

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

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
April 8, 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 9:05 a.m., Wednesday, April 8, 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 Robert E. Price
Assemblyman Helen A. Foley
Assemblyman Danny L. Thompson
Assemblyman Erik Beyer
Assemblyman Patty D. Cafferata
Assemblyman Jane E. Ham
Assemblyman Mike Malone

STAFF MEMBERS PRESENT:

Shirley LaBadié, Committee Secretary

JOINT SENATE AND ASSEMBLY COMMITTEE ON JUDICIARY
April 8, 1981

SENATE BILL NO. 265--Requires petition for appointment of supervisor and impoundment of revenue when license of gaming establishment is revoked or suspended.

Ms. Patty Becker, Deputy Attorney General, Gaming Division, stated the Gaming Control Board does not support S. B. No. 265. It would require the commission to appoint a supervisor for every establishment that has 15 or more employees. There may be some valid reasons why the commission would not want a supervisorship of an establishment having its license revoked. The establishment may not be profitable or could be having management problems and an appropriate person may not be available to be a supervisor. The licensee may not want a supervisor. The bill mandates that the commission has to petition the district court for a supervisor if more than 15 employees are involved.

Ms. Becker said the second section of S. B. No. 265 would impound the revenue from the date of the appointment of the supervisorship until the validity of the suspension or revocation of the gaming license is decided. This could cause considerable problems. Some of the legal owners may not have been involved with the revocation of the suspension of the license. This will impound the revenues for a set period of time and then disbursed to the former legal owners. She said she had discussed the bill with Commissioner Dodge and the commission feels they should have the discretion to recommend to the court whether or not a supervisorship should be appointed and should not be mandated to do so.

Senator Neal stated the bill was requested by him because of the problems at the Aladdin Hotel in Las Vegas. Complaints were received by some of the legislators during a meeting last summer that the individuals out of work could have been put back to work. For that reason he requested a bill from the bill drafter to provide that the gaming control board could go and run these particular establishments. It was requested in the bill that the proceeds of the net revenue be impounded until everything was cleared up. This was the original intent of the bill. He said since he knows little about gaming laws, he did not know if the proposed legislation addresses this situation. The idea was to keep people in employment until a situation such as that which occurred at the Aladdin is cleared up.

Ms. Ham asked what would happen to the revenue which is impounded. Senator Neal replied that he had requested in the bill that the gaming control board be given over the point of supervisory and they could run the establishment until such time as the establishment could be turned over to the legal owner. No moneys would be given to the legal owners until the situation was cleared up.

SENATE COMMITTEE ON JUDICIARY
April 8, 1981

SENATE BILL NO. 312--Repeals statutory prohibition of lotteries.

Ms. Patty Becker, Deputy Attorney General, Gaming Division, said this bill would repeal the criminal provisions that are available if someone operates a lottery in the state of Nevada. If it is wanted to have lotteries constitutional, it will have to be passed by two sessions of the legislature, then go to the people for a vote. It appears this bill is premature. A lottery within the state of Nevada should still be a crime, until at least 1983.

Senator Raggio advised the committee there is another bill, S. J. R. No. 23 which would amend the constitution to permit the operation of a lottery by the state for specific purposes which was introduced by Senator Faiss. Senator Raggio said he joined on that because he felt the constitutional prohibition of lotteries poses problems in areas which were never intended. In some areas of the state, the authorities have determined that the constitutional and statutory prohibition against lotteries prevents even such things as charitable raffles. The decision has been made in Reno that they are lotteries and not being authorized. He said there is a resolution in the assembly which would specifically amend the constitution to allow lotteries for charitable purposes.

Senator Raggio stated his position on the bill is that it is an attempt to justify and make legitimate those types of raffles which are being used daily and serve useful purposes. He said an informal opinion from Mr. Frank Daykin, Legal Counsel, that the term lotteries would include a church raffles and the selling of tickets. The bill may be premature but could possibly be amended to allow these kinds of raffles. The legislature will have an opportunity in the assembly bill to address this issue.

Ms. Becker said they were neither for or against the change in the constitution against lotteries, but the enforcement division would not be able to prohibit lotteries in any manner during the next two years if this section of the law is repealed.

Mr. Stewart advised the legislators and persons in the audience the Assembly has a bill which is a proposed constitutional amendment to allow lotteries for charitable purposes.

Senator Hernstadt questioned if the enforcement division of the gaming control board has ignored church raffles. Ms. Becker said they get numerous requests about punchboards and pull tabs in the state of Nevada. They are constitutionally not permissible in Nevada and are told this.

JOINT SENATE AND ASSEMBLY COMMITTEE ON JUDICIARY
April 8, 1981

Mr. Price advised the committee and audience that a catholic school in Reno had used a raffle in previous years to raise funds and had been called by the attorney general office that the money had to be returned for ticket sales. It is problem that can become greater if someone decided to push the attorney general into having to go after churches and organizations. He would have no choice but to pursue the issue.

Ms. Ham stated the problem seemed to be that the definition of a convicted person is anyone who conducts a lottery and that is too broad.

Senator Hernstadt asked Ms. Becker if she would object to having an amendment to the bill which would indicate certain groups which could have lotteries, the others would be prohibited. This would be become effective upon passage of the people of the proposed Assembly Joint Resolution. Ms. Becker said she would have no objection if certain types of lotteries were still prohibited.

Senator Raggio stated certain areas such as bingo and raffles have never been clarified and should be. Ms. Becker said if this was made effective the same time as the constitutional change, and still a criminal act for any noncharitable organization, that would be acceptable.

Ms. Foley stated something needs to be done in the areas of raffles. If two sessions are needed to pass a constitutional amendment, many of the places can go under. There is a need to do something and help is needed to decide what should be done.

Senator Ford asked if the Assembly had considered defining a lottery as legal in regard to raffles for charitable organizations, by defining out of the prohibition and placing it all right for nonprofitable charitable organizations.

Mr. Stewart answered it is one of the things being looked into to see if a raffle can be defined. Generally raffles are considered to be lotteries as defined in case law. Senator Raggio added he had talked with Mr. Daykin and had been advised the language in the constitution prohibiting lotteries was not hortatory.

Ms. Becker stated charitable organizations can get a one-day permit once a year from the gaming control board and they would be willing to work with organizations over the next two years so they can have an overall gaming type of fund raising versus a lottery.

JOINT SENATE AND ASSEMBLY COMMITTEE ON JUDICIARY
April 8, 1981

Mr. Robins Cahill, representing the Nevada Resort Association, stated they did not oppose the purpose of opening up raffles, but did not think opening up lotteries in the constitution is the way to go about it. This bill would provide an automatic pardon for anyone operating a lottery, regardless if for a raffle purpose or anything else. He is opposed to it but they have indicated a willingness to work with the assembly on the other area if it can be done without opening up the entire picture.

Ms. Janice Pine, Councilwoman, City of Reno, stated her understanding of the present law, means that anyone ever involved in the buying or selling of a raffle ticket, is eligible of being called convicted persons. She asked that the wording could be dealt with in some manner so when the constitutional amendment is passed, or circumvent that, that something as in S. B. No. 312 can be accomplished. She stated the solicitations review board is bound by the ruling that there cannot be any sale of raffle tickets. Senator Raggio asked what forced the attorney general to rule raffles were illegal. Ms. Pine said she did not know but everyone is selling raffle tickets, and if the law is being ignored, the law should not be in effect. She suggested if some wording could come out of this session which would allow raffles to occur and remove those from the lottery definition, it would help.

