review process but emphasizes that this*

*proposed remedy to an unsubstantiated problem may lead to focus on changes that may not result in any substantial benefit.*



# Appendices

## Appendix 1

### ***Objective, Scope, and Methodology***

---

#### **Objective**

The objective of this audit was to determine whether the Racing Commission (Agency) processes racetrack license applications in a timely manner and in accordance with applicable law and Agency rules.

#### **Scope**

The scope of this audit covered all new racetrack license applications submitted to the Agency since 2004 and all requests to change racetrack license ownership or location that were approved or denied from January 1, 2007, through December 31, 2009.

#### **Methodology**

The audit methodology included reviewing racetrack license application documentation; reviewing applicable law and Agency rules; and conducting interviews with Agency staff. This audit did not include a review of information technology.

Information collected and reviewed included the following:

- Information obtained from interviews with Agency staff.
- The Agency's racetrack license application forms and background check disclosure forms.
- The Agency's racetrack license application files.
- Racing Commission meeting transcripts and materials.
- Reports and correspondence from Agency staff regarding racetrack license application periods.
- Reports from the Agency Executive Director regarding racetrack license applications.
- Correspondence between the Agency and the Department of Transportation.
- Correspondence between the Agency and the Department of Public Safety.
- Uniform Statewide Accounting System data.

- The *Texas Register*.

Procedures and tests conducted included the following:

- Conducted interviews with Agency staff regarding the racetrack license application process.
- Reviewed the Agency's racetrack application files, Racing Commission meeting transcripts and materials, Department of Transportation correspondence, Department of Public Safety correspondence, and Uniform Statewide Accounting System data to determine racetrack license application processing timeliness and compliance with the Texas Racing Act and the Texas Administrative Code.
- Reviewed reports and correspondence from Agency staff, Racing Commission meeting transcripts and materials, and the *Texas Register* to determine the Agency's compliance with Texas Administrative Code requirements regarding racetrack license application periods.
- Reviewed the Agency's racetrack license application forms and background check disclosure forms for compliance with the Texas Racing Act and the Texas Administrative Code.
- Reviewed reports from the Agency's executive director regarding racetrack license applications and the Agency's racetrack application files to determine whether the reports were supported by documentation and whether there was evidence of Agency review of the information in the reports.
- Compared horse racing and greyhound racing industry information from other states to racing industry information in Texas.

Criteria used included the following:

- The Texas Racing Act (Vernon's Civil Statutes, Article 179e).
- Title 16, Texas Administrative Code, Chapters 301 through 323.
- Interagency Cooperation Act (Texas Government Code, Section 771.004).
- Public Information Act (Texas Government Code, Chapter 552).

### **Project Information**

Audit fieldwork was conducted from February 2010 through March 2010. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Becky Beachy, CIA, CGAP (Project Manager)
- Sherry Sewell, CGAP (Assistant Project Manager)
- Katherine Koinis
- Sonya Tao
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- John Young, MPAff (Audit Manager)

## Racetrack License Application Processing Time Lines

Tables 2 and 3 present the time lines associated with the Racing Commission's (Agency) processing of three new racetrack license applications.

Table 2

Time Line Associated with the Agency's Processing of New Racetrack License Applications for Laredo Downs and Laredo Race Park <sup>a</sup>	
Date	Event
October 21, 2003	The Racing Commission received a request to open a horse racetrack license application period for a Class 2 racetrack in Webb County, Texas, for a 60-day period beginning December 1, 2003.
December 1, 2003	The Racing Commission opened the racetrack license application period for a Class 2 horse racetrack license for Webb County, Texas.
January 29, 2004	The Agency received two applications: one was an application for the Laredo Race Park racetrack and the other was for the Laredo Downs racetrack.
January 29, 2004	The Racing Commission closed the racetrack license application period for a Class 2 horse racetrack license for Webb County, Texas.
February 11, 2004	The Agency certified that the Laredo Race Park racetrack application was complete.
February 12, 2004	The Agency's executive director assigned portions of the applications to Agency staff for review.
March 3, 2004	Agency staff met to discuss the results of their application reviews.
March 15, 2004	The Agency certified that the Laredo Downs racetrack application was complete.
May 3, 2004	The Agency filed a request to docket both cases at the State Office of Administrative Hearings.
May 14, 2004	The Agency requested documentation from Webb County regarding certification of the election results for pari-mutuel wagering.
August 17, 2004	The Agency requested an opinion from the Office of the Attorney General regarding the certification of the election results for pari-mutuel wagering in Webb County.
August 18, 2004	The Webb County Elections Administration submitted the precinct-by-precinct election returns to the Agency.
November 2, 2004	The Department of Public Safety submitted the background investigation reports for both applicants to the Agency.
December 4, 2004	The Office of the Attorney General issued an opinion regarding the certification of the election results for pari-mutuel wagering in Webb County.
December 23, 2004	The Department of Transportation submitted the results of its review of the applicants' traffic flow studies to the Agency.
January 2005	Discovery, depositions, motions for summary disposition, and pre-trial hearings for the administrative hearing at the State Office of Administrative Hearings began.
March 2006	The State Office of Administrative Hearings ended the discovery, depositions, motions for summary disposition, and pre-trial hearings.
March 27, 2006	An administrative hearing was convened before two administrative law judges at the State Office of Administrative Hearings.

Time Line Associated with the Agency's Processing of New Racetrack License Applications for Laredo Downs and Laredo Race Park <sup>a</sup>	
Date	Event
April 7, 2006	The administrative hearing before two administrative law judges at the State Office of Administrative Hearings concludes.
September 19, 2006	The State Office of Administrative Hearings issued the proposal for decision.
October 4, 2006	The applicants for the Laredo Downs and the Laredo Race Park filed exceptions to the proposal for decision.
October 19, 2006	The administrative law judges filed responses to the exceptions to the proposal for decision.
October 27, 2006	The administrative law judges modified the proposal for decision. The final recommendation was to issue a racetrack license to Laredo Race Park contingent upon the approval of the sale of Valley Race Park and to deny the Laredo Downs racetrack license application.
January 31, 2007	The Agency approved the request by the Laredo Race Park applicant to delay consideration of the Webb County applications pending the resolution of the sales contract terms for Valley Race Park.
March 14, 2007	The Agency's executive director issued a report for Class 2 racetrack license applications in Webb County.
March 20, 2007	The Racing Commission granted a license to the applicant for the Laredo Downs racetrack. It also conditionally granted a license to the applicant for the Laredo Race Park racetrack contingent upon its sale of Valley Race Park.
August 8, 2008	The Racing Commission granted a license to the applicant for the Laredo Race Park racetrack.
<sup>a</sup> Agency staff processed the racetrack applications for Laredo Downs and Laredo Race Park concurrently.	

Source: Information from the Agency's racetrack application files for Laredo Downs and Laredo Race Park and Racing Commission meeting agendas, transcripts, and meeting materials.

Table 3

Time Line Associated with the Agency's Processing of A New Racetrack License Application for Valle de los Tesoros	
Date	Event
August 12, 2004	The Racing Commission received a request to open an application period for a Class 2 racetrack in Hidalgo County, Texas. Before acting upon the request, the Racing Commission decided to seek an opinion from the Office of the Attorney General regarding Hidalgo County's certification of the 1987 election results for pari-mutuel wagering.
August 17, 2004	The Racing Commission requested an opinion from the Office of the Attorney General regarding the certification of the election results for pari-mutuel wagering in Hidalgo County.
December 4, 2004	The Office of the Attorney General issued an opinion regarding the certification of election results for pari-mutuel wagering in Hidalgo County.
April 1, 2005	The Racing Commission opened the racetrack license application period for a Class 2 horse racetrack license for Hidalgo County, Texas.
May 27, 2005	The Agency received the Valle de los Tesoros racetrack license application.
May 31, 2005	The Racing Commission closed the racetrack license application period for a Class 2 horse racetrack license for Hidalgo County.
August 17, 2005	The Agency certified that the Valle de los Tesoros application was complete.

