

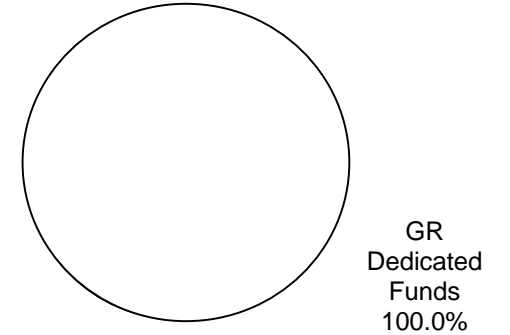
**Racing Commission  
Summary of Recommendations - Senate**

Page VIII-56  
Chuck Trout, Interim Executive Director

Christy Havel, LBB Analyst

| Method of Financing           | 2010-11<br>Appropriations | 2010-11<br>Base     | 2012-13<br>Recommended | Biennial<br>Change | %<br>Change |
|-------------------------------|---------------------------|---------------------|------------------------|--------------------|-------------|
| General Revenue Funds         | \$0                       | \$1,500,000         | \$0                    | (\$1,500,000)      | (100.0%)    |
| GR Dedicated Funds            | \$21,568,077              | \$15,746,951        | \$17,968,392           | \$2,221,441        | 14.1%       |
| <i>Total GR-Related Funds</i> | <i>\$21,568,077</i>       | <i>\$17,246,951</i> | <i>\$17,968,392</i>    | <i>\$721,441</i>   | <i>4.2%</i> |
| Federal Funds                 | \$0                       | \$0                 | \$0                    | \$0                | 0.0%        |
| Other                         | \$0                       | \$0                 | \$0                    | \$0                | 0.0%        |
| <b>All Funds</b>              | <b>\$21,568,077</b>       | <b>\$17,246,951</b> | <b>\$17,968,392</b>    | <b>\$721,441</b>   | <b>4.2%</b> |

RECOMMENDED FUNDING  
BY METHOD OF FINANCING



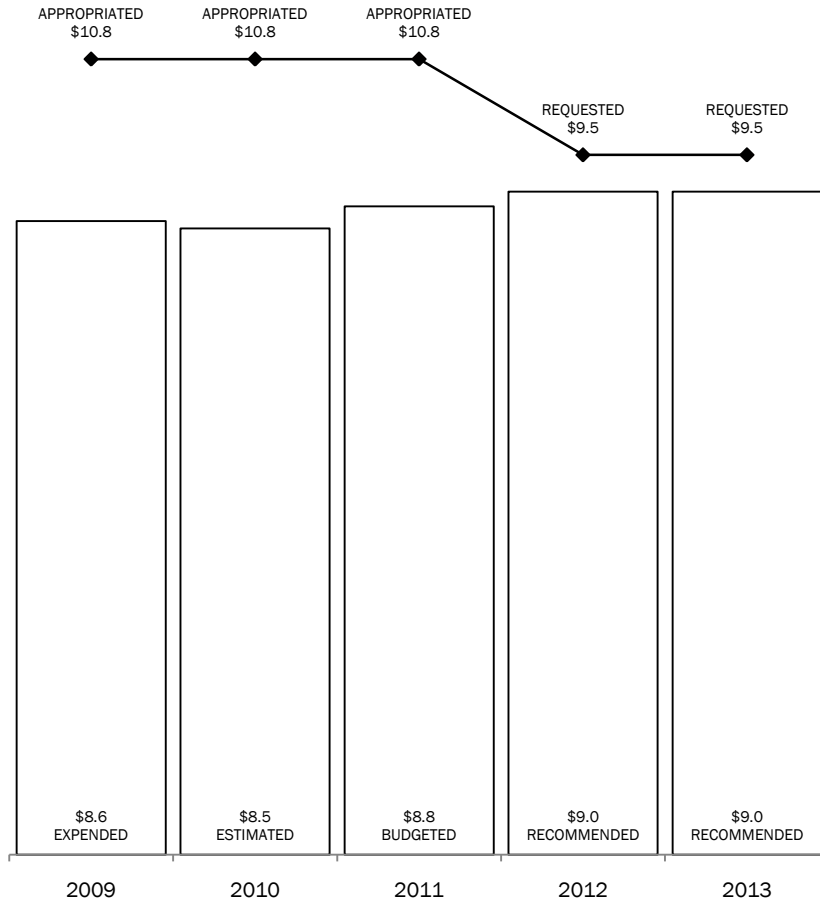
| FTEs | FY 2011<br>Appropriations | FY 2011<br>Budgeted | FY 2013<br>Recommended | Biennial<br>Change | %<br>Change |
|------|---------------------------|---------------------|------------------------|--------------------|-------------|
| FTEs | 81.8                      | 72.5                | 59.8                   | (12.7)             | (17.5%)     |

