

**Racing Commission
Summary of Recommendations - Senate**

Page VIII-51

Charles Trout, Executive Director

Melitta Berger, LBB Analyst

| Method of Financing | 2018-19 Base | 2020-21 Recommended | Biennial Change (\$) | Biennial Change (%) |
|-------------------------------|---------------------|------------------------|-------------------------|------------------------|
| General Revenue Funds | \$0 | \$0 | \$0 | 0.0% |
| GR Dedicated Funds | \$13,294,373 | \$14,448,882 | \$1,154,509 | 8.7% |
| <i>Total GR-Related Funds</i> | <i>\$13,294,373</i> | <i>\$14,448,882</i> | <i>\$1,154,509</i> | <i>8.7%</i> |
| Federal Funds | \$0 | \$0 | \$0 | 0.0% |
| Other | \$0 | \$0 | \$0 | 0.0% |
| All Funds | \$13,294,373 | \$14,448,882 | \$1,154,509 | 8.7% |

| | FY 2019 Budgeted | FY 2021 Recommended | Biennial Change | Percent Change |
|------|---------------------|------------------------|--------------------|-------------------|
| FTEs | 37.8 | 44.5 | 6.7 | 17.7% |

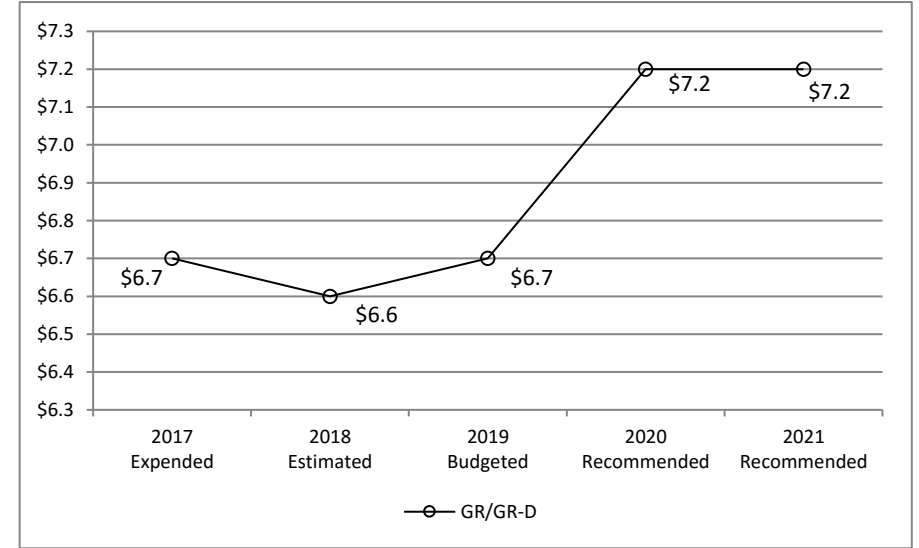
Agency Budget and Policy Issues and/or Highlights

The Introduced Bill includes a net increase of \$1.2 million in GR Dedicated Funds and 6.7 FTEs over the 2018-19 Base, which includes the following:

