

MINUTES OF THE JOINT MEETING
OF THE SENATE COMMITTEE ON JUDICIARY
AND THE ASSEMBLY COMMITTEE ON JUDICIARY

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
February 17, 1981

The Joint Hearing of the Senate Committee on Judiciary and the Assembly Committee on Judiciary was called to order by Chairman Melvin D. Close, at 8:05 a.m., Tuesday, February 17, 1981, in Room 131 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

SENATE COMMITTEE ON JUDICIARY

Senator Melvin D. Close, Chairman
Senator Keith Ashworth, Vice Chairman
Senator Don W. Ashworth
Senator Jean E. Ford
Senator William H. Hernstadt
Senator William J. Raggio
Senator Sue Wagner

ASSEMBLY COMMITTEE ON JUDICIARY

Assemblyman Jan Stewart, Chairman
Assemblyman Robert M. Sader, Vice Chairman
Assemblyman James J. Banner
Assemblyman Lonie Chaney
Assemblyman Helen A. Foley
Assemblyman Robert E. Price
Assemblyman Danny L. Thompson
Assemblyman Erik Beyer
Assemblyman Patty D. Cafferata
Assemblyman Jane E. Ham
Assemblyman Mike Malone

STAFF MEMBERS PRESENT:

Shirley LaBadie, Committee Secretary
JorJan Martin, Committee Secretary

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SENATE BILL NO. 67--Transfers control of pari-mutuel wagering at racetracks to gaming authorities.

Ms. Sharon G. Brandsness, Chairman, Nevada Racing Commission, testified on S. B. 67. Her remarks are attached hereto as Exhibit C.

Senator Wagner stated she was a member of the subcommittee that proposed this legislation, the Sunset Review committee. She stated that it was a concern of the members of the committee that the racing commission had not been tested because the commission had not been involved in a big operation. The majority of the members of the subcommittee felt that the licensing of the applicants is very important to the entire image of the State of Nevada..

Senator Raggio advised the committee that his law firm does represent the Las Vegas Downs and has had personal contact with Ms. Brandsness but would still participate in the discussions of S. B. 67. He stated that the Sunset Review committee did not arrive at a conclusion, the subcommittee recommended that the interim Subcommittee on Gaming study the issue. Senator Raggio asked Ms. Brandsness if adequate staff is available to handle the problems mentioned in her opening remarks. Ms. Brandsness stated they do have adequate staff and have had since the first day of racing. She stated the most important position is the director of security, which is filled by a very competent man from Florida and the second in command is a retired policeman from Colorado. Two of the stewards came from the MGM in Las Vegas and worked in Jai alai mutuel in supervisory positions and have extensive greyhound steward background.

Senator Raggio asked Ms. Brandsness how much does the commission rely on the gaming control board for the purposes of investigation. Ms. Brandsness stated they rely very heavily on the board and would not want that to change. She stated the commission has some recommended changes for S. B. 67, attached hereto as Exhibit D. She stated the commission could not make the decisions necessary without the expertise of the gaming control board. There is an excellent working relationship between the racing commission and the gaming control board.

Senator Raggio asked Ms. Brandsness who would have to be licensed under the existing laws and regulations. Ms. Brandsness stated that anyone who has anything to do with the financial or management end of a racetrack. The top key personnel, all other employees at the racetrack and the owners are investigated.

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Senator Wagner asked how many key employees have gone through the investigation process at the Henderson track. Duane Goble, Executive Secretary of the Nevada Racing Commission, stated that the mutual manager, the director of concessions, the racing secretary, the lure operator, the announcer, paddock judge, clerk of scales and the stewards have been investigated. The key people at Las Vegas Downs have been approved on a temporary basis because it takes gaming control time to run a check. Final approval should be ready at the next commission meeting.

Chairman Close asked Ms. Brandsness if she is now changing her feelings on whether the gaming control board should have the authority to control, regulate and investigate all elements of the pari-mutuel, keeping with the racing commission, racing matters. At the time of the testimony before the subcommittee, you indicated that not only did you concur with the gaming control board having the authority but you welcomed it. Ms. Brandsness stated that her remarks were her personal feelings and not that of the commission. The commission disagreed with me and voted my personal opinion down.

Chairman Close asked what experience does the commission have in controlling and regulating pari-mutuel operations. Mr. Edward H. Hopper, formerly with MCM as mutuel manager and has held a gaming license, stated that they have a chief investigator, licensed investigator and the gaming control board investigators are used for the key positions. Ms. Brandsness stated that the commission supervises the pari-mutuel at the racetrack heavier than what jai alai is being supervised.

Chairman Close asked how many people are supervising the pari-mutuel operations. Mr. Goble stated they have three, including Mr. Hopper. Mr. Hopper stated that each mutuel clerk is required to fill out an application and is fingerprinted and a check is run through the scope system through the City of Henderson.

Assemblyman Jan Stewart asked if the commission is investigating a racing licensee, do you rely entirely on the police department from Henderson in order to have access to information through the FBI records. Mr. Goble stated that presently they have not been issued an OIR number, they are using the one from the Henderson Police Department. We have an identification number assigned to law enforcement agencies that have statute requirements to run fingerprints. We have requested an OIR number from the FBI but have not received it.

Assemblyman Stewart pointed out that you may be aware of a particular problem which has arisen in reference to the gaming control board, with getting information, you may never have the access that they have. The commission may never be able to get an ORI number.

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Mr. Goble stated that according to the statutes, NRS 466, the racing commission has the authority to run fingerprints and is the statute reported in requesting an ORI number.

Assemblyman Stewart asked to what extent are the racing people investigated for licensing. Ms. Brandsness stated that the supervisors are run through gaming control, the employees within the mutuel department are screened similar to any gaming employee.

Senator Raggio asked how the procedures of handling the investigations of mutuel employees compare with other jurisdictions. Ms. Brandsness stated that Nevada's investigations go much deeper because there is a gaming control board. Other states do not have the access to the thorough investigation that Nevada does. Mr. Goble stated that some of the adjoining states are not as stringent on investigations as Nevada. Ms. Brandsness stated that there is a national association which has records of all people involved in racing and have been licensed. Information can be obtained from this association in twelve hours regarding an individual. Ms. Brandsness stated that twelve states have lotteries and each has a separate commission to control racing.

Assemblyman Chaney asked to have the changes explained that were handed out to the committee, see Exhibit D. Ms. Brandsness stated that basically what the commission is asking is that the procedures that the commission is using be kept as is. The objection is that a third board, meaning the gaming commission, is not needed to review and duplicate our job. The racing commission would never go against the recommendations of gaming control, they would not want to jeopardize racing in the state.

Chairman Close stated it appears the change the commission wants to make is that they would review the applicant, then the commission would request an investigation by the gaming control board. Why would the commission want to review the applicant before the investigation takes place. Ms. Brandsness stated that considerable work was involved in ground work before the commission asked the gaming control board to start investigations. She stated that a determination is made by the commission that the application is viable and the financial backing is available, then the gaming control board is requested to investigate.