The bill pattern for this agency (2012-13 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2012-13 biennium.

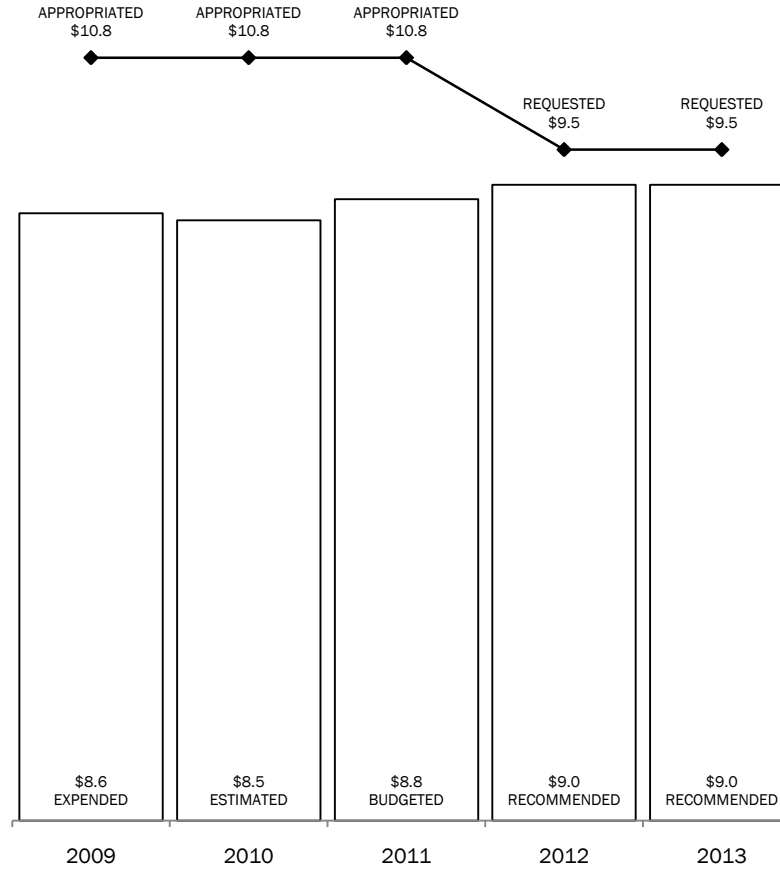
**Racing Commission**  
**2012-2013 BIENNIUM**  
 IN MILLIONS