SENATE JOINT RESOLUTION NO. 23--Proposes to amend Nevada constitution to permit operation of lotteries by state for specific purposes.

Mr. Robbins Cahill, representing the Nevada Resort Association, stated he is opposed to S. J. R. No. 23. Mr. Jerry Higgins, gaming industry association presented the committee with information on the operation of state lotteries. See Exhibit C attached hereto and Exhibit D which is kept with the Secretary's minutes. Mr. Higgins stated he is opposed to the establishment of a state lottery. He added lotteries are a long shot situation and particularly hit the low income group.

Senator Faiss, District 2, Clark County, stated he is one of the sponsors of S. J. R. 23. For additional remarks of Senator Faiss, see Exhibit E attached hereto. Mr. Faiss referred to The Pennsylvania Lottery, Annual Report, 1978-79, see Exhibit F. Senator Wagner asked if he had any information on how successful the lottery had been in the fourteen states now having lotteries. Senator Faiss said it has been successful in every state, however the state of Maine has the worst record but still generates approximately \$3,000,000.

JOINT SENATE AND ASSEMBLY COMMITTEE ON JUDICIARY
April 8, 1981

SENATE BILL NO. 385--Amends provisions relating to issuance and expiration of work permits for gaming employees.

Senator Raggio advised the committee he had requested this bill. It would provide an applicant with a work permit to whom an objection has been raised by the board, to ascertain the reasons for the objection. At the present time when an applicant applies for a work permit with a law enforcement agency, an application is delivered to the gaming board and under the law, the board has a period of time to file an objection. The applicant is then entitled to a hearing before a hearing officer. The problem is that the statute is silent to any specifications or any indication given to the applicant as to the reasons for the objection. The bill also provides that when a person changes his employment, he need not go through the entire procedure each and every time. He would notify the agency within five days after leaving his place of employment, the five-day period could be extended. The board suggested a ten-day period. Presently, every applicant for a work permit must go through the application process again each time he changes employment.

Senator Wagner questioned what the reasons are for eliminating the renewal form and leaving it up to notifying the agency. Senator Raggio stated there is more paperwork and is unnecessary. Everytime a person changes employment, he would have to go through the original processes again. If he notifies the police department of a change in jobs, then he should not have to repeat the application again. Senator Hernstadt said the lines in Clark County to get work permits are long and he felt as Senator Raggio, is too repetitive to reapply each time.

Mr. Malone asked why the bill was changed from ten to five days, and would it be better to be five working days. Senator Raggio stated that was not a real concern, it could be determined by the gaming control board.

Ms. Patty Becker, Deputy Attorney General, Gaming Division, stated the board is opposed to certain provisions within the bill. The first provision is the notification of reasons of the objections to the applicant. The gaming division changed its policies approximately two months ago so they are now notifying applicants of grounds for objections if they request a hearing. That is the present policy. When an objection letter goes out, a letter is sent to the issuing authority saying they object to a work card and request them to pick up the card. If the applicant contacts the board, the applicant is sent a written notification of the grounds for rejection. The division would

Exhibit G, re S.B. 385, attached but not mentioned

JOINT SENATE AND ASSEMBLY COMMITTEE ON JUDICIARY
April 8, 1981

not have a problem sending all applicants grounds for the objections, they could change the present policy procedures. The problem on page 2 of the bill, lines 45 through 47, which says any objection by the board must include a statement of the facts upon which the board has relied in making its objection. The board would like that to be amended to say, Any notice of objection by the board to the applicant must include a statement of the facts upon which the board has relied in making its objection. The board prefers not to send the issuing authority the grounds for objections. To obtain the status of a law enforcement agency for the F. B. I., only certain information can be released to other agencies within the law enforcement family. Many times the board will object to a work permit because the person has been involved in a cheating scam, but no criminal prosecution. Sufficient evidence may not be available to object to a work permit. There are times when they tell the issuing authority objections are for certain reasons, then there is a hearing on it, then the board no longer objects. The bill would be more acceptable to the board if the applicant is sent the grounds for the rejection.

Mr. Stewart said if the board denies a work permit, the applicant can appeal to the city or county board. Senator Raggio said his understanding is that the applicant can only appeal to the board on the hearing procedure. Ms. Becker said the board makes the decision whether a work permit can be issued.

Mr. Richard Bunker, Gaming Control Board, stated in the event the board does not object to the work card, the city or county can object and if they do, the hearing procedure is before the respective city or county. If the gaming control board objects, the only possible place for that hearing is before the control board.

Mr. Price asked who notifies the applicant if his application is rejected for a work card. Ms. Becker replied the county would tell the applicant the gaming control board has rejected the work permit and contact the board. When the request has been made, the board sends a written notification of the grounds for the objection. Ms. Becker said the board would prefer to send notice of objections only to the applicants requesting a hearing, not all applicants.

Ms. Becker stated the board would prefer to have the language on page 2, lines 37 and 38 and page 4, lines 8 through 11, remain as written. The work permit which is issued has the applicant's place of work stamped on the back of the card, if they change places of employment, there is no way of knowing at a later time whether the card is any good or not. It has been found that the

JOINT SENATE AND ASSEMBLY COMMITTEE ON JUDICIARY
April 8, 1981

grounds for revocation of a work permit are harder to prove than those for the objection to issuing one.

Ms. Becker stated she had been asked by metropolitan police department in Las Vegas to ask that the language on page 4, and lines 37 through 39 on page 2, to remain intact and the five days be changed to ten. They prefer the old language. Ms. Becker stated an omnibus bill is being drafted and she would be willing to incorporate this bill with it if the committee agreed, however it has not been received from the bill drafter yet.

Mr. Robins Cahill, representing the Nevada Resort Association, stated the industry does not have a position on S. B. No. 385 as drafted nor do they object to the gaming control boards proposed amendment.

Senator Raggio advised the committee he was not aware the gaming control board was opposed to this bill. His position is that it is inconvenient and unnecessary in the majority of the cases to force a person to renew his work card because of change of employment.

Senator Ford questioned having the name of the employer on the card. Mr. Jack Holman stated there is no name on the back of the card. Ms. Becker replied she had been advised that there is. Mr. Malone said the old cards did have names on the back of the employer, the new ones do not. Mr. Jerry Higgins told the committee some jurisdictions still have the name on the card, this is a problem when the employee moves from job to job. There is considerable inconsistency in the jurisdictions throughout the state. A uniform system should be considered. Mr. Higgins suggested the time span be increased, the person's picture should be on the card, but fingerprints were not necessary. The establishment name is not necessary because of people moving around in employment.

Mr. Price stated he had seen the lines in Las Vegas for persons getting work cards and felt something should be done in their behalf. Ms. Becker said a shorter form could possibly be provided which could be mailed to a licensing authority on change of employment. The actual issuance of the permit should be a new type of work card so the board would have the right to object.

Senator Keith Ashworth advised the committee the work card was originally started by the local entity and jurisdiction, and particularly in Clark County, then extended into Washoe and

JOINT SENATE AND ASSEMBLY COMMITTEE ON JUDICIARY
April 8, 1981

more recently Douglas county. The gaming authorities picked up on the work card as a vehicle to prevent undesirables in the gaming industry by revocation of the work permit. Now the state of Nevada is telling the local jurisdictions what should be included on the work card. It should be the option of the local jurisdiction.

