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ASSEMBLY

MEMBERS PRESENT: Chairman Stewart
Vice Chairman Sader
Mr. Thompson
Ms. Foley
Mr. Beyer
Mr. Price
Mr. Chaney
Mr. Malone
Mrs. Cafferata
Ms. Ham
Mr. Banner

SENATE

MEMBERS PRESENT: Chairman Close
Vice Chairman Keith Ashworth
Senator Wagner
Senator Don Ashworth
Senator Raggio
Senator Hernstadt
Senator Ford

MEMBERS ABSENT: None

GUESTS PRESENT: Patricia Turpen, Nevada Racehorse Owners & Breeders
Michael R. Turpen, Nevada Racehorse Owners & Breeders
Jerry Higgins, Gaming Industry Assoc.
Robert W. Keck, LV Restaurant and Tavern Owners Assoc.
J. Emmett Sullivan, Coin Operators Assoc.
Bud Hicks, Coin Operators Assoc.
Gus Vitale, Elkada Slots
Philip A. Anderson, Ace Gaming Devices
Roy Donatelli, Nevada Novelty
W.T. Holst, III, Slot Licensing
George Vucanovich, Bally Dist.
D.B. Henry, Washoe County
N.L. Mastrangelo, A.G. Gaming
Mike Cool, City of Las Vegas
G.P. Etcheverry, Nevada League of Cities
Andy Sewell, Aristocrat, Inc.
Bob Lippold
Dick Swinney, Sparks Nugget
Bill Curran, Clark County District Attorney
Vince Swinney, Washoe County Sheriff's Dept.
Willard Tayler

GUESTS PRESENT

CONT'D:

Dale M. Newlin
Bruce R. Laxalt, Washoe County District Atty.
Stuart A. Mayfield, Cardivan Co.
Rebecca Martin, Nevada Novelty
Cathy Bennett
Joe Cathcart, City of North Las Vegas
R.W. Bunker, Gaming Control Board
D. R. Fitzpatrick, Clark County

Chairman Close called the meeting to order at 8:15 a.m. and asked for further testimony on SB 37.

SB 37: Aggregates slot machines in separate locations for determination of license fees.

Bud Hicks, Coin Operators Assoc., stated that at the request of one of the committee members at the February 17 meeting, he had passed out copies of a memo to the Nevada Coin Operators Assoc., outlining the legal objections to SB 37 (attached as EXHIBIT A). Also submitted at the February 17 meeting was a letter with exhibits from Bally Distributing Company and a letter from Nevada Novelty (attached as EXHIBITS B and C respectively). Mr. Hicks indicated that these letters set forth objections to SB 37 from the operators' points of view and also set forth hidden costs resulting from this bill such as the increased costs of doing business under the requirements of Regulation 6 in having to adopt systems of accounting controls acceptable in a gross revenue situation. Mr. Hicks asked for testimony from Emmett Sullivan, President of the Nevada Coin Operators Association, Owner/Operator of Cardivan Company.

Emmett Sullivan stated that the Cardivan Company is a slot route operator and has been operating in the State of Nevada for 25 to 30 years. He indicated that at the present he operates approximately 500 machines, employs 155 employees, and in 1979 paid in taxes and licenses just for the privilege of operating slot machines \$261,361. Of that figure, the State of Nevada received \$159,104. Mr. Sullivan stated that the Cardivan Company cannot afford a 3% to 5½% increase in the tax on its gross. In 1977 the percentage of gross which went to profit was 3.95%, being 2.77% in 1978 and 3.15% in 1979. The average over those three years was 3.29%. Mr. Sullivan stated that these figures were the percentage of profit as compared to the gross before paying income taxes. He indicated that he was prepared to show the financial statements for 1977, 1978 and 1979 to anyone interested in seeing them.

Mr. Sullivan went on to say that the single biggest fault with SB 37 is that all types of operators in the state are being combined into one group by comparing a Mom and Pop grocery store with Caesar's Palace. This bill taxes all operators on the same basis which is grossly unfair and will not work. His example of the way this type of tax would work was by comparing a horse to a sheep and cutting 10-12 inches from the tail: 10-12 inches removed from a horse's tail would result in a handful of hair, whereas 10-12 inches from a sheep's tail would result in far more than just the part that wags.

Assemblyman Stewart asked what the difference is between slot routes and gaming establishments as far as costs. Mr. Sullivan stated that there is no comparison. He stated that in a gaming establishment, the repairman just goes to the other side of the casino, whereas on a slot route the repairman might have to travel from Henderson to West Las Vegas. Change girls in a gaming establishment might cover 40 to 50 machines, whereas on a slot route might cover only 10 because that's all there are in that establishment. The income of small establishments does not compare to that of casinos in the same respect.

Assemblyman Stewart asked for an estimate of the taxes that would have been paid in 1979 if SB 37 had been in effect at that time. Mr. Sullivan stated he did not have those figures with him but estimated that it would have been an additional \$120-130,000 per year.

Mr. Hicks next asked for testimony from Mr. Bob Keck, President of the Nevada Food and Beverage Association, an association involved with tavern and restaurant owners throughout the state. Mr. Hicks indicated the reason he was asking to hear from Mr. Keck is because these are the people the slot route operators do business with.

Robert W. Keck, currently Chairman of the Board of Directors of the Las Vegas Restaurant & Tavern Owners Assoc., and President of the Nevada Food & Beverage Association, spoke in opposition to SB 37. He referred to Section 2, defining slot machine operators. There are many bars and restaurants throughout the state where one owner is licensed in more than one location. This definition makes slot operators out of the owners, which they do not want to be, being in the restaurant and food business. He indicated those owners do not want to go into the gaming business as a major part of their industry.

Mr. Keck recited that another concern was that many of the marginal accounts would be dropped because operators would not be able to handle those locations, thereby requiring the owners to purchase their own machines at an exorbitant cost. In the event

those accounts were not dropped, it was anticipated there would be a tremendous cut in service. Mr. Keck stated that at the present, a service call takes approximately 15 to 20 minutes to be answered. If SB 37 is passed, that time might be increased to 1-2 hours, thereby causing them to lose players.

Mr. Keck's third point was that a small business works at a very small profit. He indicated that \$250 for issuance of a license to operate 16 or more machines per quarter, and \$50 for a license to operate 15 or fewer machines each quarter. He felt it was unprofitable at those rates to stay in business and commented that liquor license fees and business license fees were just raised.

Mr. Keck stated that the restaurant business has one of the largest turn-over rates in the United States, with Nevada leading the nation. Last year in Clark County, 87% of the bars and restaurants either went out of business or were sold in one year. In the city of Las Vegas, the rate was 67%. He indicated that by adding these extra costs, that rate would be higher and a lot of the marginal accounts would go under. Mr. Keck stated that the cost of purchasing slot machines is exorbitant with machines like the Poker machine cost more than \$10,000 per machine. He indicated his people are not in a position to finance this type of equipment. If they did, they do not have the proper schooling to fix them and parts for some of the sophisticated games are unavailable.

Mr. Keck reiterated that his people are not in the slot operator's business and do not want to be. He stated that if this bill is passed, it will take a lot of his people out of the gaming industry.

Mr. Hicks stated that all the members of the Coin Operators Assoc. were anxious to speak to the committee, but he only had one more speaker to present, Gus Vitale, a licensed slot route operator from Elko. Mr. Hicks stated Mr. Vitale operates 42 slot machines at 13 different locations in Elko County.

Gus Vitale, owner of Elkada Slots in Elko County, stated that the 13 locations he carries cover approximately 400 miles around the state, with 6 of those locations having only 2 machines and the others having 3 or 4 machines. He indicated that the passage of SB 37 would put a great hardship on him by requiring him to be at certain locations at specific times each week in order to count his money and to get the necessary signatures required. Mr. Vitale indicated that winter weather would further increase the hardship.

Assemblyman Price asked what the difference in waiting for a slot machine mechanic and waiting for the company to pay off a large jackpot would be. Mr. Hicks stated he felt that Mr. Keck's point

was that if the bill is passed in its present form, the result would be that the operators would cut back on their marginal locations and have to cut their staffs, thereby decreasing service calls by either mechanics or the payment of large jackpots.

Assemblyman Price stated that it was his understanding that one of the real concerns would be Regulation 6 and that some new rules and procedures would have to be created for the routes. Mr. Hicks stated that there would have to be some fairly stringent accounting controls if the State wants its fair share of the percentage tax. He indicated that if the situation is totally voluntary, it is unhealthy by encouraging the unscrupulous operator to not pay taxes and take shortcuts in order to get the competitive edge.

Senator Raggio asked if anyone was prepared to give testimony based on a substantive study that the revenue produced by this bill in increasing the tax could be offset by the loss of machines in out-of-the-way locations. Mr. Hicks indicated that there had not been either the time or the ability to do a definitive study. The closest source of information rapidly available would be from the standard financial statements filed with the State Gaming Control Board, which are confidential. Mr. Hicks stated that it is the sincere feeling of the Association members that they would have to cut back the marginal restricted slot locations severely which would severely reduce any revenues that would be derived by the passage of SB 37.

Senator K. Ashworth asked where this bill had come from, to which Senator Close responded it was proposed by the sub-committee on gaming pursuant to a request from Gaming Control as to the status of taxes on various entities. One area which it was felt was not taxed properly was slot route operators since they were able to conduct extensive gaming operations with several thousand slot machines and paying to the State a flat tax plus a federal tax. Upon review by the sub-committee, it was felt that was not a sufficient tax for slot route operators to pay. It was then suggested by Gaming Control that slot route operators operating several hundred slot machines pay the same tax as paid by the casino which also operates several hundred slot machines. It was the sub-committee's recommendation that a gross gaming tax be imposed on operators who operate in the accumulative more than 16 slot machines.

Mr. Hicks stated that the members of his association were aware of the needs of the Legislature to find sources of revenue, but their only concern was that any revenue bill not discriminate against one segment of the industry as opposed to the other and that it also take into consideration all of the aspects and ramifi-

cations of the bill. He stated there is information available if the standard financial statements filed with the State were compiled. It was his suggestion that the State look very carefully at the information available before proceeding with this bill.

Senator Close stated that if the revenue of 25,000 slot machines was increased by \$100 each, it would raise \$2,500,000. He indicated that there is no figure now that shows how much money would be raised if a percentage tax were imposed.

Senator Raggio asked for a figure from the Gaming Control Board on the number of restricted slots in the state. A member of the Gaming Control Board stated that there are 25,000 slot machines when you include manufacturers, distributors and operators. There are approximately 8,900 restricted slot machines today.

Senator Ford asked if the sub-committee had considered increasing the rate but staying with the same tax structure as an alternative to the percentage tax. Senator Close indicated it had not but that it may be appropriate to increase the flat tax from \$25 per quarter to some other sum.

Mr. Hicks stated that business of slot route operators has formed around the tax laws in existence since 1967 and any change in the taxes that would discriminate against the slot route operators is going to cause tremendous turmoil in this segment of the industry.

Senator Wagner referred to a letter received by the committee from Sloan Electronics (attached as EXHIBIT D) suggesting a modest increase in the fees and asked if the Coin Operators Association was opposed to that. Mr. Hicks stated they were not automatically opposed to an increase in revenues as long as it is reasonable and non-discriminatory.

Assemblyman Beyer asked if the slot operators employed a certain group of people such as senior citizens and handicapped. Emmett Sullivan indicated that the largest share of his employees were senior citizens since they were more dependable as change people. He stated that there would be some areas where handicapped people could become involved.

SB 38: Establishes annual salaries for members of Nevada gaming commission.

Richard Bunker of the Gaming Control Board stated that in 1980, the Nevada Gaming Commission met in 45 meetings, or approximately every 8 days. He did not have figures available for the exact amount of time spent outside of meetings in preparation for their hearings.

Senator Wagner asked how the figures for annual salaries were determined by the sub-committee. Senator Close stated that the Gaming Control Board allocates its time within an eight hour day, requiring that they keep very conscientious time records. If they work one hour a day, they bill the State for \$5.00 per diem for that day. It was felt by the committee that this is one of the most significant of the responsibilities throughout the State, the work of the Gaming Commission, and that \$16,000 for Chairman and \$12,500 for the members was not out of line. He went on to say that right now they are provided \$40 per day which they do not take. They spend thousands of hours on commission work and rather than pay them \$40 per day, it was felt a salary was more appropriate.

SB 39: Reduces duplication of state and local investigation for gaming licenses.