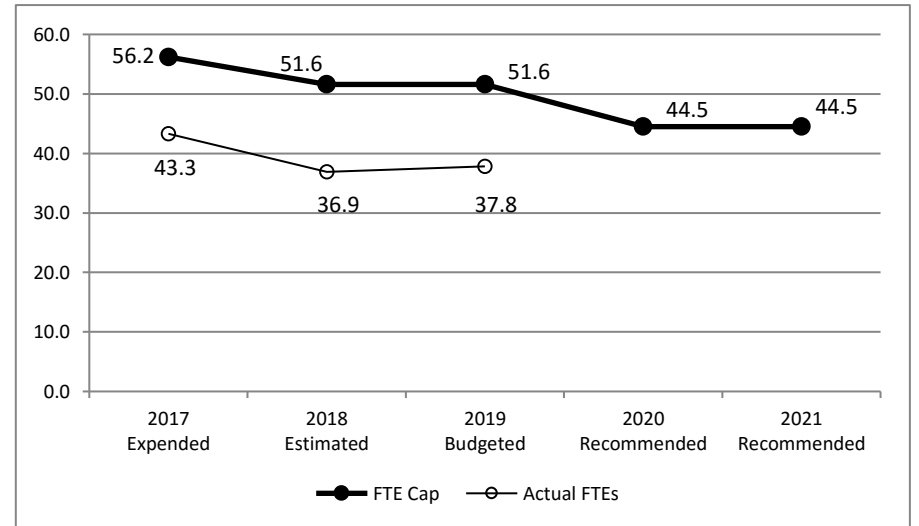
- An increase of \$1.3 million and 5.2 FTEs related to regulatory contingency rider appropriations, contingent upon increases in racing activity and the generation of increased revenue; and
- A decrease of \$0.2 million to remove one-time funding related to a planned efficiency review.

The bill pattern for this agency (2020-21 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2020-21 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



Racing Commission
Summary of Funding Changes and Recommendations - Senate

| Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions) | | 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) | Contingency appropriation for the opening of a new horse racetrack or reopening racetrack, and for additional live horse and/or greyhound race days beyond the base days assumed for each fiscal year. | \$0.0 | \$1.3 | \$0.0 | \$0.0 | \$1.3 | A.2.1, A.3.1, A.3.2, A.4.1, A.4.2, B.1.1, C.1.1, |
| B) | A decrease of \$0.2 million to remove one-time funding related to 1) an efficiency review that was planned for fiscal year 2019; and 2) retirement payouts not expected to continue at the same level in the 2020-21 biennium. | \$0.0 | (\$0.2) | \$0.0 | \$0.0 | (\$0.2) | A.3.2, A.4.2, D.1.1 |
| TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions) | | \$0.0 | \$1.1 | \$0.0 | \$0.0 | \$1.1 | As Listed |
| <i>SIGNIFICANT & OTHER Funding Increases</i> | | \$0.0 | \$1.3 | \$0.0 | \$0.0 | \$0.0 | As Listed |
| <i>SIGNIFICANT & OTHER Funding Decreases</i> | | \$0.0 | (\$0.2) | \$0.0 | \$0.0 | \$0.0 | As Listed |

NOTE: Totals may not sum due to rounding.

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

1. **2020-21 General Revenue-Dedicated Recommendations.** Recommendations, excluding contingency rider appropriations, provide \$13.2 million in General Revenue-Dedicated Funds for the 2020-21 biennium for the agency's core regulatory and administrative functions, which represents a \$0.2 million decrease from the 2018-19 base. This reduction is related to "one-time" funding for an efficiency review that was planned for fiscal year 2019, but which was tabled at the end of fiscal year 2018. While the agency had budgeted these funds in their 2020-21 base request, the funds have been removed from the recommendations for fiscal years 2020-21.

Additionally, \$12,000 is reduced in one-time funding for lump sum retirements. The agency budgeted \$36,000 for such payments in the 2018-19 biennium, and is budgeting \$24,000 for similar payments in the 2020-21 biennium.

2. **FTE Positions.** Recommendations provide 44.5 FTEs in fiscal years 2020 and 2021 in alignment with the agency's base request. This is a net increase of 6.7 FTEs from the fiscal year 2019 budgeted level due to the following:
- Increase of 5.2 FTEs in contingency riders (see item #5); and
 - Increase of 1.5 FTEs for the agency's plan to hire in fiscal year 2020.
3. **Racetrack Fees and Industry.** During fiscal year 2016, three (inactive) racetrack licensees stopped paying their annual fees and subsequently lost their licenses. This created a funding shortfall of \$690,000 at the agency. Fees were adjusted for the ten remaining racetracks for fiscal year 2018 as follows:
- Class 1 Racetrack - increase to \$714,650 from \$500,000
 - Class 2 Racetrack - decrease to \$127,600 from \$230,000 (were inactive)
 - Class 3 or 4 Racetrack - decrease to \$35,725 from \$70,000
 - Greyhound Racetrack - decrease to \$204,175 from \$360,000