Mr. Jack Stratton, Gaming Control Board, advised the committee every employee of gaming has a work card in the state of Nevada, whether issued by the local police department or the gaming control board. In areas not covered by local authorities, the gaming control board issues the card. It is covered by law. Mr. Stratton stated Winnemucca is the only area in which the board issues work cards, Winnemucca does not have an ordinance covering this.

SENATE BILL NO. 413--Makes various changes in provisions regarding supervision of certain gaming establishments.

Ms. Patty Becker, Deputy Attorney General, Gaming Division, stated the board had requested S. B. NO. 413. The first provisions are clarifications of the original legislative intent in a supervisorship. It provides the appointment of a supervisor is totally discretionary with the commission, that the legislature by passing this chapter does not create any type of property interest in the continuing of gaming at the establishment. If the commission does not appoint a supervisor, the district court cannot in any order, allow gaming to continue. The only avenues available to district court would be judicial review of the revocation of a suspension of a license or an appointment of a supervisor if the commission has petitioned the district court to provide a supervisor.

Ms. Becker advised the committee in Section 2, subsection 6, it is a clarification so there is no problem with the district court taking the type of jurisdiction the federal court did in the Aladdin situation. It also tracks with NRS 463.315, subsection 13 in the judicial review provisions which mandates the judicial review of the suspension or revocation is the only avenue available. The grounds in the Aladdin case were they went to the federal court because they could not get an injunction in district court.

Chairman Close asked if this would force going into the federal courts if a license is revoked. Ms. Becker said they had been advised the lower courts do not have jurisdiction under the statutes of Nevada. The lower courts could have remanded it back to the gaming control board during the due process hearing.

JOINT SENATE AND ASSEMBLY COMMITTEE ON JUDICIARY
April 8, 1981

Mr. Sader stated the appeals court decision did not have any thing to do with the extension. This bill would not open the door to federal court remedies.

Ms. Becker stated in the case of the Aladdin, there was not a supervisorship, a contractual relationship with the licensee was established. Now that the license is revoked, the board has the option of recommending to the commission and the commission petitioning the district court that a supervisor be appointed and the establishment remain open under the supervisorship. Now if a license is revoked or suspended and no supervisor is appointed, the licensee can appeal to the district court immediately for review of that revocation of the license.

Senator Don Ashworth asked if the proposed language in Section 2, subsection 6, would that violate due process so far as the Nevada statutes are concerned and the place to go would be federal court. Ms. Becker said this language is only a clarification of what the statutes already mandate. This bill only amends the legislation which was enacted two years ago.

Ms. Becker said in Section 3, subsection 5, (a), it would mandate the district court to terminate the supervisorship if two things occur, if the commission petitions the court to terminate it and the commission has had a hearing pursuant to NRS 463.312 and found grounds for revocation of a licensee. The second section allows the district courts ex parte to terminate a supervisorship, no where else does the district court have that prerogative.

Chairman Close said when the bill was drafted two years ago, it was left up to the discretion of the commission as to when and where supervisorships should be established and when terminated. He questioned why the district courts should be given these kinds of powers. Ms. Becker said she had not drafted the proposed language. She said she would have no problem with the deletion of lines 5 through 7 on page 2 of the bill.

Chairman Close said he felt the language on page 2, line 45 to 48 and Section 5, (a) are inconsistent. Either the power is there to discontinue the supervisorship, period, without any discretion of the court or you want to allow the court to have some discretion under subsection 4. He would like Ms. Becker to present to the committee during the hearing the next day, the rationale for subsection 5 (a). Ms. Becker said she would give a specific incidence. If the Aladdin had had a supervisorship, on going and in the first few months, the new management said, the games or slots have been rigged, and this had nothing

JOINT SENATE AND ASSEMBLY COMMITTEE ON JUDICIARY
April 8, 1981

to do with the convictions, then a complaint would be filed, a hearing held and the license is revoked on that and the commission decides no more supervisorship, then they petition the circuit court.

Mr. David Russell stated he was appearing in behalf of the gaming industry. He said neither association or the resort association were happy about the supervisory bill last session. They had worked with the gaming authorities and came up with a bill which would be workable. There needs to be a mechanism to keep operations open. He is not in agreement with the proposed amendments. He felt a clarification is proper in terms of discretion, but did not feel the other proposed amendments are in keeping with the intent of the original legislation.

Testimony was concluded for the first day of the joint hearings on the gaming bills.

There being no further business, the meeting adjourned at 11:00 a.m.

Respectfully submitted:

Shirley LaBadie
Shirley LaBadie, Secretary

APPROVED BY:

Melvin D. Close, Jr.
Senator Melvin D. Close, Chairman

DATE: April 16, 1981

AGENDA

COMMITTEE MEETINGS

EXHIBIT A

Joint Senate and Assembly Committees on Judiciary, Room 131.

Day Wednesday & Thursday Date April 8 and 9, , Time 9:00 a.m.

S. B. NO. 265--Requires petition for appointment of supervisor and impoundment of revenue when license of gaming establishment is revoked or suspended.

S. B. NO. 287--Excludes evidence of debt from gross revenues of gaming for purposes of state license fee.

S. B. NO. 312--Repeals statutory prohibition of lotteries.

S. B. NO. 320--Revises provisions on computation of gross revenue received by gaming establishments.

S. B. NO. 385--Amends provisions relating to issuance and expiration of work permits for gaming employees.

S. B. NO. 413--Makes various changes in provisions regarding supervision of certain gaming establishments.

S. B. NO. 414--Limits requirements for termination of employment of persons denied gaming license.

S. B. NO. 418--Authorizes state gaming control board to charge for cost of certain investigations outside state after licensing or registration.

S. J. R. 23--Proposes to amend Nevada constitution to permit operation of lotteries by state for specific purposes.

SENATE COMMITTEE ON JUDICIARY
AND ASSEMBLY

DATE: April 8, 1981

EXHIBIT B

PLEASE PRINT	PLEASE PRINT	PLEASE PRINT	PLEASE PRINT
NAME	ORGANIZATION & ADDRESS	TELEPHONE	
Loring White	EVANON RESORT ASSOC	883 8806	
JERRY HIGGINS	GAMING TRUSTEE ASSOC	883-8806	
C. J. MURPHY	Natchez	883-8806	
Robert Faiss	Nevada Resort Assn	385-2188	
Shannon Bybee	Golden Nugget	385-7111	
W. D. Campbell	Nevada Resort Assoc.	735-2611	
PHIL GRIFFITH	HARVARD CLUB / Gaming Tru Assoc.	329-0881	
BRUCE LAU LERA	CAESARS WORLD, TALL	213-552-2711	
D. J.	
DALE ASKEW	GAMING CONTROLLERS ASSOC	885-470	
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BOB POWER	Nevada State ...	782-8989	
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SENATE COMMITTEE ON JUDICIARY
AND ASSEMBLY

DATE: April 8, 1981

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NAME

ORGANIZATION & ADDRESS

TELEPHONE

Janice C. Pine

City of Reno Box 1900 Reno

785-2017

EXHIBIT C

* "As a source of revenue to the States, lotteries are relatively inefficient compared to broad-based forms of taxation. They are also more regressive than most other forms of gambling since individuals in lower income brackets spend proportionally more money on them than do persons with higher incomes. No State now derives more than 3 percent of its total revenues from lotteries, and it would be futile for State policymakers to look to lotteries as a substitute for traditional forms of taxation. Although a well-managed State lottery can make a modest contribution to satisfying a State's overall revenue needs, the Commission recommends that in this instance, the earmarking of lottery revenues for specific State programs be avoided because this practice tends to warp the budgetary process and to deprive State officials of the flexibility required to meet changing needs."