By way of explanation, Senator Close stated that at the present time, a person who applies for a gaming license has to be investigated by the State and by the City or the County. It was found that in no county throughout Nevada or any city in Nevada, except for Clark County, has there been any independent investigation of gaming licensees. Gaming licensees are investigated uniformly by the State and occasionally by Clark County, one or two serious investigations per year. It was felt that because of the potential duplication of licensee investigations, it would be appropriate to have the State make the initial investigation as they do at the present. The State would then approve or disapprove the licensee and give the investigative information to the city or county. The city and county then have the right to make an independent examination of gaming licensees if they felt there was reason to do so. That determination to examine licensees must be done within 30 days after they receive the information from the State. It was felt that too much time and effort was involved in the licensees preparing three separate applications for the State, city and county, therefore, one application would be filed with the State, with copies sent to the city and county on approval by the State.

Robbins Cahill, Nevada Resort Association, stated that this is one of the bills his people had in the Bill Drafter's office that has some opposite provisions. It was his request that this bill be held until their bill came out for consideration at the same time. He indicated that the subject matter of the bill being drafted dealt with the investigation of licensees being preempted to the Gaming Control Board.

Senator Close explained to the committee that it is proposed that the city and county's rights to investigate gaming applications be taken entirely away and they would have to rely completely upon the State's investigation and make no independent investigation of their own. On the other hand, the counties insist that they should have the right to make complete investigations if they want to. It was the sub-committee's recommendation that the State make the initial investigation, provide that information to the county and city, and let the county and city make an independent investigation if they find an objection within 30 days after receiving the information from the State.

Mr. Cahill stated that he was not prepared to testify at the present, but that there would be someone prepared to present the case when the bill is draft. He reiterated that his people felt both bills should be heard at the same time.

Chairman Close indicated that since this was the time set for hearing SB 39, it would be heard at this time. He advised that if the committee so desired, it could amend the present bill and take out counties from any licensing authority.

Mr. Cahill stated once again that he was not prepared to testify since his bill had not yet been drafted. He continued by saying it was very apparent to the committee that Clark County is the only county that uses this right to investigate and it was felt this is a duplication of effort and should be done by the Gaming Control Board only.

Senator Hernstadt asked what other material was contained in the bill being drafted other than that already mentioned. Mr. Cahill stated that the bill also pre-empts the right of the percentage tax to the State of Nevada. He indicated that Clark County had gone into the percentage tax and there had been rigorous opposition. Senator Hernstadt suggested that was a separate issue relating to taxation and that the framework of the present bill might be better to make a determination from. Mr. Cahill agreed that the percentage issue could be considered separately but stated the Association felt very strongly that the State does a very thorough investigation and should be the only one to do it. He acknowledged the fact that all the other counties support Clark County's position.

Dan Fitzpatrick, representing Clark County, indicated that his full time job is that of Business License Director for Clark County. He stated that Clark County had appeared before the interim sub-committee on several occasions to discuss the various areas of concern that the industry and Legislature raise regarding duplication of effort as it relates to investigations and utilization of certain forms. Clark County did undertake a mas-

sive effort to rewrite totally its gaming regulations as a result of those hearings. He indicated that Senator Close summarized the principal points well. For further clarification, Mr. Fitzpatrick indicated that Clark County is not the only entity that does investigations, but the City of Las Vegas also conducts investigations through the Metropolitan Police Department. He stated that there are two types of licensees: (1) unrestricted licensees - 15 or more slot machines, and (2) restricted licensees. The County's ordinance provides that except by majority vote of the board, the County will not investigate the personal or financial suitability of applicants for an unrestricted gaming license. The County has retained the responsibility and right to investigate all restricted licensees, very closely related to the liquor licensees. Mr. Fitzpatrick stated that out of 289 restricted licensees, approximately 275 are also tavern owner liquor licensees. The Liquor & Gaming Licensing Board in the ordinance stated that photocopies of the State's forms for personal and financial suitability will be accepted. He clarified for Chairman Close that there is a difference between the application form and the investigation form for personal and financial suitability. The areas of duplication attempted to be avoided are the forms an individual fills out for his personal and financial investigation. Mr. Fitzpatrick stated those are the forms where photocopies from the State are acceptable.

Mr. Fitzpatrick continued by saying that the problem of duplication of forms and utilization had been addressed by local governments such as Douglas County and the City of Las Vegas in attempting to adopt forms along the Clark County lines. He stated that these areas amount to 85-95% of the unrestricted licenses in the state.

Mr. Fitzpatrick next spoke to the format of the bill, stating that if this were a resolution, Clark County would support it in its present form, but to enact it as a law, they would not support the present format. The language requiring that a basic application form would be developed by the Gaming Control Board and stating that no other application forms will be used by the county and City was disputed in that it was felt one application form could not be used statewide in that fee structures are different.

The next area of dispute was Section 3 referring to 15 or fewer slot machines at line 21. Mr. Fitzpatrick stated the language should be restricted licenses. He continued by saying that they wish to retain the right to have the Liquor & Gaming Licensing Board make the final determination since there is more involved in processing an application at the local level.

Senator Wagner asked how often the results of the investigations at the local level differed from the State's results. Mr. Fitzpatrick stated that in many cases there hasn't been much difference for the unrestricted licenses. For restricted licenses, they do a much more thorough investigation which they felt complimented rather than duplicated the State's efforts. He stated this was why the Clark County Board agreed to accept the State's findings of suitability for unrestricted gaming licensees.

Senator Hernstadt asked for facts of significant discoveries made by the County in the last five years that the State missed. Mr. Fitzpatrick stated that there are two aspects: (1) the formal presentation of the local board of information that the State overlooked and (2) the dual investigation and responsibility of gaming licensure in the state is a check and balance system, much of which works informally. He continued by saying that there were several cases where overlooked information had been found and those cases had been presented to the interim sub-committee. Those were applications approved by the State and denied by Clark County. Senator Hernstadt asked if the State had gone along with their decisions in those cases, to which Mr. Fitzpatrick stated that applicants have to be found suitable by both parties in order to conduct business.

On a question from Senator Don Ashworth, Senator Close indicated that he would present the information obtained by the sub-committee at its hearings to the committee when these bills are to be considered. He then asked how many members Clark County had on its investigative staff. Mr. Fitzpatrick indicated that was done by the Metropolitan Police Department. He went on to say that State law states that the Sheriff shall investigate gaming applicants at NRS 244.345. He believed there were about 12 members of the police department they called the Privileged Investigation Division.

Senator Ford asked what happens when they report to the board that there is additional information and the applicant is found unsuitable. Mr. Fitzpatrick stated that according to their ordinance, that information gets reported to the Clark County Liquor & Gaming Licensing Board and not to the Gaming Control Board or Commission. He felt it was shared.

Senator Ford then asked if Clark County did not have the power to conduct independent investigations, would Metro still need the same staff to investigate the liquor applications. Mr. Fitzpatrick stated they would require the same staff. He continued by stating that liquor licenses are strictly a locally controlled issue that the State does not become involved in, with the exception of wholesaling.

Senator Raggio stated his position that dual investigation is time consuming, expensive, duplicative, and the State has spent a great deal of time establishing and creating a sophisticated method of investigating applicants. He indicated his feeling that the subject bill did not appear to be any compromise other than as to the types of forms used. He further did not understand why the city and county could not furnish information about a licensee to the Gaming Control Board during the course of its investigation. He asked if it was the policy of the Metropolitan Police Department to refuse to share information as to applicants with the Gaming Control Board. Mr. Fitzpatrick stated he was not the proper person to answer that question and indicated that being a civilian administrative arm for licensing, he had problems getting information from Metro regarding that type of information.

Senator Don Ashworth stated that the reason the Metropolitan Police Department would not share certain information was because the FBI said it would not supply any further information. Assemblyman Stewart further clarified by stating there was a situation where the FBI said that the Gaming Control Board was no longer a police agency under the regulations, making it impossible for another police agency to automatically share their information with anyone other than a police agency. He stated it had something to do with the Privacy Act. To automatically or voluntarily share that information would put them in violation of the Act and they would no longer have access to FBI information.

Mr. Fitzpatrick stated that the Liquor & Gaming Licensing Board, both in its oral policy and its gaming regulations, clearly speaks to sharing any and all information with gaming officials and indicated that information that comes to their attention is immediately shared with the State informally.

On a question from Mr. Chaney, Mr. Fitzpatrick stated that applicants are required to file applications with local city and county governments within 10 days of filing with the State.

Senator Keith Ashworth asked if Douglas and Washoe Counties investigate and require the same type of forms as the State and Clark County. Mr. Fitzpatrick stated representatives of those counties were present and would speak to that question. Senator Ashworth stated he agreed with Mr. Fitzpatrick's objection to the way the bill is drafted. He felt the word "application" should be clarified by using the words "personal history and financial disclosure statement". He stated that the only similar forms used in licensing are the personal history and financial statement forms and the bill should be reworded to identify exactly what the sub-committee was referring to.

Senator Close stated that Clark County did cooperate with the interim committee in working on uniform forms throughout the state, but other counties were reluctant to do so.

Assemblyman Price asked what the difference was between Metro disclosing information to the Gaming Control Board and disclosing that information to Mr. Fitzpatrick's people. Mr. Fitzpatrick stated that there were extensive district attorney opinions on the release of that information in what form, detailed forms to be signed by the applicant for release of that information, and many other ways of getting that information without releasing "police obtained criminal history investigation reports". Mr. Price asked if it would be possible to get the information on how the FBI determines what a police agency is. Senator Close stated that the committee would be talking to the FBI today to determine what their complaints are and what they require to qualify as a law enforcement agency. He stated that he and Assemblyman Stewart would then get together with Mr. Daykin for the purpose of drafting an appropriate bill.

By way of further clarification, Mr. Fitzpatrick stated that all the county investigators are bonafide police officers. The problem arises with the release of that information to the Liquor & Gaming Licensing Board. In the confidential package submitted to the board by the police department, they can list problems with the individual's background without spelling out exactly what they found. The board is then able to question the applicant under oath in a public meeting and get certain types of information directly from the applicant.

Senator Hernstadt asked how large a staff would be needed if the County was restricted to investigating strictly liquor licenses. Mr. Fitzpatrick stated that the restricted licenses are the more voluminous and it would require the same staff to investigate those liquor licenses.

David Russell, attorney with Guild, Hagen & Clark, counsel for the Gaming Industry Association, stated that the Gaming Association as well as the Resort Association does not want local government involved in gaming applications or licensing. He felt the bill was poorly drawn and does not really represent a compromise. It provides that the county can undertake licensing on any restricted licensee now and it has the discretion to undertake any investigation on unrestricted licensees. He stated that it was their position that the State has done a good job in gaming control, has the investigators and equipment, has the expertise in the area of publicly treated corporations that can do the job. It was his experience that the County of Clark has merely asked for duplication for the sake of duplication. He

felt the County did not have the expertise to do the investigations and had to rely on the State. Mr. Russell asked that the committee reserve more testimony from Mr. Fest and Mr. Campbell of the Resort Association, who are prepared to discuss SB 39 and the companion measure still being drafted.

Mr. Russell stated that there were at least 8 or 9 bills he was aware of that would be introduced shortly involving gaming in Nevada both by the Control Board and the Industry Association. In summary, he stated his association did not prefer to have the local government involved in gaming licensing at all. He indicated there would be bills introduced to take them at least out of the publicly traded corporation area and which will restrict in some nature the revenues derived by the counties.

Senator Ford asked Mr. Fitzpatrick what kind of revenue is derived from the licensing applications. Mr. Fitzpatrick stated there were several different fees: (1) the application processing fee - approximately \$50.00; (2) \$175.00 deposit for the investigation - paying for investigation if the Board deems it necessary, based on the hourly rate of the investigator doing the work. He stated that under the new ordinance, investigators are required to submit itemized bills to the applicant on the hours spent and activities documented. He noted that over 80% of the applications can be processed for \$175.00. (3) First quarter licensing fees - formerly an estimated percentage of the gross, now changed to 1/10 of the bond submitted to the State. In the case of a restricted license, they take \$39.50 per machine.

On a question from Senator Ford, Mr. Fitzpatrick stated that to process the application and an investigation, there are two aspects of an investigation, one being the personal and financial suitability of the applicant, and the other being principally done by his staff is investigation of all of the other requirements of the Clark County Code. Examples of the latter aspect was in the case of an unrestricted gaming application, there must a 150 room resort hotel with full resort facilities, requiring that they measure the depth of the pool, count the number of tennis and golf courses, count the number of rooms, etc. He stated that \$175 barely covered that aspect alone.

Assemblyman Sader asked if most of the time taken was in the investigation of the personal and financial suitability of the licensee. Mr. Fitzpatrick said it did if they got into the detailed investigation. Mr. Sader then asked for clarification of why the passage of this bill would not affect the number of investigative personnel required. Mr. Fitzpatrick stated that this bill only speaks to unrestricted licenses and does not speak to liquor licenses. He indicated that 80% or more of the

license requests were for restricted licenses with 15 or fewer slot machines.

