

MINUTES

ASSEMBLY COMMITTEE ON JUDICIARY  
January 18, 1979

Members Present:

Chairman Hayes  
Vice Chairman Stewart  
Mr. Banner  
Mr. Brady  
Mr. Coulter  
Mr. Fielding  
Mr. Horn  
Mr. Malone  
Mr. Polish  
Mr. Prengaman  
Mr. Sena

Guests Present:

See Guest List Attached (plus guests introduced  
who did not sign)

Chairman Hayes called the meeting to order at 9:35 a.m.

GAMING CONTROL BOARD

Chairman Hayes introduced Mr. Roger Trounday, Chairman of the Gaming Control Board. Mr. Trounday stated that he would show a film strip concerning the history of gaming in the State of Nevada as well as the structure and internal structure of the Gaming Control Board.

Mr. Trounday then introduced the following members of the Gaming Control Board in attendance: with him, namely, Mr. Jack Stratton of Carson City and Mr. Richard Bunker of Las Vegas. He noted that the Committee might refer matters regarding audit concern to Mr. Geroge Tscoyaneaus who will appear before the Committee on Monday, January 22, 1979.

Other guests introduced by Mr. Trounday were as follows: Stu Curtis, Economic Researcher in statistical matters; Ray Pike, the new Chief Deputy Attorney General; Lynne Carter, Legislative Liaison; Bud Hicks, former Deputy Attorney General, now in private practice; Harlan Elges, Chief of License and Taxes. Senators Sloan and Ashworth were also introduced by Chairman Hayes.

Mr. Trounday then showed the film strip which outlined gaming history, denoted a Gaming Control Board membership of three (3), five (5) staff divisions and a five-member (5) State Gaming Commission. Information in the film strip included notation of an average of 43 per cent annual growth in the gaming industry for each of the past ten (10) years, that gaming produces 61 cents of each revenue

dollar of the State and that gaming earnings constitute substantial tax revenues for the State annually. These items were expanded upon by Mr. Trounday at the end of the filmstrip presentation.

Mr. Trounday noted that the Governor appoints both the Gaming Control Board and the Gaming Commission. The Gaming Policy Committee is an advisory body only, he noted, and has no policy-making power. Mr. Trounday also noted that to deny licensing of a person or persons, the Commission must agree unanimously in order to override a Gaming Control Board vote. The Commission meets once, sometimes twice, monthly, and has final vote on Board matters.

Mr. Trounday explained that the 3-member Gaming Control Board has the administrative responsibility to see that various divisions operate in the proper manner. He then noted functions of the five (5) divisions as follows:

Enforcement: Surveys gaming in the field on a continuing 7-day, 24-hour basis. This division works with security relating both to casinos and customers.

Investigation: This division reports to the Board on applicants seeking licensing, with complete data on personal and financial histories of applicants. Results of investigations are confidential unless pertinent information must be brought out at a hearing in regard to denial of licensing for an applicant. Investigations may require personnel to go worldwide, and in those instances, applicants pay related investigatory costs.

Audit: Handles normal routine audits of casinos and monitors internal controls of casinos in handling of monies.

License & Taxes: Issues licenses to approved applicants and controls all revenues involved with gaming.

Securities & Economic Research: This division works with both the Securities and Exchange Commission and the Stock Exchange to gain background information on various corporations and individuals involved in corporations. These investigations encompass financial and legal information regarding the corporations and individuals examined. Economic research functions

include figure analysis and projections on anticipated revenues.

The staff for the total entity numbers approximately 180 persons.

#### QUESTIONS AND ANSWERS

Chairman Hayes asked how the Gaming Control Board controls the numbers of slot machines. Mr. Trounday responded that quarterly the actual number of machines in an establishment is counted and compared with the number for that entity which have been licensed by the State.

Chairman Hayes next inquired about controls to prevent cheating with slot machines. Mr. Trounday responded that investigative personnel have had intensive training so that they know the myriad of ways in which slot machine cheats operate and that many slot machine cheats have been prosecuted in the past year.

Mr. Brady inquired as to why the Gaming Control Board is concerned with slot machine cheats as opposed to control measures being instituted by the casinos themselves. Mr. Trounday responded that the State receives approximately 5 per cent of its taxes from slot machine revenues. He noted further that the State must be concerned as to whether casinos may be involved in cheating. For the most part, casinos ask for help in monitoring all areas within the industry, Mr. Trounday added.

