

## **BILL ANALYSIS**

C.S.H.B. 3926  
By: Kuempel  
Licensing & Administrative Procedures  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties contend that purpose-driven pari-mutuel technology would provide a needed revenue stream for the state and would benefit from a framework of operation authorized by the legislature. C.S.H.B. 3926 seeks to provide such a framework under which the Texas Racing Commission authorizes and regulates purpose-driven pari-mutuel wagering and dedicates that revenue to fund, among other priorities, certain body armor for law enforcement agencies.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Racing Commission in SECTION 12 of this bill.

### **ANALYSIS**

C.S.H.B. 3926 amends Vernon's Texas Civil Statutes to expand the scope of the Texas Racing Commission's regulatory and supervisory authority under the Texas Racing Act regarding greyhound and horse racing to include regulating and supervising every race meeting in Texas involving wagering on the result of previously run greyhound or horse races and to clarify that the racing commission's authority to license and regulate greyhound and horse racing applies to all aspects of greyhound and horse racing offered in Texas. The bill authorizes a pari-mutuel pool to be funded with money allocated to initiate the pool or a guaranteed amount; clarifies certain licensing requirements; and revises the required contents of an application for an original racetrack license.

C.S.H.B. 3926 authorizes a racetrack association, defined as a person licensed under the act to offer pari-mutuel wagering on horse or greyhound races, whether live or simulcast, that is granted live or simulcast race dates to offer on any day during the calendar year purpose-driven pari-mutuel wagering, defined as wagering on a greyhound race or horse race, whether running or harness, that was previously conducted at a facility licensed to offer pari-mutuel wagering on the outcome of greyhound or horse races, that concluded with official results, and that concluded without a scratch, disqualification, or dead-heat finish. The bill subjects purpose-driven pari-mutuel wagering and purpose-driven pari-mutuel pools to certain provisions of the act applicable to live or simulcast pari-mutuel wagering and live or simulcast pari-mutuel pools.

C.S.H.B. 3926 prohibits a racetrack association from beginning to offer purpose-driven pari-mutuel wagering until the association executes a valid contract with the officially recognized horsemen's organization, the official breed registries, and the Texas Greyhound Association, respectively, for specified purposes and requires the racing commission to be the

final arbiter of any disagreements between the respective parties when reaching the terms of a valid contract.

C.S.H.B. 3926 requires a racetrack association, for each dollar wagered in a purpose-driven pari-mutuel pool, to set aside for the state an amount equal to one percent to be distributed as follows: 45 percent of the state's share capped annually at \$20 million is allocated to the criminal justice division of the governor's office to provide financial assistance to law enforcement agencies in Texas for the purpose of equipping officers with bulletproof vests, ballistic plates, and plate carriers; 33 percent of state's share capped annually at \$15 million is allocated to the fund for veterans' assistance; 22 percent of the state's share capped annually at \$10 million is allocated as financial assistance to survivors of certain law enforcement officers, firefighters, and others as death benefits for families of law enforcement officers, firefighters, and others killed in the line of duty; and any remainder is allocated annually for deposit to the general revenue fund. The bill requires a racetrack association, for each dollar wagered in such a pool, to set aside for nonprofit corporations an amount equal to one percent and requires one percent of that money to be allocated and distributed by the racetrack association for nonprofit corporations to the National Council on Problem Gambling. The bill requires each racetrack association to contract with 10 nonprofit corporations to provide contributions to the corporations from purpose-driven pari-mutuel wagering at any time such wagering is offered, authorizes such a contract to be for a term of 30 days or more, and sets out provisions relating to the nonprofit corporations and to their eligibility to participate, including a requirement that the racing commission adopt rules on the application process and selection criteria.

C.S.H.B. 3926 establishes that pari-mutuel wagering on the outcome of greyhound races and horse races, whether live, simulcast, or previously run, is authorized under the act. The bill requires the racing commission to adopt the rules necessary to implement the changes in law made by the bill's provisions.

C.S.H.B. 3926 repeals Section 6.09(e), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes).

#### **EFFECTIVE DATE**

September 1, 2017.

#### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 3926 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

##### INTRODUCED

SECTION 1. Section 1.03, Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended by amending Subdivisions (2), (6), (18), (46), (50), (67), and (74) and adding Subdivisions (82), (83), and (84) to read as follows:

(2) "Association" or "racetrack association" means a person licensed under this Act to offer [~~conduct a horse race meeting or a greyhound race meeting with~~] pari-mutuel wagering on horse racing or greyhound racing.

##### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Substantially same as introduced version.

(6) "Horse race meeting" means the conducting of live, simulcast, or purpose-driven pari-mutuel wagering on horse races on a day or during a period of consecutive or nonconsecutive days.