Mr. Sader asked for a clarification on the language in Section 3 of the bill. Senator Close referred him to the proposed amendment by the Gaming Control Board (EXHIBIT E, Amendment 4) and indicated that helped clarify the intent of the language. He further stated that the intent was to require the cities and counties to accept the State's finding of suitability. If in less than 30 days they determine for some reason that they do not want to accept those findings, they can conduct their own independent investigation and make their own determination of suitability. If they find the applicant unsuitable, they can refuse the license. If they do not notice or make an investigation in that period of time, they must accept the State's findings.

Mr. Fitzpatrick spoke to the word "suitability", stating that used alone it brings up the legal question of the definition of "suitable" and does it speak to just the personal and financial suitability of that application. He asked if because the State finds an applicant suitable, does that mean they do not have to meet the requirements for full resort facilities.

Senator Close stated that the State's finding of suitability is distinctly different from the zoning requirements of the county. Mr. Fitzpatrick just asked for clarification by stating in the language that it is personal and financial suitability.

Senator Ford asked if personal and financial suitability were two different findings. Senator Close stated that the Gaming Control Board and Commission finds an applicant suitable or unsuitable for whatever reason. The finding is one finding.

David Henry, representing Washoe County, stated on behalf of the County Commission and the Sheriff's Office that they are opposed to the bill as drawn since it destroys the check and balance arrangement between the State and Washoe County. He stated they would like to be exempted from the arrangement that is being suggested. He pointed out that in the regulatory process in Washoe County, which includes all aspects of regulation, the County recovers 49% of the dollars they spend on the regulatory process and it is not a revenue issue. He stated it may jeopardize their position in some instances with balancing the budget problems which may come up in taxation. He then asked to hear from Vince Swinney of the Washoe County Sheriff's Department on the specifics of the Washoe County operations.

Vincent Swinney, Under-Sheriff of Washoe County, speaking on behalf of Sheriff Galli, stated that they agreed with some of objections raised by Clark County in that the language of the bill is poorly drawn. With regard to the permissive language on when a local investigation may take place, he suggested the following should be considered: (1) what is the specific reason and who decides that the reason is adequate to conduct the investigation; (2) can the local licensing authority or either the sheriff or chief of police initiate the investigation; (3) will it require permission from the State Board to conduct the local investigation. With regard to the other regulatory aspects of the situation, it was felt that the local licensing boards are closer to the people, closer to the mood and dictates of the community. It was further felt that there was a check and balance by allowing the locals at least the option of conducting an investigation. On the information issue, Mr. Swinney stated it was his understanding that under the Privacy Act, if there is a statutory obligation on the part of an agency to have such information, a user agreement can be signed with the local law enforcement agency allowing access to such information. He pointed out that the key is the statutory obligation on the part of the agency to have or utilize such information.

Assemblyman Price asked if the Sheriff's Office investigated for the City of Reno as well as Washoe County. Mr. Swinney replied that they did and had been involved in unrestricted gaming investigations. He recalled that in once such investigation, there was specific information uncovered missed by the State which raised the question of suitability. On Mr. Price's question, Mr. Swinney stated that information had been shared with the Gaming Control Board and there was no objection to the basic concept of cooperation. He agreed with Clark County that the form for personal and financial suitability could be one form statewide, but forms for fees should remain localized. On further questions from Mr. Price, Mr. Swinney stated their office received information from the FBI (NCIC) and with their own SCOPE system. He further stated he was a Washoe County employee and a commissioned Deputy Sheriff under the auspices of the Sheriff.

Senator Wagner asked to what extent Washoe had been involved in license investigations. Mr. Swinney stated that the only unrestricted licensing he was particularly informed on was one in which information came to light as a result of an independent investigation.

Assemblyman Price asked if there had been any problem within the Washoe County Sheriff's Department with the transfer of information to the licensing departments. Mr. Swinney was not aware of any particular problems.

Richard Bunker, Gaming Control Board, stated that the position taken by the Board with their amendment was to just give clarification they felt necessary. It is their realization that the amendment is restrictive and they were under the impression that was what at least some of the participants at the interim committee wanted. He stated it is not the Board's intention to suggest that the amendment be adopted, but it is language that they felt explained the situation and develops the position that the Board would possibly take if a bill were drafted. Mr. Bunker indicated the amendment is mutually exclusive in regard to investigative processes for non-restricted licensees.

David Russell stated he was not aware of any recent application ordinance involving Washoe County requiring an applicant to proceed through the county process for a gaming license. He reminded the committee that there were two separate areas involved in this bill, one being the taxing aspect through fees and the other being the regulatory process. Mr. Russell stated that the position of the Resort Association and the Gaming Industry Association is that SB 39, even with the amendment, not be passed. They philosophically believe that the local government should not be in the regulatory aspects of gaming and believe that the State has done a thorough, effective job. He expressed the feeling that information discovered by local authorities through an investigation should have been referred to the Gaming Control Board. He stated he was not aware of any case in the history of Nevada where the State has granted a gaming license and the county has not.

David Henry returned to clarify the position of Washoe County by stating that the Chief of Administrative Services is the head of the business license operation in Washoe County, or entirely within the Sheriff's office itself.

Mike Cool, representing the City of Las Vegas, went on record stating that the City is opposed to SB 39 as it is currently drafted. He felt that Mr. Fitzpatrick had adequately covered the points but he did indicate that the City is currently revising its gaming ordinance with the assistance of Mr. Fitzpatrick's staff to change the ordinance to eliminate the duplication. He stated the City is in agreement with the intent of the bill to eliminate duplication of forms if possible.

Senator K. Ashworth asked if it was felt that in the event SB 39 is not processed, that through cooperative efforts between the City, County and State the sub-committee's intentions could be accomplished in standardizing the personal history form and the financial statement form. Mr. Cool felt that could be accomplished and the City felt it would be best to cooperate in this effort.

Assemblyman Price asked if the City worked the same way the State does in investigating the applications. Mr. Cool stated the City works the same way the County does. Assemblyman Stewart pointed out that the difference is that the City charges an investigative fee that is not based upon the total investigative cost. Mr. Cool stated that he had a draft of the proposed new City Ordinance, which includes the fee figures.

G.P. Etcheverry, Executive Director of the Nevada League of Cities, responded on behalf of the cities which do not have the sophistication of Washoe and Clark Counties. He stated that some of the cities rely upon the investigation of the State and once the license is granted by the State, they accept the suitability and entire concept of the license procedure. He indicated that he was not aware of any local city in the central or eastern part of the state that had revoked any license granted by the State. Mr. Etcheverry added that NRS 266, the general law of cities, might be of some help.

SB 67: Transfers control of pari-mutuel wagering at racetracks to gaming authorities.

Assemblyman Dean Rhoads testified and indicated that he is also the Chairman of the Elko County Fair Board, which has been in operation for 53 years and which has had racing meets in most of those years. He indicated that they have 5 days of horse racing and noted that it is probably the oldest and most successful racing meet in Nevada. Mr. Rhoads continued by saying that the Fair Board is set up by the Agricultural District, is a non-profit organization, and by the Racing Commission going to the Gaming Control Board for a license, he was not sure his Board could afford the cost of investigations. He felt that if the members of that Board had to undergo an investigation, they may not serve. He suggested that agricultural districts be excluded from the bill or at least investigations and give the authority to the County Commissioners. Mr. Rhoads then asked how far the investigation goes -- to the Board of Directors, the applicants, the pari-mutuel help, paddocks help, starters. He indicated that most of the people employed in their races are volunteers. He further asked what is done with the money, indicating that \$.18 out of each ticket is disbursed to the State.

Assemblyman Sader asked what the current status of the investigations by the Racing Commission in Elko County is. Mr. Rhoads stated that the Board is appointed by the County Commissioners, a very thorough audit of the pari-mutuel handle is kept and turned in. He did not think it went much further. On a question by Assemblyman Stewart, Mr. Rhoads indicated that there is always a member of the Racing Commission present during the races and that the rules of the racing manual are very closely followed.

Assemblyman Stewart asked if the Racing Commission was involved in the suitability of the pari-mutuel people at their racetrack. Mr. Rhoads indicated that the Fair Board does that. He further indicated that the people running the races are not investigated by the Racing Commission, but felt they could object if there were questionable people involved and stated they had had very good cooperation with the Racing Commission, which holds a meeting in Elko at the time of the races and reviews the racing plans. Assemblyman Stewart asked if the Racing Commission ever makes investigations as to suitabilities as for gaming licenses. Mr. Rhoads indicated there had been some cases where they had investigated as in the case of a race owner using drugs on their horses. He stated there had been disciplinary action taken as the result of a complaint being made to the steward, who then reports it to the Racing Commission.

Richard Bunker, of the Gaming Control Board, stated they had no desire to get in the racing business. If that was the determination of the Legislature, he indicated there would need to be some discussion. He stated the general position that they either want to be in and regulating the racing industry or stay as far away as possible. He commented that in the last several years there have only been two people investigated with regards to racing, those being the two principals who run the dog track in Henderson. He stated the Gaming Control Board has had no investigative responsibility for anyone else. He suggested that in light of several of the job classifications discussed on February 17, an amendment to NRS 463.335 and/or an entirely new statute in the event the Racing Commission itself is developed, that expands to include those classifications in the work card provisions. Mr. Bunker commented that it is his understanding that the Director of Public Safety in Henderson is holding out for work cards, but could use the assistance of State statute requiring the Racing Commission have work cards for those people discussed. He pointed out to the committee that there is a big difference between a work card application and a licensing application. If they are to be required to have a gaming license, they will have to undergo an investigation by the Gaming Control Board. It was Mr. Bunker's suggestion that the Racing Commission be allowed to handle investigations on a contract basis, and let the Gaming Commission handle its own responsibilities. He further suggested the Racing Commission be "beefed up" in order to handle their responsibilities. He pointed out that they could contract for investigative services as they do for veterinary services. He reiterated the Gaming Control Board's feeling that if they are going to be involved, they want to be completely responsible. Mr. Bunker stated that just for the audit and enforcement responsibility at the Las Vegas track, they would need roughly 8 or 10 people and approximately \$259,000 annually in salaries for those people. He further recommended that in the

event the Gaming Control Board does have to get into those areas, the racetrack should be responsible under a contract to pay for the services of any State employees present on the track. He did not feel it was the responsibility of the taxpayers to assume that burden.

On a question by Senator Close, Mr. Bunker stated the Gaming Control Board feels that to bifurcate the responsibility for pari-mutuel and racing is irresponsible administration. Someone has to be responsible for racing in all aspects, not just part of it.

Senator Keith Ashworth asked if the Gaming Control Board took the responsibility for racing, would it be their recommendation to abolish the Racing Commission. Mr. Bunker felt that was a Legislative determination and stated the Gaming Control Board does not want to be in the racing business, but if that is the determination of the Legislature, then they want to do the entire job.

For clarification to Assemblyman Stewart, Mr. Bunker stated that by contracting for investigative services, he meant the Racing Commission should hire an outside agency to do the investigation and not the Gaming Control Board. He added that the Gaming Control Board does not need additional responsibility without additional budget and/or personnel.

Senator Wagner commented that since what the Gaming Control Board does best is investigate applicants, she felt the intent of the bill was to have the Gaming Control Board do that for the Racing Commission. Mr. Bunker felt that the responsibilities had been expanded upon since the initial intent and hearings of the subcommittee and felt those responsibilities would have to be very clearly delineated with the ultimate decision making ability defined.

Senator Keith Ashworth asked if the Gaming Control Board had expertise in the other areas of the racing business besides auditing and investigating. Mr. Bunker felt experts in those areas would have to be hired. Senator Ashworth suggested that a future problem could arise in that the Gaming Control's expertise in investigation could be expanded to cover real estate and insurance.

Assemblyman Beyer asked if off-track betting would be covered in racing responsibilities. Mr. Bunker stated there is no off-track betting in the State of Nevada and would under no circumstances recommend that the Gaming Control Board get out of the regulation of race and sports books. He felt that would be a serious mistake. Mr. Beyer then asked if the Racing Commission could contract the Gaming Control Board to do their investigations. Mr. Bunker commented that the Racing Commission should not have to be in a position where their applications have to wait to be investigated because of the heavy workload. He indicated that they too have time

limits with their applications as does the Gaming Control Board, and should have the best service they can get.

Assemblyman Stewart asked about the case of televised races. Mr. Bunker stated they had not been involved in that yet, but there was currently discussion on televising races from other tracks around the country, but had not been involved in televising and betting in some other location. He added that under the Gaming Control Board's regulations, unless it was an ongoing race book, the location would have to be licensed as a race book if separate from an established licensee. He stated that would come under their jurisdiction with regard to betting at that particular location, but the track would not be their responsibility. The transmission and the responsibilities for granting transmission rights into a sports book would very definitely be the responsibility of Gaming Control.

