

By: Kuempel, Thompson of Harris, Geren,
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H.B. No. 3926

Substitute the following for H.B. No. 3926:

By: Kuempel

C.S.H.B. No. 3926

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of horse racing and greyhound racing and
pari-mutuel wagering in connection with that racing.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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.

(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 [~~racing~~] 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

1 more than one race. "Multiple two wagering" means wagering on two
2 entries [~~animals~~] in one or more races. "Multiple three wagering"
3 means wagering on three or more entries [~~animals~~] in one or more
4 races.

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

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

15 (74) "Race" includes:

16 (A) previously run races, whether digitally
17 represented, simulated, or presented by video recording; or

18 (B) a live audio and visual signal of a race.

19 (82) "Purpose-driven pari-mutuel wagering" means
20 wagering on a greyhound race or horse race, whether running or
21 harness, that:

22 (A) was previously conducted at a facility
23 licensed to offer pari-mutuel wagering on the outcome of greyhound
24 or horse races;

25 (B) concluded with official results; and

26 (C) concluded without a scratch,
27 disqualification, or dead-heat finish.

1 (83) "Purpose-driven pari-mutuel pool" means the
2 total amount of money wagered by patrons within the enclosure of a
3 racetrack association on the results of a previously run race.

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

8 SECTION 2. Section 3.02(a), Texas Racing Act (Article 179e,
9 Vernon's Texas Civil Statutes), is amended to read as follows:

10 (a) The commission shall regulate and supervise every race
11 meeting in this state involving wagering on the result of live,
12 simulcast, or previously run greyhound or horse races [~~racing~~].

13 All persons and things relating to the operation of those meetings
14 are subject to regulation and supervision by the commission. The
15 commission shall adopt rules for conducting greyhound or horse
16 racing in this state involving wagering and shall adopt other rules
17 to administer this Act that are consistent with this Act. The
18 commission shall also make rules, issue licenses, and take any
19 other necessary action relating exclusively to horse racing or to
20 greyhound racing.

21 SECTION 3. Section 3.021(a), Texas Racing Act (Article
22 179e, Vernon's Texas Civil Statutes), is amended to read as
23 follows:

24 (a) Any provision in this Act to the contrary
25 notwithstanding, the commission may license and regulate all
26 aspects of greyhound racing and horse racing offered in this state,
27 whether or not that racing involves pari-mutuel wagering.

1 SECTION 4. Section 3.09, Texas Racing Act (Article 179e,
2 Vernon's Texas Civil Statutes), is amended by adding Subsection (c)
3 to read as follows:

4 (c) A pari-mutuel pool may be funded with money allocated to
5 initiate the pool or a guaranteed amount.

6 SECTION 5. Section 6.01, Texas Racing Act (Article 179e,
7 Vernon's Texas Civil Statutes), is amended to read as follows:

8 Sec. 6.01. LICENSE REQUIRED. A person may not conduct
9 wagering on a greyhound race or a horse race [~~meeting~~] without first
10 obtaining a racetrack license from the commission. A person who
11 violates this section commits an offense.

12 SECTION 6. Sections 6.03(a) and (b), Texas Racing Act
13 (Article 179e, Vernon's Texas Civil Statutes), are amended to read
14 as follows:

15 (a) The commission shall require each applicant for an
16 original racetrack license to pay the required application fee and
17 to submit an application, on a form prescribed by the commission,
18 containing the following information:

19 (1) if the applicant is an individual, the full name of
20 the applicant, the applicant's date of birth, a physical
21 description of the applicant, the applicant's current address and
22 telephone number, and a statement by the applicant disclosing any
23 arrest or conviction for a felony or for a misdemeanor, except a
24 misdemeanor under Subtitle C, Title 7, Transportation Code, [~~the~~
25 ~~Uniform Act Regulating Traffic on Highways (Article 6701d, Vernon's~~
26 ~~Texas Civil Statutes)~~] or a similar misdemeanor traffic offense;

27 (2) if the applicant is a corporation:

1 (A) the state in which it is incorporated, the
2 names and addresses of the corporation's agents for service of
3 process in this state, the names and addresses of its officers and
4 directors, the names and addresses of its stockholders, and, for
5 each individual named under this subdivision, the individual's date
6 of birth, current address and telephone number, and physical
7 description, and a statement disclosing any arrest or conviction
8 for a felony or for a misdemeanor, except a misdemeanor under
9 Subtitle C, Title 7, Transportation Code, [the Uniform Act
10 Regulating Traffic on Highways (Article 6701d, Vernon's Texas Civil
11 Statutes)] or a similar misdemeanor traffic offense; and