(18) "Pari-mutuel wagering" means the form of wagering on the outcome of greyhound or horse races [~~raeing~~] in which [~~those who wager purchase tickets of various denominations on an animal or animals and~~] all wagers [~~for each race~~] are pooled and held by the racing association for distribution of the total amount, less the deductions authorized by this Act, to winning wagers [~~holders of tickets on the winning animals~~].

(46) "Multiple wagering" means wagering on two or more entries [~~animals~~] in one race or on one or more entries [~~animals~~] in more than one race. "Multiple two wagering" means wagering on two entries [~~animals~~] in one or more races. "Multiple three wagering" means wagering on three or more entries [~~animals~~] in one or more races.

(50) "Greyhound racing days" means 24-hour periods ending at 12 midnight [~~days~~] on which a permitted racetrack association may conduct [~~conducts~~] greyhound racing. [~~"One racing day" means a period commencing at noon and ending at 2 a.m. the next calendar day, except in the case of days on which there are matinee races.~~]

(67) "Racetrack facility" means a facility operated by a racetrack [~~an~~] association within its enclosure for the purpose of offering [~~presenting races for~~] pari-mutuel wagering on the outcome of greyhound or horse races.

(74) "Race" includes previously run races, whether digitally represented, simulated, or presented by video recording and a live audio and visual signal of a race.

(82) "Purpose-driven pari-mutuel wagering" means wagering on a greyhound race or horse race, whether running or harness, that:  
(A) was previously conducted at a facility licensed to offer pari-mutuel wagering on the outcome of greyhound or horse races;  
(B) concluded with official results; and  
(C) concluded without a scratch, disqualification, or dead-heat finish.

(83) "Purpose-driven pari-mutuel pool" means the total amount of money wagered by patrons within the enclosure of a

racetrack association on the results of a previously run race.

(84) "Purpose-driven pari-mutuel wagering system provider" means a person, company, or association that contracts with a racetrack association to provide the necessary systems and hardware to conduct purpose-driven pari-mutuel wagering.

SECTION 2. Section 3.02(a), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 2. Same as introduced version.

SECTION 3. Section 3.021(a), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 3. Same as introduced version.

SECTION 4. Section 3.09, Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 4. Same as introduced version.

SECTION 5. Section 6.01, Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 5. Same as introduced version.

SECTION 6. Sections 6.03(a) and (b), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), are amended.

SECTION 6. Same as introduced version.

SECTION 7. Section 6.04, Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 7. Same as introduced version.

SECTION 8. Section 6.08(b)(3), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 8. Same as introduced version.

SECTION 9. Section 6.08, Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 9. Same as introduced version.

SECTION 10. Section 6.09, Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended by amending Subsections (a) and (d) and adding Subsections (g) and (h) to read as follows:

SECTION 10. Section 6.09, Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended by amending Subsection (d) and adding Subsections (g) and (h) to read as follows:

(a) Every racetrack association authorized under this Act to conduct pari-mutuel wagering at a greyhound race meeting on races run shall distribute all sums deposited in any live or simulcast pari-mutuel pool to the holders of the winning tickets if those tickets are presented for payment within 60 days after the closing day of the race

No equivalent provision.

meeting at which the pool was formed, less an amount paid as a commission of 18 percent of the total deposits in pools resulting from regular win, place, and show wagering, and an amount not to exceed 21 percent of the total deposits in pools resulting from multiple two wagering and an amount not to exceed 25 percent of the total deposits in pools resulting from multiple three wagering.

(d) Fifty percent of the breakage for live, previously run, or simulcast races is to be paid to the appropriate state greyhound breeding registry. Of that portion of the breakage 25 percent of that breakage is to be used in stakes races and 25 percent of that total breakage from a live pari-mutuel pool, purpose-driven pari-mutuel pool, or a simulcast pari-mutuel pool is to be paid to the commission for the use by the state greyhound breed registry, subject to rules promulgated by the commission.

(g) A racetrack association may not begin offering purpose-driven pari-mutuel wagering until the association executes a valid contract with the Texas Greyhound Association that establishes the portions of the association's commission on purpose-driven pari-mutuel pools that will be set aside for purses and breeder incentives.

(h) The commission shall be the final arbiter of any disagreements between an association and the Texas Greyhound Association when reaching the terms of a valid contract.

SECTION 11. Sections 6.092(a) and (c), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), are amended.

SECTION 12. Article 6, Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended by adding Section 6.095 to read as follows:

Sec. 6.095. DEDUCTIONS FROM PURPOSE-DRIVEN PARI-MUTUEL POOL. (a) For each dollar wagered in a purpose-driven pari-mutuel pool, a racetrack association shall set aside for this state an amount equal to one percent to be distributed in the following order of priority:  
(1) \$20 million is allocated to pay the costs of body armor for law enforcement officers in this state;

(d) Fifty percent of the breakage for live, previously run, or simulcast races is to be paid to the appropriate state greyhound breeding registry. Of that portion of the breakage 25 percent of that breakage is to be used in stakes races and 25 percent of that total breakage from a live pari-mutuel pool, purpose-driven pari-mutuel pool, or a simulcast pari-mutuel pool is to be paid to the commission for the use by the state greyhound breed registry, subject to rules promulgated by the commission.