Assemblyman Malone asked why the two Henderson individuals had been investigated if Gaming Control did not want that responsibility. Mr. Bunker stated that the Gaming Control Board is responsible by statute to respond to the Nevada Racing Commission if they request an investigation.

Senator Hernstadt asked what the average length of time an applicant would have to wait for a gaming license is. Mr. Bunker stated that depended upon the magnitude of a license - one individual who has lived somewhere most of his life and does not have extensive outside holdings can be done in a reasonably short time; a multi-corporation with multi interests internationally, it will take a considerably longer time. As an example, Mr. Bunker said the Sinatra investigation took almost 13 months and other key employee investigations can be done in two or three days.

Senator Raggio asked if the Gaming Control Board could live with being required to investigate owners and equity interests and make a recommendation to the Racing Commission and further requiring employees of the race tracks to apply for work cards. Mr. Bunker stated that if NRS 463.335 were amended, the Gaming Control Board would have jurisdiction with regard to work card applicants. He felt that the distinction would have to be made under a separate statute that covered those to be required to hold work cards as regards racing and should not fall under the jurisdiction of the Gaming Control Board.

Ray Nysley testified stated he had been identified with horse racing for more than 50 years as owner, trainer, etc., and had raced both nationally and internationally. He felt the concept of SB 67 is good. He referred to the initial submission of this bill in 1961 and stated that it was a horse racing bill, creating a marriage between a sport and a gambling enterprise. He felt

there was cause to consider the control of the gaming by the Gaming Commission, but saw no point in putting the Gaming Commission in control of racing statewide. He agreed with the suggestion that the agricultural districts should be given less treatment. He stated that dog racing does not take place at county fairs. Mr. Nysley went on to say that the control of racing itself should stay with the Racing Commission.

Mr. Nysley expressed concern over the suggested amendments by the Nevada State Racing Commission (EXHIBIT E) at line 32. He felt that the adoption of that amendment would change SB 67 from a horse racing bill to a dog racing bill. He urged that if this were adopted, the gaming be placed under the Gaming Commission. Senator Hernstadt asked if Mr. Nysley felt the Racing Commission should be a division of the Gaming Commission. Mr. Nysley did not feel they should be united. Senator K. Ashworth asked if dog racing should be separate from horse racing and fall under gaming. Mr. Nysley felt it was well worth considering.

Assemblyman Stewart asked who had proposed the 3 day dog racing and 1 day horse racing amendment. Mr. Nysley stated that if that were passed you could dispense entirely with horse racing since it destroys the entire concept of the original bill. He indicated he had left copies of the minutes for the original bill and urged that the committee review those. He further suggested that the committee examine whether it would impair the security under the loan granted by the Retirement Board. He felt it was a far-reaching implication of the suggested amendment at line 32.

Mike Turpen, President of the Nevada Race Horse Owners & Breeders Assoc., stated they were not aware of the amendment proposed which would jeopardize the ratio currently in the statutes and apologized for being unprepared. He stated that for some time they had been preparing material to be in opposition to a dilution or vacation to that portion of the statute. He referred to page 2, lines 26 through 32, of SB 67 requiring that a license for greyhound racing be issued only in conjunction with a license for horse racing on a horse track, and the requirement of running one day of horses for each three days of dogs. Mr. Turpen indicated that there were amendments being worked on by the organization that would go to those areas. He continued by saying that his organization was just formed in November, 1980, and consisted of 26 members throughout the state and an anticipated 500 members by the end of 1981. He stated their members are owners and breeders of race horses in the State of Nevada and have a survey being conducted of the distribution of monies expended by horse owners. He further indicated the members are being asked to give their opinions in writing concerning the 3 to 1 ratio to be presented to the committee.

Mr. Turpen stated that some of the finest horses in the country are owned by Nevadans and have been bred in this state. He indicated that these horses are being run everywhere but Nevada and that Nevada horsemen get very little recognition. He commented that his people need an outlet for their product, i.e. a racetrack. Statistics compiled in studies are being prepared for presentation to the committee showing the costs involved.

Mr. Turpen referred to a letter by the American Quarterhorse Association which indicated that in 1979 there were 10,806 registered quarterhorses in Nevada, with approximately 3,500 being involved directly in racing, most of which are raced out of state and many foaled out of state. He indicated that a functioning racetrack has many advantages to the state. He pointed out that employment on a horse track is better than on a dog track in that it takes one groom for every three horses, exercise boys, stable hands, etc., whereas there is just a kennel operator with dogs. He felt there was more money generated from a bona fide racetrack.

Mr. Turpen stated the position of his association by saying that their only problem came with the 3 to 1 ratio. He continued by saying that an extended meet will draw a better quality of horse, which will provide more money in bets. An example was Prescott Downs in 1979-1980, with an average attendance of 1,673 people and an average handle of \$121,064 (\$72 each). On the other hand, Santa Anita, running a far better grade of horse, had 28,000 in attendance with \$4,629,947 daily handle (\$165 each). Mr. Turpen's association does not feel that a 30 day split meet, as being suggested, would benefit the racing and breeding industry in the State of Nevada. He indicated that the type of horse that might be attracted to a low purse, no guarantee type purse operation may not be beneficial to the racing industry in Nevada.

Mr. Turpen suggested that the committee refer to the minutes of SB 451, heard two years ago since the testimony was much the same and felt the compromise made then should continue in effect. He indicated that people involved in thoroughbred and quarterhorse racing in other states are providing them with information that will support the position of his organization that a race meet can be a very successful form of raising state revenue. Mr. Turpen then read the following from a letter received from Dan Phipps, Assistant Director of Racing for the American Quarterhorse Assoc., in response to a question of the impact of a bona fide racing establishment:

"In response to your letter, Tom has asked me to send you copies of two feasibility studies and other pertinent information. I would like to echo Tom's sentiments that the economic impact of horse racing cannot be measured by pari-mutuel tax revenues alone.

"Nevada has the smallest horse population west of the Mississippi. Furthermore, there has been no increase in the last three years. With the advent of racing, one could reasonably assume a 50% increase over the next four years, which could mean a minimum increase in equine expenditures of \$12,500,000.

"In order to run a winter race meet in Las Vegas and a summer meet in Reno, approximately 800 horses would be needed at each meet. The trainer's day money in adjacent states, excluding California, ranges from \$15 to \$20. This would mean an influx of owners' dollars to the Reno and Las Vegas areas of at least \$5,000,000, exclusive of entry fees, jockey ----- bills and shoeing costs. The increase to the job market would seemingly be comparable to the opening of a major casino, while the national exposure would obviously be of some benefit to tourism."

Mr. Turpen felt that the information his association will be able to provide to the committee will give insight into the economics of running a horse meet. He stated that the proposed amendment to reduce the amount of days would seem unnecessary according to the information of that organization. He indicated it was his understanding that the Racing Commission was currently requiring that the racetrack in Las Vegas produce 700 stalls. It was also his understanding that stalls had been changed to be a cyclone fence situation where it had been thought there would be more and of a more permanent variety. It was his concern that the horseman needs to be protected. He indicated that it is a large business in many adjoining states; there is a tremendous amount of property in Nevada that could be used for raising, breeding and training horses, which is not currently being utilized because there is no economic benefit for a Nevada horseman to raise a horse in this state. It was felt that with pari-mutuel wagering on horses there comes money that can be utilized to promote the agricultural industry and horse breeding in particular. A meet of the magnitude possible in the Las Vegas area would create enough funds for Nevada breeders.

Mr. Turpen stated a copy of the Racing Act had been given to the Washington Thoroughbred Breeders Assoc., who made recommendations to be proposed to the Legislature. He indicated those proposed amendments were being drawn up and would be submitted to the committee at a later date. He then asked that a decision on SB 67 be continued until a comprehensive report from the horsemen could be presented. He indicated that report would be ready prior to the March 12 Racing Commission meeting.

A gentleman representing the Nevada Racing Association, which is proposing a track in the northern part of Nevada, stated that his group did not deem this hearing to be the time and place to debate ratios and issues other than how regulation was to be undertaken. He stated they did not agree with some of the testimony, but did not feel it was the time to go into it.

Senator Ford asked for Sharon Brandsness to respond to some of the earlier questions by Mr. Stewart on regulation of the Elko track. Ms. Brandsness stated that the regulations had been changed so that this year the Racing Commission would be licensing their pari-mutuel clerks and key employees. She indicated that the County Fair racing circuit should be kept separate from major profit making racetracks in many areas of racing. She stated that Elko, Ely and Winnemucca are all agricultural associations whose staunch community individuals volunteer time to put on a race meet where they derive no economic benefit other than what the community and state as a whole derives by horsemen coming through the state. Senator Ford asked if the law would allow that. Ms. Brandsness indicated it would and stated that they are licensed in those areas but they are not investigated extensively. With reference to Mr. Stewart's question of Mr. Bunker on licensing applications investigated by the Gaming Control Board, Ms. Brandsness stated that the two Mr. Bunker referred to were the ones they had completed. She indicated they presently had between 12 and 15 applications that are being investigated at this time. She commented that televising races into casinos was something that should be discussed at another time with aspects that would be very detrimental to the racetrack. With reference to work cards, she indicated that that Racing Commission does what is equivalent to getting a work card, but gives a license instead. She stated the applicants are fingerprinted and run through the FBI.

In response to the earlier comments about the amendment to Line 32, Ms. Brandsness stated the last thing the Commission wanted to do was to eliminate horse racing. She indicated that the law now in effect is too restrictive to allow the Commission to adequately regulate the racing and it is their expert opinion that 100 days of racing in the first year of a race track is too many. She stated it is the desire of the Commission to give the horsemen what they have been long overdue to receive, but do not want to see it destroyed at the first opportunity. She asked for modification that would allow them to build the track up to the 3 to 1 ratio eventually.

Chairman Close stated that further testimony on these bills would be scheduled at a later date as well as the hearing on SB 35. He then adjourned the hearing at 11:00 a.m.

Respectfully submitted,


Jer Jan M. Martin

(Committee Minutes)

MEMORANDUM

TO: NEVADA COIN OPERATORS ASSOCIATION
FROM: BUD HICKS
RE: S.B. 37 Slot Route Operator's Bill

The following is an analysis of S.B. 37:

Section 2.

"'Slot machine operator' means a person who places slot machines in more than one location and shares in the profits from them."

PROBLEM: There is no definition or limitation to the term "location" as used in this definition. Consequently, a licensee who places slot machines in two or more different areas within a single building could arguably be a "slot machine operator" who is subject to the proposed special \$1,000 annual fee and percentage taxes. Existing NGC Reg. 4.030(1)(b) is preferable because it defines a "slot machine operator's license" in terms of placing machines in various "licensed" locations.

Section 3.

This section imposes a special quarterly fee on "slot machine operators" of \$250 per quarter (\$1,000 annually) for the issuance or renewal of a license to operate 16 or more machines or \$50 per quarter (\$200 annually) for a license to operate 15 or fewer machines.

PROBLEMS:

(a) The language of this section is not clear as to whether the special fee of \$1,000 or \$200 annually applies to the "slot machine operator" or to the license issued at each location. The example, if a "slot machine operator" operates at 3 nonrestricted (greater than 16 machines) locations, must he pay the special fee of \$250 quarterly three different times (3 x \$250 = \$750)? Similarly, if the slot machine operator has 15 restricted (less than 16 machines) locations, must he pay the special fee of \$50 quarterly 15 different times (15 x \$50 = \$750)? If the answers to these questions are affirmative, then the additional fees, charged according to location, would clearly be discriminatory to the "slot machine operator" and would put him to a severe competitive disadvantage to persons choosing to operate their own machines.

(b) If the new fee applies only once, that is to the operator as opposed to the licenses issued at each location, it will raise a relatively insignificant amount of revenues for the state. For example, there are approximately sixty-five licensed slot route operators. Of this amount, approximately fifty-nine operate at nonrestricted locations and the remaining number, approximately six operate at restricted locations only. The fees to the state under this section would therefore be:

<u>No.</u>				<u>Revenues to State</u>
*59	"Slot machine operators" doing business at nonrestricted locations	x	\$1,000 =	\$59,000
6	"Slot machine operators" doing business at restricted locations only	X	\$200 +	\$1,200

(c) The "slot machine operator's" proposed quarterly "flat" fee is discriminatory because slot machine operators must pay the new, special quarterly fee in addition to the fees imposed by NRS 463.373 (existing quarterly fees of \$25 per machine if 15 or less machines operated) and NRS 463.375 (existing annual fee of \$10 per machine per quarter if 16 or more machines operated). The tax is discriminatory because all other operators of gaming devices (e.g., casinos or single location restricted slot operators) do not have to pay the new fee, particularly those persons who would choose to operate their own machines rather than use the services of a "slot machine operator."

Section 4.