TOTAL= \$18.0 MILLION

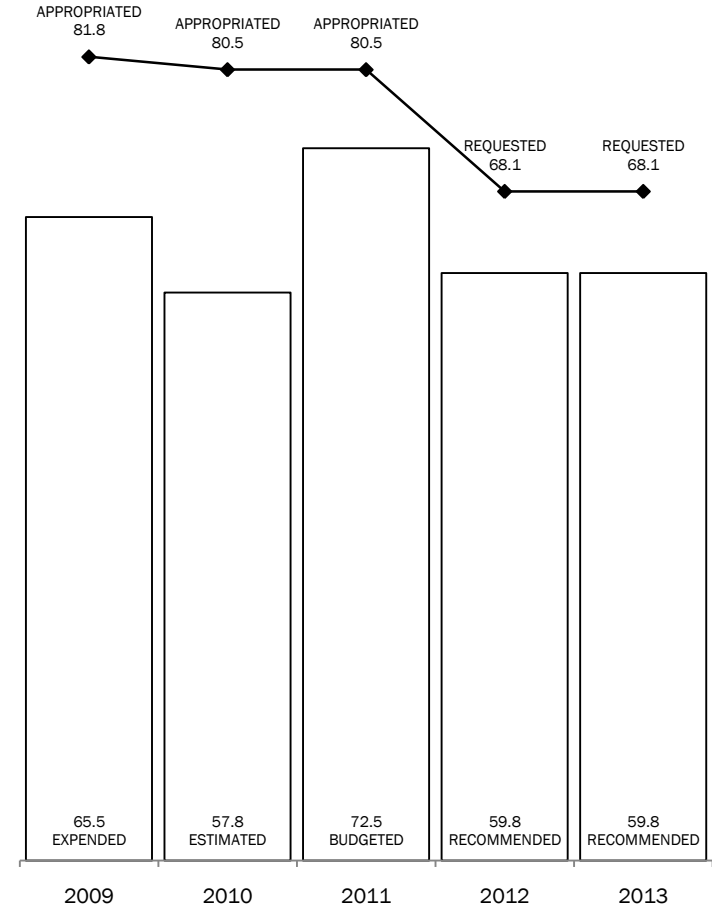
**ALL FUNDS**



**GENERAL REVENUE AND  
 GENERAL REVENUE-DEDICATED FUNDS**



**FULL-TIME-EQUIVALENT POSITIONS**



Section 2

**Racing Commission**  
**Summary of Recommendations, By Method of Finance -- ALL FUNDS**

| Strategy/Goal                                       | 2010-11<br>Base     | 2012-13<br>Recommended | Biennial<br>Change | %<br>Change    | Comments (Optional) |
|---|---------------------|------------------------|--------------------|----------------|---------------------|
| LICENSE/REGULATE RACETRACKS A.1.1                   | \$454,109           | \$548,352              | \$94,243           | 20.8%          |                     |
| TEXAS BRED INCENTIVE PROGRAM A.2.1                  | \$8,500,000         | \$8,914,074            | \$414,074          | 4.9%           |                     |
| SUPERVISE & CONDUCT LIVE RACES A.3.1                | \$1,675,677         | \$1,545,418            | (\$130,259)        | (7.8%)         |                     |
| MONITOR LICENSEE ACTIVITIES A.3.2                   | \$692,015           | \$743,716              | \$51,701           | 7.5%           |                     |
| INSPECT & PROVIDE EMERGENCY CARE A.4.1              | \$709,287           | \$729,858              | \$20,571           | 2.9%           |                     |
| ADMINISTER DRUG TESTS A.4.2                         | \$597,585           | \$727,158              | \$129,573          | 21.7%          |                     |
| <b>Total, Goal A, ENFORCE RACING REGULATION</b>     | <b>\$12,628,673</b> | <b>\$13,208,576</b>    | <b>\$579,903</b>   | <b>4.6%</b>    |                     |
| OCCUPATIONAL LICENSING PROGRAM B.1.1                | \$946,683           | \$1,466,292            | \$519,609          | 54.9%          |                     |
| TEXASONLINE B.1.2                                   | \$46,500            | \$46,500               | \$0                | 0.0%           |                     |
| <b>Total, Goal B, REGULATE PARTICIPATION</b>        | <b>\$993,183</b>    | <b>\$1,512,792</b>     | <b>\$519,609</b>   | <b>52.3%</b>   |                     |
| MONITOR WAGERING AND AUDIT C.1.1                    | \$799,019           | \$720,684              | (\$78,335)         | (9.8%)         |                     |
| WAGERING COMPLIANCE INSPECTIONS C.1.2               | \$597,945           | \$473,430              | (\$124,515)        | (20.8%)        |                     |
| <b>Total, Goal C, REGULATE PARI-MUTUEL WAGERING</b> | <b>\$1,396,964</b>  | <b>\$1,194,114</b>     | <b>(\$202,850)</b> | <b>(14.5%)</b> |                     |
| CENTRAL ADMIN & OTHER SUPPORT SVCS D.1.1            | \$1,454,136         | \$1,448,493            | (\$5,643)          | (0.4%)         |                     |
| INFORMATION RESOURCES D.1.2                         | \$773,995           | \$604,417              | (\$169,578)        | (21.9%)        |                     |
| <b>Total, Goal D, INDIRECT ADMINISTRATION</b>       | <b>\$2,228,131</b>  | <b>\$2,052,910</b>     | <b>(\$175,221)</b> | <b>(7.9%)</b>  |                     |

