

# POLICYMAKER'S GUIDE TO CORPORATE WELFARE

## Historical Racing

### The Issue

The Texas Racing Act of 1986 authorized pari-mutuel wagering on horse and greyhound races and established the Texas Racing Commission to regulate this particular gambling activity. The Commission enforces the Texas Racing Act with the aim to “ensure a consistent and accurate revenue stream to the state, safe racing facilities, fair and honest racing activities, and accountable use of economic incentives funded through pari-mutuel racing.” The commission licenses racetrack facilities and racing industry occupations, establishes rules for racing, monitors racing activities and enforces racing regulations, and accepts and answers consumer complaints.

When Texas voters approved the Texas Racing Act in November 1987, they acquiesced to the activity of pari-mutuel wagering, described by the Racing Commission as bettors “wagering among themselves, not against the ‘house,’ as with casino-style gambling.” More recently though, faced with declining racetrack attendance and money wagered, the racetrack industry pushed for the authorization of historical or instant racing in racetrack facilities. Historical racing allows gamblers to place bets on races that already took place after watching very short videos of each race. Videos are stripped of any reference that could allow gamblers to identify the race or its participants. The machines used for historical racing very much resemble casino slot machines.

In 2014, in an effort to help the horse racing industry, the Racing Commission allowed historical racing at racetracks in the Lone Star State, bypassing the Legislature and, some argued, acting only by administrative fiat. Members of the Texas Legislature challenged whether the commission had the authority to allow such an activity. That same year, a state district judge ruled that it did not. The commission first persisted but, faced with a Legislative Budget Board that refused to fund the commission as a consequence of its stand, eventually repealed the rule in 2016. Also in 2016, a Texas appeals court threw out an appeal by horse racing associations trying to overturn the 2014 decision.

The Texas Racing Commission is funded by racetrack and occupational license fees and fines and uncashed winning mutual tickets. The commission also receives revenue from racetracks that are statutorily dedicated to support the Texas Bred Incentive Program. The program supports breed registries for the purpose of granting breeders’ awards.

### The Arguments

The Racing Commission and racing associations argue that allowing historical racing in racetrack facilities would have a positive effect on both the racetrack industry and the state of Texas. Potential additional revenues generated by the historical racing machines, supporters argue, would help the declining racetrack industry by creating a level-playing field in which Texas can compete with other states that already allow the gambling activity. They would also mean increased revenues for the state coffers.

However, this approach has two problems. The first one is that racetrack betting as allowed in Texas today is essentially a monopoly granted by the state to special interests. The same would be the case for historical racing. The slow decline of the racetrack industry has been prevalent not just in Texas but in the entire U.S. The population’s interest in horse and greyhound racing has been declining for years as Americans turned their focus on other areas of entertainment. Texas should not be in the business of expanding monopoly privileges for a few favored businesses.

The second problem is two-fold. Does gambling expansion actually increase state revenues? And even if it does, should it be considered for that reason? Research has questioned whether expansion of gambling actually increased state revenues once the socioeconomic costs linked to such expansion are taken into account. A 2005 study by the Foundation noted that

Costs associated with gambling include: (1) a reduction of approximately 10 percent in state lottery revenues; (2) an investment of approximately 10 percent of revenues in regulatory costs for gambling; (3) criminal justice costs underwriting an 8 to 13 percent increase in crime; (4) lost state and local revenue resulting from diversion of spending from goods and services to gambling; and (5) lost jobs resulting from decreased spending on non-gambling goods and services.

Additionally, increasing Texas government revenues will result in increased spending and regulation by Texas government. But Texas does not need to look for new ways to increase its revenues; it should be looking for ways to reduce them.

### Recommendations

Do not expand gambling through historical racing in Texas. ★

### Resources

[Texas Racing Commission](#) (2016).

[Final Report on the Texas Racing Commission and the Equine Research Account Advisory Committee](#), Sunset Advisory Commission (July 2011).

[“Defying Pressure, Regulators Uphold Historical Racing,”](#) by Sophia Bollag, *Texas Tribune* (Aug. 25, 2015).

[“Texas Appeals Court Throws Out Texas Racing Commission’s Historic Racing Appeal,”](#) by Dianna Wray, *Houston Press* (June 10, 2016).

[“Money from slots has done nothing to improve horse racing,”](#) by Andrew Beyer, *Washington Post* (March 19, 2012).

[“Horse racing industry frets about decline in subsidies from gambling revenue,”](#) *The Chronicle* (Sept. 4, 2015).

[Vernon’s Civil Statutes, Title 6, Art. 179e.](#)

[Racing Commission Should Abandon Effort to Legalize “Historical Racing” Slot Machines](#) by Bill Peacock, Texas Public Policy Foundation (Aug. 2014).

[VLTs: What are the Odds of Texas Winning?](#) by Chris Patterson, Texas Public Policy Foundation (March 2005).