12 (B) identification of any other beneficial owner
13 of shares in the applicant that bear voting rights, absolute or
14 contingent, any other person that directly or indirectly exercises
15 any participation in the applicant, and any other ownership
16 interest in the applicant that the applicant making its best effort
17 is able to identify;

18 (3) if the applicant is an unincorporated business
19 association:

20 (A) the names and addresses of each of its
21 members and, for each individual named under this subdivision, the
22 individual's date of birth, current address and telephone number,
23 and physical description, and a statement disclosing any arrest or
24 conviction for a felony or for a misdemeanor, except a misdemeanor
25 under Subtitle C, Title 7, Transportation Code, [the Uniform Act
26 Regulating Traffic on Highways (Article 6701d, Vernon's Texas Civil
27 Statutes)] or a similar misdemeanor traffic offense; and

1 (B) identification of any other person that
2 exercises voting rights in the applicant or that directly or
3 indirectly exercises any participation in the applicant and any
4 other ownership interest in the applicant that the applicant making
5 its best effort is able to identify;

6 (4) the exact location at which a race meeting is to be
7 conducted;

8 (5) if the racing facility is in existence, whether it
9 is owned by the applicant and, if leased to the applicant, the name
10 and address of the owner and, if the owner is a corporation or
11 unincorporated business association, the names and addresses of its
12 officers and directors, its stockholders and members, if any, and
13 its agents for service of process in this state;

14 (6) if construction of the racing facility has not
15 been initiated, whether it is to be owned by the applicant and, if
16 it is to be leased to the applicant, the name and address of the
17 prospective owner and, if the owner is a corporation or
18 unincorporated business association, the names and addresses of its
19 officers and directors, the names and addresses of its
20 stockholders, the names and addresses of its members, if any, and
21 the names and addresses of its agents for service of process in this
22 state;

23 (7) identification of any other beneficial owner of
24 shares that bear voting rights, absolute or contingent, in the
25 owner or prospective owner of the racing facility, or any other
26 person that directly or indirectly exercises any participation in
27 the owner or prospective owner and all other ownership interest in

1 the owner or prospective owner that the applicant making its best
2 effort is able to identify;

3 (8) a detailed statement of the assets and liabilities
4 of the applicant;

5 (9) the kind of racing to be conducted and the dates
6 requested;

7 (10) proof of residency as required by Section 6.06 of
8 this Act;

9 (11) a copy of each management, concession, ~~and~~
10 totalisator contract, and purpose-driven pari-mutuel wagering
11 system provider contract dealing with the proposed license at the
12 proposed location in which the applicant has an interest for
13 inspection and review by the commission; the applicant or licensee
14 shall advise the commission of any change in any management,
15 concession, ~~or~~ totalisator contract, or purpose-driven
16 pari-mutuel wagering system provider contract; all management,
17 concession, ~~and~~ totalisator contracts, and purpose-driven
18 pari-mutuel wagering system provider contracts must have prior
19 approval of the commission; the same fingerprint, criminal records
20 history, and other information required of license applicants
21 pursuant to Sections 5.03 and 5.04 and Subdivisions (1) through (3)
22 of this subsection shall be required of proposed totalisator firms,
23 purpose-driven pari-mutuel wagering system providers,
24 concessionaires, and managers and management firms; and

25 (12) any other information required by the commission.

26 (b) When the commission receives a plan for the security of
27 a racetrack facility, or a copy of a management, concession, ~~or~~

1 totalisator contract, or purpose-driven pari-mutuel wagering
2 system provider contract for review under Subdivision (11) of
3 Subsection (a) of this section, the commission shall review the
4 contract or security plan in an executive session. Documents
5 submitted to the commission under this section by an applicant are
6 subject to discovery in a suit brought under this Act but are not
7 public records and are not subject to Chapter 552, Government Code
8 [~~424, Acts of the 63rd Legislature, Regular Session, 1973 (Article~~
9 ~~6252-17a, Vernon's Texas Civil Statutes)~~]. In reviewing and
10 approving contracts under this subsection, the commission shall
11 attempt to ensure the involvement of minority owned businesses
12 whenever possible.