Chairman Close questioned why the commission wants to allow dog racing to be continued for more than one year without the commencement of horse racing. Ms. Brandsness stated that she is giving the committee an opportunity to discuss this, rather than wait for a separate bill which will be introduced in this regard.

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The issue has to be dealt with by the legislature. The commission feels the law, as presently written, is appropriate.

Assemblyman Stewart stated that this is an important issue to people involved with horse racing, it was not mentioned in the first presentation and there could be opposition to it. Ms. Brandsness stated that the commission feels that southern Nevada cannot support 100 days of horse racing. The commission would like to have the ability to modify the three to one ratio if it is not feasible.

Senator Raggio asked if the racing commission prefers that it would have the authority to set the ratio. Ms. Brandsness stated the commission would like to have that authority, the geographical location of the state could make a difference in the economics of a racetrack. She stated that 100 days could bankrupt a racetrack. Since the legislature meets every other year, corrections by the legislature could come too late to be of any benefit to a racetrack.

Assemblyman Price asked for a detailed list of people involved with running a racetrack who would require being investigated. Mr. Goble itemized the people involved. Assemblyman Malone questioned if a 16 year old youth could be fingerprinted, there would be no record on a youth that age. Mr. Goble stated that the racing commission uses the statutory authority they have in fingerprinting each and every individual employed on the racetrack.

Assemblyman Ham questioned how many horse and dog tracks are in Nevada at the present time. Ms. Brandsness stated that Elko and Ely are being licensed, Winnemucca is reactivating their racetrack, there was a race meet in Logendale last year, possibly another one, and Fallon is going to reactivate their track. Presently there are two applications for the northern part of the state for racetracks.

SENATE BILL NO. 30--Extends power of state gaming control board to examine enterprises related to gaming.

Mr. Richard Bunker, Nevada Gaming Control Board, stated he had some remarks about a situation which confronts the gaming control board. See Exhibit E attached hereto. The letter came from the senior agent in charge of the Las Vegas office, of the Federal Bureau of Investigation, regarding the appropriateness of the FBI providing state gaming control authorities with information under the public information act. The letter indicates that because the Nevada Gaming Control Board is not considered a police agency, thereby the FBI is precluded from providing information to the board. He asked the committee to review the letter and address the situation accordingly.

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Mr. Bunker stated, with reference to S. B. No. 30, it is a continuing effort to monitor and regulate the gaming industry in the State of Nevada. It is necessary that the board be provided with an audit capability of people who might be on the premises of a licensed gaming controlled establishment, that otherwise might not be within our jurisdiction. There have been several instances where questions are raised about a purveyor, a particular situation, or a particular contract where an amount of money is unexplainable, and the money has been moved from a licensee to a purveyor or other person. We feel that situations such as this need to be addressed by the gaming control board and it should have the authority to go in and audit those situations. This change is discussed on page 2, under (e) of S. B. No. 30.

Senator Hernstadt asked if the legislation passed during the last session was different than that proposed in this bill. Mr. Bunker stated that this gives the board the audit capability, the concern of the board is that NRS 463.160, Subsection 8 (a), passed last session, is now under constitutional challenge in the 8th Judicial District in Las Vegas. The board needs a judicial determination on this during this legislative session to determine if there is some constitutional problem with it. Ms. Patty Becker, attorney for the gaming control board, stated this bill only gives the board authority to audit the books, this has nothing to do with calling them forward for licensure.

Assemblyman Beyer asked if this bill would cover all the stores in a licensed establishment. Mr. Bunker stated it would. The only way to stop skimming is some kind of an audit process. This bill would cover everything that is on the grounds of a licensed establishment and/or people that would be providing services to them. The descretion of whether or not to pursue a complaint would be in the hands of the board.

Senator Wagner asked if the board has the necessary auditors to follow up on the added investigations. Mr. Bunker stated that the board is asking in the money committees for an increase in staff. The board is hoping to obtain the necessary money to cover this added responsibility.

Assemblyman Chaney asked how discrepancies are found which would indicate further investigations were necessary. Mr. Bunker pointed out in an audit process, things may be apparent that something is not right but the board is powerless to do anything about it. The board wants the authority to go to the source, rather than go through the licensee.

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Assemblyman Price questioned how far back in a business can the investigation go. Mr. Bunker replied that under this statute, it would stop at the supplier. He stated that the board has a problem with image and the more times the newspapers print stories about wire tapping in gaming establishments, the more problems the board has with image. This bill allows us to show the image of having the authority to try and monitor the things which the board feels is important.

Chairman Close pointed out that the board has given each of the committee members a copy of the proposed amendments to Senate Bills 30, 31, 33 and 39. See Exhibit F attached hereto.

Chairman Close asked if under paragraph (e), page 2, the board has the right to look at all of the gross income produced by a business or from the gross income produced by the gaming establishment. Mr. Bunker said, in the event there is an irregularity in the case of the purveyor, it would be easier to trace it through the source, rather than go back through the 164 major licensees.

Assemblyman Foley asked if any store which leased an area in a hotel would be subject to an investigation. Mr. Bunker stated yes, the board wants the latitude to check out suppliers or anyone involved in the business.

Senator Ford asked why the language "the reason to believe" is being removed from the bill. Mr. Bunker stated that the board would ask for as much latitude as possible. Mr. Bunker stated that the proposed amendment in the handout would be the preference of the board.

Assemblyman Thompson asked if the problems outlined by Mr. Bunker were real problems or hypothetical ones. Mr. Bunker stated there have been isolated instances at certain locations where particular leases and rental agreements are questionable. The department does not have the authority to proceed with an investigation.

Senator Keith Ashworth questioned if the language in section (e) is left in the bill, what restriction does that put on the gaming control board for probable cause, over and above what you are asking that it be removed. Mr. Bunker stated that the board is asking for the broadest authority that it can get.

Assemblyman Price asked if this authority would extend to a travel agency that is contracting out of state for people to come into the clubs. Mr. Bunker stated yes, even under current statutes, these agencies could be called in as a junket representative.

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Mr. Jerry Higgins, from the Gaming Industry Association, stated that the two associations reviewed the bill and had no objections. He stated that he would like an opportunity to review the amendments. Chairman Close advised him to review the amendments before testimony is concluded on the gaming bills.

Mr. Bunker told the committee that if they decide not to go with the amendment as drafted, the board would like to have the word grossly removed, because of a problem in definition, this is in Section 3 (e) on page 2 of S. B. 30. The staff has deleted the word entirely. Chairman Close told Mr. Bunker if the committee does not accept the recommendation of the board, another word might be considered by the board to replace "grossly".

SENATE BILL NO. 31--Extends admissibility of intercepted communications into evidence.

Mr. Bunker stated that the only thing that the board is asking for in the amendment is that you include anything that was prior to the enactment of the legislation, if enacted. Mr. Bunker stated that he has been advised by legal counsel that today we cannot use wire tap information that has been gleaned from other jurisdictions in gaming control activity in the State of Nevada. The purpose of bringing this legislation to you is with the wide spread use of electronic surveillance by the federal agencies and having an opportunity to be a recipient of that information, with this type of statutory language, the board can use that information in disciplinary proceedings that we have going on in the gaming control mechanism.

