

BILL ANALYSIS

C.S.H.B. 2271

By: Anchia

Licensing & Administrative Procedures

Committee Report (Substituted)

BACKGROUND AND PURPOSE

In 1986, the Legislature passed the Texas Racing Act, allowing pari-mutuel wagering on horse and greyhound races and creating the Texas Racing Commission to oversee the racing industry. The Commission's authority spans from licensing racetracks and their employees, to overseeing live racing events, and monitoring and certifying wagering transactions.

The Racing Commission is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. As a result of its review of the Racing Commission, the Sunset Advisory Commission recommended continuation of the agency for six years and several statutory modifications to provide the agency with stronger regulatory tools to oversee the declining racing industry.

Created by the Legislature in 1991, the 11-member Equine Research Account Advisory Committee recommends funding for equine research projects, initially using a portion of the wagers placed on Texas horse races. The Director of Texas AgriLife Research makes the final grant awards. For the past three Sessions the Legislature has not appropriated Account funds and instead, Texas AgriLife funded grants recommended by the Committee.

The Committee is subject to the Sunset Act, and the Sunset Commission found that the Committee has not provided clear outcomes for its funding decisions and that a statutorily mandated committee is no longer needed.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Racing Commission in SECTION 7, SECTION 10, SECTION 14, SECTION 16, SECTION 17, and SECTION 27 of this bill.

ANALYSIS

Requires the Commission to designate racetrack licenses as either active or inactive and develop, in rule, renewal criteria for licenses designated as inactive.

C.S.H.B. 2271 requires the Commission to determine whether each racetrack license holder is actively working to fulfill the basic obligations of a license, and then designate each racetrack as active or inactive. The substitute designates a one year renewal timeframe for inactive racetracks. C.S.H.B. 2271 requires the Commission to develop and assess fees as part of the renewal process. In addition, the substitute authorizes the Commission to refuse to renew an inactive racetrack license. C.S.H.B. 2271 also requires the Commission to perform reviews of active racetrack licenses every five years and to establish a process and schedule to conduct the reviews.

Clarifies the Commission's authority to revoke or refuse to renew a license.

C.S.H.B. 2271 clarifies the Commission's authority to revoke or refuse to renew a racetrack license for violations of the Act or Commission rules, in addition to its existing authority to suspend a racetrack license and assess administrative penalties. In addition, the substitute removes language designating racetrack licenses as being perpetual.

Enhances executive director authority over decisions made by stewards and judges

C.S.H.B. 2271 provides the executive director of the Racing Commission with authority to review and modify decisions made by racetrack stewards and judges regarding unethical practices or violations of racing rules, and to levy enhanced penalties including a fine up to \$10,000 per violation, a suspension of not more than two years, or both.

Authorizes the Commission to require racetrack license holders to post security at any time.

C.S.H.B. 2271 allows the Commission to require racetrack license holders to post security at any time, instead of only when a new license is issued.

Eliminates uncashed winning tickets as a source of Commission revenue and caps the amount of funds the Comptroller sweeps from the Commission's account.

C.S.H.B. 2271 removes uncashed winning tickets as a funding mechanism for the agency. Racetracks would be allowed to keep the revenue from uncashed winning tickets, and the Commission would replace the lost revenue by adjusting other racing related fees paid by licensed racetracks. The substitute also specifies that the Comptroller would sweep from the agency's account only funds above \$750,000 at the end of each biennium, instead of all funds remaining in the agency's account.

Clarifies that all unlicensed entities are prohibited from accepting wagers placed by Texas residents.

C.S.H.B. 2271 amends the Texas Racing Act to clarify that no entity, including out-of-state businesses that offer online or phone accounts, can accept wagers on horse or greyhound races by Texas bettors unless sanctioned by the Act.

Modifies the Commission's approach to occupational licensing.

C.S.H.B. 2271 directs the Commission to categorize those occupations that afford employees an opportunity to affect pari-mutuel wagering and license those employees, as well as employees who have significant access to the backside or restricted areas of the track. Personnel such as food vendors would not need a license. C.S.H.B. 2271 also requires the Commission to perform criminal history checks every three years instead of the current five-year time period.

Removes limit on ATM withdrawals.

C.S.H.B. 2271 removes the current \$200 limit on ATM withdrawals at racetracks.

Changes the definition of greyhound "performance"

C.S.H.B. 2271 removes from statute the specific number of greyhound races that make up a "performance" and allows the Racing Commission to determine the number of races.

Applies standard Sunset across-the-board recommendations.

C.S.H.B. 2271 modifies standard Sunset language prohibiting Commission members, high-level employees, and spouses from serving as an officer or employee of a related Texas trade association. The substitute also adds standard Sunset language requiring the Commission to develop a policy that encourages the use of negotiated rulemaking and alternative dispute resolution.

Continues the Texas Racing Commission for six years.

C.S.H.B. 2271 changes the Texas Racing Commission's Sunset date to 2017, continuing the Commission as an independent agency for six years.

Abolishes the Equine Research Account Advisory Committee and continues Texas AgriLife Research's ability to expend appropriated Equine Research Account Funds.

C.S.H.B. 2271 eliminates the Equine Research Account Advisory Committee from statute and retains Texas AgriLife Research's authority to expend appropriated Equine Research Account funds. C.S.H.B. 2271 also requires the executive director of Texas AgriLife Research to submit a report to the Texas Racing Commission as required by law.

The substitute repeals the following statutory provisions:

- Texas Racing Act, §2.072
- Texas Racing Act, §6.04 (b)
- Texas Racing Act, §6.18 (a)
- Texas Racing Act, §7.02 (a)
- Education Code, §88.521 (1)
- Education Code, §88.523
- Education Code, §88.5231
- Education Code, §88.5232
- Education Code, §88.524
- Education Code, §88.5245
- Education Code, §88.525 (c)

EFFECTIVE DATE

September 1, 2011

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 2271 provides the executive director of the Racing Commission with authority to review and modify decisions made by racetrack stewards and judges regarding unethical practices or violations of racing rules, and to levy enhanced penalties including a fine up to \$10,000, a suspension of not more than two years, or both. The substitute removes from statute the specific number of greyhound races that make up a "performance" and allows the Racing Commission to determine the number of races in rule. The substitute also specifies that the Comptroller would sweep from the agency's account only funds above \$750,000 at the end of each biennium, instead of all funds remaining in the agency's account.

Additionally, C.S.H.B. 2271 removes the current \$200 limit on ATM withdrawals at racetracks and adds an instructional provision that requires the Racing Commission to establish by rule a process and schedule to conduct its reviews of active racetracks.