"If a State were to be unwilling to forgo the revenues from such lotteries, it would be preferable to have them operated by private entrepreneurs who were as strictly licensed and controlled as are the casino operators in Nevada. Then, at least, the participants would be fully aware that the games were designed only to make money, with the States imposing taxes and licensing fees to generate revenues."

* Gambling in America
Commission on the Review of the National Policy Toward Gambling
Washington: 1976

Maine Lottery: A Gamble

THE VALLEY TIMES
NORTH LAS VEGAS

DEC 14 1980

That Didn't Pay Off

BY GEORGE B. MERRY

The Christian Science
Monitor News Service

For the first time since state-run lotteries began springing up nearly two decades ago at least one of them may be withering away.

Maine Gov. Joseph E. Brennan, concerned over a decline in revenue produced by this form of legalized gambling in his state, is considering a move to end the lottery.

Similar dissatisfaction abounds among state lawmakers and at least two proposals, one to abolish the operation outright and another to radically reorganize it, have been readied for debate in the 1981 legislative session.

The uncertainty over the future of the Maine lottery comes at a time when lotteries in Arizona, Colorado, and the District of Columbia are on the way, having received voter approval in the Nov. 4 election.

Of the 14 states that currently have this form of legalized gambling, only Maine and Vermont have encountered revenue-decline problems in recent years. In Vermont, the situation "seems to have been turned around," explains Duane Burke, director of the Maryland-based Public Gaming Research Institute.

The Maine problem, say Mr. Burke and observers on the scene, can be partially attributed to the small population of the state. They note that lotteries tend to be financially more successful in larger states with large numbers of blue-collar workers.

State lotteries, which netted some \$2.6 billion last year, have grown at a more modest pace during 1980, says Burke. He notes that present projections indicate revenue increases are "running slightly ahead of the rate of inflation."

Critics of the Maine lottery, including state Rep. Louis Jalbert of Lewiston, say they believe the program "was oversold from the start" and never came close to bringing to Maine coffers the projected \$10 million a year.

Thus far, the biggest yield was \$2.6 million for the 12 months ending June 30, 1976. In each succeeding year the revenue generated dropped. Last year only \$896,000 was netted.

Lottery foes maintain that it is time to close the operation down before it begins to lose money.

But they concede that prospects for such legislation are considerably diminished by the state's fiscal problems, including an overall shortfall in tax receipts. Hopes remain that the lottery will become a significant contributor to the state's income.

In the view of Richard J. Carey, the state lottery director, a good part of the Maine lottery's decline stems from the recession that has hit some parts of Maine particularly hard, bringing high unemployment with it.

"Things are beginning to turn around," he insists, holding that the daily "numbers game" introduced last July "has been doing quite well."

The lottery commission, responding to a warning from Governor Brennan to get the program on track or prepare for abolition, has voted to drop its weekly drawings, effective Jan. 22. This has been the least successful part of the agency's gambling program and its elimination will chop operating expenses by \$150,000, according to Mr. Carey.

Brennan never has been supportive of the lottery. In 1974, when he was Democratic floor leader in the state Senate, he vigorously opposed the proposal that established it.

Sources close to the governor suggest that, short of outright abolition, he might push for legislation to greatly increase his voice in how the lottery is run, through a strengthened executive director.

Although voter approval is not needed to abolish the lottery, some who are backing legislation to end it hold that the people should have a say in the matter.

They note that the state-run gambling operation came into being only after it was supported 155,000 to 90,000 on the 1964 statewide ballot.

Besides Maine and Vermont, the other states with lotteries are Connecticut, Delaware, Illinois, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, and Rhode Island.

1364
2/11/81

Where I Stand

HANK GREENSPUN

The old Spanish Lottery game, State Sen. Wilbur Fails is reading a joint resolution for a state lottery when the Nevada Legislature convenes after the first of the year.

The proceeds, as indicated by the good senator, will go to alleviate the tax burden of the property owner, the schools, the young and the old.

For years, the only connotation my mind has been able to summon up at the suggestion of a lottery is the old Spanish Lottery racket that has been exposed many times all over the world but still beguiles the public.

The vast bulk of those who have little or no chance of ever acquiring a financial bonanza solely through their own mental or physical efforts are gullible prey for the get-rich-quick schemes of promoters who never seem to run out of prospects for every conceivable racket.

Sucker lists of every variety are available to the sharp operator, and if you've ever entered a contest or written for a cure for baldness, eventually you will receive a letter from Barcelona, Spain.

The letter, in an almost illegible style and just barely readable, will inform the receiver that the writer is confined in a Spanish prison. He has won the equivalent of a half-million dollars in a lottery, but unfortunately the money is buried on the outside.

He needs a few dollars to bribe the guards so he can escape. And if you help his departure from the Bastille, he will be in position to split half the winnings.

Your name, he adds, has been furnished by a mutual friend and the letter swears you to secrecy.

If you believe that nobody is gullible enough to fall for such a trap, you are even more naive than the usual brand of sucker.

A combination of a letter from the land of the pirates, a prison secret and a huge sum of money are sufficient to intrigue the imagination of practically anyone who has a little larceny in him and is looking for a windfall.

Many letters are sent out and often the responses come by cable seeking to get in on the big deal. The trap has been set and many of the gullible are finally induced to part with their cash to effect the big escape.

Communication is immediately cut off and someone is a little poorer but wiser.

So talking lotteries to me does set up a sort of mental block as to where racket ends and reality begins.

The poor, the seniors and the school kids are the perfect emotional and romantic combination to spring the trap for the gullible to pour out their cash.

And though the public is always the beneficiary during the talking or letter-writing stages, somehow the money doesn't always wind up where originally intended.

Buying a lottery ticket is about as secure an investment as sending cash to a convict in a Spanish prison. One can hardly lose, but there is even less chance to win.

There is no plausible reason to oppose lotteries in a state that permits dice-throwing, wheel-playing and games of chance with playing cards, but if there can be any moral justification for opposing another ruse to separate the citizen from his money, it is that lotteries prey primarily on the poor.

The experience of those states where lotteries have been legalized, with practically every corner candy store and barber shop hawking lottery tickets, shows that it is the income group least able to buy anything but food and clothing that will expend its last monies on pie-in-the-sky ventures.

DEC 19 1980

And the lotteries in New Hampshire and elsewhere that were supposed to produce a panacea to the tax burdens of the little man have never lived up to their rosy estimates and are producing less and less each year.

What has developed in most of these states with publicly controlled lotteries are gigantic pork barrels for friends and relatives of the less-than-scrupulous politicians who sponsor these ventures.

The proceeds seldom go for the purposes for which they were originally intended.

Schools, care of the elderly, a better life for our senior citizens and tax relief for homeowners are legitimate functions of society and the responsibility of the tax dollar.

To Mickey Mouse legitimate obligations of the social order with gaming schemes that seldom reach out to the needy is just another method of robbing the poor.

There are legal and legitimate methods of raising the revenue needed for society's obligations without further impoverishing those who can least afford it. So let's forget the panaceas and the con games and get down to the basics of governing for the greatest good for the greatest number.