This section imposes the quarterly percentage fees of NRS 463.370 on "slot machine operators" by requiring all such operators to aggregate their revenues, whether from restricted or nonrestricted locations, and to pay the quarterly percentage fees based upon the aggregated amount.

PROBLEMS:

(a) The proposed amendments to NRS 463.370(4) and (5) conflict and would result in the imposition of a double tax on revenues derived from slot machines provided by slot machine operators to nonrestricted operations (i.e., casinos) which already pay the quarterly percentage fees.

*As of June 30, 1980, according to Gaming Control Board Economic Research Division.

Paragraph 463.370(4), as existing and as proposed to be amended, requires revenues from slot machines operated by a slot route operator to be included in the gaming revenues reported by the licensed operator of the premises where the machines are located. Hence, the revenues from machines provided by a slot route operator, for example, to MGM are included in the revenues reported by MGM and the quarterly percentage fees are paid on those revenues by MGM (in most cases, at the maximum rate of 5.5%).

Paragraph 463.370(5) as proposed, requires all revenues derived from slot machines operated by slot route operators to "...be aggregated to determine his gross revenue for the purposes of this section." As proposed to be amended, paragraphs 4 and 5 of NRS 463.370 conflict by imposing the quarterly percentage fee upon revenues of slot machines operated in nonrestricted locations (i.e., casinos) by both the location operator and the slot machine route operator.

(b) By requiring slot machine route operators to aggregate revenues rather than to report on a location by location basis, the Bill would result in the application of a higher percentage tax on revenues than are currently charged on revenues from such operator's nonrestricted locations. For example, pursuant to paragraph (1) of NRS 463.370, the percentage fees increase as gross revenues increase:

<u>Gross Revenues</u>	<u>Percentage Tax</u>
Up to \$150,000	3%
\$150,000 to \$400,000	4%
over \$400,000	5.5%

Thus, if a slot route operator aggregates his income, instead of paying the percentage tax on a location by location basis, it would be most likely that the total percentage fee due will increase from 3% to 4% or 5.5%.

(c) The percentage tax, if applied to all locations operated by a slot machine route operator, discriminates against the slot machine route operator in favor of other licensees who are not "slot machine operators" and who are permitted to operate less than 16 slot machines without having to pay the quarterly percentage fee.

Section 5.

This section requires a slot machine route operator to aggregate the number of slot machines operated by the slot route operator, regardless of location, in order to determine

whether the "flat" fees imposed by NRS 463.373 (less than 15 machines) or by NRS 463.375 (more than 15 machines) apply.

PROBLEMS:

Actually, Section 5 of S.B. 37 is a benefit to slot machine route operators. Under current law, the "flat fees" are computed on a location basis. Hence, current restricted operations pay \$25 per machine per quarter (\$100 annually) under NRS 463.373 as a "flat fee." By requiring slot machine route operators to aggregate their machines for the purpose of determining the applicable "flat fee," proposed Section 5 would require slot machine slot route operators to instead pay \$10 per machine per quarter (\$40 annually) as a "flat fee," pursuant to the terms of NRS 463.375.

Section 6 and Section 7.

The amendments proposed by Sections 6 and 7 of S.B. 37 would result in the deletion of existing language in NRS 463.373 and 463.375 which requires the "operator of the location" where slot machines are operated to pay the quarterly and annual "flat" fees imposed by those statutes.

PROBLEM.

These amendments clearly require the licensed slot machine route operator to pay these "flat" fees, which have previously been paid by the location operators in most cases. The amendments in Sections 6 and 7 relate to the provisions of paragraph 3 of Section 3 which expressly require the slot route operator to pay the "flat fees." This shift in the responsibility for payment of the "flat fees" to the slot route operator constitutes a further burden on the slot route operator.

OTHER CONSIDERATIONS

Two significant related areas of concern should be addressed by the Legislature before acting upon S.B. 37. These are:

- (1) The fiscal impact upon the State of Nevada, and
- (2) The economic impact upon slot route operators.

Each of these areas of impact should be considered carefully by the State.

(1) Fiscal Impact on State

(a) Cost of Audit and Surveillance.

During the past several sessions of the Legislature, the Gaming Control Board has found it necessary to request massive increases in manpower which were significantly greater (proportionately) than new manpower requests posed by other state agencies. In fact, the Governor has requested 44 new positions for the Board in his 1981-82 budget. By far, the majority of the new positions obtained in the 1973, 1975, 1977, and 1979 Legislative sessions by the gaming authorities has been for auditors, those agents whose primary duty is to audit and confirm gaming revenues.

The gaming authorities must audit every licensee every 5 years by law and are striving to have a shorter audit cycle. Traditionally, slot route operators having nonrestricted locations have not been routinely or comprehensively audited. These facts raise the following questions which should be answered prior to the Legislature taking action on S.B. 37:

(i) How many new auditors and support personnel must be hired by the Board in order to audit all (approximately 65) slot machine route operators routinely, to review their systems of internal accounting and security controls, and to do special audits?

(ii) How many new agents and support personnel must be hired by the Board's Tax and License Division in order to process the paperwork which will result as a product of this bill?

(iii) How much time and money will the Board and Commission members spend administering the new tax program, promulgating regulations, hearing refund requests and defending refund litigation?

(b) Effect on State Revenues

Based upon my inquiries to the Board, there has been no analysis of the effect of this Bill on state revenues. These questions arise:

(i) Will the Bill drive some slot route operators out of business, thereby reducing revenues from these sources?

(ii) Will marginally profitable restricted locations terminate slot operations, thereby reducing existing "flat" fee collections, and possibly, driving some marginal businessmen (particularly tavern keepers) out of business?

(iii) Will the revenues paid as a result of the Bill offset the costs to be incurred by the State?

(iv) How much in increased revenues does the State expect to receive as a result of this Bill?

(c) No fiscal note has been prepared in conjunction with S.B. 37, as required by NRS 218.272. This statute, NRS 218.272, states that a fiscal note must be prepared which sets forth a reliable estimate of anticipated changes in fiscal liabilities or revenues of the state before any public hearing of a bill or vote on such a bill by any legislative committee. Consequently, it appears that no one in state government has considered the fiscal impact of S.B. 37 to the State.

(2) Economic Impact on Existing Slot Route Licensees

The gaming authorities have not, to the best of my knowledge, taken any steps to analyze the economic impact of this Bill on existing slot machine route operators. The following areas should be addressed:

(a) Can existing slot route operators bear the increased tax?

(b) Should slot route operators be singled out and discriminately be required to pay a tax which no other restricted licensee is required to pay?

(c) If slot machine route operators are driven out of business, will the economy provide jobs for their displaced employees?

(d) Can slot route operators bear the increased costs of doing business if accounting and security procedures designed for casinos are imposed upon restricted slot operations?

The foregoing are questions that should be addressed by the Legislature prior to accepting S.B. 37 or some form of it. It is obvious that the State, including the gaming authorities, the legislative counsel bureau, and the Interim Legislative Gaming Committees, have not attempted to assess the fiscal or economic impacts of S.B. 37. Similarly, S.B. 37 is badly written and definitely should be rejected in its present form, if not entirely.

Bally DISTRIBUTING COMPANY

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TELEPHONE AREA CODE 702 • 323-6156 • TELEX 35-4414 • CABLE BALDISCO

STATEMENT OF BALLY DISTRIBUTING COMPANY
TO THE NEVADA LEGISLATURE
REGARDING S.B. 37, THE "SLOT
MACHINE OPERATORS" BILL

February 17-18, 1981

Bally Distributing Company is currently licensed by the Nevada Gaming Commission as a slot route operator and operates in excess of 600 slot machines at various slot route locations throughout the State of Nevada. We have analyzed S.B. 37 and find this bill to be grossly unfair and based upon uninformed and incorrect assumptions. Our opposition to the bill is based upon the following four reasons:

1. The bill is based upon the unfounded and incorrect assumption that slot machines operated by route operators in restricted locations make as much or more money as slot machines operated in casinos.

2. The bill, if passed, will result in an extremely significant tax increase to a single segment of the gaming industry, the slot route operators.

3. The bill, if passed, will impose significantly increased costs of doing business upon slot route operators which raises serious questions as to the ability of route operators to continue to operate in restricted locations.

4. The bill discriminates against slot route operators in favor of restricted licensees and casino operators.

The Nevada Gaming Commission maintains accurate information regarding the average win per unit of games and slot machines operated by casinos in the State of Nevada. Although similar statistical information is provided to the Nevada Gaming Commission by slot route operators relating to revenues derived from the various denominations of slot machines operated by such operators, the Gaming Commission has never published or, to our knowledge, attempted to compute any statistical information as to the average win per unit of slot machines operated by slot route operators. It is our experience that slot machines located in restricted locations traditionally result in revenues of one-third to one-half of the revenues derived from machines maintained in casinos. When compared to slot machines maintained in large casinos, this percentage shrinks even more so.

Our experience also reflects that the reasons for these disparities are the decreased volume of play of slot machines in restricted locations as compared to casinos and the nature of the customer who plays such machines. Casinos are traditionally open on a 24-hour, 364 day-a-year basis. Restricted slot locations are traditionally open for fewer hours and do not have the volume of coins being played as are played in casinos. Slot players in restricted locations are traditionally persons wagering spare change or small amounts of funds whereas slot players in casinos, in addition

to spare change players, traditionally constitute the type of player who frequents the casino specifically for the purpose of gambling. On the other hand, slot players in restricted locations are traditionally not in that particular location for the purpose of gambling and such gambling activities are secondary to such players. Further studies should be made by the State before placing a percentage tax on revenues derived at restricted slot locations because revenues at such locations are significantly less than in casinos.

As a slot route operator, Bally currently pays the quarterly percentage fees on the revenues derived from its slot machines which are located in non-restricted locations. In addition to these quarterly percentage fees which are already paid by Bally, the Company pays quarterly and annual fixed taxes and fees on every slot machine it operates to the State and to the counties and cities where the slot machines are operated. Gaming taxes and license fees currently represent approximately 11.2% of the gross gaming revenues received by Bally, as opposed to an overall average of 6% to 9% paid by casinos, based upon information contained in the Nevada Gaming Abstract. If Senate Bill 37 is passed, gaming taxes and license fees paid by Bally, based upon figures attributable to the fiscal year ending June 30, 1980, would increase to approximately 14% to 15% of gross gaming revenues

received by Bally. Of course, this increase assumes that we would maintain our existing locations and that such locations would continue to produce revenues comparable to the revenues produced in 1980. In fact, due to the increased taxes and fees payable upon revenues derived at these restricted locations, the Company would have no choice but to terminate many, if not all, of its operations at restricted locations because such locations are marginally profitable at current times and would be unprofitable if the increased taxes had to be paid.

Of perhaps greater significance to our operations would be the increase in the costs of doing business. As indicated previously, Bally operates slot machines as a slot route operator at both restricted and nonrestricted locations. In regards to those operations by Bally at nonrestricted locations, we are required under current law and regulations to maintain systems of internal accounting controls and security controls which are acceptable to the Nevada Gaming Commission. Because of the number of machines operated at such locations, and the revenues derived at such locations, the increased costs of maintaining such sophisticated accounting and security systems can be justified. However, if we had to maintain such sophisticated systems at restricted route locations, as would be required if revenues from such locations were to be included in the percentage gross revenue computations,

then the increased costs of doing business at such locations would force Bally to terminate its restricted slot operations. For example, we operate the nonrestricted slot route location at Cannon International Airport. Pursuant to our lease with the Airport Authority, we operate 140 slot machines at the airport in Reno. At the time we submitted our bid for the Reno Airport operation, it was necessary for us to include a system of internal controls which would be acceptable under Nevada Gaming Commission Regulations. An employee of our organization, who is an accountant, prepared such a system of internal controls pursuant to the guidelines adopted by the Nevada Gaming Commission. I have attached as an exhibit to this statement a copy of the "Airport Slot Machine Concession-Bid Schedule 4-Internal Control" which we submitted as a part of our bid package to the Airport Authority and to the Nevada Gaming Commission. As you will see from this system of internal controls, the operations and procedures of a nonrestricted slot route operation are extremely complex and require detailed reporting, meticulous record keeping, and strict adherence to complex accounting and money handling practices.

Following submission of our system of internal control to the Nevada Gaming Commission, we received a ten page letter of comment from the State Gaming Control Board setting forth exceptions to the system of internal controls submitted

at Cannon International Airport. As a result of the exception letter, we have retained the accounting firm of Alexander Grant & Company to amend our original submission to reflect the comments of the State Gaming Control Board. I have attached a copy of the comments of the State Gaming Control Board to our system of internal controls for your review so that you can see the extreme detail and complexity of the system which is required by Regulation 6 and the Nevada Gaming Commission of such operations. We have been advised by Alexander Grant & Company that it will cost us approximately \$5,000 in accounting fees in order to respond to the comments of the Gaming Control Board.