Ms. Patty Becker, Deputy Attorney General, assigned to the Gaming Control Board and Commission, stated there has been an argument in the past that we cannot use wiretaps that have been declared admissible in other jurisdictions in an administrative hearing in the State of Nevada. This would clarify the law to say that we can use the information derived from those wire taps in administrative hearings.

Senator Raggio asked what foundation would be required prior to the admissibility of wire tap information in this state. If this is to be used in evidence in this state, what would be required. Ms. Becker replied that it would require proving who the parties on the tape were, bring in the agents from the federal government who had established a probable cause and the board would never do this in an administrative hearing, the evidence would be used only after it had been deemed admissible in a court of law.

Assemblyman Stewart stated that to clarify this to the committee, it would require satisfying the hearsay rule, identifying the parties, and using those kinds of foundations.

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Chairman Close advised the committee that Senator Raggio's questions as to what steps are to be required to admit before a court or administrative agency in Nevada a wire tap otherwise lawfully obtained, should be reviewed and if any additions need to be made to the bill to clarify it, this can be discussed in the Wednesday meeting.

SENATE BILL NO. 33--Empowers attorney general to prosecute gaming offenses under certain conditions.

Mr. Bunker stated that the new language in Section 1, is that in those jurisdictions where a district attorney would choose not to file a complaint, that within 15 days after so choosing, at the direction of the Nevada Gaming Commission or Control Board, the attorney general could commence proceedings in the appropriate court. He stated that the deputy attorney general could be one on the staff of the board, after approval from the attorney general to prosecute. The board feels that the attorney general should be given the opportunity to file whatever charges the gaming control board and commission felt could be justified.

Chairman Close advised the committee that the District Attorneys' Association would be testifying on Wednesday in regard to S. B. No. 33.

Senator Wagner asked if this is a problem in terms of the lack of responsibility of the local district attorneys. Mr. Bunker stated he did not want to infer this, some situations have been cumbersome. This legislation will eliminate one or two situations that currently exist and possible future ones that may arise.

Assemblyman Price asked if this legislation would solve the problem of whether or not you would be a policing agency since the agency would actually be doing the investigating with its own attorney general on the staff. Mr. Bunker was not sure how that would affect the board.

Assemblyman Beyer asked what the current procedure is to notify the district attorney that they may be in violation in their county. Mr. Bunker said the board's legal staff presents to the district attorney of the jurisdiction, the results of the investigation. There have been some instances where the district attorney did not file a complaint and the board would like the attorney general to have the authority to proceed.

Senator Ford stated that the change in line 12 of the bill gives the board the power to initiate proceedings, as well as the commission. Under the current law, would this require making this an agenda item on a commission meeting. Mr. Bunker stated yes, and it would be same whether it was the commission or

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the board, a determination would have to be made to proceed forward.

Senator Hernstadt asked if the district attorney in the smaller counties may not want to get involved in complex gaming matters and may use this as an excuse to let the attorney general handle the matter. Mr. Bunker stated, no, at the present time, at the request of the district attorney, the board can come in as a co-counsel and have done that on occasion. In a complex matter, the board is willing to help on their request.

Senator Raggio asked Mr. Bunker what was the necessity of this bill. Mr. Bunker stated that several situations have developed, where the district attorney had sufficient cause to go forward and has not. Assemblyman Stewart stated in the past, district attorneys have not proceeded, so the addition of the 15 day time limit was added.

Senator Ford suggested the language on-line 16 be left in as written and add begin appropriate action within a certain amount of days. Ms. Bunker stated it was agreeable with the board, if that is the determination of the committee.

Senator Wagner asked if 15 days is the common period of time generally used for this legally. Chairman Close stated it has been debated and it was decided that the 15 day period was sufficient.

Senator Ford asked if the board is not given permission to proceed, how does the board proceed through the commission. Mr. Bunker stated that they meet monthly, a memorandum would be developed to the commission that they could review and make a determination if sufficient cause is there to proceed.

Assemblyman Beyer asked if the district attorney decides not to file a complaint and refers it back to you, what is the procedure of the board. Mr. Bunker stated there have not been any sent back because of lack of sufficient information or reason to proceed. This legislation is intended to assist the board in situations they deem necessary.

Senator Wagner questioned if this legislation was necessary, since it appears it applies only to one or two cases. Mr. Bunker stated it would be a subjective question which he could not answer. The board is suggesting that this would be an alternative. Chairman Close advised the committee that in the past prosecutions have been delayed to the point to become ineffective, and for that reason the subcommittee felt it was appropriate to give the attorney general the power because they sometimes develop these cases

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through the gaming control board, and should prosecute these cases through the State of Nevada. The subcommittee felt the district attorney was still the primary law enforcement officer in the county and should be given the right conditionally to bring the action. For the protection of gaming control it was felt that it was appropriate to allow two people to have the decisions to prosecute a case, rather than just one person.

Senator Raggio suggested that there should be something in this legislation which would require or allow a district attorney to state reasons why he is not filing a complaint. Mr. Bunker stated that this would be agreeable to the board. Chairman Close stated this was discussed in the subcommittee and it was felt that the district attorney should not be compelled to state the reasons, but the language could read, may state.

Assemblyman Chaney asked what action the board would take against a district attorney if he went past the 15 day time limit, even though an investigation is in process. Mr. Bunker stated that if it is in the statute that the limit is 15 days, we would abide by that limit. If it is indicated a good-faith effort has been made, that would be taken into consideration.

Assemblyman Price questioned what would happen if the district attorney files within the 15 day time period, but the gaming control board is not satisfied later on that their office is proceeding within a reasonable time period. What authority does the board have under this bill to intercede. Mr. Bunker stated if the complaint has been filed, and in the process, it is out of our hands and in the structure of the judiciary.

SENATE BILL NO. 34--Authorizes disclosure of gross revenue of gaming establishments to certain local governments.

Mr. Bunker stated that this bill came from the study on the interium committee regarding coming to some type of an agreement on common licensing, application and form to allow the control board to give to local government the gross revenue from the establishments in their particular jurisdiction.

Chairman Close stated that Clark County has imposed a gross gaming tax and there were going to be required to hire auditors to go out and conduct audits of each of the casinos within their jurisdiction. The committee thought that rather than have them do that, since it would be a duplication, they would rely on the information that came down from the control board. This would save money for the county and the casinos. The county has accepted that recommendation and is willing to accept the information that comes from the state

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gaming control board audit. This would be done on the same terms of secrecy as exists with the board representatives.

Senator Raggio questioned if this information is available to the county, does it not also make it available otherwise.

Mr. Dan Fitzpatrick, Clark County, stated that the county has implemented through its gaming regulations, a percentage of the gross for its gaming licensing fee. As part of the new regulations, which specifically addressed, in terms of confidentiality, that all of this information must be maintained in a confidential manner by licensing officials and it is a misdemeanor subject to punishment, for the unlawful release of that information. He stated that an amendment could be drafted in this bill to require that the licensing officials or local government to which this information is disclosed, must maintain it in a confidential manner, subject to the same sanctions as if the control board or gaming commission would release the information. On line 5, of S. B. 34, he would like to see an amendment made to read, gross revenue and audit reports.