1365
Jolley

DEC 2 1977

Connecticut Urged to Drop Lottery

The state of Connecticut has been advised to scrap its lottery because of claims that those who play it can least afford to lose the money.

The longstanding debate over the regressivity of legal lotteries was raised again recently by a University of

Connecticut sociology professor's study of the impact of legalized gambling on the population.

The "scientific" poll of 568 adults concluded that "Connecticut daily numbers attracts poor, long-term unem-

ployed and less educated participants."

The daily lottery began last spring and is expected to earn \$16.8 million for the state this fiscal year. Estimates are it could draw upwards of \$20.2 million in revenue during the next fiscal year.

1366

Literia

Study Calls State Lotteries a Bad Bet, Says Local Bookie Offers Better Odds

WASHINGTON (AP)—State lotteries are a bad bet, says a professor who directed a federally funded study of gambling. The local bookie or numbers runner can offer you better odds for winning, the study showed.

In a report issued Sunday, G. Robert Blakey of Cornell University said state gambling operations paid out only a small part of the total betting revenue in prizes to winners because states used the games to make money for government services.

"Illegal gambling operations pay a much higher proportion of the take to winners, Blakey reported.

"Apart from the question of legality or morality, no one but a fool would gamble with state-run operations," he wrote. "If the state is willing to forgo its revenue-raising objective, then perhaps state lotteries or bookmaking could compete on an equal basis with the illegal numbers games and bookmaking. But the numbers operators and bookies, who don't worry about taxes, can always give customers better odds."

The report was issued by the Law Enforcement Assistance Administration, which financed the two-year study at a cost of \$75,905. The 934-page report traces the history of gambling and the laws regulating it from the 11th century to the present.

For the last 14 years, the United States has been experimenting with legal state-operated lotteries as a means of raising state revenues and avoiding tax increases. The 13 states now operating lotteries are New Hampshire, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania and Rhode Island, the report said.

For several decades, many states

have permitted parimutuel betting at racetracks, which the states tax and regulate. New York City and several other areas in New York state also operate off-track betting corporations.

All forms of gambling have been legal in Nevada since 1931, and the state regulates gambling operations but runs none of its own. New Jersey plans to allow casinos to open soon in Atlantic City.

In discussing state lotteries, Blakey said, "Although bettors 'win' lottery prizes on occasion, the only entity which consistently 'wins' is the state. It wagers nothing but sets the rules of the game. Compared to other forms of gambling, the state lottery pays out in winnings only a small portion of the total revenues."

He said sports bookmakers "generally pay out 95.5 cents on the dollar; slot machines, 75 cents to 95 cents; and numbers games, 60 cents to 70 cents." Those forms of gambling are illegal in most places.

"The state lotteries—by statute—pay only about 40 cents to 45 cents into the prize fund for every dollar wagered," the report said.

Blakey concluded that lotteries were an undesirable form of taxes and an inefficient way for states to raise money.

"In general," the report said, "persons in lower income groups have the most incentive to purchase lottery tickets. Leading routine lives for lack of money, they derive comparatively more benefit from the lottery's excitement and potential profits than do the affluent . . . Although contrary evidence exists, it appears that many of those who play the lottery are those who can least afford it."

In addition, the lottery may be "an

uneconomical way to raise revenue because its profits are so unpredictable," the report said.

Connecticut, for example, ran up a \$6.5 million deficit in 1972 because lottery profits were not as high as officials had expected, the report said.

Noting the trend toward legalized gambling, Blakey said:

"The nation seems to be heading for the worst of both worlds. Illegal gambling will flourish in a twilight zone between formal prohibition and half-hearted enforcement. By its side, there will develop legal games—first, lotteries, then off-track betting, finally perhaps state-run, or at least state-regulated, casinos.

"Gambling policy will have changed in a hope to increase tax revenues and reform law enforcement, comparatively little income will endure, and the corruption and inefficiency of law enforcement and the obstruction of the courts will continue."

State Lotteries: Harmless Sport Or Consumer Swindle

By NEAL R. PEIRCE

Contributing editor, National Journal
Special to The Bee

WASHINGTON — As gamblers, Tom and Philomena Drake of McMurray, Pa., have a lot to learn.

Last month, in a desperate bid to win that pot of gold at the end of the rainbow — \$1,000 a week for life — the Drakes began to invest their life savings of \$20,000 in the Pennsylvania lottery's Instant Bingo game.

At last report, having emptied their savings account and sold their car, the Drakes were still patiently scraping the film off \$1 lottery tickets in search of the magic numbers or letters that would put them on easy street forever.

They would have done better to take off for Las Vegas instead. Casino roulette tables return up to 95 cents for the average dollar wagered; Slot machines spew back 75 to 95 cents. Illegal numbers games return 60 to 75 cents, horse track betting 82 cents. But like most state lotteries, Pennsylvania's returns a paltry 45 cents.

"No one but a fool would gamble with state-run operations," says Cornell Prof. G. Robert Blakey, who conducted a two-year lottery study for the Law Enforcement Assistance Administration. Consumer's Union concluded: Lotteries are "a legal sucker bet."

BUT EVEN IF the Drakes should beat the odds (35 million to 1 on each ticket, 1,700 to 1 on 20,000 tickets), does happiness await them? Many big-time lottery winners have succeeded only in screwing up their lives. Sociologist H. Roy Kaplan, who interviewed 34 of New Jersey's million-dollar winners, found disturbed relationships between winners and their families and friends, replete with jealous bidding for a piece of the winner's fortune.

Since New Hampshire introduced the first 20th century state lottery in 1964, the games have spread to 14 states and been "improved" regularly to bolster revenue and stop public interest from flagging.

But despite sharply increased gross revenues — estimates run as high as \$1.5 billion for this year — lotteries remain one of the most oversold, misguided and morally reprehensible innovations in state policy this century.

LOTTERIES ARE sold as painless way for states to avoid new taxes, and



1976, they did produce profits of \$497 million. But even that sum was only one-half of 1 per cent of the \$104 billion it took to run state and local governments in the lottery states.

Lotteries are highly inefficient revenue producers because prizes and administrative costs eat up 55 to 60 per cent of gross. By contrast, it costs less than 5 cents on the dollar to collect most taxes. The lottery states could recover far more through pared-down bureaucracies and more progressive tax systems.

Because lotteries take money from many people and return it to few, economists say they are a form of tax — and a very inequitable one. Middle- and upper-income people may buy most lottery tickets, but the poor spend a larger share of their income on them. In short, through lotteries, the government makes poor people poorer.

LOTTERY BOOSTERS claim their games compete with illegal gambling and thus impair organized crime. It's hard to find a law enforcement officer who agrees.

Says Jonathan L. Goldstein, U.S. Attorney in New Jersey and one of the nation's top crime fighters: "The state lotteries make gambling respectable and thus create new clienteles for organized crime to prey upon. You become addicted to a lottery system." From there, Goldstein says, it's a short step to illegal gambling that enriches organized crime, including the mob's narcotics

businesses and corruption of the police.

Goldstein's charge of a tie between lotteries and criminal activity was supported by the National Gambling Commission's findings that lotteries tend to increase participation in illegal numbers games, and that participation in illegal gambling is more frequent in states with legal gambling than in those which prohibit it.

