

Joint Meeting

MINUTES - COMMERCE COMMITTEE HEARING WITH SENATE ON GAMING BILLS - 56TH ASSEMBLY - February 22, 1971

Present: McKissick, Hilbrecht, Caffurro, Lingenfelter, Ashworth, Dini, Branch, ~~Pozzoni~~

Absent: Hafen

Chairman of the Senate Judiciary Committee convened the meeting at 9:10 AM.

E. Tim Applegate discussed the two bills - S.B. 90, Proposes various amendments to law concerning licensing, control of corporate gaming and S.B. 91 - Changes organizational structure, operational procedures of state gaming control board and Nevada gaming commission. A copy of his remarks is attached to these minutes.

Mr. McDonald, Legislative Counsel, explained the two bills and answered questions regarding proposed changes.

Mead Dixon made several suggestions - one of which was that certain information remain confidential and that the waiver form be retained.

Mr. McDonald explained that the Governor heads the Gaming Commission, and the Gaming Commission appoints Gaming Control Board who select a director.

Les Koefed, Director of Gaming Association, made several recommendations as to appointment of the Gaming Boards. Said the governor should retain this right to prevent a setting up of a gambling czar. He also suggested that Nye County be deleted from the southern appointments. He did feel that some of the qualifications set up for board members and the fiscal director too strong but conceded that they perhaps were alright.

Discussion was held on policy board and it was suggested that present policy board be retained with addition of two members from the industry. It was felt that too large a committee would be a disadvantage.

McKissick presented a memo from former Governor Laxalt with his recommendations that the governor remain as the authority for the gaming board and the waiver provisions be retained because of special situations which gaming authorities are constantly confronted with.

Mr. Jacobsen appeared and explained the difficulty in regulating gaming. Mr. Young asked if there would be merit in having the members of the gaming board approved by the Legislature but Mr. Jacobsen said it would take special meetings and possibly delay appointments.

Bill Hennefin appeared and said the bills appeared to be good legislature. He made suggestions as to minor changes. He said that the Federal government can get information from the control board by subpoena only. He said an assistant secretary of the control board should maintain an office in the southern part of the state as that is where most of the industry is located.

McKissick brought up that the removal of control board members should remain aloof from politics.

Herb Jones appeared and said the power of heading the control board should remain with the governor.

BULLETIN No. 93 WAS NOT INCLUDED WITH THE OTHER ATTACHMENTS FOR THIS SET OF MINUTES.
IT CAN BE FOUND IN THE RESEARCH LIBRARY OR AT THE WEB ADDRESS BELOW

**GAMING SUPERVISION AND CONTROL IN NEVADA:
LCB BULLETIN No. 93**

[HTTP://WWW.LEG.STATE.NV.US/LCB/RESEARCH/1971INTERIMREPORTS/BULLETIN093.PDF](http://www.leg.state.nv.us/lcb/research/1971interimreports/bulletin093.pdf)

NEVADA RESORT ASSOCIATION

The members of the Nevada Resort Association have unanimously approved the adoption by the Association of the following positions with respect to certain of the amendments to the gaming control laws proposed under Senate Bill No. 90.

1. Disclosure of Information.

It is recommended that the provision set out in lines 25 - 33 of the bill be amended as follows:

(a) Insert "by the board or commission" after the word "disclosure" in line 25. This addition would make it clear that the provision is intended to cover only disclosures by the board or commission, and not disclosures by licensees.

(b) Add language conveying the substance of the following sentence:

"Every request for such disclosure shall be separately considered by said committee."

It is the view of the Association that all such disclosures should be considered on a case-by-case basis. The purpose of this amendment is to ensure against authorizations of disclosure on a blanket basis under the committee's rules and regulations.

(c) Add further language conveying the substance of the following sentence:

"Upon the making of any such disclosure, the person, firm or corporation which filed the disclosed document shall be notified in writing of the full extent of such disclosure and of the identity of the agency or other authority to which such disclosure shall have been made."

The members of the Association believe that the party which has filed a document which is later disclosed is entitled to be made aware of the disclosure.

2. Powers of the Gaming Commission to Waive Statutory Requirements.

The Association is strongly opposed to restrictions upon the powers of the Gaming Commission to waive statutory requirements pursuant to NRS 463.489(2), as proposed by the amendment at lines 27-30 of the bill. ~~Such powers are considered to be absolutely essential to the efficient control of gaming in the best interests of the State.~~

3. Issuance or Transfer of Securities -- Review Period.

The Association recommends against the extension from sixty to ninety days of the period during which the Gaming Commission must approve or deny the issuance or transfer of securities by a corporate licensee (See lines 16 - 32 on page 4 of the bill). We believe sixty days to be an ample period for the review of such matters and that the additional thirty days could be unnecessarily harmful to the financing plans of corporate licensees.