Mr. Robbins Cahill, representing the Nevada Resort Association in Las Vegas, stated that the two associations requested a bill from the bill drafter that will be in opposition to this bill which will make this bill moot. The new bill will prohibit local jurisdictions from levying a gross revenue tax and preempt that right to the state. For that reason, the association would ask that the committee consider both bills at the same time. The same bill also covers S. B. 39 which is being considered today. He stated Clark County is the only county in the state at the present time that imposes this tax.

SENATE BILL NO. 37--Aggregates slot machines in separate locations for determination of license fees.

Mr. Bunker stated that during the hearings of the interium committee, a question was raised as to alternative areas of taxing possibilities. Parts of this bill were developed from the discussions on this. There are some areas of the bill which the board may have problems with. The manpower is not available to monitor, enforce or regulate the things that are indicated. Chairman Close asked that he explain to the committee how slot machine route operators are taxed.

Mr. Harlan Elges, Gaming Control Board, stated that presently through the gross revenue tax, the operators are taxed through the casino. The casino pays the state the tax and is reimbursed through the slot route operator. The only other tax paid is a flat rate tax at \$25 per machine in a restricted location, including the federal tax, \$250 per year.

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Senator Ford questioned if additional staff would be necessary to implement this bill. Mr. Bunker stated yes. Chairman Close advised the committee that when the matter was reviewed before the subcommittee, the feeling was it would not be necessary to audit each individual place where slot machines were maintained. The slot route operators themselves would be audited. The committee did not feel that the fiscal impact would be so great that a note would be required.

Assemblyman Price asked if there is such a thing as an average income on a slot machine. Mr. Elges stated it is difficult to say. We do not have gross revenue figures to show what the restrictive locations pay.

Senator Keith Ashworth asked how this bill could be changed to straighten out the equity or the inequity of the operator to determine the accumulated gross of all his places of business. This could have an effect on the split of the operator in the smaller locations with under 16 slots.- Mr. Bunker stated it could have such an effect.

Chairman Close asked what additional revenue this measure would impose. Mr. Bunker stated that the board has no idea because those statistics are not kept, it is on a flat fee basis and only the operator and the internal revenue know what the operator is making.

Senator Hernstadt questioned if it was felt that more revenue should be raised from slot machines, is there another way rather than aggregating them. Mr. Bunker stated there are other ways to do it.

Assemblyman Malone questioned the charges for 16 more or less slot machines. Chairman Close stated that Nevada has allowed a place to have 16 machines and not pay the tax that a normal casino pays. Small operations are not paying as much and there is no way of knowing how much revenue the state is losing. There may be another way of doing it, by imposing another flat tax, but this would require additional county information before it is imposed upon the operator.

Senator Keith Ashworth suggested that the bill was possibly in the wrong committee and would like some information on the number of restricted slot machines in Nevada.

Mr. Bud Hicks, attorney at law, in behalf of the Nevada Coin Operators Association, stated that he is here in opposition to the bill. Mr. Emmett Sullivan, head of the Nevada Coin Association, passed out some information to the committee, see

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Exhibit G and H attached hereto. See Exhibit I which is kept with the secretary's minutes. Mr. Hicks stated that the association opposes S. B. 37 for a number of reasons, one because they do not care for a tax increase. The tax increase has been proposed without consideration as to the revenues received by the operators and their ability to withstand the tax. The bill is discriminatory and badly written. There is no limitation or definition as to the term, more than one location. He stated in Section 3 of the bill, it imposes a special tax on slot route operators, this tax is not imposed on casinos or restricted slot route operations. This is a discriminatory tax applied only against slot route operators and not against those people in competition with them.

Mr. Hicks stated in Section 4, which is the bulk of the percentage fee tax section of the existing statute, these slot operators pay the percentage fees at their non-restricted locations now. This bill would impose a percentage fee on their restricted locations that is less than 15 machines. He stated that the wording in Section 4, paragraph 5, has conflicting language and would impose a double tax. This is unfair, inequitable and discriminates against the slot route operator.

Senator Raggio stated that would be basically unfair. That language could be clarified so that the situation would not result in a double tax.

Chairman Close asked if a slot route operator puts machines into a non-restrictive licensed hotel, is the flat tax paid or is that tax based on gross revenue. Mr. Hicks stated that both taxes are paid, the flat tax is paid as well as the gross revenue tax. He stated that there is no fiscal note on the bill and it does affect state revenues. There has to be a note on the bill or hearings cannot be held or a vote taken, the bill is technically improper under the provisions of the law. He stated the bill is in front of the wrong committee.

Chairman Close advised Mr. Hicks that the bill was in front of the proper committee and may be included in another bill in the taxation committee, but the bill is where it belongs. Mr. Hicks concluded that the revenues do not justify the increase in taxes and the cost to the state would be much higher than anticipated.

The committee adjourned at 10:55 a.m., with testimony to resume on Wednesday, February 18, 1981 at 8:00 a.m.

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Respectfully submitted by:

Shirley LaBadie
Shirley LaBadie, Secretary

APPROVED BY:

Mel Close
Senator Melvin D. Close Chairman

DATE: February 24, 1981

A M E N D E D AGENDA

EXHIBIT A

COMMITTEE MEETINGS

Joint Senate and Assembly Committees on Judiciary Room 131.

Day Tuesday and Wednesday, Date February 17 and 18, TIME 8:00 a.m.

S. B. No. 30--Extends power of state gaming control board to examine enterprises related to gaming.

S. B. No. 31--Extends admissibility of intercepted communications into evidence.

S. B. No. 33--Empowers attorney general to prosecute gaming offenses under certain conditions.

S. B. No. 34--Authorizes disclosure of gross revenue of gaming establishments to certain local governments.

S. B. No. 35--Redefines "cheating" and increases penalties for gaming offenses.

S. B. No. 37--Aggregates slot machines in separate locations for determination of license fees.

S. B. No. 38--Establishes annual salaries for members of Nevada gaming commission.

S. B. No. 39--Reduces duplication of state and local investigation for gaming licenses.

S. B. No. 67--Transfers control of pari-mutuel wagering at racetracks to gaming authorities.

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ATTENDANCE ROSTER FOR

COMMITTEE MEETINGS

SENATE COMMITTEE ON JUDICIARY

DATE: February 17, 1981

EXHIBIT B

<u>PLEASE PRINT</u> <u>NAME</u>	<u>PLEASE PRINT</u> <u>ORGANIZATION & ADDRESS</u>	<u>PLEASE PRINT</u> <u>TELEPHONE</u>
Vince Swinney	Washoe County Sheriff's Department	785-6220
MIKE COOL	City of Las Vegas	
J. CONIGLIANO	City of Las Vegas	
D. Kolar +	Intern UNR	
J. Barringer	Intern UNR	
J. Williams	Comm Ops	
Barbara Turbin	Dep. Chief - Police - Protection 5035	885-5040
Ralph Moss	CACD 1853 1/2 Ducator LV	733-9809
STUART MAYFIELD	CARDINAL CO. 2705 22 Ave	337-1641
ROBERT W KECK	L.V. REST & TAVERN OWNERS ASSOC	878-9934
RALPH SLOAN	SLOAN ELECTRONICS	323-1558
Bill Curran	Clark Co. D.A. office	386-4765

SHARON GREENE BRANDSNESS
COMMISSION CHAIRMAN
3101 S. MARYLAND PARKWAY
SUITE 310
LAS VEGAS, NEVADA 89109



NEVADA STATE RACING COMMISSION

3101 S. MARYLAND PARKWAY
SUITE 310
LAS VEGAS, NEVADA 89109

EXHIBIT C

TESTIMONY OF SHARON BRANDSNESS RE: S.B. 67 & S.B. 183

Arthur Ham, Jr.
Commissioner
LAS VEGAS, NEVADA

PAUL PRICE
COMMISSIONER
968 TAM-O-SHANTER
LAS VEGAS, NEVADA 89109

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

Roy Young

Commissioner
ELKO, NEVADA 89801

The real primary question that is being addressed here today is "how the needs of Nevada can be best served, and its integrity protected in the sport of racing."

