

Racing Commission Summary of Budget Recommendations - House

Page VIII-46
Charles Trout, Executive Director
Thomas Galvan, LBB Analyst

Method of Financing	2020-21 Base	2022-23 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$0	\$0	\$0	0.0%
GR Dedicated Funds	\$6,718,440	\$7,003,438	\$284,998	4.2%
<i>Total GR-Related Funds</i>	<i>\$6,718,440</i>	<i>\$7,003,438</i>	<i>\$284,998</i>	<i>4.2%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$6,260,000	\$6,260,000	\$0	0.0%
All Funds	\$12,978,440	\$13,263,438	\$284,998	2.2%

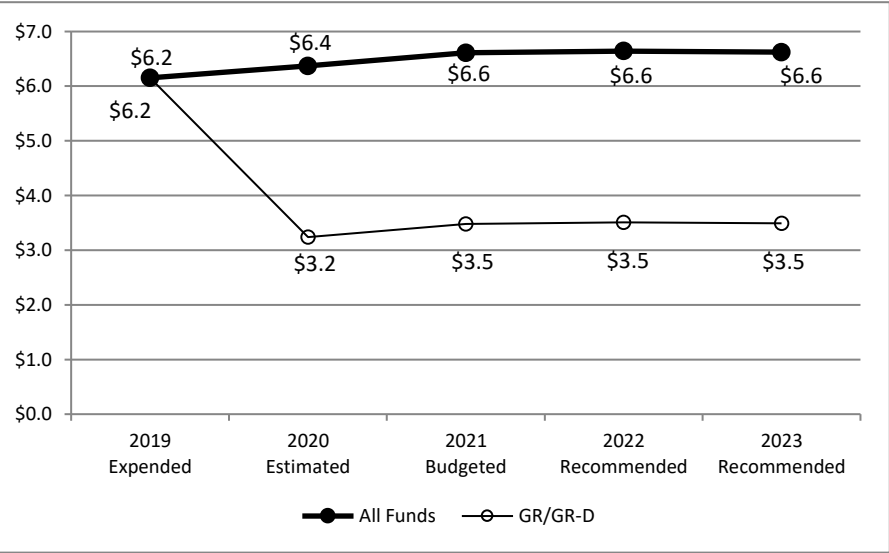
	FY 2021 Budgeted	FY 2023 Recommended	Biennial Change	Percent Change
FTEs	39.3	39.3	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

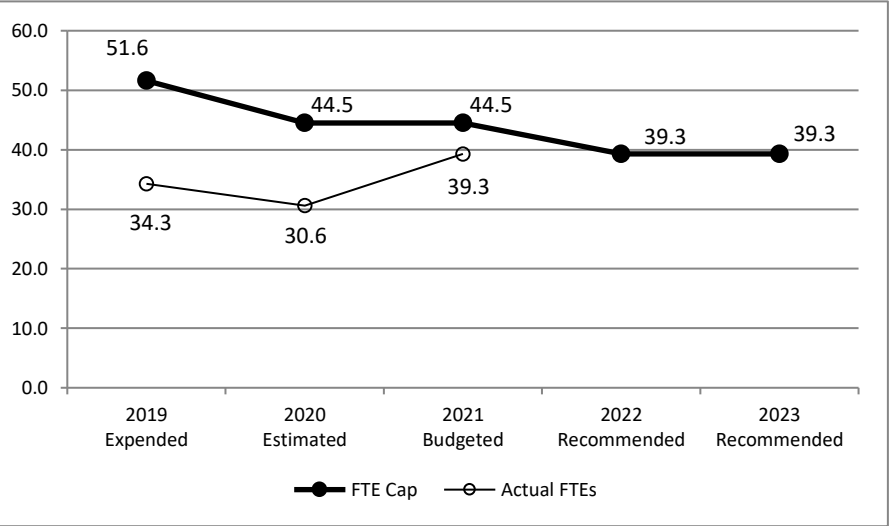
The agency has access to supplemental appropriations through regulatory contingency riders 4, 5, 6, and 7 in the agency's bill pattern, contingent on increased racing and licensing activity and the generation of additional revenue to cover the cost of the appropriations. These supplemental appropriations are not expected to be used in the 2020-21 biennium. Recommendations continue the authority for these supplemental appropriations in the 2022-23 biennium.