We do not question the appropriateness or substance of the accounting requirements of the Nevada Gaming Commission which relate to nonrestricted gaming operations. Such controls are necessary in casinos and in large nonrestricted slot operations. However, such controls over restricted slot operations would be classic examples of regulatory overkill. If we had to impose the detailed procedures and systems required by Regulation 6 at restricted slot locations because of the imposition of a percentage fee, it would be virtually impossible to operate any such location at a profit. While we do maintain adequate systems of control and procedures at our restricted slot locations currently, the more extensive detail and complexity of the procedures defined and required

by Regulation 6 of the Nevada Gaming Commission would make it impossible for our company to continue operations at most restricted locations.

In addition to the foregoing, the provisions of S.B. 37 are discriminatory against slot route operators in two regards. First of all, Section 3 of the bill would impose a special quarterly fee on slot route operators of either \$200 or \$1000 annually. There is no comparable fee or charge levied upon any other gaming operator by the Gaming Control Act. Casinos do not have to pay such fees and restricted slot machine operators who are not route operators do not have to pay such fees. The imposition of a \$200 or \$1000 additional fee on slot route operators would put the slot route operators to serious disadvantage to his own customers and to the casinos.

Additionally, the bill discriminates against slot route operators by imposing the quarterly percentage fee on such operators when restricted slot machine location operators do not have to pay such percentage fees. This discriminatory effect would put the slot route operator at a severe disadvantage with his own customers, and would only encourage his own customers to terminate their existing slot route operator's contract and to purchase their own machines, if they could in fact afford to do such. However, based on our experience, most restricted location operators could not afford to buy

and service their own machines, and we believe they would therefore lose these revenues to their business. These people would be the true victims of S.B. 37, as reflected in their comments which are also attached as exhibits to this statement.

It is very clear to us that little thought and analysis has been given to the assumptions underlying S.B. 37. Revenues derived from such restricted route operations are significantly less than revenues derived from slot machines in casinos. Additionally, slot route operators enjoy few of the economies of scale which a casino has. For example, a slot route operator must employ a change person to make change for an average of 10 to 15 machines while in a casino, a similar employee can provide change for in excess of 40 machines. Additionally, slot route operators must send their collectors, mechanics and service people, and employees to many different locations throughout a city in order to service their customers.

Unless it is the intention and desire of the Legislature to terminate this segment of the gaming industry by making it economically unfeasible for slot route operators to place slot machines in restricted locations and to cause the removal of slot machines from many small businesses in this State, then S.B. 37 should be rejected.

ROBERT LIST
GOVERNOR
RICHARD W. BUNKER
CHAIRMAN
JOHN H. STRATTON
MEMBER
DALE W. ASKEW
MEMBER
IRENE F. MORROS
EXECUTIVE SECRETARY

STATE OF NEVADA
GAMING CONTROL BOARD
1150 EAST WILLIAM STREET
CARSON CITY, NEVADA 89710

Control
LAS VEGAS OFFICE
4220 SOUTH MARYLAND PARKWAY
BUILDING C
LAS VEGAS, NEVADA 89156

RENO OFFICE
1755 E. PLUMB LANE
RENO, NEVADA 89502
ALDR. SUITE 11C
ENFORCEMENT SUITE 12C

January 13, 1981

REPLY TO: Reno
PHONE NO. 784-4761

Mr. George Vucanovich
Executive Vice-President
Bally Distributing Company
db at Cannon International Airport
390 East Sixth Street
Reno, Nevada 89512

Dear Mr. Vucanovich:

Re: INTERNAL CONTROL SUBMISSION - BALLY DISTRIBUTING COMPANY
db at CANNON INTERNATIONAL AIRPORT

We have completed our review of the system of internal control for the above referenced slot operation received October 15, 1980, which you submitted with your application for a nonrestricted gaming license. This letter and the attached Exhibit A (Internal Control Questionnaire - Sections A and D) outline in detail the deficiencies noted in your system. Reference to the questions checked "No" within Exhibit A, concerning those areas found to be deficient, may help you to expedite the required revision of your system.

Although the Audit Division of the Gaming Control Board is responsible for detecting weaknesses in the submitted systems of internal control, we are also interested in assisting the gaming industry in achieving better control over their operations and procedures for reporting the financial transactions resulting therefrom. We will, therefore, attempt to make suggestions correcting the deficiencies that we have listed below.

You may note that the answers to some of the questions checked are implied in the body of the submitted system. However, an implication is not adequate for proper documentation. There must be a specific statement which is directly responsive to the questioned procedure.

We have found your system of internal control to be deficient in the following areas indicated. The reference numbers included in the comments refer to items or control points listed on the Internal Control Questionnaire.

General Comments

The submission was not accompanied by a report of an independent accountant, pursuant to Regulation 6.050.3, stating that the system conforms in all material respects to the standards of internal control set forth in Regulation 6.050.1, or in what material respects the submitted system does not so conform.

The submission's pages were not consecutively numbered. For ease in referencing, the Audit Division numbered the pages of the system beginning with the organization chart as page 1. The pages of the resubmission should all be numbered and dated with the date of the resubmission.

The system must require that a signature file be maintained (preferably a card file) indicating the legible name, signature and initials, job position and appropriate dates of employment of all persons directly involved in gaming and/or the preparation of gaming and related documents.

Pages 14 through 19 of the system (labeled Exhibits 1 through 5, respectively) consist of reproductions of forms to be used in the slot operation. In addition, these pages contain comments related to procedures and controls utilized in the slot operation. If you desire to submit copies of forms to be used in the slot operation, we recommend that each page upon which a form is reproduced indicate that these items are included for informational purposes only. This will preclude the necessity to amend your system of internal control each time a form is changed or modified. In addition, statements appearing in these "Exhibits," related to procedures and controls to be utilized in the slot operation, should be deleted from the "Exhibits" and included as part of the narrative procedures and controls for the slot operation.

The cover sheet for the system of internal control bears the title "Airport Slot Machine Concession Bid Schedule IV, Internal Control." Each page of the system is typed on a letterhead indicating the name "Bally." This format is considered exceptionable. The revised system of internal control should clearly indicate on its title page and each successive page, the name of the licensee and the location at which business is being conducted. In addition, the title page should indicate that the document is a system of internal control submitted pursuant to Regulation 6.050 of the Nevada Gaming Commission and Nevada Gaming Control Board.

The organization chart, appearing on page 1 of the system, indicates that Bally Distributing Company maintains a data processing department. In addition, the system indicates that this data processing department produces numerous accounting and management reports used in the evaluation of the slot operation. Policy Statement number 1, issued by the Gaming Control Board (copy enclosed), sets forth guidelines to all licensees for documenting internal controls related to electronic data processing systems utilized in the gaming industry. The revised system should include a section detailing internal controls related to the computerized record keeping system currently used by your company. Should you need any guidance in preparing this section of your revised system, please feel free to contact Mr. Frank Scaletta, Supervisor, EDP Group, Audit Division, at (702) 731-3150.

ADMINISTRATION

Organization and Structure

The system has failed to include a complete organization chart indicating all job positions relating to or involved with the gaming operation. Numerous

job descriptions are missing for positions indicated on the organization chart. In addition, numerous job positions referred to in the narrative are neither indicated on the organization chart nor given adequately documented job descriptions. The revised system must include organization charts which depict the job position titles and reporting lines of authority of all persons involved in gaming, gaming related activity and the preparation, review and analysis of gaming related documents. Additionally, fully documented job descriptions indicating position title, function and responsibility, supervisory capacity, signatory ability and access to sensitive areas in gaming and gaming related departments must be included in the submission for each job position appearing on the organization chart and in the narrative. Job position titles must be consistently used throughout organization charts, job descriptions and narrative sections of the system (A-2 through A-6, Schedule 1, Note 1).

There is no indication within the system that a policy is followed which precludes supervisory personnel (to be defined by job position title) from sharing in "tokens" or gratuities received by all employees employed in the gaming operation. The revised system should include a statement regarding such a policy or address alternative procedures and controls to compensate for this weakness in internal control (A-7, A-8).

The system has failed to indicate who will perform the security function. The revised system of internal control should clearly indicate who will be delegated with the responsibility for providing security over slot machines, detecting cheating activities, etc. In addition, the revised system should indicate under whose employ these individuals will be, as well as provide procedures and controls for reporting security problems, to both Bally Distributing Company and appropriate personnel employed by the Airport Authority (A-9).

There is no indication within the system that an individual who is knowledgeable of gaming (specifically slot operations) will be required to be on the premises, as a key employee, at all times that wagering is conducted (A-11).

Internal Audit

The system has failed to adequately address the internal audit function. Page 11 of the system indicates that accounting department personnel will analyze gaming revenue accounting to insure that figures are accurately reported. The system, however, has failed to address procedures and controls with respect to the internal audit function, which require either appropriately trained accounting department personnel or persons belonging to an independent internal audit department to continually observe and analyze gaming department procedures and internal controls to insure compliance with the Regulations of the Nevada Gaming Commission and Gaming Control Board, as well as to analyze all gaming tax returns and their underlying documentation to insure proper reporting of taxes. Further, there is no indication that written reports will be issued to the Board of Directors of Bally Distributing Company, as well as to appropriate personnel at the Airport Authority, that such reports will be reviewed by management and corrective action taken on exceptions noted and finally, that the reports will be retained for inspection by the Gaming Control Board. When revising your system of internal control with respect to the internal audit function, we suggest that you refer to the Internal Control Questionnaire, items A-10 through A-19 as a guide.

SLOT DEPARTMENT

Jackpot Payouts

The system has failed to indicate that all jackpot payout tickets are preprinted and prenumbered by an outside printer. In addition, there is no indication within the system that jackpot payout tickets, for use at the airport, will bear a special preprinted logo or other descriptive device so that they are clearly distinguishable from payout tickets used in other Bally operations. (D-1).

The system is vague and unclear regarding procedures and controls in effect to account for used jackpot payout tickets. The revised system should clearly indicate that all jackpot payout tickets are numerically accounted for by persons independent of the airport slot operation (i.e., accounting personnel). Further, the revised system should address procedures and controls to insure that the information contained on the various parts of the payout ticket (i.e., ticket number, signatures, amounts, etc.) are both appropriate and consistent (D-2).

The system is either vague and unclear or has failed to address physical and accounting controls to safeguard jackpot payout tickets at both the Bally offices and in the custodianship of the airport cashier, as well as to insure that these tickets are in fact used in numerical sequence. The revised system should clearly indicate where unissued jackpot payout tickets are stored (at both Bally and at the airport), how they are secured and who is authorized access to them. In addition, key controls to the secured areas where jackpot payout tickets are stored should be addressed in the revised system (D-3, D-4, D-5).

Page 6 of the system indicates that jackpot payout tickets are assigned to the airport by a specific number series. The system goes on to indicate that the custodian of these tickets further issues tickets to the individuals authorized to make payouts. The system, however, has failed to address log controls to document the issuance of tickets to both the airport and to individuals authorized to make payouts. In addition, there is no indication within the system regarding who is authorized to make a jackpot payout and to approve a jackpot payout (D-6).

The system is vague and unclear regarding the sequence of procedures utilized in the jackpot payout process, as well as the method of preparation of the jackpot payout ticket. The revised system should address, in appropriate sequential order, procedures and controls used to observe, verify, authorize and approve documentation and observe the jackpot payout. In addition, the revised system should clearly indicate who performs each function in the payout transaction (D-7, D-8, D-9).

There is no indication within the system regarding procedures which require handpaid jackpots over a predetermined amount (that amount to be specified in the system) to be examined for propriety and approved by signature of an individual who is independent of the slot operation. The revised system should address additional winner verification and payout approval procedures and controls in this area (D-10).

The system is vague and unclear regarding whether or not a jackpot payout summary, which summarizes payouts by individual slot machine, will be prepared. Page 13 of the system implies that such a summary is included in the periodic computer reports. The revised system should clarify the vague term "periodic" and address the specific frequency with which payout summaries are prepared (D-11).

The system has failed to adequately address procedures and controls to reconcile the airport slot cashier bank to the main vault bank, as well as change personnel banks to the airport cashier's bank at the end of each shift. The revised system should clearly indicate whether or not the airport cashier bank is a floating bank or an impressed bank. In addition, the system should indicate who, other than the on-coming and off-going cashier, will be involved in the reconciliation of this bank at the end of each shift. When addressing procedures and controls to reconcile the airport cashier bank to change personnel banks, the system should indicate how these reconciliations are documented and who actually performs the reconciliations. In addition, procedures and controls to disclose overages and shortages noted in change person banks to slot supervisory personnel and Bally management should be addressed in the revised system (D-12, D-13).