The racing commission has been most diligent in implementing the law as written by the Legislature. The history of racing has been slow in blooming in Nevada, and has had some false starts. However, the sport is now flourishing in Southern Nevada and hopefully, in the near future, will be once again thriving in the Northern part of our State. Most importantly, let us not forget the interest of racing has been maintained in our State by places such as Ely, Elko, Winnemucca, Logandale, Fallon and Reno, as well as Las Vegas. Perhaps not consistently in all areas, but we all should give a good deal of recognition to racing that has been in Nevada since 1915. We should give recognition to the men and women of our State who have kept it here and helped it to grow, including the 1979 Legislature who had many doubts that Las Vegas Downs would ever be a reality, but gave us the necessary financial and other support necessary for us to accomplish the January 15th opening of greyhound racing in Clark County.

We are now in a new era. Las Vegas Downs opened with great success, thanks to the venture capital and the management expertise of the Funk Family. The racing

Continue...

Nevada Racing Commission

commission has followed the mandates of the legislature, and has developed a set of regulations after taking extensive comments and suggestions from greyhound owners and breeders, horse owners and breeders, trainers and other racing experts recognized in this highly specialized and complex field. We have also sought and received much valuable advice from the track owners.

Our regulations have been put into effect through the efforts of a highly competent staff which was recruited on the basis of their education, experience and specific knowledge of this highly sensitive and specialized area of gaming. And most of all, selected because of the integrity of their character. The State of Nevada will not be embarrassed by this group of fine people. Nevada will not be embarrassed by lack of expertise which will allow inept or lackadaisical regulation. Nevada will also not be embarrassed by over-regulation and capricious regulation as we have witnessed in New Jersey.

The racing commission office and field staff are most responsive to the commission which was appointed by our Governor. A commission whose total goal and desire is to protect the integrity of racing, to guard the health of the animals, to safeguard the interest of the public and racing participants, to make racing a better industry for the State and for the people whose livelihood depends on racing. Each commissioner has been charged, by our Legislature, with maintaining the revenue to the State from racing. But we must remember constantly that the State cannot derive healthy revenues from an unhealthy industry. As the regulators of racing, we must see to it that the industry, which so often seems bent on suicide, is not destroyed by decision making based on a lack of understanding of the industry.

Nevada Racing Commission

Before you consider removing these competent people from the responsibilities they have discharged so well, and without compensation I might add, I would like to review the members individually.

from Elko,

Roy Young - A long time Nevada rancher /horse owner, former State Assemblyman, and a truly devoted Nevadan whom most of us here today know, respect and would never question his integrity. Mr. Young, for many years, has been actively involved with the Elko County Fair Board ^{which} / sponsors the horse racing held in Elko annually.

Boyd "Suzie" Syme of McGill - He has been a member of the racing commission for almost 25 years. He is among the backbone of racing in Ely, and I challenge anyone to compete with his qualifications to serve on this commission.

Paul Price of Las Vegas - Las Vegas Sun Associate Editor and past owner of the Kentucky Derby hopeful "One Eyed Tom". We are all aware of Mr. Price's dedication for public awareness, and I can personally attest to his vigorous pursuit for excellence in Nevada racing.

As chairman, I have enjoyed many years experience in and around racing, beginning at the age of 13 when I landed my first job as a hot-walker at a California track. Today, my husband and myself are owners and breeders of racing quarter horses.

Our newest member is Arthur Ham, Jr. An attorney from Las Vegas, Mr. Ham's family pioneered top quality throughbred breeding within our State. Today, he himself is an active owner and breeder of racehorses.

This commission has a total of over 100 years combined experience in the racing industry. They are people you know, respect and trust. This commission wants to promote racing, both greyhound and horses, in our state. We want to establish an atmosphere of mutual respect and cooperation among all parties to racing - the horsemen, the jockeys, the greyhound owners and breeders, track management, and the betting public at large. They all represent the individual segments of the industry, and are understandably protective of their own interests. The growing

Nevada Racing Commission

realization among these groups that the racing industry has been hurt by its disunity, has stressed with us the need for a racing commission who knows and understands all aspects of the industry. You presently have a racing commission who has the interest of the people of Nevada and the industry in general, as their number one priority. We are appointed by the Governor with knowledge of the industry in order to support ourselves in the various highly sensitive areas of supervision and decision making.

We do not purport to understand the necessary control measures which must be instituted in a counting room of a casino. Nor do we understand the intricacies of the management of 21, baccarat, craps, slot machine skimming or the control of manufactures of gaming devices and equipment. We do understand, and understand very well indeed, problems associated with racing. We understand how important it is that parimutuel calculations and payoffs be closely scrutinized, which is why our Mutuel Director is on the premises of the race track, behind the cashiers, with complete access to the mutuel machine and the mutuel room, from the very first wager placed for that daily performance, to the last.

We understand the use of non-steroidal anti-inflammatory drugs used in racing, as well as other illegal medications, which is why we were among the first of several states to pass one of the most stringent medication rules.

We understand the use of furosemide for bleeders and its impact on racing.

We are aware of the illegal use of electrical devices by jockeys and trainers and will continue to keep them off Nevada tracks.

We understand the need to use modern technology for improvement of track surfaces and elevations for the safety of our animal athletes, and will continue to work with track management in that area.

We are aware we have to provide necessary funds for research and better pre-race testing procedures for medication violations in order to insure the sport's integrity.

Nevada Racing Commission

We understand the need to promote Nevada as a State to breed horses and greyhounds as well as race them. We will work to enhance our breeder's awards program so we may encourage owners in our State to keep their broodmares and stallions and bitches in Nevada, instead of shipping to other states who end up receiving the economical advantages of the breeding business, which is substantial.

We will also continue to walk the back-stretch at the various racetracks we go to during the year, encouraging owners, trainers and jockeys to winter in Nevada, so we have top jockeys and athletes to perform for quality racing.

And we will continue to stay on top of touting, bookmaking, off-track betting, exotic wagering, hidden ownership interest, detection of undersirables, and the many, many other problems encountered with the sport of racing.