Section 2

**Racing Commission**  
**Summary of Recommendations, By Method of Finance -- ALL FUNDS**

| Strategy/Goal                      | 2010-11<br>Base     | 2012-13<br>Recommended | Biennial<br>Change | %<br>Change | Comments (Optional)  |
|------------------------------------|---------------------|------------------------|--------------------|-------------|--|
| <b>Grand Total, All Strategies</b> | <b>\$17,246,951</b> | <b>\$17,968,392</b>    | <b>\$721,441</b>   | <b>4.2%</b> | <ul style="list-style-type: none"> <li>• Decrease General Revenue by \$1,500,000 and increase General Revenue-Dedicated Fund 597 by \$1,500,000 over the biennium to adjust for the the method of finance swap in fiscal year 2010 due to the activation of rider 12, Contingency for SB1013. (See Selected Fiscal and Policy Issue #1 and Rider Highlights #12)</li> <li>• Decrease General Revenue-Dedicated Fund 597 by \$816,895 over the biennium for the reduction of 17.7 FTEs. (See Selected Fiscal and Policy Issue #2)</li> <li>• Decrease General Revenue-Dedicated Fund 597 by \$250,000 over the biennium for the Texas Bred Incentive program. (See Selected Fiscal and Policy Issue #3)</li> <li>• Decrease General Revenue-Dedicated Fund 597 by \$67,600 over the biennium for the reduction of capital budget authority to purchase computers and software upgrades. (See Selected Fiscal and Policy Issue #4)</li> <li>• Increase General Revenue-Dedicated Fund 597 by \$584,662 over the biennium for the increasing cost of criminal history background checks (See Selected Fiscal and Policy Issue #7)</li> <li>• Increase General Revenue-Dedicated Fund 597 by \$1,271,274 over the biennium and 5.0 FTEs for contingency appropriations to allow the agency to regulate each new horse racetrack that begins operations during the biennium. (See Selected Fiscal and Policy Issue #5)</li> </ul> |

**Section 3**

**Texas Racing Commission  
Selected Fiscal and Policy Issues**

1. **Method of Finance Swap in 2010-11 Biennium.** In the 2010-11 biennium, rider 12 Contingency for SB 1013 was activated, which resulted in a method of finance swap of \$1,500,000 between General Revenue and General Revenue-Dedicated Fund 597. This General Revenue was removed from the agency’s base and replaced with General Revenue-Dedicated Fund 597. The rider is not included in the recommendations. (See Rider Highlights Item #12)
  
2. **Program Funding and Staffing Levels.** Recommendations increase General Revenue-Dedicated Fund 597 by \$721,441 and include a reduction of 20.7 FTEs below the 2010-11 FTE cap for the biennium for program reductions. Recommendations include an FTE Cap of 59.8 each year, which includes 5.0 FTEs as part of the Contingency Rider: New Horse Racetrack (See Item #5 below). The agency’s request included a decrease of 14.2 FTEs from the FY10-11 FTE cap of 75.5 FTEs due to unfilled positions. The recommendations include an additional decrease of 6.5 FTEs from Program Funding reductions. (See Items Not Included in the Recommendations #1-#4)

|  | <b>Program Funding<br/>GR-D Fund 597</b> | <b>FTEs</b>   |
|--|--|---------------|
| Contingency appropriation to allow the agency to regulate each new horse racetrack that begins operations during the biennium. Includes 5.0 FTEs. (See Item # 5 below)                             | \$1,271,274                              | 5.0           |
| Increased criminal history checks and background checks cost. (See Item #7 below)  | \$584,662                                | 0.0           |
| In alignment with the agency’s funding request. The agency’s base limit was reduced by \$507,420 an amount equivalent to 5 percent of the Texas Bred pass through funds from fiscal years 2010-11. | (\$257,420)                              | (14.2)        |
| Reduce the Texas Bred Incentive program.   | (\$250,000)                              | 0.0           |
| Reduce the agency support staff by an assistant to the general counsel.  | (\$76,800)                               | (1.0)         |
| Reduce the number of licensing technicians at two race tracks by 0.5 FTEs.   | (\$67,034)                               | (1.0)         |
| Reduce the number of auditors onsite to oversee the pari-mutuel wagering at the race tracks.   | (\$244,714)                              | (3.0)         |
| Reduce the information resources staff in the agency’s central office.   | (\$170,927)                              | (1.5)         |
| Reduce capital budget funding and authority for computer replacement and a software upgrade. (See Item #3 below)   | (\$67,600)                               | 0.0           |
| <b>Total</b>   | <b>\$721,441</b>                         | <b>(15.7)</b> |