Slot Key Control

The system has failed to adequately address key controls for keys utilized to access the slot drop box cabinets, slot machine mechanisms and various other sensitive areas utilized in the drop and count (i.e., coin carts, security room, transport courier, vault count room at Bally, etc.). The revised system of internal control should clearly indicate who performs the custodial function for the keys to each of the above referenced sensitive areas, as well as to whom these keys may be issued. In addition, the revised system should clearly indicate that the keys to these sensitive areas are maintained under log control and that a log, indicating the time and signature of person receiving the keys, the time the keys are returned to the custodian and the reason for obtaining the keys, is completed each time a key is used. In instances where Airport Authority personnel have keys to dual lock devices, the revised system should clearly indicate who in the airport will perform the custodial function for these keys, as well as which Airport Authority personnel are authorized the use of these keys (D-14 through D-17).

Drop Procedures

The system has failed to indicate who (by job position) will perform the various functions of audit clerk, observer and laborers on the drop team. Further, page 8 of the system indicates that the individual functioning as the slot department manager will participate on the slot drop team. This procedure fails to provide adequate internal control for segregation of functions. The revised system should preclude the airport slot manager, as well as all other supervisory personnel directly employed in the slot operation at the airport, from participating in the drop (D-18).

The system presents an alternate procedure for the slot drop and count, whereby funds are dropped at the airport, placed on lockable coin carts, secured in a room at the airport, subsequently transported to Bally and then counted,

wrapped and disbursed at Bally. The alternate procedure presented is vague and unclear. The revised system must clearly and concisely document all procedural steps and control points in this alternate procedure to insure that the integrity of the drop is maintained from the time the buckets are removed from the slot machines through delivery to the count room and clearly indicate who performs each function in the procedural flow.

If you intend to utilize the above referenced procedure, it will be necessary to provide at least as great a degree of control as an on-site (at the airport) slot drop/count/wrap would provide. At a minimum, the following areas of control would have to be addressed:

1. Sealing all bags with prenumbered seals (of a type where tampering could be easily detected) immediately when dropped.
2. Containerizing all bags for transport to Bally. The containers would also have to be sealed in a manner identical to the bags.
3. Utilizing an independent armored transport company to transfer uncounted coin from the airport to Bally.
4. Procedures requiring an individual from the Airport Authority to observe and be present during the entire drop, transfer, count and wrap process.
5. Strict log controls to govern and account for the issuance and use of the prenumbered seals.
6. Procedures to prepare and retain detailed slot analysis reports reflecting drop win revenue statistics for each drop/count.

If the revised system of internal control does not present detailed procedures and controls to adequately insure the integrity of the drop/count/wrap process, per the procedures implied in the October 15, 1980 system, the Audit Division will recommend to the Board that an on-site drop/count/wrap be performed (D-20, D-21, D-22).

Count Room Procedures - Administrative

There is no indication within the system regarding who (by job position) participates in the hard count, as well as the various functions they perform. The revised system must specify the job positions of those individuals designated to participate in the hard count and indicate who will perform the audit clerk, count room supervisor and coin wrapper and/or laborer functions on the hard count team (D-23, D-24).

The system is vague and unclear regarding whether or not a count team member will perform the function of slot count room supervisor, as well as under whose control and authority the slot count room supervisor will function (D-25).

The system indicates that the airport slot manager will be present during the hard count. As with the slot drop process, the system should indicate that the airport slot manager, as well as all other airport slot management and operating personnel, are precluded from participation in the hard count (D-26).

Adequate internal controls for segregation of function and safeguarding of assets require that slot department management and operating personnel be precluded from procedures to transfer assets from the custodianship of the slot count team to the vault or bank where such funds are stored. Inasmuch as the system has failed to adequately address procedures and controls for the physical transfer of funds from the custodianship of the hard count team, as well as procedures to document such transfers, we are unable to determine precisely who participates in these transactions. The revised system must address procedures and controls in these areas and indicate specifically who (by job position) participates in these procedures, as well as functions that they perform (D-27).

Count Room Procedures Where Mechanical Counting Devices are Utilized

There is no indication within the system that the individual performing the audit clerk function on the hard count team will test the metered coin counting machine for each denomination to be counted prior to performing the actual coin count (D-35).

The system has failed to indicate that the individual performing the audit clerk function will read the number of coins indicated on the coin count meter and subsequently record this amount in ink on the count sheet (D-36(a,b)).

Count Room Procedures - Wrap

There is no indication within the system that counted coin will be wrapped immediately after the completion of the count (D-37).

The system has failed to indicate that the individual performing the audit clerk function will be required to be present during the entire count and wrap process (D-38).

The system has failed to address procedures and controls for the reconciliation and summarization of the hard count to the wrap (D-39, D-40, D-41).

Procedures and controls which require the audit clerk to record the wrap count on the summary report, on which the coin count is recorded, have not been addressed in the system. The revised system should clearly indicate that the audit clerk will record the wrap count in addition to the weigh count on the summary. Further, the system does not indicate that discrepancies between the mechanical coin count and the wrap count will be investigated immediately by hard count team participants and explained in detail on the summary report (D-42, D-43).

There is no indication within the system that all members of the hard count team will be required to sign the hard count sheet to attest to both the accuracy of the amounts recorded thereon and the appropriate performance of count procedures. Page 8 of the system indicates that the drop team in fact signs these documents.

This procedure appears to be inconsistent with adequate internal control procedures in that the drop team participants appear to be different from the count team participants (D-44).

The system has failed to address procedures and controls for the transfer of coin from the custodianship of the count team to that of the vault or to the individual(s) responsible for safeguarding the wrapped proceeds of the hard count. The revised system should address procedures and controls in the transfer, as well as who will receive the funds. In addition, procedures and controls utilized to document this transfer should be fully described in the revised system (D-46, D-47, D-48).

Slot Fills

The system is vague and unclear regarding whether or not slot machine fills are required to be witnessed by supervisory personnel. The revised system should clarify this vague area (D-49).

The system has failed to adequately document procedures and controls utilized in the slot fill process. As with the jackpot payout process, the revised system should clearly indicate who performs the approval, authorization and observation functions, who prepares the slot fill slip, as well as who is required to sign this slip as authorizing the transaction, approving the transaction, observing the transaction, placing coin in the slot machine and releasing coin from the cashier fund. When revising your system of internal control, slot fill procedures should be clearly delineated in their appropriate sequential order of occurrence. In addition, detailed procedures and controls with respect to the routing and use of documentation prepared in the slot fill transaction (as they relate to revenue accounting and internal audit functions) should be addressed in the revised system (D-51, D-52, D-53).

Theoretical Hold/Actual Hold

The system has failed to indicate that records reflecting theoretical hold for each slot machine, dates of usage for each slot machine, as well as dates of any changes to reel settings or payoff schedules and subsequent recalculation of theoretical hold for each slot machine will be maintained. The revised system must address procedures and controls in these areas (D-54 through D-56).

The system has failed to specifically indicate that all slot machines will be equipped with metering devices to register total coins in (D-57).

The system has failed to indicate who (by job position) reads slot machine meters during the slot drop (D-58).

When addressing drop procedures, page 8 and the Exhibit appearing on page 15 of the system, indicate that meter readings are recorded on the drop card, which is subsequently delivered to the count team. This procedure fails to provide adequate internal control. The revised system should address procedures and controls to insure that slot machine meter readings are recorded on documents which do not come into the possession of the hard count team (D-60).

Page 12 of the system indicates that accounting personnel will only review drop meter readings for reasonableness. This procedure fails to provide adequate internal control. The revised system should clearly indicate that in-meter readings, as well as the meter readings representing coins dropped, are reviewed for reasonableness by persons independent of the slot department. In addition, the revised system should indicate that unreasonable meter readings are presented to and reviewed by slot supervisory personnel and either adjusted, if found in error, or used as the basis to institute repair or replacement to faulty meters (D-61, D-62, D-63, D-64).

There is no indication within the system that large or unusual statistical variances noted in slot machine statistics (reflected in the EDP reports) will be investigated on a timely basis. The revised system should clearly indicate that investigations will be performed to determine the cause of large or unusual variations in statistics and indicate who (by job position) will be responsible to perform such investigations and document the results of the investigations (D-68).

Miscellaneous

There is no indication within the narrative of the system that slot machine short pays will be required to be approved by supervisory personnel. The revised system should address, in appropriate sequential order, all procedures and controls in effect for short pay transactions and indicate who performs each step in the procedure. In addition, the revised system should address procedures and controls to document each short pay transaction and clearly indicate what is done with each part of the form used to document a short pay, through its entire accounting cycle (D-70).

The system has failed to indicate to whom, individuals performing the slot mechanic functions, report. In addition, controls to safeguard slot hopper loads during periods of time when machines are being serviced are vague and unclear. The revised system should concisely address procedures and controls in these areas (D-71, D-72).

The system is vague and unclear regarding the source of funds used to replenish the airport cashier's bank. The revised system should clearly indicate the source of funds used to replenish this bank and address procedures and controls governing such transactions (D-73).

There is no indication within the system regarding procedures and controls in effect governing the exchange of loose coin in the airport cashier bank for wrapped coin. As with procedures to replenish the bankroll in the airport cashier bank, the revised system should clearly indicate the source of wrapped coin used in the exchange for loose coin, as well as procedures and controls in effect to document this type of transaction (D-74, D-75).

Tokens

There is no indication within the system regarding how foreign tokens found in slot machine drop buckets will be processed. The revised system must address procedures and controls which require that foreign tokens found in slot machine drop buckets be sorted and segregated from coin whenever the hard count is performed.

The Nevada Gaming Commission has conditioned your nonrestricted gaming license requiring that internal control deficiencies be corrected within 30 days after notification. We, therefore, require that the above noted deficiencies to your internal control system receive your immediate attention. The system should be rewritten with the corrections to the deficiencies noted being incorporated into the system along with those methods and procedures which were found to be adequate in the previous submission.

A corrected system should be in to the Reno office of the Gaming Control Board at 1755 E. Plumb Lane, Suite 110, Reno, Nevada 89502, no later than February 27, 1981.

If we may be of assistance to you, or should you desire a meeting to discuss problems in revising your system, please do not hesitate to call Agent Stephen M. Simon at (702) 784-4761.

Yours truly,

Jeffrey Kahn, Chief
Audit Division

BY Thomas Atherton
Thomas Atherton, Supervisor
Internal Control Group
Audit Division

JK/TA/SMS/dec

Enclosures: Exhibit "A" - Policy Statement
Number 1

• SINCE 1931
• COIN MACHINE OPERATORS
• SLOT MACHINES
• PHOTOGRAPHS
• AMUSEMENT AND
• CIGARETTE MACHINES



1290 HOLCOMB AVENUE
POST OFFICE BOX 610
RENO, NEVADA 89504

(702) 322-7000 OR 323-7548

February 13, 1981

The Honorable Melvin D. Close, Jr.
Nevada State Senate
Nevada State Legislature
Capitol Complex
Carson City, Nevada 89710

RE: S.B. 37 -- Slot Machine Operators' Bill

Dear Senator Close:

Nevada Novelty has been in business in Nevada since 1931 and currently operates approximately 635 slot machines throughout the State. Of these 635 machines, 194 slot machines are located in "nonrestricted" locations where we currently pay the quarterly percentage fees on slot revenues, and 441 machines are located in restricted locations where we currently pay to the State quarterly fees of \$25 per machine. In addition to the quarterly percentage fees which we pay at our nonrestricted locations and the quarterly and annual "flat fees," as well as the \$250 per year per machine (formerly federal) tax, which we pay on our machines, we also pay quarterly and annual fees and taxes imposed by various city and county governmental agencies on our machines, dependent upon the location of the various machines.

When these state, county, and city taxes are all totalled together, they comprise approximately 11% of the total gross revenues received by our business. Based upon our 1980 figures (year ending June 30, 1980), the imposition of the quarterly percentage fees on our business, as proposed by S.B. 37, would raise this 11% figure to approximately 15%.

We have reviewed S.B. 37 and, in addition to having grave questions about its present form, are extremely concerned about its content. S.B. 37, if passed, will impose an annual license renewal fee on "slot machine operators" which is very discriminatory because no other licensed gaming operators, including casinos and restricted slot locations, will be required to pay comparable renewal fees.

Most importantly, however, is the imposition of the quarterly percentage fees on slot revenues derived from

- SINCE 1931
- COIN MACHINE OPERATORS
- SLOT MACHINES
- PHOTOGRAPHS
- AMUSEMENT AND
- CIGARETTE MACHINES



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restricted slot locations operated by our company. Our analysis reveals that many restricted slot locations operated by our business are marginally profitable under today's tax burden. Contrary to the popular myth that slot machines make money faster than the U. S. Mint, we have found that restricted slot machine locations result in significantly lower revenues per machine than slot machines located in casinos or other nonrestricted locations. The secrets to success in the slot machine business are volume and sustained play, factors which are demonstrably lower in restricted slot locations. A new percentage tax, in addition to existing state, county, and city taxes at such restricted locations would leave us no alternative but to terminate our operations at such locations or to reduce the number of machines at such locations in order to maximize the revenues received per unit.