These are but a few of the problems in racing today, the least of which are encompassed in these two bills before your committee. But they are all areas that the racing commission can and does regulate well. We work in conjunction with the gaming control board and enjoy our compatible working relationship with them. We rely heavily on their investigations and their recommendations to us. That is their area of expertise. But neither the gaming control board nor the gaming commission has the background or expertise needed in the area of racing, nor are they expected to. That is what we are for. We will be the first to take your direction and follow your dictates. All I ask is you trust me when I say we know how to operate in an efficient responsible manner, all aspect of racing. Our record - our racing history is testament to this. It is a fact. We can do the job you have given us better than anyone else. We ask you to recognize that racing is an intricate process that begins at the breeding barn, to the birth of an athlete, and flows from the stable or kennel, through the track and into the cashier's window. Please do not destroy or fragment an area of responsibility which is presently in very capable hands. Thank you.

SHARON GREENE BRANDNESS
COMMISSION CHAIRMAN
3101 S. MARYLAND PARKWAY
SUITE 310
LAS VEGAS, NEVADA 89109



NEVADA STATE RACING COMMISSION

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EXHIBIT D

Arthur Ham, Jr.
Commissioner
LAS VEGAS, NEVADA

PAUL PRICE
COMMISSIONER
968 TAM-O-SHANTER
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BOYD SYMES
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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.

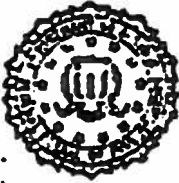
Line 50 - Change to read THE NEVADA GAMING CONTROL BOARD FOR INVESTIGATION.

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

Continued:

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...



UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION
Federal Office Building, Room 219
300 Las Vegas Boulevard South
Las Vegas, Nevada 89101
February 5, 1981

In Reply, Please Refer to
File No.

EXHIBIT E

Richard Dunker
Chairman of the Board,
Nevada Gaming Control Board,
4220 South Maryland Parkway,
Building D, Suite 880,
Las Vegas, Nevada 89158

Dear Mr. Dunker:

The Legal Counsel Division (LCD) of the Federal Bureau of Investigation (FBI) in Washington, D.C. initiated an extensive legal research project pursuant to the Nevada Gaming Control Board's (NGCB) request for dissemination of information on Frank Albert Sinatra, prospective gaming licensee in Nevada.

In accordance with this request, the FBI, Criminal Investigative Division, in conjunction with the LCD prepared and forwarded to the Las Vegas Division, FBI, results of their research on February 4, 1981, based on the Privacy Act of 1974. The following is a concise summary of their findings:

Pursuant to a request made by the NGCB for background information concerning Frank Albert Sinatra the LCD of the FBI has recently conducted research to determine whether dissemination of information from Federal Bureau of Investigation Headquarters (FBIHQ), Central Records System, to NGCB is permissible under the Privacy Act (PA) of 1974, Title 5, United States Code (USC), Section 552a. Specifically, research was conducted to determine whether the (b) (3) "routine use" exception or the (b) (7) "law enforcement" exception to the nondisclosure provisions of the PA would permit the FBI to disseminate information about Mr. Sinatra to NGCB without his written consent.

In memoranda prepared in November and December, 1978, and March, 1979, the Department of Justice and LCD discussed their conclusions that the New Jersey Division of Gaming Enforcement (NJDE) qualified as an agency which could receive FBI information pursuant to the (b) (7) "law enforcement" exception, as long as each of its requests for information met all of the criteria for (b) (7) disclosure. Criminal Investigative Division (CID), after consultation with LCD, has recently formulated a Memorandum of Understanding between the Newark Office and NJDE formalizing the procedures for dissemination of information to the NJDE. The memorandum incorporates the language of the (b) (7) exception in its advice to NJDE as to the formulation of its requests for information from the FBI. An information copy of that memorandum is attached for your information.

Research by LCD has determined that the NGCB is not an agency eligible to receive information about an individual without his written consent pursuant to the (b) (7) "law enforcement" exception. LCD's review of the NGCB request letter and the Nevada Revised Statutes has failed to reveal responsibilities of the NGCB beyond those of a licensing and/or regulatory function. It is, consequently, difficult to determine how the information about Mr. Sinatra (and the NGCB request does not seek specific information but, rather, all information in FBI records) is needed by the NGCB to enable it to perform a civil or criminal law enforcement activity authorized by law. Therefore, LCD is of the opinion that the FBI cannot rely upon the (b) (7) exception to disseminate information about Mr. Sinatra without his written consent to NGCB.

The March, 1979, LCD memorandum concerning the NJDE concluded that dissemination could be legally made to that agency pursuant to either the (b) (7) "law enforcement" exception or the (b) (3) "routine use" exception, but recommended dissemination pursuant to the (b) (3) "routine use" exception, since that would eliminate the need to determine whether the NJDE needed the information to perform an authorized civil or criminal law enforcement activity. LCD, although it is of the opinion the (b) (3) "routine use" exception to the PA does provide legal grounds for the FBI to disseminate information about third parties to the NGCB, cannot recommend it as a device for dissemination to the NGCB as strongly as it did with regard to the NJDE. Unlike the NJDE, the NGCB does not appear to be an agency directly engaged in the criminal justice process. As such, the FBI would have to determine that "exceptional circumstances" existed justifying disclosure of certain information to the NGCB before it could make such a dissemination pursuant to the (b) (3) "routine use" exception.

The determination must be made on an individual case-by-case basis and the "exceptional circumstances" the FBI concluded justified dissemination must be articulated and specifically set forth in writing at the time of dissemination. Furthermore, to qualify as a "routine use" the FBI must be able to show that the dissemination was for a purpose compatible with the purpose for which the information was collected and maintained in the first place, and that the information being disseminated is timely, accurate, complete, and relevant to the purpose for which the information is sought. With regard to the NGCB request concerning Mr. Sinatra, the FBI would not only have to take reasonable steps to insure the accuracy, completeness, and timeliness of the information about him being disseminated, but would also have to explain how the information was relevant to a determination by the NGCB concerning Mr. Sinatra's application for a gaming license.

Although the (b) (3) "routine use" exception does permit the FBI, when exceptional circumstances exist as determined on an individual case-by-case basis, to disclose information to the NGCB in connection with performance of the NGCB's licensing or regulatory function, LCD advises that the best way for the NGCB to facilitate dissemination of FBI information to it is to attach to its requests the notarized PA waivers of the subjects of the NGCB inquiries. The individual's written consent to have the FBI disseminate information about him in its files should evidence his knowing, intelligent and voluntary waiver of his rights under the PA and should state his lack of objection to having the FBI disseminate information about him to the NGCB.

In general terms, it is in the best interests of the FBI to cooperate with both the NJDCZ and the NGCB through assisting those agencies in limiting the extent of involvement by the organized crime element in legitimate casino operations. However, this cooperation necessarily must be tempered by the provisions of the PA.

Regarding the request by the NGCB, a preliminary review of FBIHQ's Central Records System has not yielded significant information, if any, which would meet the criteria for dissemination of information under the "routine use" exception. Furthermore, neither the "Release of All Claims" nor "Applicant's Request to Release Information" forms signed by Sinatra, are, in the view of LCD, sufficient to constitute an intelligent, knowing and voluntary waiver of Sinatra's rights under the PA, thus, they do not serve as his permission for the FBI to release information from our records pertaining to him to the NGCB.