The bill pattern for this agency (2022-23 Recommended) represents an estimated 21.0% of the agency's estimated total available funds for the 2022-23 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



Racing Commission
Summary of Funding Changes and Recommendations - House

Section 2

Funding Changes and Recommendations for the 2022-23 Biennium compared to the 2020-21 Base Spending Level		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Increase to partially restore the five percent reduction related to Salaries and Wages.	\$0.0	\$335,000	\$0.0	\$0.0	\$335,000	A.1.1 and D.1.1.
B)	Decrease to remove items in the agency's base request that are related to the Capitol Complex move to the George H.W. Bush building in the 2022-23 biennium.	\$0.0	(\$50,000)	\$0.0	\$0.0	(\$50,000)	D.1.1. and D.1.2.
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
C)	Agency 2022-23 base request is less than the 2020-21 base spending level.	\$0.0	(\$2)	\$0.0	\$0.0	(\$2)	
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations		\$0.0	\$284,998	\$0.0	\$0.0	\$284,998	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0.0	\$335,000	\$0.0	\$0.0	\$335,000	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		\$0.0	(\$50,002)	\$0.0	\$0.0	(\$50,002)	As Listed

NOTE: Totals may not sum due to rounding.

**Racing Commission
Selected Fiscal and Policy Issues - House**

1. Five Percent Reduction 2020-21 Biennium

The agency's 5% GR–Dedicated Funds reduction plan (\$351,760 for the 2020–21 biennium) relied primarily on savings from vacancies and reduced regulatory and travel costs in FY 2020 during the early period of the COVID-19 pandemic. The agency reports that racing and wagering activity has resumed, which has required the agency to resume its regulatory responsibilities in the current biennium. The agency indicates that it will not be able to perform the most basic operations of the agency with the reduced level of funding in the 2022–23 biennium. Recommendations restore \$335,000 in GR–Dedicated Funds for the 2022–23 biennium in salaries and wages funding for two full-time equivalents, a Deputy Executive Director and a Director of Administration.

2. Capitol Complex Move Items in Base Request

Recommendations include a decrease of \$50,000 in GR–Dedicated Funds for items related to the agency's planned relocation to the George H.W. Bush Building in the Capitol Complex during fiscal year 2022. The agency's base funding request for the 2022–23 biennium included these funds for telecommunications equipment (handsets), installation costs, and other moving costs (see Items not Included in Recommendations #1). The agency's request will be considered comprehensively along with similar funding requests from other affected agencies.

3. Sunset Review

The agency is under review by the Sunset Advisory Commission. The review covers overall operations, program administration, and agency structure. The Sunset Advisory Commission Staff Report with findings and recommendations was published in August 2020. The report with Sunset Advisory Commission decisions was published in January 2021. Among other significant findings, the Sunset staff review found that the Texas Racing Commission's (TRC) unsustainable funding structure and limited resources has resulted in inefficient and weakened regulation of pari-mutuel racing. The Sunset Advisory Commission decisions include the recommendation to transfer TRC to the Comptroller of Public Accounts (CPA) and continue the TRC for 12 years as semi-independent board with the current composition and authority to regulate pari-mutuel racing.

The report with Sunset Advisory Commission decisions also includes the following recommendations:

- Transfer administration of the Horse Industry Escrow Account to the CPA.
- Direct the CPA to develop guidelines for evaluating grant applications, monitoring processes, and a consistent timeline for grant applications.
- Clearly define the categories of licenses requiring a fingerprint-based criminal background check and remove the requirement for licensees to resubmit fingerprints every 36 months.
- Direct the commission to remove potential barriers to licensing in its examination process.
- Direct the commission to establish policies for uniform use of its reciprocity authority.
- Direct the commission to adopt policies to improve racetrack inspections.
- Update the standard across-the-board requirements related to public membership on the commission.
- Update the standard across-the-board requirement related to commission member training.
- Update statute to reflect the requirements of the person-first respectful language initiative.

4. Strategic Fiscal Review

The agency is currently under Sunset review, and as a result is subject to the Strategic Fiscal Review (SFR) process outlined in Senate Bill 68, Eighty-sixth Legislature, 2019. Historical program and financial information was collected and analyzed to inform the budget process. Significant findings are outlined in the report, but highlights include:

- Demand, wagering, and overall revenue in the racing industry have decreased during the past decade. When these decreases are combined with the current agency funding methods, TRC has had difficulty earning enough revenue to support the agency's statutorily required regulatory functions.