FBI Director Clarence M. Kelley, another lottery critic, points to the problem of the big loser: "Like alcoholics or narcotics users, many gamblers are unable to resist their compulsion to buck the odds, even when they cannot afford it. That means they may add to the national crime rate by stealing, swindling and embezzling."

SO FAR, THE modern lotteries have escaped the gross corruption that wracked their 19th-century predecessors. Although incompetent management forced temporary closing down of the New York and Delaware lotteries, there have been no known indictments or convictions stemming from lottery scandals.

But the aroma of scandal — real or potential — is already evident in heavy patronage staffing of some lottery commissions, political influence in doling out highly profitable lottery outlets, irregular expense

1368

consultative and promotional contracts, and the gangland-style slaying of New York's leading owner of lottery ticket vending machines.

Proponents argue that lotteries are a voluntary, harmless form of entertainment, overwhelmingly backed by citizens in referenda. The gambling commission found 61 per cent of the public favored lotteries.

THE PROMOTIONAL advantage is all with lottery proponents (except in the South, where religious opposition remains strong). Accentuating the riches to be won, state lottery advertisements now appear legally on television and accost the consumer in at least 70,000 ticket outlets, from drug stores to supermarkets. Lottery tickets, the gambling commission observed, "are in the unique position of being the only consumer product that is widely advertised and backed by the prestige and integrity of state government."

Stating the minority's case, a Twentieth Century Fund task force noted: "Most players will lose money. Stripped of its theatrical trappings, gambling is nothing more than a consumer swindle."

Legal lotteries, U.S. Attorney Goldstein observed, "begin to blur people's ethical and moral values. It's a very grave error for states to participate and keep on promoting them."

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Delaware paper: time for state to rethink its gamble

THE VALLEY TIMES
NORTH LAS VEGAS

DEC 29 1976

Legalized state lotteries are revenue raising schemes, which translates into: "Something that will allow political figures to avoid the hateful political decision to generate needed revenues by the more orthodox method of levying taxes."

Insofar as a successful lottery makes it feel less painful for the citizens to contribute to the support of their government, the schemes are worthwhile.

There can be a special benefit. If the lottery is attractive enough to draw money from an outside jurisdiction.

That might be if Pennsylvanians thought favorably enough of Delaware's operation to contribute some of their dollars to the support of Delaware's government.

WHAT A LEGAL state lottery should not be, however, is a gamble with the funds contributed by taxpayers.

For example, the orthodox lotteries — in the purist view the only lotteries — guarantee a certain return to bettors. After the specified amount of prize money is deducted from receipts and expenses are paid, the remainder goes to the state. The state is not gambling. It is, more or less, taking the house cut off the top.

When a state gets itself involved in the genuine risks entailed in real

gambling, however, it's a different matter.

The duty of elected or appointed officials is to make sure nobody is playing fast and loose with taxpayers' money.

THAT'S WHAT happened the other day when Delaware lottery director Peter Simmons decided that "smart money" was in a position to influence the outcome of the Touchdown II betting pools, based on what certainly seemed to have been a poorly calculated "line" of probable scores.

Mr. Simmons at first said that all bets were off; wagering money would be refunded.

The word "welsh" — or "renee" if you prefer — was uttered in ugly tones.

There was a good deal of what might most gently be described as rancor from several sides.

A network TV commentator made a remark to the effect that no bookie on a street corner could get away for a minute with what the state of Delaware proposed to get away with.

ATTORNEY GENERAL Richard R. Wier Jr. then came back with a ruling that the bets had to be paid off — and that the losers would have to accept their losses.

Well, the famous TV broadcaster aside, the fact is that a state cannot be expected to act like a bookie. Bookies, in fact, can take steps if they find

themselves in positions comparable to that faced by Delaware before the outcome of the weekend's games were known.

We have trouble envisioning, however, a situation where this state could have sent some of its agents out into the streets to lay off bets and protect Delaware from an unfavorable wagering situation.

THE MERE FACT that the state's operation was vulnerable to such pressures as were evident recently, with actual threats of physical violence against certain individuals reported, makes it good sense to rethink the state's position in the business of sports betting.

After the recent awkwardness, the governor's Economic Advisory Council, partly on the advice of leading banker Edward Hagemeyer, said it would not even attempt to estimate state lottery revenues in the coming year.

The lottery itself — the real lottery as opposed to this risk gambling that the state suddenly found itself involved in — may still provide valuable assistance to Delaware in its present financial straits.

But our advice, if anyone asks us for it, will be to think long and hard before certifying any further schemes to gamble officially against certain odds.

—The (Wilmington, Del.)
News Journal

MAY 11 1970



Editorial

Lotteries Unwanted In Nevada

Justice Department officials charge the New Hampshire state lottery commission has been operating "through a pattern of racketeering" in violating federal law by mailing tickets and renewal applications across state lines.

In the middle 1960s, when an effort was made to remove the constitutional prohibition of lotteries in Nevada, fear was expressed by state gaming control authorities that— should the movement be successful— it wouldn't be long before Nevada was in hot water with the feds for the same reason New Hampshire recently was censured.

Serious

Had the repeal effort been successful, the consequences probably would have been far more serious for Nevada than for the rock-ribbed New England state.

The Justice Department has asked the U.S. District Court to issue an order forbidding the state from continued violation of federal anti-lottery laws. New Hampshire officials would be required to make quarterly compliance reports to the U.S. attorney for the next five years.

Even though the Nevada repealer was pushed by a private outfit that wanted to operate a lottery with only a portion of the proceeds going to the state, Nevada's legal gaming industry undoubtedly would have paid some dire penalties had similar violations be detected in any local operation.

Haven

Any infractions surely would have been viewed as reinforcement of the belief held by some Washington officials that our state is a haven for the unsavory and that all who live here are actual or potential lawbreakers.

It's almost certain that had a Nevada lottery even been accused of federal violations, dozens of investigators, Justice Department sleuths of various talents and lawyers would have descended upon the state in great force.

Come to think of it, that's what's happened anyway, so it's a good thing further bait wasn't thrown out to lure anymore "crimebusters" to our peaceful state.

1371 A

Exhibit D

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

SJR

Yr Chairman members
of committee my name is Wilbur Fanning
Sawyer
Vermont from 4 to 5 million
annually

state operated
Fish Lottery in Nation
sold in New Hampshire on
Mar 10 - 1964 on Feb 1st
became the 14th State to sell Lottery
tickets - Ariz is considering legislation now
New Hampshire

The Birth Growth & Expansion
of state operated lotteries has been
a remarkable Political Economic
social and Cultural Phenomenon.

It has been one of the real success
stories of this period. But success
did not become easy. There were
many obstacles and trap doors.