In view of the foregoing, dissemination of information to the NGCB will have to be made in the future on a case-by-case basis under either the "routine use" exception or predicated upon a signed waiver, as described above.

FBIHQ has advised that if the NGCB still wishes to obtain information from our records pertaining to Sinatra, NGCB should obtain a waiver from him, as described above. In that regard, it is noted that Sinatra has been furnished information from FBIHQ Central Records System, pursuant to a Freedom of Information Act (FOIA) request made by him. FBIHQ understands that Sinatra has already furnished material he received from the FBI under FOIA to the NGCB.

If after a review of the aforementioned opinion of the LCD, that you and your staff feel there are additional mitigating factors, statutes, regulations, etcetera which tend to support your contention of having law enforcement status under the Privacy Act, you may desire to initiate direct contact with the LCD by representatives of the NGCB and legal staff assigned to the NGCB. In this regard, Mr. James Fidler of the LCD is the individual who conducted the legal research in this matter and would be most familiar with its findings.

Very truly yours,

JOSEPH YABLONSKY
Special Agent in Charge

Enc. 1

MEMORANDUM OF UNDERSTANDING

Re: Dissemination of Information to the New Jersey Division of Gaming Enforcement by the Federal Bureau of Investigation.

With regard to record check requests made by the New Jersey Division of Gaming Enforcement (NJDE), New Jersey Department of Law and Public Safety, to the Federal Bureau of Investigation (FBI), the following guidelines are understood and agreed upon by both the NJDE and the FBI:

1. To conform with the requirements of the Freedom of Information and Privacy Acts, all record check requests will be made in writing addressed to the Special Agent in Charge of the Newark Office of the FBI. Such requests will be made by the Director of the NJDE and will specifically set forth the nature and scope of the information being sought, as well as the law enforcement function of the NJDE to be served by receipt of the requested information.

2. Record check requests will be limited to corporations and corporate officers actually applying for or holding casino licenses. If the NJDE is aware that the corporation or corporate officer applying for or holding a casino license has been or may have been the subject of an investigation conducted by the FBI, that fact will be included in the written request.

3. Responses by the FBI to record check requests will be limited to information which is relevant to the nature and scope of the inquiry. In the event a check of FBI indices is positive regarding the subject of the inquiry, a summary of relevant information will be prepared by the FBI and provided to the NJDE. However, responses will be made at the discretion of the FBI to preclude interference with the FBI's investigative interests.

4. The summary information provided by the FBI will be used by the NJDGE for internal and investigative purposes only. Documents furnished by the FBI will not be introduced in court or in hearings of the NJDGE.

5. Special Agents of the FBI will not be called as witnesses to testify relative to information disseminated before any NJDGE hearings except in extraordinary circumstances wherein the FBI will make the final determination concerning Agent testimony.

Robert J. McCarthy
Special Agent in Charge
FBI, Newark

G. Michael Brown
Director
NJDGE

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

LAS VEGAS OFFICE:
4220 SOUTH MARYLAND PARKWAY
BUILDING D
LAS VEGAS, NEVADA 89156

RENO OFFICE:
1755 E. PLUMB LANE
RENO, NEVADA 89502
AUDIT: SUITE 110
ENFORCEMENT: SUITE 120

REPLY TO: _____

PHONE NO. _____

February 13, 1981

EXHIBIT F

Senator Melvin D. Close, Chairman
Senate Judiciary Committee
Nevada State Legislature
Legislative Building
Carson City, NV 89710

Assemblyman Jan Stewart, Chairman
Assembly Judiciary Committee
Nevada State Legislature
Legislative Building
Carson City, NV 89710

Dear Gentlemen:

Enclosed please find the Board's proposed amendments to Senate Bills 30, 31, 33 and 39, which will be presented at the hearings scheduled for Tuesday and Wednesday, February 17 and 18. Also included are copies of the amendments for each member of your committee, along with an index to the proposed amendments.

I would appreciate your distributing these to the committee members prior to the hearings. Thanks.

Sincerely,

Richard W. Bunker
em

Richard W. Bunker
Chairman

RWB:lc
Encs.

STATE GAMING CONTROL BOARD

INDEX OF PROPOSED AMENDMENTS

- No. 1 S.B. 30 -- Increases the Board's authority to audit any person having any involvement with a gaming licensee; provides that the Board and Commission members and certain personnel will have the powers of peace officers for the purposes of administration and enforcement of provisions of NRS Chapter 466, the Nevada Racing Act.
- No. 2 S.B. 31 -- Provides that the proposed legislation is a clarification, not an enlargement, of the use of evidence derived from lawfully intercepted communications.
- No. 3 S.B. 33 -- Adds NRS Chapters 465 and 466.
- No. 4 S.B. 39 -- Limits counties and cities to investigations of persons applying for restricted gaming licenses.

GCB PROPOSED AMENDMENTS TO S.B. 30

Amend Section 1, page 2, lines 21-29 (NRS 463.140(3)(e)) as follows:

(e) [If the] The board or commission has reason to believe that a person who furnishes services or property to a non-restricted licensee is receiving a compensation grossly disproportionate to the value of the property or services furnished, may demand access to and inspect, examine, photocopy and audit all papers, books and records of [the person so furnishing them,] a person who furnishes services, goods, or property, real or personal, to a licensee or does business on-the premises of a licensed gaming establishment, on his premises and in his presence or the presence of his agent, respecting the gross income produced by his business, and require verification of income, and all other matters affecting the enforcement of the policy or any of the provisions of this chapter.

From the licensee

If the legislature determines that the Gaming Control Board should have jurisdiction over NRS chapter 466, the Nevada Racing Act, then Section 1, page 2, lines 30-36, should be amended to include chapter 466.

Amend Section 1, page 2, lines 30-36 (NRS 463.140(4)) as follows:

4. For the purpose of administration and enforcement of chapters 463. 464, [and] 465 and 466 of NRS, and of chapter 205 of NRS so far as it involves crimes against the property of gaming licensees, the board, the commission and executive, supervisory and

GCB Amendment No. 1

Date: 2/4/81

Page 2

investigative personnel of both the board and commission have the powers of a peace officer of the State of Nevada.

GCB PROPOSED AMENDMENT TO S.B. 31

Amend Section 1 as follows:

1. The legislature hereby finds and declares that the contents of any communication lawfully intercepted prior to the enactment of this legislation under the laws of the United States or of another jurisdiction, if the interception took place within that jurisdiction, and any evidence derived from such communication, is admissible in any action or proceeding, in a court or before an administrative body of this state.

2. Except as limited by this section, in addition to the matters made admissible by NRS 179.465; the contents of any communication lawfully intercepted under the laws of the United States or of another jurisdiction, if the interception took place within that jurisdiction, and any evidence derived from such a communication, is admissible in any action or proceeding in a court or before an administrative body of this state, including without limitation the Nevada gaming commission and the state gaming control board. Matter otherwise privileged under this Title does not lose its privileged character by reason of any interception.