During fiscal year 2017 and through the current biennium, the agency implemented cost saving measures to address the reduction in revenue. During the discussion on fee adjustments, the racetracks requested that the Racing Commission undergo an efficiency audit that the racetracks would pay for. While a request for proposal (RFP) was filed in April 2018, there were no bids received by the due date. Subsequent board and industry discussions led the agency to table the issue until further notice.

4. **Projected Revenue Shortfall and Appropriations Limited to Revenue Collections.** Based on the agency's revenue projections for the 2020-21 biennium, which assumes that fees will revert to their 2017 levels, it is estimated that revenue in General Revenue-Dedicated Account No. 597 would fall short of the amount needed to cover the recommended funding levels and other transfers from the account (e.g., employee benefits) by approximately \$0.3 million for the biennium. Pursuant to the Article VIII Special Provisions, the agency's appropriations are limited to revenue collections from fees and other miscellaneous revenues generated by the agency. In the event that actual and/or projected revenue collections are insufficient to cover the agency's appropriations and other direct and indirect costs, the Legislative Budget Board and the Governor may direct the Comptroller to reduce the agency's appropriation authority to be within the amount of revenue expected to be available.
5. **Regulatory Contingency Appropriations.** Recommendations include three regulatory contingency rider appropriations for a total increase of \$1.3 million in General Revenue-Dedicated funding over the 2018-19 base and an additional 5.2 FTEs in each fiscal year. Newly generated revenue would offset the cost of these appropriations. These contingency riders are in place so that the agency could raise revenue and have access to such

revenue to regulate any new horse racetracks or additional horse and/or greyhound racing days beyond the levels established in the appropriations act. The contingency appropriations provided for the 2018-19 biennium were never activated and the associated funding and FTE authority was lapsed by the agency.

**Racing Commission
Rider Highlights - Senate**

Modification of Existing Riders

2. **Texas Bred Incentive Program Receipts.** Recommendations add the total language of Rider 4, Texas Bred Incentive Program Awards to consolidate all text related to Texas Bred Program in this rider.
5. **Contingent Appropriation: New Racetrack Application.** Recommendations make a technical change to delete the reference to the funding amount because this funding is not included in current revenue estimates. If new funding is generated, the rider would still appropriate the new funds to the Racing Commission.
8. **Lump Sum Annual Leave Payout.** Recommendations amend the rider to reflect the current \$24,000 estimate of retirement payouts in the 2020-21 biennium.

Deleted Riders

4. **Texas Bred Incentive Program Awards.** As noted above, recommendations move this text into Rider 2, Texas Bred Incentive Program Receipts to consolidate all text related to the Texas Bred Program.

Racing Commission
Items Not Included in Recommendations - Senate

| | | 2020-21 Biennial Total | | | Information Technology Involved? | Contracting Involved? | Estimated Continued Cost 2022-23 |
|---|---|------------------------|------------------|------------|--|--------------------------|--|
| | | GR & GR-D | All Funds | FTEs | | | |
| Agency Exceptional Items Not Included (in agency priority order) | | | | | | | |
| 1) | Veterinarian services at training hours during live race meets to monitor horses' health and prevent catastrophic injury | \$36,480 | \$36,480 | 0.5 | No | No | \$36,480 |
| 2) | Information Security Officer to ensure compliance with state requirements on information security, planning and procedures | \$166,400 | \$166,400 | 1.0 | No | No | \$166,400 |
| 3) | Records Management Officer to ensure compliance with state requirements on record management and retention; in response to budget shortfalls, the agency eliminated the previous positions allocated to records management. | \$101,000 | \$101,000 | 1.0 | No | No | \$101,000 |
| 4) | Staff hours and travel to transition a part-time investigator to full-time providing services at Lone Star Park (a Class 1 racetrack located in Grand Prairie, TX) | \$61,520 | \$61,520 | 0.5 | No | No | \$61,520 |
| 5) | Agency requests to reduce the base number of horse racing days from 186 to 146 in Rider 6 Contingent Appropriation: Additional Live Race Days Added beyond the Base of 186 Days Each Fiscal Year to the Horse Race Date Calendar and Accredited Texas Bred Program. | \$0 | \$0 | 0.0 | No | No | \$0 |
| TOTAL Items Not Included in Recommendations | | \$365,400 | \$365,400 | 3.0 | | | \$365,400 |