Time Line Associated with the Agency's Processing of A New Racetrack License Application for Valle de los Tesoros	
Date	Event
March 28, 2006	The Department of Public Safety submitted the background investigation report for the applicant to the Agency.
October 3, 2006	The Agency requested that its deputy director of finance perform a financial review of the racetrack application.
October 9, 2006	The Agency submitted a request to the Department of Transportation for a review of the traffic flow study provided by the applicant.
December 4, 2006	The Agency requested clarifying information from the applicant. The Agency requested that the clarifications be provided by January 4, 2007.
December 11, 2006	The Department of Transportation submitted the results of its review of the applicant's traffic flow study to the Agency.
January 4, 2007	The applicant provided the Agency with the clarifications that the Agency had requested on December 4, 2006.
March 7, 2007	The Agency completed the financial review of the racetrack application.
March 20, 2007	The Racing Commission granted a racetrack license to Valle de los Tesoros.

Source: Information from the Agency's application files for the Valle de los Tesoros Racetrack and Racing Commission meeting agendas, transcripts, and meeting materials.

Tables 4 and 5 present the time lines associated with the Agency's processing of two applications for change in ownership and/or location.

Table 4

Time Line Associated with the Agency's Processing of A 100 Percent Change of Ownership and Change of Location Application For Longhorn Downs	
Date	Event
January 30, 2008	The Agency received an application for a change in ownership and change of location for Longhorn Downs.
January 31, 2008	At the applicant's request, the Agency returned the application it had received on January 30, 2008.
July 23, 2008	The Agency received an amended application for 100 percent change in ownership and change of location for Longhorn Downs.
August 12, 2008	The Agency sent a letter informing the applicant of missing or incomplete items in the application. The items were due to the Agency on September 12, 2008.
September 16, 2008	The applicant requested an extension to the September 12, 2008, deadline for providing information.
September 22, 2008	The applicant provided information in response to the Agency's August 12, 2008, request for additional information.
October 2, 2008	The Agency certified that the application for 100 percent change in ownership and change of location for Longhorn Downs was complete.
October 2, 2008	The Agency submitted a request to the Department of Public Safety to conduct background investigations on all individuals listed in the application.
October 3, 2008	The Agency submitted a request to the Department of Transportation for a review of the traffic flow study provided by the applicant.

Time Line Associated with the Agency's Processing of A 100 Percent Change of Ownership and Change of Location Application For Longhorn Downs	
Date	Event
October 21, 2008	The Agency sent a letter to the applicant requesting additional information related to the traffic flow study.
October 21, 2008	The Agency sent a letter to the applicant advising that the Department of Public Safety ceased its background investigations pending the outcome of litigation between the applicant and its prior partners.
November 18, 2008	The Chairman of the Racing Commission requested that the Department of Public Safety proceed with its background investigations after meeting with Agency staff and applicant representatives.
May 26, 2009	The Agency completed the financial review of the racetrack application.
June 9, 2009	The Department of Public Safety submitted the background investigation report to the Agency.
August 4, 2009	The Department of Transportation submitted the results of its review of the traffic flow study to the Agency.
September 2, 2009	The Agency issued an executive report for the change of ownership and change of location for Longhorn Downs.
September 15, 2009	The Racing Commission denied the request for change of ownership and change of location.

Source: Information from the Agency's application files for Longhorn Downs and Racing Commission meeting agendas, transcripts, and meeting materials.

Table 5

Time Line Associated with the Agency's Processing of A 100 Percent Change of Ownership Application For Corpus Christi Greyhound Racetrack (Now Known as Gulf Coast Racing)	
Date	Event
March 25, 2008	The Agency submitted a request to the Department of Transportation to conduct an analysis of a traffic flow study submitted by an applicant for a 100 percent change of ownership. <sup>a</sup>
June 12, 2008	The Department of Transportation submitted the results of its review of the applicant's traffic flow study to the Agency.
November 19, 2008	The applicant submitted a letter to the Agency requesting approval to purchase Corpus Christi Greyhound Racetrack. The applicant also submitted the appropriate application.
December 15, 2008	The Agency notified the applicant that it had submitted incomplete information or had omitted information from the racetrack application, and it requested that the applicant provide the information to the Agency by January 16, 2009.
January 16, 2009	The applicant submitted an amended application addressing the identified omissions. The amended application replaced the prior application submitted on November 19, 2008.
January 22, 2009	Memo sent from Agency staff to the Agency's executive director regarding the completeness review of the application.
January 23, 2009	The Agency requested that the applicant provide missing and additional information by January 30, 2009.
January 26, 2009	The Agency submitted a request to the Department of Public Safety to conduct background investigations on all individuals listed in the application.

**Time Line Associated with the Agency's Processing of  
A 100 Percent Change of Ownership Application  
For Corpus Christi Greyhound Racetrack (Now Known as Gulf Coast Racing)**

Date	Event
January 30, 2009	The applicant provided the Agency with the additional information requested on January 23, 2009.
February 5, 2009	The Agency inspected the racetrack.
March 5, 2009	The Department of Public Safety submitted the background investigation report to the Agency.
March 23, 2009	The Agency completed the financial review of the racetrack application.
March 31, 2009	The Agency issued an executive report for the Corpus Christi Greyhound Racetrack change of ownership.
April 7, 2009	The Racing Commission granted the request for 100 percent change in ownership.
<sup>a</sup> The Agency received a traffic flow study from a previous applicant. The new applicant submitted the same study, which was deemed acceptable by the Agency.	

Source: Information from the Agency's application files for the Corpus Christi Greyhound Racetrack and Racing Commission meeting agendas, transcripts, and meeting materials.



## History of Racetrack Licenses Issued in Texas

Table 6 presents historical information on all racetrack licenses that the Racing Commission had issued as of December 31, 2009.

Table 6

History of Racetrack Licenses Issued in Texas as of December 31, 2009							
Racetrack (Location)	License Class <sup>a</sup>	Date Licensed	Was Racetrack Constructed?	Status of License <sup>b</sup>	Date Opened <sup>c</sup>	Date Closed <sup>c</sup>	History
G. Rollie White Downs (Brady, TX)	2	4/4/1989	Yes	No license	10/6/1989	12/17/1989	<ul style="list-style-type: none"> <li>▪ G. Rollie White Downs was the first racetrack licensed in Texas.</li> <li>▪ The racetrack closed after 24 days of racing. It became insolvent due to severe financial losses on construction cost overruns, limited crowds, and small betting handles. It lost \$750,000 after only 24 days of racing.</li> <li>▪ The license was not renewed in 1990.</li> </ul>
Bandera Downs (Bandera, TX)	2	4/4/1989	Yes	No license	7/6/1990	6/20/1995	<ul style="list-style-type: none"> <li>▪ Bandera Downs ceased operations citing mounting debts caused by sharp declines in handle and attendance.</li> <li>▪ The license was voluntarily surrendered in July 1995.</li> </ul>
Trinity Meadows (Willow Park, TX)	2	4/5/1989	Yes	No license	5/29/1991	8/7/1996	<ul style="list-style-type: none"> <li>▪ Trinity Meadows closed in August 1996 after losing \$125,000 weekly.</li> <li>▪ Trinity Meadows entered into an agreed order on November 1, 1996, with the Racing Commission that specified that the racetrack license would be voluntarily suspended. The racetrack also agreed to fulfill certain requirements by April 1, 1997. If it did not meet these requirements, its license would be automatically revoked.</li> <li>▪ Prior to April 1, 1997, Trinity Meadows was placed into involuntary Chapter 7 bankruptcy.</li> <li>▪ The Racing Commission revoked the racetrack license effective April 1, 1997, because the licensee did not meet all requirements as set forth in the agreed order. <sup>d</sup></li> <li>▪ The Racing Commission denied the request for a racetrack license on April 30, 1999.</li> <li>▪ The Racing Commission denied a request in December 2009 to open a racetrack license application period (the application period is designated by the Agency and is required before racetrack license applications can be accepted).</li> </ul>