### Section 3

3. **Texas Bred Incentive Program.** The Texas Bred Incentive Program is a pass-through program which provides additional purse money to horses and greyhounds bred in Texas. Recommendations decrease the Texas Bred Incentive Program by \$250,000 (3%) for the biennium in alignment with the agency's request.
4. **Capital Budget Authority.** Recommendations decrease capital budget funding and authority by \$67,600 for fiscal years 2012-13 for computer replacement and a software upgrade. This will delay the agency's scheduled replacement of information technology equipment until the next biennium. Also, the recommendations increase the capital budget authority limitation from \$25,000 to \$100,000 in Article IX, Sec. 14.03. (See Items Not Included in the Recommendations #5)
5. **Contingency Appropriations: New Horse Racetrack.** Recommendations continue contingency rider appropriations of \$1,271,274 to allow the agency to regulate each new horse racetrack that begins operations during the biennium. The appropriations include an increase of 5.0 FTEs each year. Newly generated revenues will offset these appropriations. This contingency appropriation and funding mechanism continue a legislative policy established by the 79<sup>th</sup> Legislature. (See Rider Highlights Item #8)
6. **Sunset Contingency.** The agency is currently undergoing Sunset review. The agency was under Sunset review during the 81<sup>st</sup> Legislative Session and was continued in the 81<sup>st</sup> First Called Special Session through fiscal year 2011. Per statute, if the agency is not continued, it will continue to operate until the fiscal year after all of the racetracks have satisfied any outstanding long-term liabilities. (See Rider Highlights Item #10)
7. **Criminal History Checks and Background Checks.** Recommendations include an increase of \$584,662 for the biennium in General Revenue-Dedicated Fund 597 to fund anticipated increases in background check costs. This appropriation will be offset by increased criminal history and background check fees paid by the licensees. (See Rider Highlights Item #6)
8. **Declining Revenue.** Revenues generated by the agency have been declining due to the declines in the industry. The Comptroller's Biennial Revenue Estimate estimated \$19,700,000 in agency generated revenue in fiscal years 2010-11. The actual revenue generated in fiscal years 2010-11, based on the agency's Legislative Appropriations Request, is \$18,440,231, which is \$1,235,769 below the amount in the Comptroller's Biennial Revenue Estimate. The agency is anticipating generating revenue in the amount of \$19,069,238 in fiscal years 2012-13. The Comptroller's Biennial Revenue Estimate for fiscal years 2012-13 estimated \$17,060,000 in agency generated revenue, excluding the \$1,271,274 for the contingency appropriation for new horse racetracks.

Racing Commission  
Performance Review and Policy Report Highlights

| Reports & Recommendations | GEER Report Page | Savings/ (Cost) | Gain/ (Loss) | Fund Type | Is included in the Introduced Bill | Action Required During Session |
|---------------------------|------------------|-----------------|--------------|-----------|------------------------------------|--------------------------------|
|---------------------------|------------------|-----------------|--------------|-----------|------------------------------------|--------------------------------|