There were powerful forces in the
Nation which for a variety of reasons
did not wish to see state lotteries
succeed and spread. ~~The~~ ~~trust~~
~~that~~ we were opposed by many Federal
officials, newspaper editors, educators
legislators, economists and religious
groups

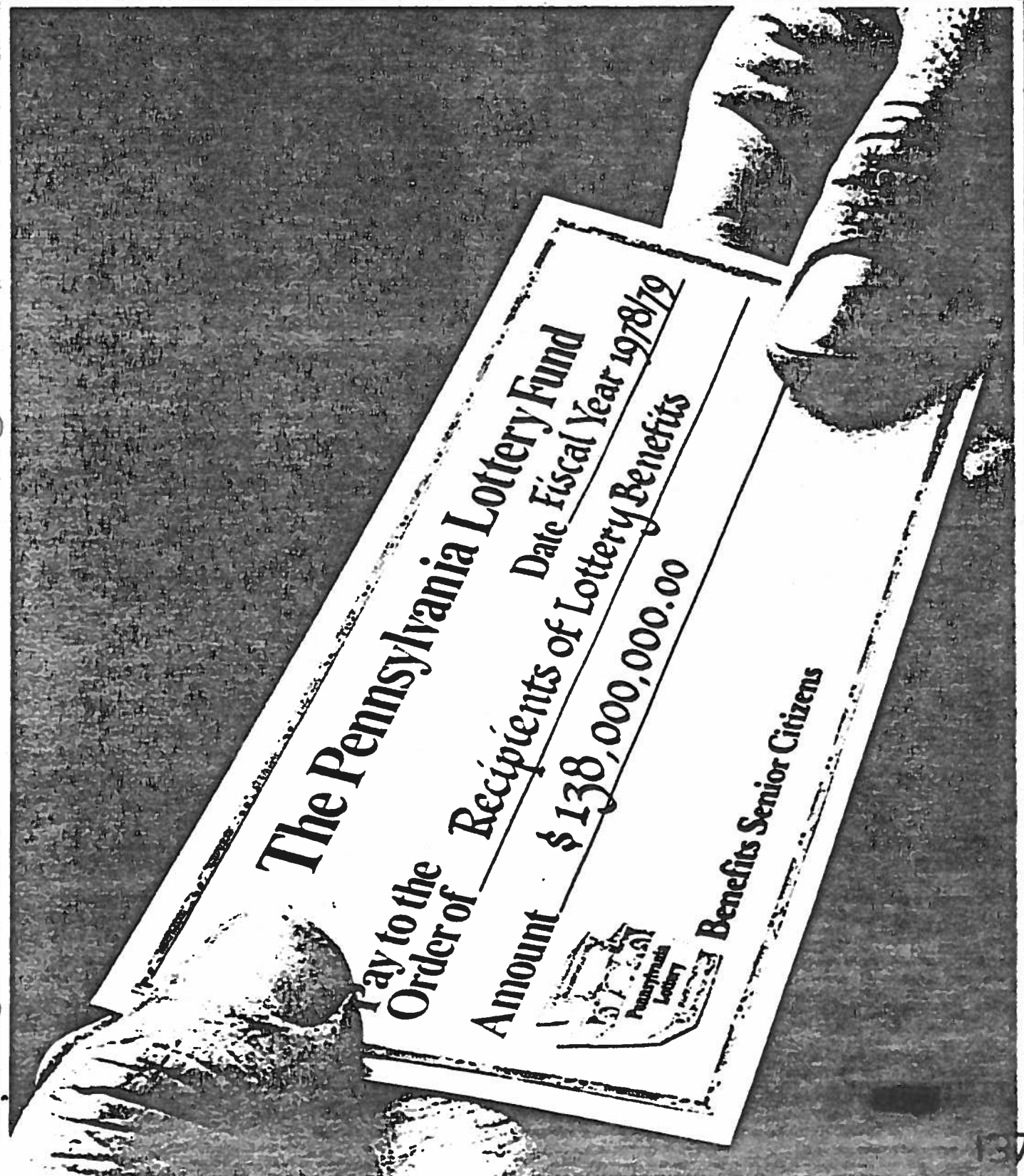
Each lottery director became
a target for these groups even though
we were only providing administrative
leadership to achieve the objectives
sought by our State Government
and the people who had voted
overwhelmingly in favor of these
Program

Vermont nets from
4 to 5 million annually

“Benefits Senior Citizens”

The standard Pennsylvania Lottery keystone, which is the symbol of the Pennsylvania Lottery, does not stand alone. The phrase “Benefits Senior Citizens” is an integral part of it. It's meaning is simple: by a mandate from the Pennsylvania General Assembly, the primary beneficiaries of the Lottery's proceeds are senior citizens. Certain widows and widowers over age fifty and certain disabled persons of Penn-

sylvania also receive benefits. The programs fully funded by the Lottery Fund include: property tax rebates, rent rebates, and free urban mass transit during off-peak hours. In the fiscal year 1978-1979 record Lottery profits of \$138 million (39 percent of gross income) were provided to meet that mandate. That's a lot of money and not one cent came from Pennsylvania tax dollars.




The Pennsylvania Lottery Fund

Date Fiscal Year 1978/79

Pay to the Order of Recipients of Lottery Benefits

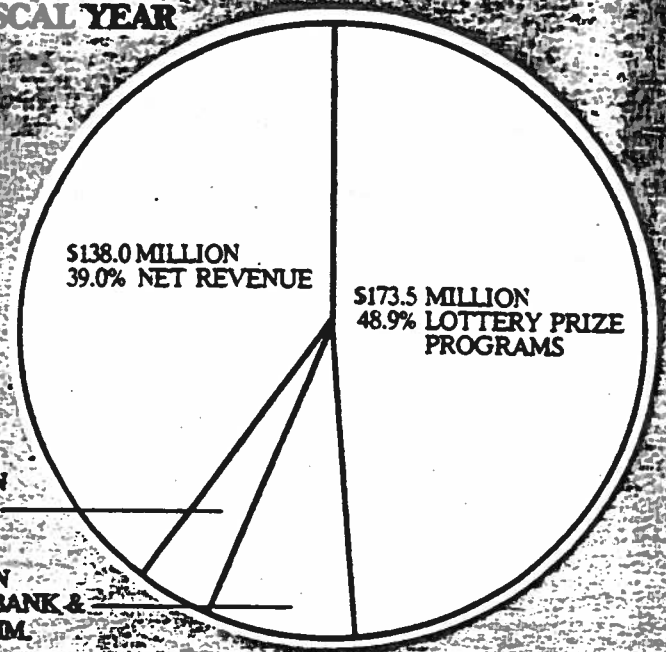
Amount \$138,000,000.00

Benefits Senior Citizens

 Pennsylvania Lottery

Statement of Income and Expenditures for the Fiscal Years Ending June 30, 1978 and 1979

1978-79 FISCAL YEAR



INCOME:

JULY 1, 1977 to JUNE 30, 1978 JULY 1, 1978 to JUNE 30, 1979

		% of Gross Income		% of Gross Income
Weekly Lottery Sales*	\$295,455,445		\$351,418,704	
Interest Income	325,458		2,948,619	
Miscellaneous Income	82,988		45,995	
Gross Income	\$295,863,891	100.0	\$354,413,318	100.0
LESS:				
Agents' Commission	\$ 15,244,691		\$ 18,118,237	
Vendors' Commission	9,112,040		7,162,414	
Banks' Commission	1,626,184		1,576,244	
Reserve for Prizes	142,970,304		173,529,705	
Gross Commonwealth Revenue	\$168,953,219	57.1	\$200,386,600	56.5
	\$126,910,672	42.9	\$154,026,718	43.5
LESS BUREAU EXPENDITURES AND ENCUMBRANCES:				
Total Expenditures	\$ 15,024,728		\$ 16,423,491	
Less Augmentation	333,029		338,394	
Total Bureau Operational Expenses	\$ 14,691,699	5.0	\$ 16,085,097	4.6
NET	\$112,218,973	37.9	\$137,941,621	38.9
Plus Adjustment for Overstatement of Prior Years' Expenses	50,187		120,047	.1
Net Revenue	\$112,269,160	37.9	\$138,061,668	39.0

WEEKLY LOTTERY SALES

	DOLLAR VALUE	DOLLAR VALUE
50¢ Lottery Sales	\$ 26,068,154	\$ 21,344,566
\$1.00 Lottery Sales	14,699,378	14,013,904
Instant Lottery Sales	62,005,632	64,015,457
Daily Number Sales	187,634,476	247,519,742
\$5.00 Sweepstakes Sales	5,047,805	4,525,035
	\$295,455,445	\$351,418,704

All figures unaudited and subject to audit by the Auditor General of Pennsylvania

Lottery Security The Inside Story

Security is the cornerstone of the Pennsylvania Lottery's operations. With it, the Lottery is able to create games that work fairly and honestly while it inhibits any form of tampering or compromise. In addition, a constant vigilance on Lottery integrity is maintained by a special investigative unit under the personal direction of the Secretary of Revenue.