History of Racetrack Licenses Issued in Texas as of December 31, 2009

Racetrack (Location)	License Class <sup>a</sup>	Date Licensed	Was Racetrack Constructed?	Status of License <sup>b</sup>	Date Opened <sup>c</sup>	Date Closed <sup>c</sup>	History
Saddle Brook Park (formerly Lubbock Downs) (Amarillo, TX)	2	4/25/1989	No	Inactive	-	-	<ul style="list-style-type: none"> <li>▪ Lubbock Downs voluntarily surrendered its racetrack license in 1990 in lieu of revocation due to its not obtaining financing to build a racetrack.</li> <li>▪ The Racing Commission reinstated the racetrack license on January 31, 1992, after the Office of the Attorney General ruled that the newly enacted Section 6.19 of the Texas Racing Act required the Racing Commission to reinstate the license.</li> <li>▪ In June 1994, the Racing Commission granted a request for a change of location to another site within Lubbock County.</li> <li>▪ On August 9, 2001, the Racing Commission approved a 100 percent change of ownership request and Lubbock Downs became Saddle Brook Park. The Racing Commission also granted a request to relocate the track from Lubbock County to Randall County.</li> <li>▪ Saddle Brook Park ceased construction of a racetrack in early 2004 due to an issue with the U.S. Environmental Protection Agency regarding sewage disposal.</li> <li>▪ During the October 2009 Racing Commission meeting, Saddle Brook Park reported that there was no longer an issue with the U.S. Environmental Protection Agency.</li> </ul>
Longhorn Downs (Austin, TX)	2	5/1/1989	No	Inactive	-	-	<ul style="list-style-type: none"> <li>▪ In 1993, the Racing Commission approved a request for a change of location for the Longhorn Downs racetrack from its original site in Round Mountain to a site in Grand Prairie.</li> <li>▪ In 1994, the Racing Commission approved an agreement to return control of the Longhorn Downs license to the original owners and to relocate the license back to Round Mountain.</li> <li>▪ The Racing Commission approved a request for a 100 percent change of ownership on January 19, 2000. It also approved a change of location to a site in east Austin.</li> <li>▪ On June 10, 2004, the Racing Commission approved a request for a change of ownership on the condition that the new owner received a satisfactory background check.</li> <li>▪ Longhorn Downs requested a change of location on November 22, 2004, seeking relocation to Pflugerville. The Racing Commission delayed consideration of the change until August 2005, at which time Longhorn Downs (1) was required to demonstrate that the new site was in the</li> </ul>

**History of Racetrack Licenses Issued in Texas as of December 31, 2009**

Racetrack (Location)	License Class <sup>a</sup>	Date Licensed	Was Racetrack Constructed?	Status of License <sup>b</sup>	Date Opened <sup>c</sup>	Date Closed <sup>c</sup>	History
							<p>public interest or (2) had to present an alternative site. This request was not brought back before the Racing Commission for consideration.</p> <ul style="list-style-type: none"> <li>On September 15, 2009, the Racing Commission denied a request for a 100 percent change of ownership and a request for change of location to a 165-acre site approximately 15 miles south of Dallas.</li> </ul>
Manor Downs (Manor, TX)	2	5/3/1989	Yes	Active	10/11/1990	-	<ul style="list-style-type: none"> <li>The Manor Downs racetrack has offered racing in central Texas since 1974.</li> </ul>
La Bahia Downs (Goliad, TX)	2	5/4/1989	Yes	No license	-	-	<ul style="list-style-type: none"> <li>In May 1989, the Racing Commission granted a racetrack license on the condition that La Bahia Downs secure \$6 million to rebuild the racetrack.</li> <li>On November 29, 1990, the Racing Commission voted not to renew the racetrack license.</li> <li>The Racing Commission reinstated the racetrack license on January 31, 1992, after the Office of the Attorney General ruled that the newly enacted Section 6.19 of the Texas Racing Act required the Racing Commission to reinstate the license.</li> <li>There is no information available regarding when the La Bahia Downs racetrack license was revoked or surrendered.</li> </ul>
Valley Race Park (formerly Valley Greyhound Park) (Harlingen, TX)	G	5/12/1989	Yes	Active (No Live Racing)	11/14/1990 (Reopened 3/17/2000)	10/1/1995	<ul style="list-style-type: none"> <li>Because of its inability to augment declining revenues, the racetrack ceased live operations on September 4, 1995, and simulcast operations on September 30, 1995. The racetrack closed on October 1, 1995.</li> <li>On January 19, 2000, the Racing Commission approved a 100 percent change of ownership and approved live racing dates beginning December 15, 2000.</li> <li>The racetrack changed its name from Valley Greyhound Park to Valley Race Park. Valley Race Park reopened for pari-mutuel wagering on March 17, 2000. It resumed live racing on December 15, 2000.</li> <li>On September 15, 2009, the Racing Commission granted a request from Valley Race Park to hold no live race meetings during 2009 and 2010. The Racing Commission approved racing dates for 2011. As of December 31, 2009, the racetrack was offering only simulcast racing.</li> </ul>

**History of Racetrack Licenses Issued in Texas as of December 31, 2009**

Racetrack (Location)	License Class <sup>a</sup>	Date Licensed	Was Racetrack Constructed?	Status of License <sup>b</sup>	Date Opened <sup>c</sup>	Date Closed <sup>c</sup>	History
Del Rio Downs (Del Rio, TX)	2	5/22/1989	Yes	No license	-	-	<ul style="list-style-type: none"> <li>On May 22, 1989, the Racing Commission granted Del Rio Downs a license on the condition that the racetrack's principals raise \$2 million for track improvements.</li> <li>The racetrack did not secure financing.</li> <li>In 1990, the owners requested to be dropped from consideration for a renewed racetrack license.</li> </ul>
Gulf Coast Racing (formerly Corpus Christi Greyhound Race Track) (Corpus Christi, TX)	G	7/17/1989	Yes	Active (No Live Racing)	11/15/1990 (Reopened 7/3/2009)	12/31/2007 -	<ul style="list-style-type: none"> <li>On December 31, 2007, Corpus Christi Greyhound Race Park ceased pari-mutuel operations.</li> <li>In April 2009, the Racing Commission approved a 100 percent change of ownership request. The facility reopened under the name Gulf Coast Racing on July 3, 2009, for simulcast wagering. As of December 31, 2009, the track was not running live races.</li> <li>In December 2009, the Racing Commission approved a request for 20 percent change in ownership.</li> </ul>
Gillespie County Fair and Festivals (Fredericksburg, TX)	3	12/11/1989	Yes	Active	5/26/1990	-	<ul style="list-style-type: none"> <li>In 1881, Gillespie County Fair and Festivals Association, a non-profit county fair organization, held its first racing meeting.</li> <li>In 2000, it started offering simulcast racing.</li> </ul>
Gulf Greyhound Park (La Marque, TX)	G	1/29/1991	Yes	Active	11/10/1992	-	<ul style="list-style-type: none"> <li>A groundbreaking ceremony for the facility was held on June 13, 1991.</li> </ul>
Sam Houston Race Park (Houston, TX)	1	8/12/1991	Yes	Active	4/29/1994	-	<ul style="list-style-type: none"> <li>Sam Houston Race Park filed for Chapter 11 bankruptcy on April 17, 1995. It emerged from Chapter 11 reorganization in September 1995.</li> </ul>
Retama Park (Selma, TX)	1	9/3/1991	Yes	Active	4/5/1995	-	<ul style="list-style-type: none"> <li>Retama Park filed for Chapter 9 bankruptcy March 20, 1996. It emerged from bankruptcy in March 26, 1997.</li> <li>In 2007, the Racing Commission approved three separate requests for changes in ownership of less than 5 percent. The approval dates were January 31, 2007; August 8, 2007; and October 4, 2007.</li> </ul>
Lone Star Park at Grand Prairie (Grand Prairie, TX)	1	10/2/1992	Yes	Active	4/17/1997	-	<ul style="list-style-type: none"> <li>In October 2002, the Racing Commission approved a 100 percent transfer of ownership.</li> <li>In March 2009, Lone Star Park's parent company, Magna Entertainment Corporation, filed for Chapter 11 bankruptcy. In September 2009, the racetrack filed for bankruptcy.</li> <li>In October 2009, Lone Star Park was purchased in an auction.</li> </ul>