Mr. Sena asked whether information in an applicant's file becomes available to him after licensing has been approved. Mr. Trounday answered affirmatively, noting the exception of information from law enforcement agencies.

In response to Mr. Nash's inquiry, Mr. Trounday stated that an applicant can apply to the law enforcement agency which supplied intelligence information for that file data, and that applicants for licensing may apply to the Board for other file data, if interested.

Chairman Hayes inquired about the Federal law requiring files to be open to an individual when they concern that person. Mr. Trounday stated that the Gaming Control Board must maintain a fine line in determining release of intelligence information gained from law enforcement agencies in order to insure retention of those facilities as information sources; however, he restated the individual's referral to the information source being available upon request.

Mr. Stewart asked how the Gaming Control Board checks on the payoff of a slot machine. Mr. Stratton responded that licensees must maintain slot machine reel settings on all machines. Machines can be checked by gaming control personnel to insure that they pay as advertised, with no notification to licensees by the State required.

In response to Mr. Stewart's next question, Messrs. Trounday and Stratton explained that just fewer than forty (40) employees work around the clock statewide in checking these kinds of issues. If a customer files a complaint against a casino for not paying as advertised on slot machines, the casino cannot touch that machine until it has been checked by Gaming Control Board staff. If, in fact, the machine is touched before it is checked, the complaining customer is awarded the funds in question. Gaming Control Board staff checks all large casino operations routinely.

Mr. Stewart cited the increases for Gaming Control Board staff mentioned in the Governor's State of the State Message, referring specifically to the Enforcement and Audit Division. Mr. Trounday answered that the 24-hour-a-day nature of the gaming industry requires more frequent audit than the approximate audit cycle now in operation, which the Board is trying to reduce to under two (2) years. Investigations must be continually directed at key casino employees, i.e., shift bosses, general managers, etc., as well as licensees of casinos; there is presently a backlog of 500 persons to be investigated. The Governor's recommendations for an increase of 87 in Gaming Control Board personnel is primarily for the areas of enforcement, licensing and taxes, and securities and economic research. The last named area is particularly in need of additional staff because it must develop sophisticated systems to deal with computerized casino operations now heavily used by the industry. He added that the Governor's numerical recommendations for personnel increases were based on requested to him by the Board.

In answer to Chairman Hayes' question, Mr. Trounday stated that three people have been lost to New Jersey; however, two are back in Nevada.

Mr. Malone asked who regulates the payoff on slots and if regulation is public. Mr. Stratton answered that the machines are not regulated by any agency, but they are regulated by settings on the reels as determined by the licensees. The only law regulating settings is that the machines must pay according to advertising on that particular machine.

Chairman Hayes noted that competition among casinos has had the effect of regulating payoff percentages on slot machines by the industry itself.

Mr. Horn asked if enforcement personnel play some of the games, and Mr. Trounday responded that a special fund has been established to be used by agents to play the games when a casino is under question by the Board for possible cheating. He responded next to Mr. Sena's inquiry and stated that films concerning cheating have been produced and that if requested, the Committee may see such a film.

Mr. Trounday next explained, in response to Mr. Horn's inquiries, that with the exception of clerical personnel, all staff of the Board are unclassified, and that the Governor's references to increases in pay for staff were initiated from a recommendation to him based on a salary survey of the agency as compared with the rest of State government and to other law enforcement employees' salary scales. He further detailed employee breakdown within the agency as follows: Audit, 57; enforcement, 34; investigation 34 or 35; taxes and licensing, 37; and securities and economic research, 3, noting that requested increases are based on the ever-expanding workload those staff persons must absorb as the industry grows rapidly.

Mr. Sena asked whether legislators are among membership of the Policy Committee; Mr. Trounday answered that Senator Dodge and Assemblyman Price are members of that committee, which meets at the pleasure of the Governor and is a sounding board for issues such as consideration of "foreign" gaming. He then explained that the term "foreign" in this reference means any potential or actual gaming interest outside of Nevada.