13 SECTION 7. Section 6.04, Texas Racing Act (Article 179e,
14 Vernon's Texas Civil Statutes), is amended by adding Subsections
15 (e) and (f) to read as follows:

16 (e) A racetrack association licensed to offer pari-mutuel
17 wagering on horse races, whether live or simulcast, and granted
18 live or simulcast race dates may offer purpose-driven pari-mutuel
19 wagering on any day during the calendar year.

20 (f) A racetrack association licensed to offer pari-mutuel
21 wagering on greyhound races, whether live or simulcast, and granted
22 live or simulcast race dates may offer purpose-driven pari-mutuel
23 wagering on any day during the calendar year.

24 SECTION 8. Section 6.08(b)(3), Texas Racing Act (Article
25 179e, Vernon's Texas Civil Statutes), is amended to read as
26 follows:

27 (3) The horse racetrack [~~racing~~] association shall

1 transfer the amount set aside for purses from any live,
2 purpose-driven, and simulcast pools and shall deposit the amounts
3 in purse accounts maintained by breed by the horsemen's
4 organization in one or more federally insured depositories. Legal
5 title to purse accounts is vested in the horsemen's organization.
6 The horsemen's organization may contract with a racetrack [~~an~~]
7 association to manage and control the purse accounts and to make
8 disbursements from the purse accounts:

9 (A) to an owner whose horse won a purse;

10 (B) to the horsemen's organization for its
11 expenses; or

12 (C) for other disbursements as provided by
13 contract between the horsemen's organization and the association.

14 SECTION 9. Section 6.08, Texas Racing Act (Article 179e,
15 Vernon's Texas Civil Statutes), is amended by amending Subsections
16 (i) and (j) and adding Subsections (o) and (p) to read as follows:

17 (i) Ten percent of the total breakage from a live
18 pari-mutuel pool, purpose-driven pari-mutuel pool, or a simulcast
19 pari-mutuel pool is to be paid to the commission for use by the
20 appropriate state horse breed registry, subject to rules
21 promulgated by the commission. The appropriate breed registry for
22 Thoroughbred horses is the Texas Thoroughbred [~~Breeders~~]
23 Association, for quarter horses is the Texas Quarter Horse
24 Association, for Appaloosa horses is the Texas Appaloosa Horse
25 Club, for Arabian horses is the Texas Arabian Breeders Association,
26 and for paint horses is the Texas Paint Horse Breeders Association.

27 (j) Ten percent of the total breakage from a live

1 pari-mutuel pool, purpose-driven pari-mutuel pool, or a simulcast
2 pari-mutuel pool is to be retained by the racetrack association to
3 be used in stakes races restricted to accredited Texas-bred horses.
4 The appropriate state horse breed registry shall pay out the
5 remaining 80 percent of the total breakage as follows:

6 (1) 40 percent of the remaining breakage is allocated
7 to the owners of the accredited Texas-bred horses that finish
8 first, second, or third;

9 (2) 40 percent is allocated to the breeders of the
10 accredited Texas-bred horses that finish first, second, or third;
11 and

12 (3) 20 percent is allocated to the owner of the
13 stallion standing in this state at the time of conception whose
14 Texas-bred get finish first, second, or third.

15 (o) A racetrack association may not begin offering
16 purpose-driven pari-mutuel wagering until the association
17 executes:

18 (1) a valid contract with the officially recognized
19 horsemen's organization to establish the portion of the
20 association's commission on purpose-driven pari-mutuel pools that
21 will be set aside for purses; and

22 (2) a valid contract with the official breed
23 registries to establish the portion of the association's commission
24 on purpose-driven pari-mutuel pools that will be set aside for
25 breeder incentives.

26 (p) The commission shall be the final arbiter of any
27 disagreements between a racetrack association and the horsemen's

1 organization, or between a racetrack association and the official
2 breed registries when reaching the terms of a valid contract.

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

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

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

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

23 SECTION 11. Sections 6.092(a) and (c), Texas Racing Act
24 (Article 179e, Vernon's Texas Civil Statutes), are amended to read
25 as follows:

26 (a) The commission shall adopt reporting, monitoring, and
27 auditing requirements or other appropriate performance measures

1 for any funds distributed to or used by or any function or service
2 provided by the expenditure of any funds distributed to or used by
3 any organization that receives funds generated by live,
4 purpose-driven, or simulcast pari-mutuel wagering [~~racine~~].