History of Racetrack Licenses Issued in Texas as of December 31, 2009

Racetrack (Location)	License Class <sup>a</sup>	Date Licensed	Was Racetrack Constructed?	Status of License <sup>b</sup>	Date Opened <sup>c</sup>	Date Closed <sup>c</sup>	History
Laredo Downs (Laredo, TX)	2	3/20/2007	No	Inactive	-	-	<ul style="list-style-type: none"> <li>▪ On May 14, 2007, the Racing Commission ordered Laredo Downs to post a security in the amount of \$140,000 to ensure that it had a racing facility constructed and could conduct simulcast wagering and live races by the January 1, 2009, and July 1, 2009, respectively.</li> <li>▪ Laredo Downs forfeited the security in 2009 because it did not meet the dates to start simulcasting or begin live races.</li> <li>▪ The Racing Commission approved five separate requests for changes in ownership of less than 5 percent. One request was approved on August 8, 2007; one request was approved on August 5, 2008; and three requests were approved on September 15, 2009.</li> </ul>
Valle de los Tesoros Race Park (Hidalgo, TX)	2	3/20/2007	No	Inactive	-	-	<ul style="list-style-type: none"> <li>▪ On May 5, 2008, the Racing Commission ordered Valle de los Tesoros to post a security in the amount of \$180,000 to ensure that it had a racing facility constructed and conducted simulcasting and live races by January 1, 2009, and July 1, 2009, respectively.</li> <li>▪ Valle de los Tesoros forfeited the security because it did not meet the dates to start simulcasting or begin live races.</li> <li>▪ The Racing Commission approved four separate requests for changes in ownership of less than 5 percent. One request was approved on August 8, 2007; one request was approved on August 5, 2008; and two requests were approved on September 15, 2009.</li> </ul>
Laredo Race Park (Laredo, TX)	2	9/1/2007	No	Inactive	-	-	<ul style="list-style-type: none"> <li>▪ On March 20, 2007, the Racing Commission granted Laredo Race Park a conditional license contingent upon the sale of Valley Race Park.</li> <li>▪ On August 8, 2007, the Racing Commission granted a racetrack license effective September 1, 2007.</li> <li>▪ On August 8, 2007, the Racing Commission ordered the Laredo Race Park to post \$140,000 in security to ensure that it conducted simulcasting and live races by July 15, 2009, and December 1, 2009, respectively.</li> <li>▪ Laredo Race Park did not meet the requirements to begin simulcasting or conduct live racing. As of December 31, 2009, the security had not been forfeited.</li> </ul>

**History of Racetrack Licenses Issued in Texas as of December 31, 2009**

Racetrack (Location)	License Class <sup>a</sup>	Date Licensed	Was Racetrack Constructed?	Status of License <sup>b</sup>	Date Opened <sup>c</sup>	Date Closed <sup>c</sup>	History
<p><sup>a</sup> License classes for horse racing tracks are defined by the Texas Racing Act and are included in Table 7 below. Greyhound racing tracks are designated in Table 6 with a "G."</p> <p><sup>b</sup> The status of racetrack licenses includes:</p> <ul style="list-style-type: none"> <li>▪ Active: The racetrack has a current racetrack license and the racetrack is conducting live racing.</li> <li>▪ Active (No Live Racing): The racetrack has a current racetrack license but is not conducting live racing. However, the racetrack is providing simulcast wagering.</li> <li>▪ Inactive: The racetrack has a racetrack license but the racetrack has not been constructed.</li> <li>▪ No license: The racetrack license was either surrendered or revoked by the Racing Commission.</li> </ul> <p><sup>c</sup> These are the dates on which the racetrack opened and/or closed as a pari-mutuel wagering facility.</p> <p><sup>d</sup> Trinity Meadows failed to meet the following requirements set forth in the agreed order:</p> <ul style="list-style-type: none"> <li>▪ Requirement to submit a management and capitalization plan to reopen and operate the track during its 1997 live racing meeting.</li> <li>▪ Requirement to provide proof of receipt of additional capital in the amount of \$300,000 before April 1, 1997.</li> </ul>							

Sources: Information from the Agency's racetrack application files; Racing Commission meeting agendas, transcripts, and meeting materials; Racing Commission's annual reports; the *Texas Register*; and various news articles.

Section 6.02 of the Texas Racing Act specifies classifications for horse racing tracks. Table 7 presents information about the licenses associated with each of the four classifications.

Table 7

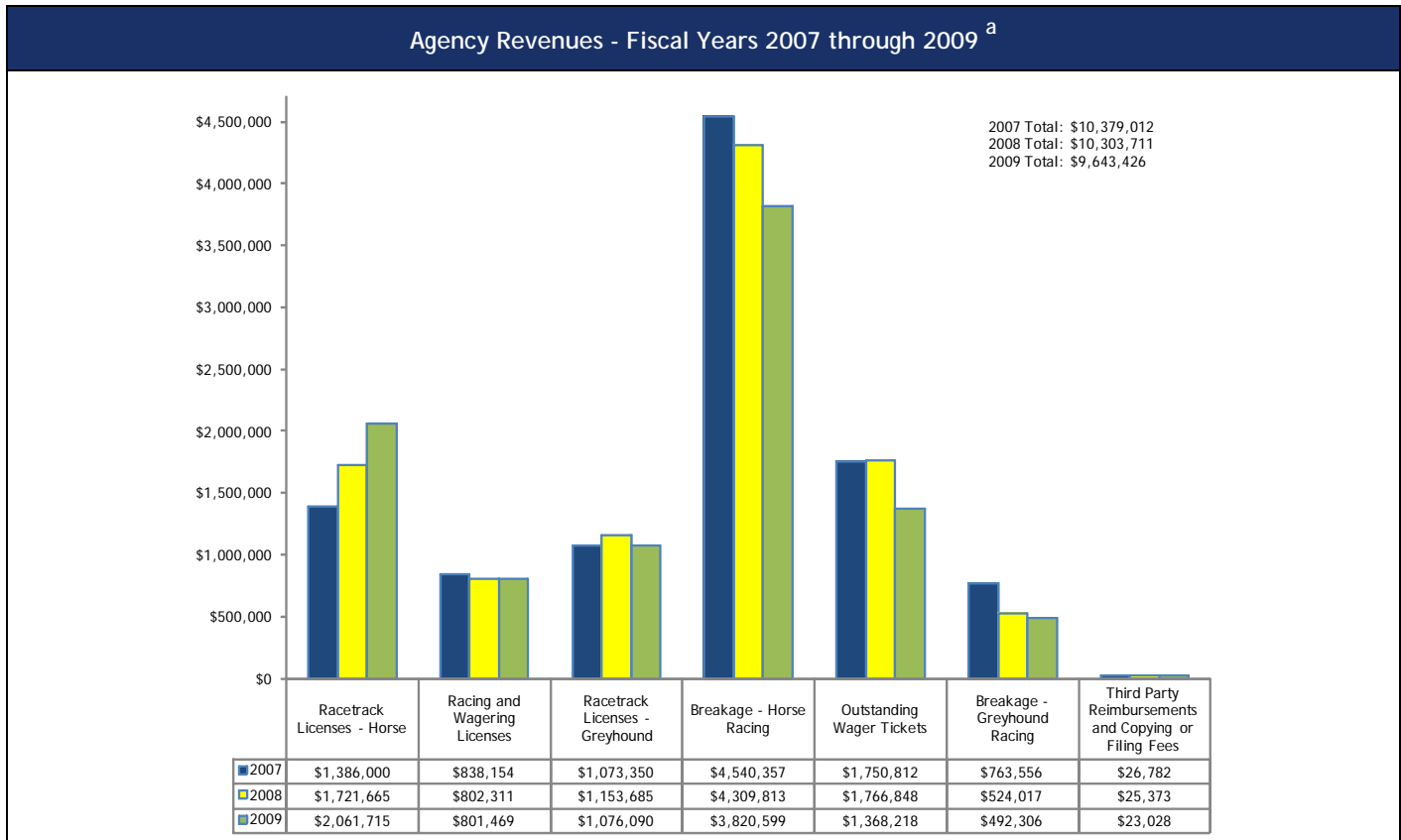
Licenses for Horse Racing Tracks in Texas		
License Class	Number of Live Race Dates Allowed	Other License Information
Class 1	The number of days and the dates of live races for a class 1 license are determined and approved by the Racing Commission.	<ul style="list-style-type: none"> <li>▪ A class 1 racetrack may operate only in a county with a population of not less than 1.3 million or in a county adjacent to a county with such a population.</li> <li>▪ No more than three class 1 racetracks may be licensed and operated in the state.</li> </ul>
Class 2	Racetracks with a class 2 license are entitled to conduct 60 days of live racing in a calendar year on dates determined and approved by the Racing Commission.	<ul style="list-style-type: none"> <li>▪ A racetrack may request from the Racing Commission more or fewer days of live racing. The Racing Commission determines whether to grant the request based upon economic feasibility and the best interests of the state and the racing industry.</li> <li>▪ The Racing Commission may grant more than 60 calendar days of live racing to an association that holds a class 2 license and is located in a national historic district.</li> </ul>
Class 3	Racetracks with a class 3 license may conduct no more than 16 days of live racing in a calendar year on dates they select.	<ul style="list-style-type: none"> <li>▪ A class 3 racetrack is operated by a county or a nonprofit fair that was operating in 1986.</li> </ul>
Class 4	Racetracks with a class 4 license may conduct no more than 5 days of live racing in a calendar year on dates they select and that the Racing Commission approves.	<ul style="list-style-type: none"> <li>▪ Class 4 licenses are for racetracks operated by a county fair under Section 12.03 of the Texas Racing Act.</li> <li>▪ Section 12.03 of the Texas Racing Act specifies that a county that holds a class 4 racetrack license may conduct an annual race meeting in connection with a livestock show or exhibition.</li> <li>▪ A race meeting held under a class 4 license must be conducted on a day when general fair activities are conducted.</li> <li>▪ The county that holds a class 4 license may contract with an agent licensed under the Texas Racing Act to conduct any portion of a race meeting.</li> </ul>