4. Election of Officers and Directors -- Review Period.

We recommend passage of the amendment permitting officers and directors to begin to function immediately upon their election, subject to subsequent approval or disapproval by the Gaming Commission (lines 16 - 23 and 33 - 40 on page 4 of the bill). This amendment would eliminate a problem which has caused difficulty at one time or another for nearly every member of the Association.

5. Filing of Federal Income Tax Returns with the Gaming Control Board.

The Association supports the proposed amendment which would substitute the discretion of the Gaming Commission for the present mandatory requirement that corporate licensees file copies of their federal income tax returns with the Gaming Control Board (lines 47 - 50 on page 4 and 1 - 3 on page 5). We feel that the Commission is in the best position to review the need for such information and to determine whether such filing is necessary.

6. Purchase of Securities From an Unsuitable Person.

The Nevada Resort Association wishes to recommend a further amendment not reflected in this bill. We recommend that NRS 463.585 which is set out in lines 27 - 37 on page 5 of the bill, be amended by revising the last sentence to read substantially as follows:

"The corporation, firm, partnership, trust or other business organization shall purchase the securities or interest so offered, or shall find another purchaser found suitable by the commission to purchase such securities or interest, for cash at fair market value within 60 days after the date of the offer."

This amendment would permit some measure of flexibility when a licensee is faced with disposition of securities by a person found unsuitable by the commission, by permitting the substitution of a suitable person. The organization required under the present text to repurchase the securities or interest may be faced with virtually an impossible situation with regard to the availability of funds and possible violation of the terms of agreements with its lenders. The extension of the 10-day period to 60 days would permit the affected organization a reasonable amount of time to raise the necessary funds and negotiate with its lenders or to propose an alternate purchaser who could be investigated and found suitable by the commission within the 60-day period.

MEMORANDUM:

THE CHAIRMEN AND THE MEMBERS OF THE
COMMITTEES CONSIDERING SB 90 AND 91

FROM: PAUL LAXALT

DATED: FEBRUARY 21, 1971

I appreciate being given the opportunity to express myself on these two important proposals -- the gambling agency reorganization and the corporate gaming bill revisions.

I am well aware of the many months of time and effort which the interim committee of the legislature devoted to studying the casino industry and I am confident that the bills introduced are a sincere response to the committee's observations. As always, there will be agreement and disagreement, equally as sincere.

To turn our attention first to the so called Reorganization Bill, SB 91, I would ask you to note the provision which designates the Gaming Commission as the authority to appoint the members of the Gaming Control Board (NRS 463.050). In addition, the proposal calls for the Gaming Board to serve at the pleasure of the Commission and the Commission would designate the Gaming Board Chairman.

It is my long time observation and experience that the centralized point of authority -- the Governor -- is essential to the strong control of the industry. The responsibility for gaming control is inseparable from the authority to do so. During changes in Administration chaotic conditions could result if the authority and responsibility are diluted.

The revisions proposed in NRS 463.021, the reconstitution of the Gaming Policy Board -- now to be called the Gaming Policy Committee -- would appear to be beneficial if the intent is to create a more sensitive entity with the added expertise, knowledge and background of participating members of the industry itself.

But this purpose will not be served if the new committee is broadened to the point of unwieldiness and immobility precluding its ability to meet critical problems in the dynamic and rapidly changing business.

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The second bill, SB 90, deals with corporate gaming. We have all been witness to the development of casino operations from the back rooms of Hoover Dam days, to the complex, comprehensive recreation resorts of today. Corporate gaming was inevitable to provide the financing for the large multi-million dollar complexes we find on the Strip and elsewhere in Nevada.

My general observation is that we have passed the shake-down period in this field and we find, basically, corporate gaming is stabilized and that, again, Nevada, charting new courses in fields unexplored anywhere else, is meeting the challenges and finding resolutions for them.

I question whether anyone can find fault with the need for an SEC or corporate expert as your corporate bill authorizes. You will recall that our Administration found it necessary to go outside the State to find experienced and qualified expertise in this highly specialized and complex field. It will probably become necessary to do so again.

I would call your attention to the deletion of the waiver provisions of sub-paragraph 2 of NRS 463.489 and raise the question of whether the blanket denial of the right to waive is really in the public interest. I would ask the committees in their wisdom, to consider whether some degree of flexibility should be retained to meet the special situations with which gaming authorities are constantly confronted.

In the audit section of the bill, in order to give some measure of relief to the State's small operators, it would appear beneficial and harmless to establish the \$1 million limitation below which audits of financial statements of non-restricted licensees are discretionary or when required by ownership change.

Again, thank you for giving me the opportunity to furnish you with this statement.

END OF MEMO.

PL/cw