Lottery Security serves to protect all Lottery facilities, including the Lottery's branch offices, vendors and banks.

The following summary highlights four important areas where Lottery Security practices play a major role.

Plant Operations Security

Many methods are used to protect Lottery offices and branches. Among these are combination-coded security doors to work areas, with registration and escort of all visitors. Security guards, and several electronic devices also are employed. Together, these combine to prevent unauthorized entrance or other misuse of the Lottery facilities.

Outside the offices, the vehicles used to transport Lottery tickets and other Lottery materials are inspected frequently, are locked securely and are protected with alarm systems. The trucks making bulk shipments from Harrisburg travel under the surveillance of the Pennsylvania State Police.

Vendors under contract with the Lottery, such as the manufacturers of Lottery Instant Games, must meet the test of more than fifty security requirements established by the Bureau.

Game Security

All Lottery games receive the utmost scrutiny by the Department of Revenue to insure their credibility and integrity. Computers play an important role in maintaining the integrity of the prize structure for each game and in assuring that the proper winning and losing tickets are correctly identified.

Just as important, are the computer programs and other production procedures which assure that no persons, including Lottery employees, are able to determine where winning instant tickets are located before they are sold.

For the weekly and daily games, the status of all tickets is determined before the drawings begin. If a ticket was not

sold before the drawing, computer and physical accounting procedures make it impossible for it to be claimed successfully as a winner.

Ticket Security

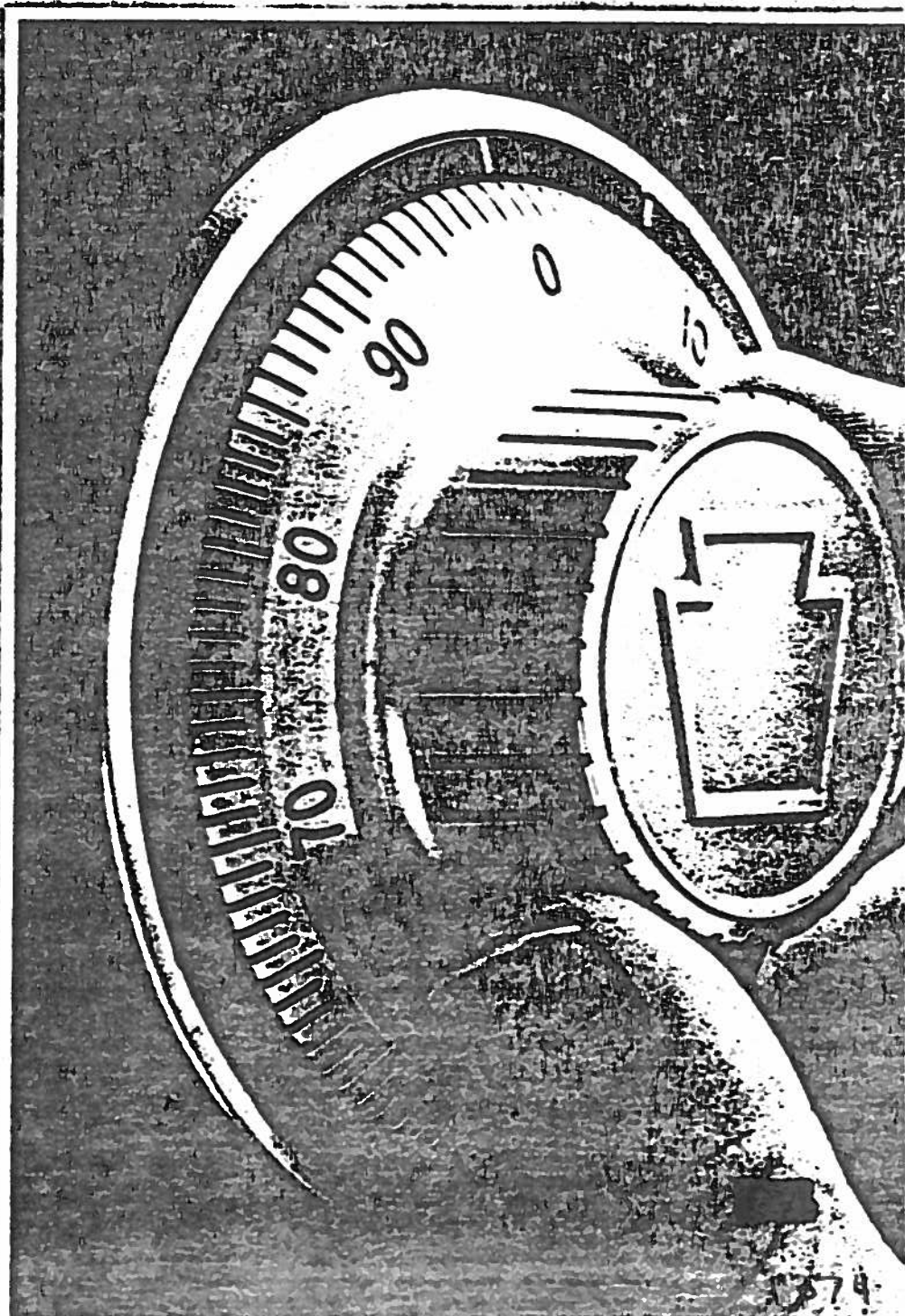
Instant Game tickets are coated with a special metallic covering to prevent intrusion by any inspection device.

Special dyes and inks, under scientific scrutiny, are used to cover the play symbols. These materials, added with other physical security items, eliminate the possibility of success in forging a

winning instant ticket.

Safety paper stock, under security control, is used for the weekly and Daily Number game tickets to prevent any counterfeiting. From the raw paper stock to the finished printed tickets, continuous security checks provide accountability for every ticket produced for the games.

All Lottery tickets also bear special security control numbers and have other security features, which are kept confidential, to guarantee the honesty



GAMING CONTROL BOARD
PROPOSED AMENDMENTS

EXHIBIT G

GCB Amendment No. 6
Date: 4/1/81

GCB PROPOSED AMENDMENTS TO S.B. 385

Amend Section 1, page 2, lines 37-39: These lines should not be amended at all, but rather the language of NRS 463.335(4) should remain as it is currently in the statutes.

Amend Section 1, page 2, lines 45-47: To read: Any notice of objection by the board to the applicant must include a statement of the facts upon which the board has relied in making its objection.

Amend Section 1, page 4, lines 8-18: No amendment should be made to NRS 463.335(10), which should be returned to the way it is currently in the statutes.