

NEVADA LEGISLATURE - 54TH SESSION

SENATE TAXATION COMMITTEE

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Minutes of Meeting Held  
March 16, 1967  
4:00 p. m.

The 16th meeting of the Senate Committee on Taxation was called to order Thursday, March 16, 1967, at 4:05 p.m., in Committee Room 50, State Capitol, by Chairman Gibson.

All committee members were present except Senator Slattery.

Also present were:

Mr. Alan Abner - Chairman, Gaming Control Board  
Mr. Ed Bowers - State Gaming Commission  
Mr. David Malcolm - State Gaming Commission  
Mr. Don W. Winne - Deputy Attorney General  
Mr. Curtis Blyth - Nevada Municipal Association  
Mr. Robbins Cahill - Nevada Resort Association,  
Las Vegas  
Mr. Charles Munson - Gaming Association Industry  
of Nevada, Inc., Reno  
Mr. Cy Ryan - Newsman  
Two other persons, who did not participate in the  
discussions

The Chairman called for discussion on

S.B. 349: Provides for tighter financial control of gaming operations. Introduced by this committee.

He explained: "This bill has come out of the report from the Lybrand study, and some of us have been concerned that we develop a consistent procedure that would allow us to have some basis of evaluation of the prosperity or lack of prosperity in the gaming industry from year to year as we meet here. One thing we've been concerned about is the apparent lack of uniformity of the reporting base that has caused it to be difficult to assess the economic attitude of the business at any given time. In order to try to motivate this, we've introduced this bill."

He then called on Mr. Bowers, who stated that the administrative work load would fall on the Control Board, under S.B. 349. Accordingly, Mr. Bowers called on Mr. Alan Abner, Chairman of the Gaming Control Board, for comments. Mr. Abner stated he reflected the views of the Gaming Control Board and its staff in sharing the committee's concern about the profitability of the industry; that they also share the committee's view in the amendment as to improvement of the Board's own internal audits;

and that they felt the establishment of minimum standards would be highly desirable. He stated that much research has been done within the Control Board in recent years toward improving their standards. He felt the Board already has the power to do most of the things the bill provides for it to do. He agreed that the research and planning function provided for in Subparagraph 2 of Section 7 is of great importance to the Legislature, and commented that the additional staff required for this work should be reflected in the budget. As to Subparagraph 1 of Section 3, page 1, he said he would be much more comfortable from an operational standpoint if line 8 on page 1 were modified to refer to internal FISCAL affairs; he also stated the Board does not have the staff to handle the provisions of subsections (c) and (d) set out on lines 15 through 17 on page 1.

The Chairman stated it was the desire of the committee to go as far as necessary to give the Commission the power to provide the information the Legislature requires. He asked Mr. Abner if there were anything that should be added in the bill. Mr. Abner said no, that he had no personal reservations and especially liked the addition of Section 6 giving the Commission authority to prescribe penalties on nonrestricted licensees for noncompliance with its regulations.

Senator Dodge asked Mr. Abner what he estimated his additional staffing requirements would be to carry out the provisions of the bill realistically. Mr. Abner said his staff has estimated that six new auditors, plus perhaps two persons for installation of the planning function, would be required. Mr. Abner asked Mr. Malcolm, chief auditor with the Commission, if this were a realistic figure, and Mr. Malcolm verified that he thought it was. Mr. Abner felt that November 15, 1967 (page 3, line) would be a hard deadline to meet, to get the whole thing underway.

Mr. Abner then said they would appreciate the committee's consideration of a resolution, rather than a mandate, as proposed in this bill, as the Commission feels they do have the powers to carry out the intent of the bill. He stated: "This is a solution we would welcome if you would entertain it."

Senator Gibson asked Mr. Don W. Winne, Deputy Attorney General attached to the Gaming Control Board and the Nevada Gaming Commission: "Have you analyzed this for the Board?" Mr. Winne: "I have. I have no quarrel with whether you make it a mandate or a resolution. November 15 would be a little close, but if you order it done, it will be done." Mr. Winne then went on to say he felt the Commission needs a mandate from the Legislature for authority to set up counting devices on the tables. He feels such a system is needed to allay the suspicion and accusations of skimming that surround gambling in Nevada now.

Senator Dodge asked if this device is something the state would install at its expense. Mr. Winne said the state would develop the machine at its own cost, or if Mr. Abner could find someone else to do it, fine. Then the state would have the casinos install and maintain the device. He said a prototype suggests the cost should be less than \$1000 per table. These devices would actually count the money as it goes into the box-- photographically or electronically. Mr. Abner said the banks keep track of money by paper. Here, we would be trying to make a box man a teller, so that a record of the money is kept at the table. He said that some of the Commission people think this is not necessary. "Whether we agree is not moot. There are many possibilities to be explored. This is in a research and development stage." Regardless of what method is used, Mr. Abner said, the player should not be faced with a frightening device, such as a TV device facing him in the eye (i.e., don't frighten the customers away from the industry).