NO RELATED RECOMMENDATIONS

## Section 5

### Racing Commission Rider Highlights

2. **(former) Capital Budget:** Recommendations delete the capital budget rider and delay the replacement of personal computers for two years (See Selected Fiscal and Policy Issues #4).
5. **Criminal History Checks and Background Checks.** Recommendations amend this rider to increase the amount by \$584,662 for the biennium in General Revenue-Dedicated Fund 597 to fund increases in background check costs. Newly generated revenues will offset this appropriation. (See Selected Fiscal and Policy Issues Item #7)
7. **Contingent Appropriation: New Horse Racetrack and Accredited Texas Bred Program.** Recommendations retain this rider to allow the agency to regulate each new horse racetrack that begins operations during the biennium. Newly generated revenue will offset these appropriations. This contingency appropriation and funding mechanism continues a legislative policy established by the 79<sup>th</sup> Legislature. (See Selected Fiscal and Policy Issues Item #5)
9. **Sunset Contingency.** Recommendations include a rider making agency appropriations in 2013 contingent upon the continuation of the agency and requiring appropriations for 2012 to be used to provide for the phase out of agency operations if the agency is not continued. (Selected Fiscal and Policy Issues Item# 6)
11. **Contingent Revenue.** Recommendations delete this rider. Additional revenues were generated and appropriations were increased during the 2010-11 biennium for the purposes of this rider. These amounts were also included in the agency's 2010-11 base.
12. **Contingency for SB 1013.** Recommendations delete this rider. The rider was activated increasing General Revenue and decreasing General Revenue-Dedicated Fund 597 in the 2010-11 biennium. The General Revenue was reduced from the agency's 2010-11 base and was replaced with General Revenue-Dedicated Funds. (Selected Fiscal and Policy Issues Item #1)



**Section 6**

**Racing Commission  
Items not Included in Recommendations**

|  | <u>2012-13 Biennial Total</u>     |                  |
|--|-----------------------------------|------------------|
|  | <u>GR &amp; GR-<br/>Dedicated</u> | <u>All Funds</u> |
| 1. Restoration of General Revenue-Dedicated Funding and authority for 1.0 FTE (\$76,800) to restore the assistant to the general counsel.<br>(See Selected Fiscal and Policy Issues #2)  | \$ 76,800                         | \$ 76,800        |
| 2. Restoration of General Revenue-Dedicated Funding and authority for 1.0 FTE (\$67,034) to restore 0.5 FTE licensing technicians at two racetracks.<br>(See Selected Fiscal and Policy Issues #2)   | \$ 67,034                         | \$ 67,034        |
| 3. Restoration of General Revenue-Dedicated Funding and authority for 3.0 FTEs (\$244,714) to restore the onsite auditors to oversee the pari-mutuel wagering at the racetracks.<br>(See Selected Fiscal and Policy Issues #2)   | \$ 244,714                        | \$ 244,714       |
| 4. Restoration of General Revenue-Dedicated Funding and authority for 1.5 FTEs (\$170,927) to restore additional information resources staff in the agency's central office.<br>(See Selected Fiscal and Policy Issues #2)   | \$ 170,927                        | \$ 170,927       |
| 5. Restoration of General Revenue-Dedicated Funding (\$67,600) for computer replacement and software upgrades.   | \$ 67,600                         | \$ 67,600        |
| 6. Greyhound Live Performances Beyond Base Estimates Rider. Agency requests a contingency rider appropriating additional funds to the agency contingent on an increase in greyhound live performances. Estimating 10 additional performances:<br>• \$121,876 in General Revenue-Dedicated funding<br>• 0.8 FTEs    | \$ 121,876                        | \$ 121,876       |
| 7. New Contingency Rider Request: Horse Live Race Days Beyond Base Estimates. Agency requests a contingency rider appropriating additional funds to the agency contingent on an increase in horse race days. Estimating 14 additional race days:<br>• \$184,644 in General Revenue-Dedicated funding<br>• 1.0 FTEs | \$ 184,644                        | \$ 184,644       |

**Section 6**

**Racing Commission  
Items not Included in Recommendations**

|  | <b>2012-13 Biennial Total</b>     |                   |
|--|-----------------------------------|-------------------|
|  | <b>GR &amp; GR-<br/>Dedicated</b> | <b>All Funds</b>  |
| 8. New Rider Request: Live and Simulcast Race Calendar Estimates. Agency requests a new informational rider listing the expected number of live races and simulcast races each year. | \$ -                              | \$ -              |
| 9. Edit Rider 7 Contingent Appropriation: New Horse Racetrack and Accredited Texas Bred Program to include reopened horse racetracks.  | \$ -                              | \$ -              |
| <b>Total, Items Not Included in the Recommendations</b>  | <b>\$ 933,595</b>                 | <b>\$ 933,595</b> |