- The combined effects of House Bill 1995 and House Bill 2463, Eighty-sixth Legislature, 2019, enabled a reduction in racetrack license fees and provided racetracks an economic stimulus of sorts, due to enhanced racetrack access to funds for support of the industry.
- The overall decrease in racing participation requires consistent and effective oversight, as TRC notes that participants “feel driven to take risks as they push to survive in the industry.”
- The existence of unlicensed racetracks is an ongoing concern regarding illegal activities and unregulated racing.
- Approximately 30.0 percent of TRC’s workforce is eligible for retirement by fiscal year 2023, and another 30.0 percent consists of return-to-work retirees. Therefore, the agency projects a shortage in staffing and skill levels necessary to meet future requirements.
- The agency is having difficulty sustaining the administrative responsibilities related to the Texas Bred Incentive Program and the Horse Industry Escrow Account, which was expanded by the Eighty-sixth Legislature, 2019.
- TRC proposed several alternative funding scenarios, some or all of which could provide more solvency for the agency’s required regulatory operations.

5. Office of the Governor’s Fee Reduction Initiative

In October 2019, the Office of the Governor sent a letter to executive branch agencies to develop plans to reduce occupational license fees to at least 75 percent of the national average for comparable or equivalent licenses. The Racing Commission estimates that reducing license fees for their licensees would result in a loss of revenue of \$279,626 in the 2022-23 biennium. The agency requests exceptional item funding to offset a revenue loss from a potential occupational licensing fee reduction (see Items not Included in Recommendations #2).

6. Horse Industry Escrow Account (outside the Treasury)

The Racing Commission administers the Horse Industry Escrow Account (HIEA), which provides supplemental funding for purses and horse industry events. The enactment of House Bill 2463, Eighty-sixth Legislature, 2019, added an additional source of funding for the account and established a grant program for events related to the horse industry. Funding is derived from a portion of the proceeds from sales taxes on the sale, storage, or use of horse feed, horse supplements, horse tack, and other related items. Current statute requires the Comptroller to deposit to the HIEA up to \$50.0 million for the biennium. Of this amount, up to 70.0 percent is allocated for horse race purses, and 30.0 percent is allocated to state horse breed registries via an application process for events that further the horse industry.

The Racing Commission is not appropriated any funds from the HIEA. The footnote in Section 1 regarding the agency’s appropriated bill pattern funding as a percent of total available funds is in reference to funds in the HIEA outside the Treasury.

Racing Commission Rider Highlights - House

Modification of Existing Riders

2. **Texas Bred Incentive Program Receipts.** Recommendations update the statutory references to reflect the re-codified statutes in the Texas Occupations code.
3. **Criminal History Checks and Background Checks.** Recommendations update the estimated amount of reimbursements for background checks with the agency estimate (from \$124,217 to \$90,000 per year).
4. **Contingent Appropriation: New Horse Racetrack or Reopening Horse Racetrack and Accredited Texas Bred Program.** Recommendations amend subsection (a) to update the estimated revenue and revenue object codes for the GR-Dedicated Texas Racing Commission Account No. 597 for the 2022–23 biennium and amend subsection (b) to update the method of financing for the Texas-bred Incentive Fund and update the statutory references to reflect the re-codified statutes in the Texas Occupations code.
6. **Contingent Appropriation: Additional Live Race Days Added beyond the Base of 146 Days Each Fiscal Year to the Horse Race Date Calendar and Accredited Texas Bred Program.** Recommendations amend subsection (a) to update the estimated revenue and revenue object codes for the GR-Dedicated Texas Racing Commission Account No. 597 for the 2022–23 biennium and amend subsection (b) to update the method of financing for the Texas-bred Incentive Fund and update the statutory references to reflect the re-codified statutes in the Texas Occupations code.
7. **Contingent Appropriation: Additional Live Race Days Added beyond the Base of 36 Days Each Fiscal Year to the Greyhound Race Date Calendar and Accredited Texas Bred Program.** Recommendations amend subsection (a) to update the estimated revenue and revenue object codes for the GR-Dedicated Texas Racing Commission Account No. 597 for the 2022–23 biennium and amend subsection (b) to update the method of financing for the Texas-bred Incentive Fund and update the statutory references to reflect the re-codified statutes in the Texas Occupations code.

New Riders

8. **Sunset Contingency.** Recommendations add a contingency provision for the agency's upcoming Sunset review to make the agency's appropriations for fiscal year 2023 contingent on the continuation of the agency by the Eighty-seventh Legislature, Regular Session, 2021. If the agency is not continued, then the rider would authorize the use of the agency's fiscal year 2022 appropriations for the phase out of agency operations.

Deleted Riders

8. **Lump Sum Annual Leave Payout.** Recommendations delete this rider which required the agency to lapse certain funds if the funds were not used for retirement payouts due at the time of agency employees' retirement. This change would not impact the agency's ability to continue to make lump sum payments as necessary.