**Racing Commission
Appendices - Senate**

| Table of Contents | | |
|--------------------------|--|-------------|
| Appendix | Appendix Title | Page |
| A | Funding Changes and Recommendations by Strategy | 8 |
| B | Summary of Federal Funds | * |
| C | FTE Highlights | 10 |
| D | Performance Measure Highlights | * |
| E | Summary of Ten Percent Biennial Base Reduction Options | 11 |

* Appendix is not included - no significant information to report

Racing Commission
Funding Changes and Recommendations - Senate, by Strategy -- 597 - Texas Racing Comm Acct

| Strategy/Goal | 2018-19 Base | 2020-21 Recommended | Biennial Change | % Change | Comments |
|---|--------------------|------------------------|--------------------|--------------|---|
| LICENSE/REGULATE RACETRACKS A.1.1 | \$735,648 | \$747,516 | \$11,868 | 1.6% | Increase due to shift of funding in the base request to fill an attorney position, offset by a reduction related to 2018-19 one-time audit funding that was not continued. |
| TEXAS BRED INCENTIVE PROGRAM A.2.1 | \$6,260,000 | \$6,933,654 | \$673,654 | 10.8% | Increase due to contingency rider appropriations. |
| SUPERVISE & CONDUCT LIVE RACES A.3.1 | \$990,475 | \$1,131,478 | \$141,003 | 14.2% | Increase due to contingency rider appropriations offset by reductions related to 2018-19 one-time audit funding that was not continued and to fewer horse race dates projected. |
| MONITOR LICENSEE ACTIVITIES A.3.2 | \$533,307 | \$655,304 | \$121,997 | 22.9% | Increase due to contingency rider appropriations. |
| INSPECT & PROVIDE EMERGENCY CARE A.4.1 | \$642,130 | \$698,750 | \$56,620 | 8.8% | Increase for contingency rider appropriations offset by reduction related to 2018-19 one-time audit funding that was not continued and to fewer horse race dates projected. |
| ADMINISTER DRUG TESTS A.4.2 | \$384,499 | \$416,361 | \$31,862 | 8.3% | Increase for contingency rider appropriations offset by a reduction related to 2018-19 one-time audit funding that was not continued and a base request decrease in salaries. |
| Total, Goal A, ENFORCE RACING REGULATION | \$9,546,059 | \$10,583,063 | \$1,037,004 | 10.9% | |
| OCCUPATIONAL LICENSING PROGRAM B.1.1 | \$686,382 | \$759,663 | \$73,281 | 10.7% | Increase primarily due to contingency rider appropriations. |
| TEXAS.GOV B.1.2 | \$34,000 | \$35,000 | \$1,000 | 2.9% | Increase projected in licensing revenue for Texas.gov. |
| Total, Goal B, REGULATE PARTICIPATION | \$720,382 | \$794,663 | \$74,281 | 10.3% | |
| MONITOR WAGERING AND COMPLIANCE C.1.1 | \$579,545 | \$612,267 | \$32,722 | 5.6% | Increase due to contingency rider appropriations, offset by reduction related to 2018-19 one-time audit funding that was not continued. |
| Total, Goal C, REGULATE PARI-MUTUEL WAGERING | \$579,545 | \$612,267 | \$32,722 | 5.6% | |