Source: Sections 6.02 and 12.03 of the Texas Racing Act.

## Agency Revenues and Expenditures

Figure 1 shows Racing Commission (Agency) revenues for fiscal years 2007 through 2009.

Figure 1



<sup>a</sup> Totals may not sum exactly due to rounding.

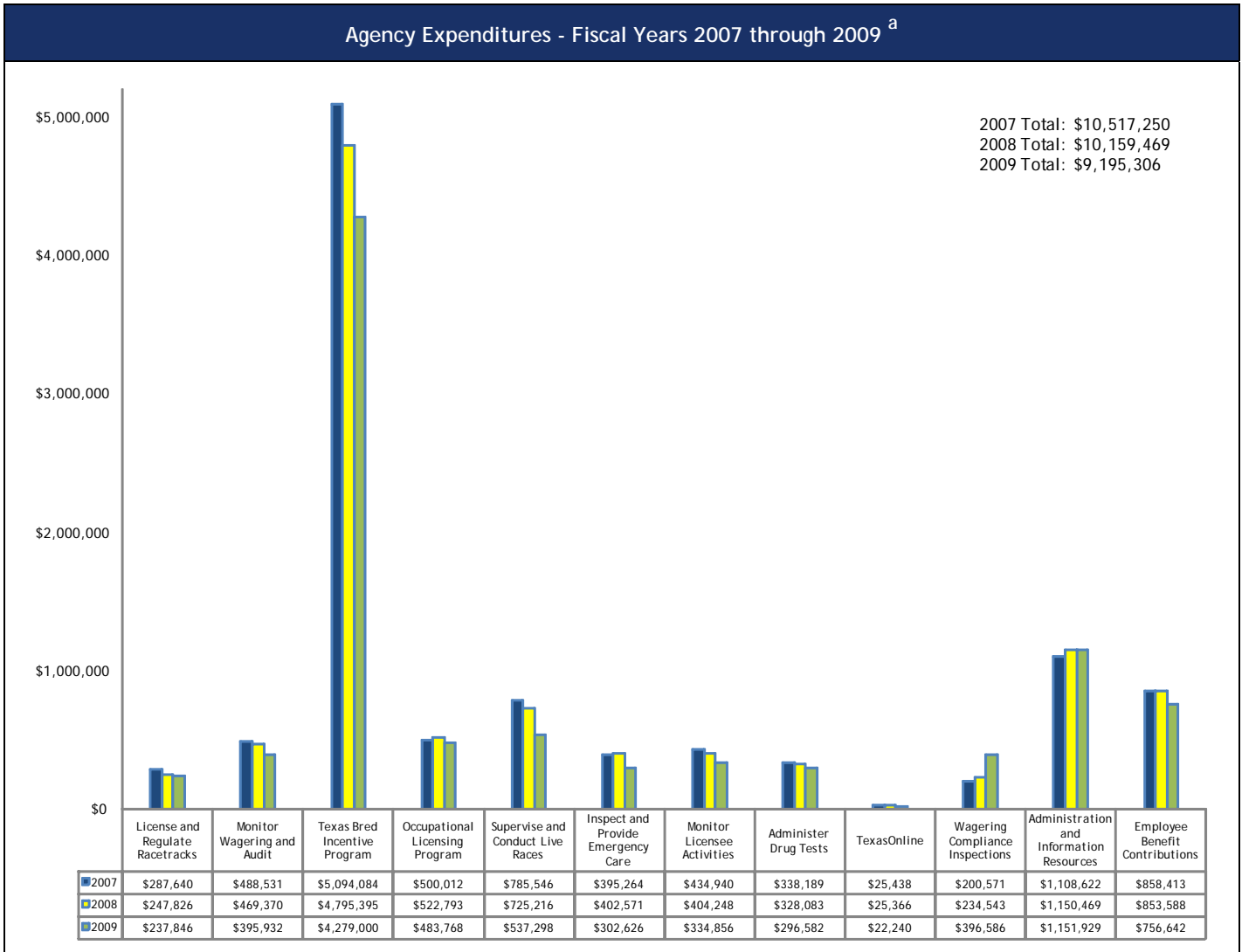
Revenue Category Descriptions:

- **Racetrack Licenses - Horse:** The Agency is required to annually prescribe reasonable license fees sufficient to pay the costs of administering and enforcing the licensing program. Licenses are required for each horse racetrack.
- **Racing and Wagering Licenses:** The Agency is required to adopt categories of licenses, and it sets fees for each license type. Individuals (other than spectators) must obtain a license if they are involved in any capacity with racing that has pari-mutuel wagering.
- **Racetrack Licenses - Greyhound:** The Agency is required to annually prescribe reasonable license fees sufficient to pay the costs of administering and enforcing the licensing program. Licenses are required for each greyhound racetrack.
- **Breakage - Horse Racing:** Breakage, which is defined as the odd pennies remaining after a pari-mutuel pool is divided among the winning wagerers, is distributed by allocating 2 percent to the equine research account. The remaining 98 percent is allocated to (1) the state horse breeding registry; (2) the appropriate association to retain funds for use in stakes races restricted to accredited Texas-bred horses; and (3) the appropriate state horse breeding registry to pay owners and breeders of accredited Texas-bred horses that finish first, second, or third.
- **Outstanding Wager Tickets:** The Agency receives the money from the racetracks for uncashed winning tickets minus the charges associated with medication or drug testing.
- **Breakage - Greyhound Racing:** Breakage from greyhound races is remitted to the Agency, which then distributes 50 percent to the State. The remainder is distributed to the appropriate state greyhound breeding registry to be used in stakes races (25 percent) and by the state greyhound breeding registry (25 percent).
- **Third Party Reimbursements and Copying or Filing Fees:** Third party reimbursements are received from (1) a source other than the original payee or (2) for items for which no original expenditures were made (for example, witness fees for state employees' expert testimony). The Agency may charge fees to cover the costs of copying or filing records that are not covered by other special legislative authority.

Sources: Uniform Statewide Accounting System and Section IX - Revenue Codes in *Comptroller Manual of Accounts - Volume II*.

Figure 2 shows Agency expenditures for fiscal years 2007 through 2009.

Figure 2



<sup>a</sup> Totals may not sum exactly due to rounding.

**Expenditure Category Descriptions:**

- **License and Regulate Racetracks:** The Agency expends funds in areas such as salaries, wages, training, and equipment to provide regulatory and enforcement services to racetrack owners.
- **Monitor Wagering and Audit:** The Agency expends funds in areas such as salaries, wages, and travel to regulate pari-mutuel wagering.
- **Texas Bred Incentive Program:** The Agency makes breakage payments to the appropriate state horse breeding registry, horse owners, and breeders to administer the Texas Bred Incentive Program, which provides economic incentives to support the breeding industry in the state.
- **Occupational Licensing Program:** The Agency expends funds in areas such as salaries, wages, and travel to administer the occupational licensing program.
- **Supervise and Conduct Live Races:** The Agency expends funds in areas such as salaries, wages, and travel to supervise the conduct of live race meets.
- **Inspect and Provide Emergency Care:** The Agency expends funds in areas such as salaries, wages, travel, and veterinarian services to inspect all race animals, stables, and kennels to ensure the health and safety of animals.
- **Monitor Licensee Activities:** The Agency expends funds in areas such as salaries, wages, and travel to monitor occupational licensees and investigate complaints or other matters.
- **Administer Drug Tests:** The Agency expends funds in areas such as salaries, wages, and travel to perform drug screenings on race animals.