Date: 2/5/81

GCB PROPOSED AMENDMENTS TO S.B. 33

If the Legislature determines that the Gaming Control Board should have jurisdiction over NRS Chapter 466, the Nevada Racing Act, then Section 1, line 4, and Section 2, line 20, should be amended to include Chapter 466. Section 1, line 20, should further be amended to include NRS Chapter 465.

Amend Section 1, lines 3-10, as follows:

If a district attorney in whose county a violation of this chapter or of chapter 463B, 464, [or] 465 or 466 of NRS occurs fails to file a complaint or information for that offense or present it to a grand jury, within 15 days after the attorney general so requests in writing, the attorney general may file a complaint or information or present the matter to a grand jury, as the facts may warrant, and thereafter proceed as appropriate to complete the prosecution. The attorney general has exclusive charge of any such prosecution.

Amend Section 2, lines 12-20 (NRS 463.141) as follows:

The commission or board shall initiate proceedings or actions appropriate to enforce the provisions of this chapter, and may recommend the prosecution of any public offense committed in violation of any provision of this chapter or of chapter 463B, [or] 464, 465 or 466 of NRS.

GCB PROPOSED AMENDMENT TO S.B. 39

Amend Section 1, page 1, lines 18-22, and page 2, lines 1-7,
as follows:

3. Except as otherwise provided in this subsection, each county or city which licenses gaming shall accept the determination of the commission, as evidenced by its issuance of a state gaming license, that the holder thereof is suitable to conduct gaming. If the state license is for 15 or fewer slot machines and no other game or gaming device, the county or city may make such further investigation as it deems appropriate to determine suitability. [If the state license is of any other kind, and within 30 days after the state licensee has filed his application for a county or city license the county or city has specific reason to believe that the applicant may be unsuitable, the county or city may make its own investigation. If it then finds the applicant unsuitable, it shall promptly notify the board of the facts supporting this finding.]

- 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

EXHIBIT G

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

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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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(702) 322-7000 OR 323-7548

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,

LOUIS BENETTI, JR.

LB:ss

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



1290 HOLCOMB AVENUE
POST OFFICE BOX 610
RENO, NEVADA 89504

(702) 322-7000 OR 322-7548

ANTI-TAX INCREASE FORM

NAME OF BUSINESS Casale's Halfway Club
 ADDRESS & CITY 2501 Post 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)

James M. Stimpick
Anthony P. Stimpick

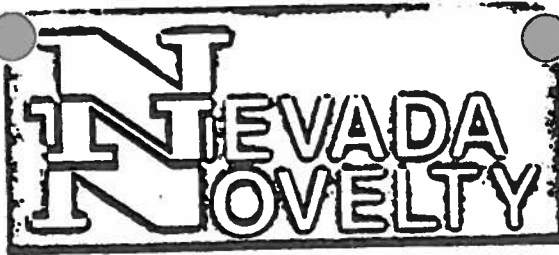
MESSAGE

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

Bruce Lorenzo James M. Stimpick
 Legislator Signature
Don Mello
Cliff McCorkell
Bul Raggio

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



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(702) 322-7000 OR 322-7548

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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(702) 322-7000 OR 322-7546

ANTI-TAX INCREASE FORM

NAME OF BUSINESS Kutzle Mill Meat 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 Coryell 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 meant to injure. Please help us to keep small businesses 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 Luccio _____ Beverly Coryell Lee _____
 Legislator Signature

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

NEVADA NOVELTY

1290 HOLCOMB AVENUE
POST OFFICE BOX 610
RENO, NEVADA 89504

(702) 322-7000 OR 323-7548

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)

<u>IKIE Swoody</u>	<u>OWNER 100%</u>
_____	_____
_____	_____

MESSAGE

It would be impossible for me to survive in the low 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

- 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 323-7546

ANTI-TAX INCREASE FORM

NAME OF BUSINESS Buffalo Bar
 ADDRESS & CITY 114 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 Kujath _____

MESSAGE

I have a time 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
Legislator

Angelina Kujath
Signature

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



1290 HOLCOMB AVENUE
 POST OFFICE BOX 610
 RENO, NEVADA 89504
 (702) 323-7000 OR 323-7548

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 Burgarello
 Legislator Signature

- 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 322-7940

ANTI-TAX INCREASE FORM

NAME OF BUSINESS Peyton 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 directly 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 Legislator [Signature] Signature

4. Why should the small business bear the burden of economic structure via the large corporations
 5. It would seem the stated officials have a vested interest to support big business.

AVERAGE WIN PER UNIT

EXHIBIT II

For the Fiscal Year Ended June 30, 1979

	Operator X Operator's Revenues	Operator X Total Revenues	Operator Y Operator's Revenues	Operator Y Total Revenues	I. V. Strip Games With Cross Claiming Revenue of			Three Roll I. V. Games With Cross Claiming Revenue of		Rings Spools Games With Cross Claiming Revenue of	
					\$1 to \$10 million	\$10 to \$20 million	\$20 million and over	\$1 to \$10 million	\$10 million and over	\$1 to \$10 million	\$10 million and over
50 SLOT MACHINE:											
Upper quartile					8,750	8,970	10,330	7,140	10,370	5,060	7,100
MEDIAN	1343	1921	1276	2127	6,490	7,410	8,230	5,790	8,180	4,180	5,660
Lower quartile					4,630	6,960	5,990	3,330	6,830	3,630	4,410
100 SLOT MACHINE:											
Upper quartile					11,300	13,150	17,870	7,880	11,450	7,390	9,670
MEDIAN	1514	3030	1476	2460	9,050	8,770	10,350	5,870	9,820	5,710	7,460
Lower quartile					6,790	7,500	9,080	4,930	8,720	5,000	6,230
250 SLOT MACHINE:											
Upper quartile					16,570	16,270	23,320	11,430	19,840	11,640	15,720
MEDIAN	3631	5010	2076	3460	15,050	13,610	18,460	8,140	16,800	8,970	9,990
Lower quartile					10,230	11,280	14,940	6,480	14,520	6,690	7,440
500 SLOT MACHINE:											
Upper quartile					14,670	11,210	20,510	4,940	22,150	11,040	19,130
MEDIAN	None	None	None	None	10,080	8,710	16,050	3,550	10,160	7,780	11,780
Lower quartile					4,010	6,210	11,180	2,170	8,680	4,970	6,390
51 SLOT MACHINE:											
Upper quartile					46,350	60,310	68,030	28,320	63,930	29,540	69,140
MEDIAN	4776	10740	3645	6076	28,220	45,010	57,930	23,830	37,930	22,920	30,940
Lower quartile					17,250	30,030	44,540	11,790	34,970	18,490	24,200

- Route Operators X and Y operate in excess of 600 slot machines
- Figures compiled from restricted slot locations only
- "Operator's Revenues" columns reflect revenue to operators net of payments to location owners
- "Total Revenues" columns reflect total revenues prior to split to location owners

Exhibit I

**THIS EXHIBIT IS MISSING FROM BOTH THE ORIGINAL
MINUTES AND THE MICROFICHE.**