5 (c) An organization receiving funds generated by
6 pari-mutuel wagering on live, purpose-driven, or simulcast
7 [~~pari-mutuel~~] racing shall annually file with the commission a copy
8 of an audit report prepared by an independent certified public
9 accountant. The audit shall include a verification of any
10 performance report sent to or required by the commission.

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

14 Sec. 6.095. DEDUCTIONS FROM PURPOSE-DRIVEN PARI-MUTUEL
15 POOL. (a) For each dollar wagered in a purpose-driven pari-mutuel
16 pool, a racetrack association shall set aside for this state an
17 amount equal to one percent to be distributed as follows:

18 (1) 45 percent of the state's share annually not to
19 exceed \$20 million is allocated to the criminal justice division of
20 the governor's office to provide financial assistance to law
21 enforcement agencies in this state for the purpose of equipping
22 officers with bulletproof vests, ballistic plates, and plate
23 carriers;

24 (2) 33 percent of state's share annually not to exceed
25 \$15 million is allocated to the fund for veterans' assistance
26 established under Section [434.017](#), Government Code;

27 (3) 22 percent of state's share annually not to exceed

1 \$10 million is allocated as financial assistance to survivors of
2 certain law enforcement officers, firefighters, and others as death
3 benefits for families of law enforcement officers, firefighters,
4 and others killed in the line of duty under Chapter 615, Government
5 Code, or other law; and

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

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

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

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

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

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

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

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

5 SECTION 13. Section 6.11(a), Texas Racing Act (Article
6 179e, Vernon's Texas Civil Statutes), is amended to read as
7 follows:

8 (a) In no event shall the purse in a greyhound race be less
9 than a minimum of 4.7 percent of the total deposited in each live or
10 simulcast pool.

11 SECTION 14. Section 6.14(a), Texas Racing Act (Article
12 179e, Vernon's Texas Civil Statutes), is amended to read as
13 follows:

14 (a) A racetrack [~~An~~] association may not conduct greyhound
15 or horse racing or offer pari-mutuel wagering on greyhound or horse
16 races, whether live, simulcast, or purpose-driven, at any place
17 other than the place designated in the license except as provided by
18 this section or by Section 6.15 of this Act. However, if the
19 racetrack or enclosure designated in the license becomes unsuitable
20 for racing because of fire, flood, or other catastrophe, the
21 affected association, with the prior approval of the commission,
22 may conduct a race meeting or any remaining portion of a meeting
23 temporarily at any other racetrack licensed by the commission to
24 conduct the same type of racing as may be conducted by the affected
25 association if the licensee of the other racetrack also consents to
26 the usage.

27 SECTION 15. Section 11.01(a), Texas Racing Act (Article

1 179e, Vernon's Texas Civil Statutes), is amended to read as
2 follows:

3 (a) Pari-mutuel wagering on the outcome of greyhound races
4 and horse races, whether live, simulcast, or previously run, is
5 authorized under this Act. The commission shall adopt rules to
6 regulate wagering on the outcome of greyhound races and horse
7 races, whether live, simulcast, or previously run, under the system
8 known as pari-mutuel wagering. Wagering may be conducted only by a
9 racetrack [~~an~~] association within its enclosure. A person may not
10 accept, in person, by telephone, or over the Internet, a wager for a
11 horse race or greyhound race conducted inside or outside this state
12 from a person in this state unless the wager is authorized under
13 this Act.

14 SECTION 16. Section 11.04(a), Texas Racing Act (Article
15 179e, Vernon's Texas Civil Statutes), is amended to read as
16 follows:

17 (a) Only a person inside the enclosure where [~~both~~] live or
18 [~~and~~] simulcast race meetings are authorized may wager on the
19 results [~~result~~] of [~~a~~] live, previously run, or simulcast races
20 [~~race~~] presented by the racetrack association in accordance with
21 commission rules. Except as provided by this section, a person may
22 not place, in person, by telephone, or over the Internet, a wager
23 for a horse race or greyhound race conducted inside or outside this
24 state. The commission shall adopt rules to prohibit wagering by
25 employees of the commission and to regulate wagering by persons
26 licensed under this Act.

27 SECTION 17. Section 6.09(e), Texas Racing Act (Article

1 [179e](#), Vernon's Texas Civil Statutes), is repealed.

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

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