#### FUTURE GAMING LEGISLATION CONSIDERATIONS

Chairman Hayes then invited Mr. Bud Hicks, former Chief Deputy Attorney General to address the Committee.

Mr. Hicks stated that the comments he was to offer were his opinions and not necessarily representative of any person or entity in an official or other capacity. He stated that gaming provides 44 per cent of the State's general fund and generates sales and other use taxes which probably produce more than 70 per cent of those monies. He noted that more than 50 per cent of all employees in the State are involved directly or indirectly in gaming-related pursuits.

Mr. Hicks also noted that his previous position with the State was in preparation of bills which came before this Committee and that he had been involved in preliminary preparation of bills drafted for presentation to the Committee for the 60th session.

Mr. Hicks outlined the concepts of the bills as follows:

1. "Bonafide Entertainer Loophole": In 1977, legislation was enacted by the Nevada Legislature which provided that any person who had been declared unsuitable by the Gaming Control Board could not be employed by any licensee in any capacity, unless that person was employed by the licensee as a bonafide entertainer. He then cited three instances of record in which persons labeled unsuitable had been involved in casino employ, titled by the casinos as entertainers or directors of entertainment, those persons not being entertainers. He noted that closure of this loophole would not prevent bonafide entertainers who had been deemed unsuitable for gaming licensing from performing in casinos; those people would simply be approved on a discretionary basis by the Board to perform in licensees' establishments.
2. Mr. Hicks noted that a request would be made to permit the Gaming Control Board to obtain wiretapping permits in criminal matters. He stated that many states have this ability, as does the Federal government. He added that in the last two years, states with wiretapping laws pertaining to criminal matters had knowledge within their jurisdictions, resultant from legalized wiretapping, which directly affected gaming activities in Nevada.
3. He expressed a desire for an increase in penalties for those with hidden interests which violate Nevada gaming license laws. If legislation were enacted to increase penalties from those applicable to a gross misdemeanor as presently covered by statute, to classification as felony offenses, the wiretapping permit for criminal matters could be enacted as well.
4. Mr. Hicks recommended that violators of Nevada gaming license laws should forfeit property to the State, and that Federal law presently allows this concept of forfeiture as in confiscation of property in substance abuse matters.

In his closing comments, Mr. Hicks noted that he feels the Gaming Control Board is proportionately underpaid in relation to the growth of the gaming industry, advocating the Governor's message to the State which requested increase in Board wages. He cited that fact that in New Jersey the Chairman of the Gaming Commission receives an annual salary of \$60,000 and is responsible for the control of one (1) casino; the Chairman of the Nevada Gaming Control Board is responsible to control fourteen hundred (1,400) casinos. He noted that the Nevada Gaming Control Board has lost many of its key personnel to the gaming industry and that this trend will continue as long as a shift boss can earn more than the Chairman of the Board. He reminded Committee members that the integrity of the personnel of the Board and its staff is critical to the gaming industry.

In response to Chairman Hayes' request, Mr. Hicks outlined the history of the Rosenthal case. The Gaming Control Board determined that Mr. Rosenthal was unfit to hold a gaming license. In 1976, Mr. Rosenthal took the Gaming Control Board to court on the basis that the gaming licensing laws were unconstitutional. The lower court agreed with Mr. Rosenthal; however, the Supreme Court of Nevada reversed the decision and further stated that Mr. Rosenthal had no constitutional right to be licensed and could not continue to work in the gaming industry in even an unlicensed capacity. Rosenthal has now challenged the 1977 legislation regarding unsuitability in new litigation, and Mr. Hicks is the Special Deputy Attorney General for the present litigation.

Chairman Hayes thanked Mr. Hicks for his presentation and adjourned the meeting at 10:45 a.m.

Respectfully submitted,

*Jacqueline Belmont*  
Jacqueline Belmont  
Assembly Attache

ASSEMBLY COMMITTEE ON JUDICIARY

THURSDAY, JANUARY 18  
11:30 AM

GUEST LIST

NAME	REPRESENTING
Richard W. Dunken	Nevada Gaming Control Board
J. Richard Weller	Holiday Inns
D. Austin Stubbelfeld	Holiday Inns Svc.
Bud Hicks	—
Hunt Clark	Gaming Control Bd.
Roger Truendy	"