## Agency Expenditures - Fiscal Years 2007 through 2009 <sup>a</sup>

- TexasOnline: The Agency expends funds to pay for the fees associated with processing the occupational licenses that individuals apply for through TexasOnline.
- Wagering Compliance Inspections: The Agency expends funds in areas such as salaries, wages, and travel to conduct inspections of live and simulcast racing meets.
- Administration and Information Resources: The Agency expends funds in areas such as rent, computer equipment, salaries, wages, and benefit replacement pay for its administration and information resources.
- Employee Benefit Contributions: The Agency expends funds in areas such as state retirement, Old-Age and Survivors Insurance (OASI), and group insurance for its employees.

Sources: Uniform Statewide Accounting System; Section V - Expenditure Codes, *Comptroller Manual of Accounts - Volume I*; and the *General Appropriations Act for the 2008-2009 Biennium*.

## ***Statutory Changes Related to Racetrack Application Processing Time Lines and the Term of a Racetrack License***

---

In 1986, the Texas Legislature enacted the Texas Racing Act, which is codified in Vernon’s Texas Civil Statutes, Article 179e.

Presently, neither the Texas Racing Act nor the Texas Administrative Code specifies a maximum number of days within which the Texas Racing Commission (Agency) must process racetrack license applications. Additionally, the term of a racetrack license changed from three years to perpetual in 1991.

Table 8 presents the various changes related to time lines for processing racetrack applications and the term of a racetrack license.

Table 8

Changes in the Texas Racing Act Related to Application Processing Time Lines and the Duration of a Racetrack License		
Topic	Racetrack Legislation, Legislative Session, and Effective Date	
	Senate Bill 15 (69th Legislature) December 16, 1986	House Bill 2263 (72nd Legislature) August 26, 1991
Time Line for Issuing Racetrack Licenses	Sections 6.04(c) required the Racing Commission to either issue or refuse to issue a license within 120 days from the date the application was received. The Racing Commission could vote to extend the deadline for good cause for a period not to exceed 30 days.	Section 6.04(c) was repealed.
Term of a Racetrack License <sup>a</sup>	Section 6.03 required applicants for a racetrack license or a racetrack renewal license to submit an application and pay a fee to the Racing Commission.	Section 6.03 was amended to exclude the terms “renewal license” and “renewal.” Section 6.18 was added to the Texas Racing Act and made the term of a license perpetual.
<sup>a</sup> Title 16, Texas Administrative Code, Section 305.264, which became effective November 15, 1988, required renewal applications for a racetrack license to be submitted to the Racing Commission annually. The Racing Commission repealed that rule effective November 22, 1991.		

Sources: Senate and House bills and Texas Administrative Code sections cited in this table.

## State Racetrack Licensing Information

Table 9 summarizes information for all states that had live greyhound or horse racing as of April 30, 2010. The information presented includes only wagering directly related to the racetracks. Other types of wagering or gambling offered in the states are not included. The states of Arkansas, Florida, Michigan, and Wisconsin will revoke or suspend a license if the racetrack is not built within a timeframe specified in those states' law.

Table 9

Overview of Racing Industry by State			
State <sup>a</sup>	Length of License <sup>b</sup>	Types of Wagering Allowed <sup>c</sup>	Types of Racing
Arizona	Three to five years	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>
Arkansas	Racetrack license - perpetual Race meet <sup>d</sup> license - one year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Electronic games of skill</li> <li>• Card rooms</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>
California	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Account wagering</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Colorado	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>
Delaware	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Florida	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Racinos</li> <li>• Card room</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>
Idaho	Every race meet <sup>d</sup>	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Account wagering</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Illinois	Three-year maximum	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Account wagering</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Indiana	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Iowa	Three years	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>
Kansas	Not to exceed 25 years	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>
Kentucky	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>

Overview of Racing Industry by State			
State <sup>a</sup>	Length of License <sup>b</sup>	Types of Wagering Allowed <sup>c</sup>	Types of Racing
Louisiana	One or 10 years	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Account wagering</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Maine	Two years	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Maryland	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Massachusetts	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Michigan	Perpetual if licensee pays an annual fee	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Minnesota	Perpetual	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Card rooms</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Montana	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Nebraska	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Nevada	Perpetual	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
New Hampshire	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Games of chance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>
New Jersey	One year renewals for 10 years	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Account wagering</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
New Mexico	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
New York	Non-franchise corporation - one year Franchise corporation - not more than 25 years, ending on December 31, 2033	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Account wagering</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
North Dakota	One year, one season, or as permitted by that state's racing commission	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Ohio	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Oklahoma	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Oregon	Three years	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Account wagering</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>

**Overview of Racing Industry by State**

State <sup>a</sup>	Length of License <sup>b</sup>	Types of Wagering Allowed <sup>c</sup>	Types of Racing
Pennsylvania	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Account wagering</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
South Dakota	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Texas	Perpetual	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>
Virginia	Not less than 20 years	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Account wagering</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
Washington	Every race meet <sup>d</sup>	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> <li>• Account wagering</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>
West Virginia	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Racinos</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> <li>▪ Horse</li> </ul>
Wisconsin	Five years	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Greyhound</li> </ul>
Wyoming	One year	<ul style="list-style-type: none"> <li>• Wagering at racetrack facility</li> <li>• Off-track betting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Horse</li> </ul>

<sup>a</sup> Information for Alabama is not included in this table because racing is not regulated at the state level in Alabama.

<sup>b</sup> Each state provides a license to conduct pari-mutuel wagering; however, each state licenses entities differently. For example, one state may license a racetrack while another state may license a race meet.

<sup>c</sup> The types of wagering allowed include:

- Wagering at racetrack facility: Pari-mutuel wagering that occurs at the racetrack facility.
- Off-track betting: Pari-mutuel wagering that occurs outside of a racetrack.
- Electronic games of skill: The racetrack facility has electronic games that afford an opportunity to exercise skill or judgment for which the outcome is not completely controlled by chance alone.
- Card rooms: Racetrack facility operates wagering on card games, such as poker and blackjack.
- Account wagering: Bettors have an account through which wagers are debited and winnings are credited. Wagers can be placed by telephone, Internet, and/or authorized racetracks and off-track wagering facilities.
- Racinos: Racetrack facilities that also have a casino attached. These facilities have slot machines and may offer other forms of gambling.
- Games of chance: Any game involving gambling excluding games involving the use of a slot machine or any other similar devices.

<sup>d</sup> A race meet is series of races held during a specific period of time.

Sources: States statutes regarding pari-mutuel wagering licenses, state racing commission or board Web sites, racetrack Web sites, and an analysis of pari-mutuel wagering and gaming in other states that the Racing Commission provided to the Texas Legislature.

## Racetrack Statistics for Texas and Other States

Table 10 summarizes state revenue in Texas from live and simulcast horse and greyhound races in 2006, 2007, 2008, and 2009.