The effect of such choices, if S.B. 37 is passed, on our business will certainly be negative and will result in the forced termination of many operations at currently licensed restricted slot locations. When the affects of S.B. 37 are considered in light of the increased costs of doing business which we have experienced in recent years, the effects which we have felt from our competition, and problems caused by the national and regional economic downturns, it becomes apparent to us that this significant increase in our tax burden will force us to give serious consideration to terminating or severely restricting our future business in this State as a slot route operator at restricted slot locations.

As to those businessmen with whom we do business at restricted locations such as bars, restaurants, taverns and other small businesses, they will have to make the choice between buying and servicing their own equipment at a cost of \$3200 to \$4000 per unit and thereafter paying the state, county, and city taxes by themselves, or not having slot machines at their places of business. Because we sell very few slot machines, any sales to these people will be done by those competitors of ours which are also licensed manufacturers. However, based on our experience, these small businesses will, on the most part, not be financially able to bear the capital investment required of such an operation. Consequently, these small businessmen will also suffer a severe economic loss if S.B. 37 is passed, to many of whom the difference

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between keeping their bar or store open is entirely dependent upon the revenues they derive from the several slot machines operated at such locations.

Please do not act hastily on S. B. 37 -- the economic impact on our business, as well as on other small businessmen, should be carefully reviewed before any decision is made on this Bill.

Sincerely,

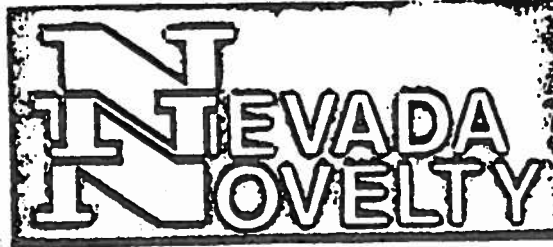
A handwritten signature in dark ink, appearing to read 'Louis Benetti, Jr.', written in a cursive style. The signature is positioned above the printed name.

LOUIS BENETTI, JR.

LB:ss

2157

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ANTI-TAX INCREASE FORM

NAME OF BUSINESS Casale's Harkway Club
 ADDRESS & CITY 2501 East 4th St. Reno, Nev.
 NUMBER OF EMPLOYEES 10

NAMES OF ALL OWNERS AND MANAGERS WHO AUTHORIZED THEIR NAMES TO BE ATTACHED TO THE FOLLOWING MESSAGE. (Please print)

John M. Stimpick
Anthony P. Stimpick

MESSAGE

Do to the state of the economy and the constant increases of taxes, the passage of this Bill would put us out of business.

If you are personally acquainted with any State Senator or Assemblyman, or know the names of the Assemblyman in your district, please print his or her name in the blank below and we will send them a copy of your message

Fred Lorenzo John M. Stimpick
 Legislator Signature
Don Mello
Cliff McConkell
Bud Raggio

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ANTI-TAX INCREASE FORM

NAME OF BUSINESS The Board
 ADDRESS & CITY 1483 E 4th St Reno
 NUMBER OF EMPLOYEES 3

NAMES OF ALL OWNERS AND MANAGERS WHO AUTHORIZED THEIR NAMES TO BE ATTACHED TO THE FOLLOWING MESSAGE. (Please print)

G.P. Wood _____
Aileen Wood _____
LARRY Smith _____

MESSAGE

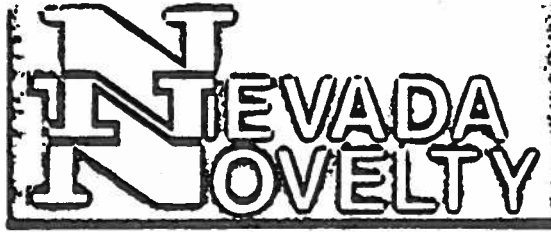
Constant increases in small business tax and large business exemptions will finish the task of destroying small business. With constant inflation and the new threat of increased sales tax we will have to price ourselves

out of business

If you are personally acquainted with any State Senator or Assemblyman, or know the names of the Assemblyman in your district, please print his or her name in the blank below and we will send them a copy of your message

 Legislator Signature

- SINCE 1931
- COIN MACHINE OPERATORS
- SLOT MACHINES
- PHOTOGRAPHS
- AMUSEMENT AND CIGARETTE MACHINES



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ANTI-TAX INCREASE FORM

NAME OF BUSINESS Kutzke Mill Mount Mart

ADDRESS & CITY 1775 Mill St

NUMBER OF EMPLOYEES 6

NAMES OF ALL OWNERS AND MANAGERS WHO AUTHORIZED THEIR NAMES TO BE ATTACHED TO THE FOLLOWING MESSAGE. (Please print)

Paul Lee _____
Beverly Conzel Lee _____
Bob Biddle _____

MESSAGE

Inflation has taken its toll for us. Sierra Power has already taken a chunk and where does the small business person make that up? Additional taxes on the few slots we have is insult to injury. Please help us to keep small business healthy.

If you are personally acquainted with any State Senator or Assemblyman, or know the names of the Assemblyman in your district, please print his or her name in the blank below and we will send them a copy of your message

Bill Puccio _____ Beverly Conzel Lee
 Legislator Signature

- SINCE 1931
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- SLOT MACHINES
- PHOTOGRAPHS
- AMUSEMENT AND CIGARETTE MACHINES



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ANTI-TAX INCREASE FORM

NAME OF BUSINESS Swiss CHALET
 ADDRESS & CITY 501 MILL RENO
 NUMBER OF EMPLOYEES 4

NAMES OF ALL OWNERS AND MANAGERS WHO AUTHORIZED THEIR NAMES TO BE ATTACHED TO THE FOLLOWING MESSAGE. (Please print)

IKIE S Woody OWNER 100%

MESSAGE

It would be impossible for me to survive in the bar business without slot machines -

If you are personally acquainted with any State Senator or Assemblyman, or know the names of the Assemblyman in your district, please print his or her name in the blank below and we will send them a copy of your message

P. CAFFERETTA _____
 Legislator Signature

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- SLOT MACHINES
- PHOTOGRAPHS
- AMUSEMENT AND BARRETTE MACHINES



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ANTI-TAX INCREASE FORM

NAME OF BUSINESS Buffalo Bar
 ADDRESS & CITY 1114 B ST SPARKS NEV 89431
 NUMBER OF EMPLOYEES 4

NAMES OF ALL OWNERS AND MANAGERS WHO AUTHORIZED THEIR NAMES TO BE ATTACHED TO THE FOLLOWING MESSAGE. (Please print)

Angelina Kutath _____

MESSAGE

I have a home making
 a living now and paying
 my help

If you are personally acquainted with any State Senator or Assemblyman, or know the names of the Assemblyman in your district, please print his or her name in the blank below and we will send them a copy of your message

Don Mello _____ Angelina Kutath
 Legislator Signature

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- SLOT MACHINES
- PHOTOGRAPHS
- AMUSEMENT AND
- PINNACETTE MACHINES



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ANTI-TAX INCREASE FORM

NAME OF BUSINESS ADOLPH'S LOUNGE
 ADDRESS & CITY 1446 B ST. SPARKS, NEV. 89431
 NUMBER OF EMPLOYEES 5

NAMES OF ALL OWNERS AND MANAGERS WHO AUTHORIZED THEIR NAMES TO BE ATTACHED TO THE FOLLOWING MESSAGE. (Please print)

ADOLPH P. BURGARELLO _____

MESSAGE

We would experience significant financial hardship to the point where we would barely make it in business. The decreased payout would result in less play on the machines, thus reducing income.

If you are personally acquainted with any State Senator or Assemblyman, or know the names of the Assemblyman in your district, please print his or her name in the blank below and we will send them a copy of your message

DON MELLO _____ Adolph P. Burgarello
 Legislator Signature

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ANTI-TAX INCREASE FORM

NAME OF BUSINESS Pepton Place
 ADDRESS & CITY 3595 S. Virginia Reno, Nev.
 NUMBER OF EMPLOYEES 4

NAMES OF ALL OWNERS AND MANAGERS WHO AUTHORIZED THEIR NAMES TO BE ATTACHED TO THE FOLLOWING MESSAGE. (Please print)

MESSAGE

Dear Sir
 In reference to bill (S.B. 37) I voice my objections for the following reasons:

1. Small business are presently too heavily taxed
2. Most likely forced out of business
3. State contribute heavily to welfare of my employees

If you are personally acquainted with any State Senator or Assemblyman, or know the names of the Assemblyman in your district, please print his or her name in the blank below and we will send them a copy of your message

William Raggio [Signature]
 Legislator Signature

4. Why should the small business bear the brunt of economic structure via the large corporate structure
 5. It would seem the needed services have been needed without to support big business.

SLOAN

ELECTRONICS

645 BOOTH STREET
RENO, NEVADA 89509

(702) 323-1558

EXHIBIT D

February 17, 1981

RE: S. B. 37

Dear Nevada Senator:

As a Nevada slot machine operator, I would like to clarify the current situation as it pertains to the taxing and licensing of slot machines as operated by slot operators in this state.

First, I believe it is the opinion of some that slot machine operators in Nevada escape taxation. This is simply not true. A slot operators license is in every situation subordinate to the locations license, be it restricted or non-restricted, and not one machine can be placed into operation until a license for that particular location is issued. At a restricted location, the slot operator pays a flat fee of \$ 25. per machine per quarter as do all other restricted operators. At non-restricted locations, the slot operator participates in the gross revenue fees directly by pass through billing based on his share of the gross, or at least considered in the negotiations for the split.

This existing tax structure and licensing procedure has proved equitable and workable since 1967, and I believe that it should not be changed.

If, in these times of decreased earnings in the Nevada slot machine industry you feel that you must increase our taxes, please keep the existing tax structure and look to a modest increase in the existing fees, as this would be the least costly and most equitable.

Sincerely,


Randy Sloan

kld

BJARON GWEENE BRANDSNESS
COMMISSION CHAIRMAN
3101 S. MARYLAND PARKWAY
SUITE 310
LAS VEGAS, NEVADA 89108



EXHIBIT E

NEVADA STATE RACING COMMISSION

3101 S. MARYLAND PARKWAY

SUITE 310

LAS VEGAS, NEVADA 89108

Thur Ham, Jr.
Commissioner

LAS VEGAS, NEVADA

PAUL PRICE
COMMISSIONER
968 TAM-O-SHANTER
LAS VEGAS, NEVADA 89108

BOYD SYMES
COMMISSIONER
P.O. BOX 592
MCGILL, NEVADA 89318

Roy Young
Commissioner
ELKO, NEVADA 89801

RECOMMENDED CHANGES FOR S.B. 67

PAGE 1. Line 5 - Change Nevada GAMING Commission to Nevada RACING Commission.
Line 17- Strike STATE GAMING CONTROL BOARD and leave in RACING COMMISSION.

PAGE 2. Line 2 - Strike BOARD PRESCRIBES and leave in COMMISSION SHALL PRESCRIBE.

Line 3 thru 8 - Change to read:

AFTER REVIEW OF THE APPLICANT BY THE RACING COMMISSION, THE COMMISSION SHALL REQUEST AN INVESTIGATION BY THE GAMING CONTROL BOARD OF THE APPLICANT, AND ANY OTHER PERSON WHOM IT BELIEVES NECESSARY TO DETERMINE THE APPLICANT'S SUITABILITY TO RECEIVE A LICENSE TO CONDUCT RACING, AND THE CONTROL BOARD SHALL RECOMMEND IN WRITING TO THE COMMISSION, WITH ITS REASONS, WHETHER TO APPROVE OR DENY THE LICENSE. IF THE BOARD RECOMMENDS DENIAL, THE COMMISSION MAY GRANT THE LICENSE ONLY BY UNANIMOUS VOTE OF THE MEMBERS PRESENT.

Line 32 - after "1 YEAR" add ", UNLESS THE COMMISSION, FOR GOOD CAUSE, MODIFIES SUCH REQUIREMENT.

Line 35 - increase cash or bond from \$50,000 to \$100,000 (not to exceed.)

Line 48 - Leave as is, removed bracket preceeding racing commission.

Line 50 - Change to read THE NEVADA GAMING CONTROL BOARD FOR INVESTIGATION.

Strike COMMISSION and place period after INVESTIGATION. Strike "by the) state gaming.....

Continued:

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Nevada State Racing Commission
Recommended Changes for S.B. 67
Page 2

PAGE 3. Line 13 - Change Nevada GAMING Commission to Nevada RACING Commission....
Line 45 - Change Nevada GAMING commission to Nevada RACING Commission...