Racing Commission
Funding Changes and Recommendations - Senate, by Strategy -- 597 - Texas Racing Comm Acct

| Strategy/Goal | 2018-19 Base | 2020-21 Recommended | Biennial Change | % Change | Comments |
|---|---------------------|------------------------|--------------------|-------------|--|
| CENTRAL ADMIN & OTHER SUPPORT SVCS D.1.1 | \$1,402,791 | \$1,371,192 | (\$31,599) | (2.3%) | Decrease due to a reduction to remove 2018-19 one-time audit funding that was not continued and a reduction for lower projected retirement payouts, which is offset by increases related to rent, utilities and other items allocated in the base request. |
| INFORMATION RESOURCES D.1.2 | \$1,045,596 | \$1,087,697 | \$42,101 | 4.0% | Increase due to a projected network and security system upgrade in the base request. |
| Total, Goal D, INDIRECT ADMINISTRATION | \$2,448,387 | \$2,458,889 | \$10,502 | 0.4% | |
| Grand Total, All Strategies | \$13,294,373 | \$14,448,882 | \$1,154,509 | 8.7% | |

**Racing Commission
FTE Highlights - Senate**

| Full-Time-Equivalent Positions | Expended 2017 | Estimated 2018 | Budgeted 2019 | Recommended 2020 | Recommended 2021 |
|---------------------------------------|--------------------------|---------------------------|--------------------------|-----------------------------|-----------------------------|
| Cap | 56.2 | 51.6 | 51.6 | 44.5 | 44.5 |
| Actual/Budgeted | 43.3 | 36.9 | 37.8 | NA | NA |

Schedule of Exempt Positions (Cap)

Executive Director (\$129,353)

Notes:

a) The State Auditor's Office Report, Executive Compensation at State Agencies (Report 18-705, August 2018), indicates a market average salary of \$144,597 for the Executive Director position at the Racing Commission. The report also recommends changing the salary classification group from 2 to 3. The agency is not requesting any changes to its exempt position.

b) FY 2018 actual FTEs have been updated from the amount reported in the Legislative Appropriations Request to the final estimate reported to the State Auditor's Office.

c) Recommended FTEs for the 2020-21 biennium include 5.2 FTEs associated with contingency riders related to new or reopening racetracks and additional horse and greyhound racing days. Without these FTEs, the recommended cap would be 39.3.

**Racing Commission
Summary of Ten Percent Biennial Base Reduction Options - Senate**

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Program GR/GR-D Total | Included in Introduced Bill? |
|----------|--|--|----------------------------|-----------|------|------------------------|---|-----------------------|--|
| | | | GR & GR-D | All Funds | FTEs | | | | |
| 1) | Various Across the Board Reductions Including the Texas Bred Incentive Program | The first reduction of 2.5 percent includes the following. \$156,500 consists of grants to the Texas Bred Incentive Program for encouraging the breeding and racing of animals in Texas. Of these funds, 2.0% is allocated for Equine Research at Texas A&M University, 9.8% is set aside for administration of the Texas Bred Incentive Program to the Breed Registries recognized by the Texas Racing Act, and 88.2% is allocated for awards to owners of Accredited Texas Bred greyhounds and horses. A reduction to this program would affect the payout of awards to the owners and breeders of Texas Bred race animals. A 10 percent reduction to the Texas Bred Incentive Program is allocated equally among the four reduction items. The reduction of \$37,000 in Regulate Racetrack would eliminate an increase in salaries to recruit and/or retain qualified personnel. Commission salaries are below the midpoint in most of the salary groups across the agency. A reduction of \$30,000 in Central Administration for professional fees and services related to providing internal auditing services and the Internal Audit Plan. An additional reduction of \$102,000 in Central Administration would eliminate the position of a Records Management Officer. The RMO manages the agency's record management program to ensure the agency complies with state records management and record retention requirements. | \$325,500 | \$325,500 | 1.0 | \$0 | 2.4% | \$13,343,198 | Yes, partial. The funding for a RMO position was removed. See Sec 3 Selected Fiscal and Policy Issue #1. |