Table 10

State Revenue, Purses Paid, and Wagers on Horse and Greyhound Races in Texas 2006-2009						
Type of Race	State Revenue from Wagers on Live Race <sup>a</sup>	State Revenue from Wagers on Simulcast Races	Total State Revenue	Purses Paid	Total Wagered (Handle)	Percentage of Total State Revenue to Total Wagers
<b>2006</b>						
Horse	\$ 0	\$3,685,576	\$3,685,576	\$38,576,468	\$412,336,532	0.89%
Greyhound	<u>0</u>	<u>713,145</u>	<u>713,145</u>	<u>4,922,639</u>	<u>91,897,038</u>	0.78%
Totals	\$ 0	\$4,398,721	\$4,398,721	\$43,499,107	\$504,233,570	0.87%
<b>2007</b>						
Horse	\$ 0	\$3,674,366	\$3,674,366	\$37,264,081	\$408,757,767	0.90%
Greyhound	<u>0</u>	<u>677,499</u>	<u>677,499</u>	<u>4,400,461</u>	<u>84,442,223</u>	0.80%
Totals	\$0	\$4,351,865	\$4,351,865	\$41,664,542	\$493,199,990	0.88%
<b>2008</b>						
Horse	\$ 0	\$3,504,910	\$3,504,910	\$35,095,599	\$387,459,895	0.90%
Greyhound	<u>0</u>	<u>504,289</u>	<u>504,289</u>	<u>3,578,156</u>	<u>59,776,028</u>	0.84%
Totals	\$ 0	\$4,009,199	\$4,009,199	\$38,673,755	\$447,235,923	0.90%
<b>2009</b>						
Horse	\$ 0	\$3,024,191	\$3,024,191	\$30,244,759	\$329,335,187	0.92%
Greyhound	<u>0</u>	<u>567,547</u>	<u>567,547</u>	<u>3,390,036</u>	<u>65,198,680</u>	0.87%
Totals	\$ 0	\$3,591,738	\$3,591,738	\$33,634,795	\$394,533,867	0.91%
<sup>a</sup> According to the Texas Racing Act, Section 6.093(b), the State receives a share of the live wagers after \$100 million has been wagered at an individual track.						

Sources: Unaudited information as of December 31 of each year from the Texas Racing Commission's 2006, 2007, 2008, and 2009 annual reports.

Tables 11 through 16 show the amounts wagered, purses paid, and state revenue for horse racing and greyhound racing in Texas and other states in 2006, 2007, and 2008. These tables include information for only those states for which information was available.

Table 11

Amounts Wagered on Horse Racing in Texas Compared with Other States					
State <sup>a</sup>	Total Amount Wagered (Handle)			Number of Racetracks	Types of Horse Racing
	2006	2007	2008		
California <sup>b</sup>	\$2,621,359,708	\$2,626,599,138	\$2,548,335,029	13	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Arabian</li> <li>▪ Paint Horse</li> <li>▪ Mule</li> <li>▪ Harness/Standardbred</li> <li>▪ Mixed</li> </ul>
New York	\$2,596,650,674	\$2,607,256,369	\$2,451,071,694	11	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
New Jersey	\$984,921,086	\$970,099,571	\$934,018,819	4	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Florida <sup>b</sup>	\$952,959,247	\$933,688,697	\$872,890,878	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Illinois	\$952,119,485	\$928,898,436	\$818,655,036	6	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Kentucky	\$485,990,407	\$469,599,912	\$489,622,333	8	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Texas	\$412,336,532	\$408,757,767	\$387,459,895	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Mixed</li> </ul>
Maryland	\$474,998,270	\$446,571,934	\$378,256,778	6	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Ohio	\$430,274,335	\$372,142,138	\$329,202,045	7	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Virginia	\$242,986,036	\$248,810,454	\$245,374,815	1	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Michigan	\$281,192,788	\$260,962,790	\$231,226,291	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> <li>▪ Mixed</li> </ul>
Arizona <sup>b</sup>	\$200,489,015	\$185,138,111	\$185,007,747	9	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>

**Amounts Wagered on Horse Racing in Texas Compared with Other States**

State <sup>a</sup>	Total Amount Wagered (Handle)			Number of Racetracks	Types of Horse Racing
	2006	2007	2008		
Massachusetts	\$202,043,582	\$204,445,497	\$183,382,967	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Indiana	\$182,216,624	\$175,767,324	\$163,953,976	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
New Mexico	\$130,554,348	\$114,661,270	\$109,833,691	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>
Oklahoma	\$106,199,577	\$102,035,804	\$103,576,306	4	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Paint Horse</li> <li>▪ Appaloosa</li> <li>▪ Mixed</li> </ul>
West Virginia	\$89,283,561	\$84,177,249	\$74,824,006	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> </ul>
Delaware	\$86,227,566	\$76,536,167	\$67,099,970	3	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Arabian</li> <li>▪ Harness/Standardbred</li> </ul>
Minnesota	\$74,939,620	\$69,193,108	\$66,235,804	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
New Hampshire	\$88,518,769	\$77,472,048	\$65,840,750	1	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Washington	\$36,689,351	\$44,449,120	\$49,461,378	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> </ul>
Idaho	\$24,062,074	\$24,913,481	\$22,289,036	8	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Paint Horse</li> <li>▪ Appaloosa</li> </ul>
Iowa	\$19,885,102	\$21,167,948	\$18,614,920	1	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Wyoming	\$11,603,600	\$10,972,118	\$11,853,029	1	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>
South Dakota <sup>b</sup>	\$6,406,355	\$7,363,548	\$6,519,280	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>
Nebraska	\$101,200,000	\$96,800,000	Not Available	6	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>

<sup>a</sup> Unless otherwise noted, the amounts reported are for the calendar year.

<sup>b</sup> The amounts reported for the states of Arizona, California, Florida, and South Dakota are for the fiscal years beginning on July 1 and ending on June 30.

Sources: Unaudited information from the 2006 through 2008 annual reports prepared by the racing commission in the states listed in this table.



Table 12

Total Purses Paid on Horse Racing in Texas Compared with Other States					
State <sup>a</sup>	Total Purses Paid			Number of Racetracks	Types of Horse Racing
	2006	2007	2008		
New York	\$179,407,939	\$229,687,871	\$232,665,173	11	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
California <sup>b</sup>	\$169,265,203	\$170,038,461	\$166,313,109	13	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Arabian</li> <li>▪ Paint Horse</li> <li>▪ Mule</li> <li>▪ Harness/Standardbred</li> <li>▪ Mixed</li> </ul>
Florida <sup>b</sup>	\$66,207,099	\$73,019,169	\$98,150,152	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Delaware <sup>c</sup>	\$35,871,319	\$38,160,160	\$81,192,861	3	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Arabian</li> <li>▪ Harness/Standardbred</li> </ul>
Illinois	\$89,124,783	\$85,372,776	\$79,746,987	6	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Kentucky	\$93,533,190	\$95,535,751	\$76,681,597	8	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
New Mexico	\$70,954,126	\$60,921,257	\$63,559,619	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>
Oklahoma	\$32,818,425	\$33,061,204	\$36,580,504	4	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Paint Horse</li> <li>▪ Appaloosa</li> <li>▪ Mixed</li> </ul>
Texas	\$38,576,468	\$37,264,081	\$35,095,599	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Mixed</li> </ul>
Ohio	\$45,018,230	\$40,694,873	\$34,225,351	7	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Maryland	\$46,370,988	\$43,688,810	\$32,145,710	6	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Iowa	\$17,804,033	\$18,338,161	\$18,788,415	1	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>

Total Purses Paid on Horse Racing in Texas Compared with Other States					
State <sup>a</sup>	Total Purses Paid			Number of Racetracks	Types of Horse Racing
	2006	2007	2008		
Arizona <sup>b</sup>	\$17,721,838	\$16,873,279	\$18,751,731	9	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>
Idaho	\$2,219,318	\$2,263,452	\$2,300,490	8	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Paint Horse</li> <li>▪ Appaloosa</li> </ul>
Michigan	\$17,730,262	\$19,487,742	Not Available	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> <li>▪ Mixed</li> </ul>
Nebraska	\$6,042,000	\$5,867,000	Not Available	6	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>
West Virginia	\$79,270,270	\$71,772,581	Not Available	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> </ul>
<sup>a</sup> Unless otherwise noted, the amounts reported are for the calendar year. <sup>b</sup> The amounts reported for the states of Arizona, California, and Florida are for the fiscal years beginning on July 1 and ending on June 30. <sup>c</sup> Purses paid in Delaware for 2006 and 2007 do not include harness racing because the information was not available in that state's annual reports.					

Sources: Unaudited information from the 2006 through 2008 annual reports prepared by the racing commission in the states listed in this table.

