

By: Kuempel

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 previously run races, whether
16 digitally represented, simulated, or presented by video recording
17 and a live audio and visual signal of a race.

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

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

24 (B) concluded with official results; and

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

27 (83) "Purpose-driven pari-mutuel pool" means the

1 total amount of money wagered by patrons within the enclosure of a
2 racetrack association on the results of a previously run race.

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

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

9 (a) The commission shall regulate and supervise every race
10 meeting in this state involving wagering on the result of live,
11 simulcast, or previously run greyhound or horse races [~~racing~~].
12 All persons and things relating to the operation of those meetings
13 are subject to regulation and supervision by the commission. The
14 commission shall adopt rules for conducting greyhound or horse
15 racing in this state involving wagering and shall adopt other rules
16 to administer this Act that are consistent with this Act. The
17 commission shall also make rules, issue licenses, and take any
18 other necessary action relating exclusively to horse racing or to
19 greyhound racing.

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

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

27 SECTION 4. Section 3.09, Texas Racing Act (Article 179e,

1 Vernon's Texas Civil Statutes), is amended by adding Subsection (c)
2 to read as follows:

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

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

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

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

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

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

26 (2) if the applicant is a corporation:

27 (A) the state in which it is incorporated, the

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

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

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

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

27 (B) identification of any other person that

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

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

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

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

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

1 effort is able to identify;

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

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

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

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

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

25 (b) When the commission receives a plan for the security of
26 a racetrack facility, or a copy of a management, concession, ~~or~~
27 totalisator contract, or purpose-driven pari-mutuel wagering

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

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

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

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

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

26 (3) The horse racetrack [~~racing~~] association shall
27 transfer the amount set aside for purses from any live,

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

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

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

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

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

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

26 (j) Ten percent of the total breakage from a live
27 pari-mutuel pool, purpose-driven pari-mutuel pool, or a simulcast

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

5 (1) 40 percent of the remaining breakage is allocated
6 to the owners of the accredited Texas-bred horses that finish
7 first, second, or third;

8 (2) 40 percent is allocated to the breeders of the
9 accredited Texas-bred horses that finish first, second, or third;
10 and

11 (3) 20 percent is allocated to the owner of the
12 stallion standing in this state at the time of conception whose
13 Texas-bred get finish first, second, or third.

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

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

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

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

1 breed registries when reaching the terms of a valid contract.

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

5 (a) Every racetrack association authorized under this Act
6 to conduct pari-mutuel wagering at a greyhound race meeting on
7 races run shall distribute all sums deposited in any live or
8 simulcast pari-mutuel pool to the holders of the winning tickets if
9 those tickets are presented for payment within 60 days after the
10 closing day of the race meeting at which the pool was formed, less
11 an amount paid as a commission of 18 percent of the total deposits
12 in pools resulting from regular win, place, and show wagering, and
13 an amount not to exceed 21 percent of the total deposits in pools
14 resulting from multiple two wagering and an amount not to exceed 25
15 percent of the total deposits in pools resulting from multiple
16 three wagering.

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

25 (g) A racetrack association may not begin offering
26 purpose-driven pari-mutuel wagering until the association executes
27 a valid contract with the Texas Greyhound Association that

1 establishes the portions of the association's commission on
2 purpose-driven pari-mutuel pools that will be set aside for purses
3 and breeder incentives.

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

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

10 (a) The commission shall adopt reporting, monitoring, and
11 auditing requirements or other appropriate performance measures
12 for any funds distributed to or used by or any function or service
13 provided by the expenditure of any funds distributed to or used by
14 any organization that receives funds generated by live,
15 purpose-driven, or simulcast pari-mutuel wagering [~~raci~~ng].

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

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

25 Sec. 6.095. DEDUCTIONS FROM PURPOSE-DRIVEN PARI-MUTUEL
26 POOL. (a) For each dollar wagered in a purpose-driven pari-mutuel
27 pool, a racetrack association shall set aside for this state an

1 amount equal to one percent to be distributed in the following order
2 of priority:

3 (1) \$20 million is allocated to pay the costs of body
4 armor for law enforcement officers in this state;

5 (2) \$10 million is allocated as death benefits for
6 families of law enforcement officers killed in the line of duty; and

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

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

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

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

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

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

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

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

3 SECTION 13. Section 6.11(a), Texas Racing Act (Article
4 179e, Vernon's Texas Civil Statutes), is amended to read as
5 follows:

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

9 SECTION 14. Section 6.14(a), Texas Racing Act (Article
10 179e, Vernon's Texas Civil Statutes), is amended to read as
11 follows:

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

25 SECTION 15. Section 11.01(a), Texas Racing Act (Article
26 179e, Vernon's Texas Civil Statutes), is amended to read as
27 follows:

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

12 SECTION 16. Section 11.04(a), Texas Racing Act (Article
13 179e, Vernon's Texas Civil Statutes), is amended to read as
14 follows:

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

25 SECTION 17. Section 6.09(e), Texas Racing Act (Article
26 179e, Vernon's Texas Civil Statutes), is repealed.

27 SECTION 18. As soon as practicable after the effective date

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1 of this Act, the Texas Racing Commission shall adopt the rules
2 necessary to implement the changes in law made by this Act.

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