**Racing Commission
Summary of Ten Percent Biennial Base Reduction Options - Senate**

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Program GR/GR-D Total | Included in Introduced Bill? |
|----------|--|--|----------------------------|-----------|------|------------------------|---|-----------------------|---|
| | | | GR & GR-D | All Funds | FTEs | | | | |
| 2) | Various Across the Board Reductions Including the Texas Bred Incentive Program | The second reduction of 2.5 percent includes: \$156,500 for grants to the Texas Bred Incentive Program for encouraging the breeding and racing of animals in Texas. A reduction of \$62,000 would eliminate administrative support to the Licensing Program. Additional duties and responsibilities would be assigned to remaining personnel and there could be reduced regulatory oversight and compliance with Commission and state requirements. The reduction of \$56,000 in Central Administration would eliminate staff hours in accounting. This reduction would increase the duties and responsibilities assigned to remaining employees. The reduction of \$55,000 in Information Resources would delay an upgrade of the network and phone system. | \$329,500 | \$329,500 | 1.5 | \$0 | 2.5% | \$13,343,198 | No |
| 3) | Various Across the Board Reductions Including the Texas Bred Incentive Program | The third reduction of 2.5 percent includes: \$156,500 for grants to the Texas Bred Incentive Program for encouraging the breeding and racing of animals in Texas. A reduction of \$91,000 in Monitor Licensee Activities would eliminate .5 FTE and reduce travel in this program. This .5 FTE allows the agency to minimize the use of several part-time personnel that are rotated to work at Lone Star Park Racetrack by hiring a full-time investigator. This provides for a more consistent presence and increased enforcement efficiency at the racetrack during live racing. A reduction of \$65,790 in Administer Drug Tests would eliminate the presence of Commission and contract veterinarians at the track during routine training hours. This presence allows the veterinarians an expanded opportunity to examine horses beyond the brief pre-race examination, and when necessary, take appropriate action to place a horse on the Veterinarian's List until it is demonstrated that the horse is sound to race. A reduction of \$37,900 in Central Administration is for membership dues to the Association of Racing Commissioners International (ARCI). The agency would no longer be able to participate in the ARCI national database that is used to monitor licensees' standing in other jurisdictions. | \$351,190 | \$351,190 | 0.5 | \$0 | 2.6% | \$13,343,198 | Yes, partial. Funds for the investigator and contract veterinarians were removed. See Sec 3 Selected Fiscal and Policy Issue #1. |

Racing Commission
Summary of Ten Percent Biennial Base Reduction Options - Senate

| Priority | Item | Description/Impact | Biennial Reduction Amounts | | | Potential Revenue Loss | Reduction as % of Program GR/GR-D Total | Program GR/GR-D Total | Included in Introduced Bill? |
|-------------------------------------|--|---|----------------------------|--------------------|------------|------------------------|---|-----------------------|------------------------------|
| | | | GR & GR-D | All Funds | FTEs | | | | |
| 4) | Various Across the Board Reductions Including the Texas Bred Incentive Program | The fourth reduction of 2.5 percent consists of: \$156,500 in grants to the Texas Bred Incentive Program for encouraging the breeding and racing of animals in Texas. A reduction of \$150,000 in the Regulate Racetracks program would reduce the FTE count by 1. Additional duties and responsibilities would need to be reassigned to the remaining employees, which could impact the agency's ability to prepare for cases brought before the State Office of Administrative Hearings and may reduce the agency's regulatory oversight. A reduction of \$22,221 in Information Resources would delay modifications and upgrades to the agency's database. | \$328,721 | \$328,721 | 1.0 | \$0 | 2.5% | \$1,343,198 | No |
| TOTAL, 10% Reduction Options | | | \$1,334,911 | \$1,334,911 | 4.0 | \$0 | | | |