(g) A racetrack association may not begin offering purpose-driven pari-mutuel wagering until the association executes a valid contract with the Texas Greyhound Association that establishes the portions of the association's commission on purpose-driven pari-mutuel pools that will be set aside for purses and breeder incentives.

(h) The commission shall be the final arbiter of any disagreements between an association and the Texas Greyhound Association when reaching the terms of a valid contract.

SECTION 11. Same as introduced version.

SECTION 12. Article 6, Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended by adding Section 6.095 to read as follows:

Sec. 6.095. DEDUCTIONS FROM PURPOSE-DRIVEN PARI-MUTUEL POOL. (a) For each dollar wagered in a purpose-driven pari-mutuel pool, a racetrack association shall set aside for this state an amount equal to one percent to be distributed as follows:  
(1) 45 percent of the state's share annually not to exceed \$20 million is allocated to the criminal justice division of the governor's office to provide financial assistance to law

(2) \$10 million is allocated as death benefits for families of law enforcement officers killed in the line of duty; and

(3) any remainder is allocated for deposit to the general revenue fund to be used at the discretion of this state.

(b) For each dollar wagered in a purpose-driven pari-mutuel pool, a racetrack association shall set aside for nonprofit corporations an amount equal to one percent.

(c) At any time purpose-driven pari-mutuel wagering is offered, each racetrack association shall contract with 10 nonprofit corporations to provide contributions to the corporations from purpose-driven pari-mutuel wagering. A contract with a nonprofit corporation may be for a term of 30 days or more.

(d) Any nonprofit corporation registered under 26 U.S.C. Section 501(c)(3) that has operations in this state and that filed an Internal Revenue Service Form 990 in the previous calendar year is eligible to participate. The commission shall adopt rules on the application process and selection criteria under this section.

(e) Of the 10 nonprofit corporations contracted under Subsection (c):

(1) at least one must benefit law enforcement programs;

(2) at least one must benefit veterans of the armed forces of this state or the United States; and

(3) not more than three may benefit the racing industry.

enforcement agencies in this state for the purpose of equipping officers with bulletproof vests, ballistic plates, and plate carriers;

(2) 33 percent of state's share annually not to exceed \$15 million is allocated to the fund for veterans' assistance established under Section 434.017, Government Code;

(3) 22 percent of state's share annually not to exceed \$10 million is allocated as financial assistance to survivors of certain law enforcement officers, firefighters, and others as death benefits for families of law enforcement officers, firefighters, and others killed in the line of duty under Chapter 615, Government Code, or other law; and

(4) any remainder is allocated annually for deposit to the general revenue fund.

(b) For each dollar wagered in a purpose-driven pari-mutuel pool, a racetrack association shall set aside for nonprofit corporations an amount equal to one percent. A racetrack association shall allocate and distribute one percent of the money set aside for nonprofit corporations under this subsection to the National Council on Problem Gambling.

(c) At any time purpose-driven pari-mutuel wagering is offered, each racetrack association shall contract with 10 nonprofit corporations to provide contributions to the corporations from purpose-driven pari-mutuel wagering. A contract with a nonprofit corporation may be for a term of 30 days or more.

(d) Any nonprofit corporation registered under 26 U.S.C. Section 501(c)(3) that has operations in this state and that filed an Internal Revenue Service Form 990 in the previous calendar year is eligible to participate. The commission shall adopt rules on the application process and selection criteria under this section.

(e) Of the 10 nonprofit corporations contracted under Subsection (c):

(1) at least one must benefit law enforcement programs;

(2) at least one must benefit veterans of the armed forces of this state or the United States; and

(3) not more than three may benefit the racing industry.

SECTION 13. Section 6.11(a), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 13. Same as introduced version.

SECTION 14. Section 6.14(a), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 14. Same as introduced version.

SECTION 15. Section 11.01(a), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 15. Same as introduced version.

SECTION 16. Section 11.04(a), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is amended.

SECTION 16. Same as introduced version.

SECTION 17. Section 6.09(e), Texas Racing Act (Article 179e, Vernon's Texas Civil Statutes), is repealed.

SECTION 17. Same as introduced version.

SECTION 18. As soon as practicable after the effective date of this Act, the Texas Racing Commission shall adopt the rules necessary to implement the changes in law made by this Act.

SECTION 18. Same as introduced version.

SECTION 19. This Act takes effect September 1, 2017.

SECTION 19. Same as introduced version.