The Chairman called on Mr. Ed Olson, former chief of the Gaming Control Board, who had been asked to sit in with the committee to give them the benefit of his experience. Mr. Olson felt this bill did not contribute anything, that the Commission and Board already have ample authority to do what the bill calls for. As to counting devices, he said the Board had previously struggled with this idea and the only concrete deal was a feasibility study for \$20,000. He said he feared the ultimate cost, even if borne by the casinos; said it would cut into the casinos' net profits. He said he appreciated the problem of trying to shed skimming allegations, and did not know the solution.

Senator Dodge commented on the need for research. He said if the Legislature at this session increases the tax burden on the industry, they need to keep a close watch on the effect--they need to be the first group to know if the industry is getting in trouble.

Senator Gibson called on Mr. Cahill for comments. Mr. Cahill said the industry would do nothing but benefit by most of the requirements of the bill. He stated: "These things have to come to light to convince people that some things 'just ain't so'". He said his only area of concern was a trap he thought Lybrand had fallen into and the trap he had gone through himself, wherein it was assumed that gambling could be run on the same principles of good business practice as any other industry. He had seen, he said, many shrewd businessmen from other fields of business come in and try to run a gambling casino, apply sound business practices, and fail spectacularly. He said gaming operators know best how to invest their own money--that giveaway and lavish entertainment programs are shrewdly calculated to attract and hold business and bring in more revenue than they cost; that such programs cannot be methodically cut, as suggested by Lybrand, without hurting the industry.

The Chairman called next on Mr. Munson. He, too, felt there was nothing in the bill that would hurt the industry, that the industry has nothing to hide and would welcome a chance to prove that. However, he felt there would always be allegations of skimming.

Senator Gibson said he had had a phone conversation with Mr. Don Ashworth, who represents the downtown Las Vegas casinos, and that Mr. Ashworth is engaged in labor negotiations today and couldn't appear before the committee, but his comments correspond to those the committee had just heard. He said that Mr. Ashworth objected to subparagraphs (c), (d), and (e) on page 1 of the bill, on the grounds it would seem the state is entering into a management function. He also felt clarification is needed in Section 4, where a uniform code of accounts is required. He asked, also if it would be possible to call upon the accountants who are now furnishing the information to the owners, to avoid dual accounting.

In a discussion as to the increase in auditing staff, Senator Gibson asked Mr. Malcolm whether going to a flat rate on restricted licenses would relieve the auditing load. Mr. Malcolm said he'd have to say no, as, at present, they are too loaded with work to audit the restricted category.

Mr. Olson commented that auditing will not change the mind of even one federal agent.

Mr. Bowers, commenting on page 161 of the Lybrand Report, pointed out that Lybrand suggested the addition of audit staff members and had indicated they would cooperate with the Gaming Commission. He wanted to confirm that Lybrand would cooperate. Senator Dodge said: "Yes, they offered to."

Senator Gibson asked, if the Commission were concerned about the November 15 deadline, what they would suggest as a reasonable date--that he felt the purpose of the deadline is to force the issue. Mr. Abner said they are more concerned about the additional staff than about the deadline.

Senator Dodge asked whether the Commission had added to its staff in recent years. Mr. Malcolm said no. Dodge: "Then, on that basis alone, you must be falling behind, because there are many more casinos now."

The Chairman thanked the Gaming Commission and Gaming Control Board people for appearing before the committee, and at this point Messrs. Abner, Malcolm, and Winne left the meeting (4:57 p.m.).

DISPOSITION OF S.B. 349: Senator Dodge moved that the bill be amended by striking lines 15-19 on page 1

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and by inserting the word "fiscal" on line 8 between "internal" and "affairs", and that the bill then be reported out with a "do pass" recommendation and referred to the Committee on Finance. Senator Swobe seconded the motion. It passed unanimously.

Lengthy discussion followed as to the amount of gambling tax increase to be fixed. At the end of this Senators Dodge, Fisher, Gibson, and Swobe were in agreement on a 20% gaming tax increase, less credit for income from restricted licensees, and, in addition, to support a sales tax of some sort. Senator Christensen felt his thinking had not yet crystallized sufficiently on the gaming tax to agree or disagree on the amount of the increase. Senator Brown felt the 20% increase was too high and asked that no decision be reached until the next day, after he had had a chance to get Senator Slattery's figures on his proposal. Inasmuch as it was desired to reach unanimity among the committee, if possible, on the amount of the gaming tax, the Chairman stated the committee would meet the next day and resolve the matter.

The meeting adjourned at 5:33 p.m.

Respectfully submitted,

  
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Louise Glover - Secretary

I certify that the foregoing minutes are correct.

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Senator James I. Gibson  
Chairman