Racing Commission
Items Not Included in Recommendations - House

	2022-23 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2024-25
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	Moving Costs for Capital Complex Move to the George H.W. Bush Building	\$65,000	\$65,000	0.0	No	No	\$0
2)	License Fee Reductions: Improve Access to Occupational Licensing Program	\$279,626	\$279,626	0.0	No	No	\$279,626
3)	Veterinary Services	\$246,060	\$246,060	1.0	No	No	\$246,060
4)	Information Security Officer/Network Specialist	\$246,060	\$246,060	1.0	No	No	\$246,060
5)	Investigator	\$177,770	\$177,770	1.0	No	No	\$177,770
6)	Docking Desktops and Monitors	\$48,386	\$48,386	0.0	Yes	No	\$0
7)	Grant Administration, Horse Industry Escrow Account Funds	\$375,000	\$375,000	2.0	No	No	\$375,000

TOTAL Items Not Included in Recommendations		\$1,437,902	\$1,437,902	5.0			\$1,324,516
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**Racing Commission
Appendices - House**

Table of Contents		
Appendix	Appendix Title	Page
A	Funding Changes and Recommendations by Strategy	8
B	Summary of Federal Funds	*
C	FTE Highlights	9

* Appendix is not included - no significant information to report

Racing Commission
Funding Changes and Recommendations by Strategy - House -- ALL FUNDS

Strategy/Goal	2020-21 Base	2022-23 Recommended	Biennial Change	% Change	Comments (Optional)
LICENSE/REGULATE RACETRACKS A.1.1	\$621,270	\$741,126	\$119,856	19.3%	Increase primarily related to restoring salaries and wages from the five percent reduction in the 2020-21 biennium.
TEXAS BRED INCENTIVE PROGRAM A.2.1	\$6,260,000	\$6,260,000	\$0	0.0%	
SUPERVISE & CONDUCT LIVE RACES A.3.1	\$857,026	\$872,042	\$15,016	1.8%	
MONITOR LICENSEE ACTIVITIES A.3.2	\$623,104	\$635,274	\$12,170	2.0%	
INSPECT & PROVIDE EMERGENCY CARE A.4.1	\$678,678	\$679,154	\$476	0.1%	
ADMINISTER DRUG TESTS A.4.2	\$386,336	\$394,654	\$8,318	2.2%	
Total, Goal A, ENFORCE RACING REGULATION	\$9,426,414	\$9,582,250	\$155,836	1.7%	
OCCUPATIONAL LICENSING PROGRAM B.1.1	\$683,090	\$685,742	\$2,652	0.4%	
TEXAS.GOV B.1.2	\$26,647	\$26,647	\$0	0.0%	
Total, Goal B, REGULATE PARTICIPATION	\$709,737	\$712,389	\$2,652	0.4%	
MONITOR WAGERING AND COMPLIANCE C.1.1	\$468,873	\$561,732	\$92,859	19.8%	Increase due to reallocation of funds for full funding of FTEs and travel needs projected for the 2022-23 biennium.
Total, Goal C, REGULATE PARI-MUTUEL WAGERING	\$468,873	\$561,732	\$92,859	19.8%	
CENTRAL ADMIN & OTHER SUPPORT SVCS D.1.1	\$1,337,081	\$1,410,377	\$73,296	5.5%	Increase primarily related to restoring salaries and wages from the five percent reduction in the 2020-21 biennium, offset by a decrease for rent savings due to the planned move to the capitol complex Bush building.
INFORMATION RESOURCES D.1.2	\$1,036,335	\$996,690	(\$39,645)	(3.8%)	Decrease primarily due to a reduction in professional fees and services tied to an effort to increase hiring within the FTE cap.
Total, Goal D, INDIRECT ADMINISTRATION	\$2,373,416	\$2,407,067	\$33,651	1.4%	
Grand Total, All Strategies	\$12,978,440	\$13,263,438	\$284,998	2.2%	

Racing Commission
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2019	Estimated 2020	Budgeted 2021	Recommended 2022	Recommended 2023
Cap	46.4	39.3	39.3	39.3	39.3
Actual/Budgeted	34.3	30.6	39.3	NA	NA

Schedule of Exempt Positions (Cap)	\$	91,516	\$	91,516	\$	109,033	\$	137,367	\$	137,367
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Executive Director, Group 3 (\$137,367)

- Notes:
- a) State Auditor's Office is the source for the FY 2019 and FY 2020 annual average (actual) FTE levels.
 - b) The State Auditor's Office Report, *Executive Compensation at State Agencies* (Report 20-706, August 2020), indicates a market average salary of \$141,176 for the Executive Director position at the Racing Commission. The executive director's current annual salary is below the minimum salary of \$92,600 of the current assigned salary group, which is group 3. The agency has redirected salary funding to other positions due to a staffing shortage and is not requesting any changes to its exempt position.