Table 13

State Revenue from Pari-Mutuel Wagering on Horse Racing in Texas Compared with Other States <sup>a</sup>					
State <sup>b</sup>	State Revenue from Pari-Mutuel Wagering			Number of Racetracks	Types of Horse Racing
	2006	2007	2008		
New York	\$35,365,177	\$36,522,539	\$35,330,174	11	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
California <sup>c</sup>	\$36,965,268	\$36,596,661	\$33,796,738	13	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Arabian</li> <li>▪ Paint Horse</li> <li>▪ Mule</li> <li>▪ Harness/Standardbred</li> <li>▪ Mixed</li> </ul>
Florida <sup>c</sup>	\$13,118,146	\$12,732,387	\$11,899,260	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Michigan	\$9,067,731	\$8,418,708	\$7,451,713	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> <li>▪ Mixed</li> </ul>
Illinois	\$9,773,260	\$8,380,103	\$7,445,762	6	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Indiana	\$4,757,748	\$4,578,247	\$3,893,196	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Texas <sup>d</sup>	\$3,685,576	\$3,674,366	\$3,504,910	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Mixed</li> </ul>
Maryland	\$1,844,535	\$2,086,305	\$1,863,096	6	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Oklahoma	\$1,731,416	\$1,679,783	\$1,691,633	4	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Paint Horse</li> <li>▪ Appaloosa</li> <li>▪ Mixed</li> </ul>
West Virginia	\$1,136,810	\$1,156,368	\$1,367,715	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> </ul>
New Hampshire	\$1,342,132	\$1,167,309	\$992,940	1	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Virginia	\$1,202,523	\$826,749	\$815,870	1	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Arizona <sup>c</sup>	\$527,860	\$431,437	\$429,592	9	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>

**State Revenue from Pari-Mutuel Wagering on Horse Racing in Texas  
Compared with Other States <sup>a</sup>**

State <sup>b</sup>	State Revenue from Pari-Mutuel Wagering			Number of Racetracks	Types of Horse Racing
	2006	2007	2008		
New Mexico	\$397,653	\$402,641	\$327,184	5	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>
South Dakota <sup>c</sup>	\$273,934	\$315,996	\$277,851	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>
Wyoming	\$173,126	\$163,843	\$177,359	1	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>
Minnesota	\$221,181	\$148,862	\$96,000	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Idaho	\$52,618	\$67,145	\$53,885	8	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Paint Horse</li> <li>▪ Appaloosa</li> </ul>
Iowa	\$0	\$0	\$0	1	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Massachusetts	\$0	\$0	\$0	2	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
New Jersey	\$0	\$0	\$0	4	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Harness/Standardbred</li> </ul>
Ohio	\$0	\$0	\$0	7	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Kentucky	\$5,857,134	\$5,679,914	Not Available	8	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> <li>▪ Harness/Standardbred</li> </ul>
Nebraska	\$244,800	\$223,800	Not Available	6	<ul style="list-style-type: none"> <li>▪ Thoroughbred</li> <li>▪ Quarter Horse</li> </ul>

<sup>a</sup> State revenue amounts include only revenue from certain sources, such as admission tax and pari-mutuel wagering tax. These revenue amounts do not include revenue from occupational licenses fees or uncashed tickets.

<sup>b</sup> Unless otherwise noted, the amounts reported are for the calendar year.

<sup>c</sup> The amounts reported for the states of Arizona, California, Florida, and South Dakota are for the fiscal years beginning on July 1 and ending on June 30.

<sup>d</sup> Texas revenue comes from wagers on simulcast races.

Sources: Unaudited information from the 2006 through 2008 annual reports prepared by the racing commission in the states listed in this table.

Table 14

Amounts Wagered on Greyhound Racing in Texas Compared with Other States				
State <sup>a</sup>	Total Amount Wagered (Handle)			Number of Racetracks
	2006	2007	2008	
Florida <sup>b</sup>	\$477,910,496	\$465,326,820	\$406,338,030	16
New Hampshire	\$109,710,697	\$147,102,922	\$115,820,615	3
Massachusetts <sup>c</sup>	\$122,158,656	\$112,205,023	\$96,285,385	2
Arizona <sup>b</sup>	\$84,929,761	\$81,452,003	\$67,733,186	2
Texas	\$91,897,038	\$84,442,223	\$59,776,028	3
West Virginia	\$66,410,046	\$59,261,862	\$54,322,434	2
Iowa	\$25,021,817	\$25,421,512	\$24,314,847	2
<sup>a</sup> Unless otherwise noted, the amounts reported are for the calendar year. <sup>b</sup> The amounts reported for the states of Arizona and Florida are for the fiscal years beginning on July 1 and ending on June 30. <sup>c</sup> Effective January 1, 2010, live greyhound racing was prohibited in Massachusetts.				

Sources: Unaudited information from the 2006 through 2008 annual reports prepared by the racing commission in the states listed in this table.

Table 15

Total Purses Paid on Greyhound Racing in Texas Compared with Other States				
State <sup>a</sup>	Total Purses Paid			Number of Racetracks
	2006	2007	2008	
Florida <sup>b</sup>	\$31,130,646	\$30,689,510	\$29,048,989	16
Iowa	\$13,097,652	\$13,449,107	\$13,679,113	2
Texas	\$4,922,639	\$4,400,461	\$3,578,156	3
Arizona <sup>b</sup>	\$4,592,493	\$4,259,927	\$3,494,876	2
West Virginia	\$27,096,469	\$27,040,755	Not Available	2
<sup>a</sup> Unless otherwise noted, the amounts reported are for the calendar year. <sup>b</sup> The amounts reported for the states of Arizona and Florida are for the fiscal years beginning on July 1 and ending on June 30.				

Sources: Unaudited information from the 2006 through 2008 annual reports prepared by the racing commission in the states listed in this table.

Table 16

State Revenue from Pari-mutuel Wagering on Greyhound Racing in Texas Compared with Other States <sup>a</sup>				
State <sup>b</sup>	State Revenue from Pari-Mutuel Wagering			Number of Racetracks
	2006	2007	2008	
Florida <sup>c</sup>	\$13,816,240	\$13,988,130	\$10,533,297	16
West Virginia	\$2,185,124	\$1,943,639	\$1,837,323	2
New Hampshire	\$1,698,769	\$2,224,689	\$1,731,006	3
Texas	\$713,145	\$677,499	\$504,289	3
Iowa	\$372,334	\$364,132	\$375,715	2
Arizona <sup>c</sup>	\$0	\$0	\$0	2
Massachusetts <sup>d</sup>	\$0	\$0	\$0	2

<sup>a</sup> State revenue amounts include only revenue from certain sources, such as admission tax and pari-mutuel wagering tax. These revenue amounts do not include revenue from occupational licenses fees or uncashed tickets.

<sup>b</sup> Unless otherwise noted, the amounts reported are for the calendar year.

<sup>c</sup> The amounts reported for the states of Arizona and Florida are for the fiscal years beginning on July 1 and ending on June 30.

<sup>d</sup> Effective January 1, 2010, live greyhound racing was prohibited in Massachusetts.

Sources: Unaudited information from the 2006 through 2008 annual reports prepared by the racing commission in the states listed in this table.

**Related State Auditor's Office Work**

---

Related SAO Work		
Number	Product Name	Release Date
06-039	An Audit Report on the Texas Racing Commission	May 2006

Copies of this report have been distributed to the following:

### **Legislative Audit Committee**

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair  
The Honorable Joe Straus III, Speaker of the House, Joint Chair  
The Honorable Steve Ogden, Senate Finance Committee  
The Honorable Thomas “Tommy” Williams, Member, Texas Senate  
The Honorable Jim Pitts, House Appropriations Committee  
The Honorable Rene Oliveira, House Ways and Means Committee

### **Office of the Governor**

The Honorable Rick Perry, Governor

### **Racing Commission**

Members of the Racing Commission

Mr. Rolando Pablos, Chair  
Dr. Robert Schmidt, Vice-Chair  
Dr. G. Kent Carter  
Mr. Ronald F. Ederer  
Mr. Scott Haywood  
Ms. Gloria Hicks  
Ms. Vicki Smith Weinberg

Ex Officio Members

Mr. Thomas Clowe, Designee for Chair, Public Safety  
Commission  
The Honorable Susan Combs, Comptroller of Public Accounts  
Ms. Charla Ann King, Executive Director





This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: [www.sao.state.tx.us](http://www.sao.state.tx.us).

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9880 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government call the SAO Hotline: 1-800-TX-AUDIT.