

Nevada Gaming Control Board

New Legislator Training

Agency and Revenue Overview

December 5, 2016

A.G. Burnett, Chairman





Gaming Regulation in Nevada

❖ Two-tiered oversight system

NEVADA GAMING CONTROL BOARD:

Investigates applicants and audit licensees, makes licensing recommendations, enforces gaming laws and collects licensing fees and gaming taxes.

NEVADA GAMING COMMISSION: Final authority on gaming matters.

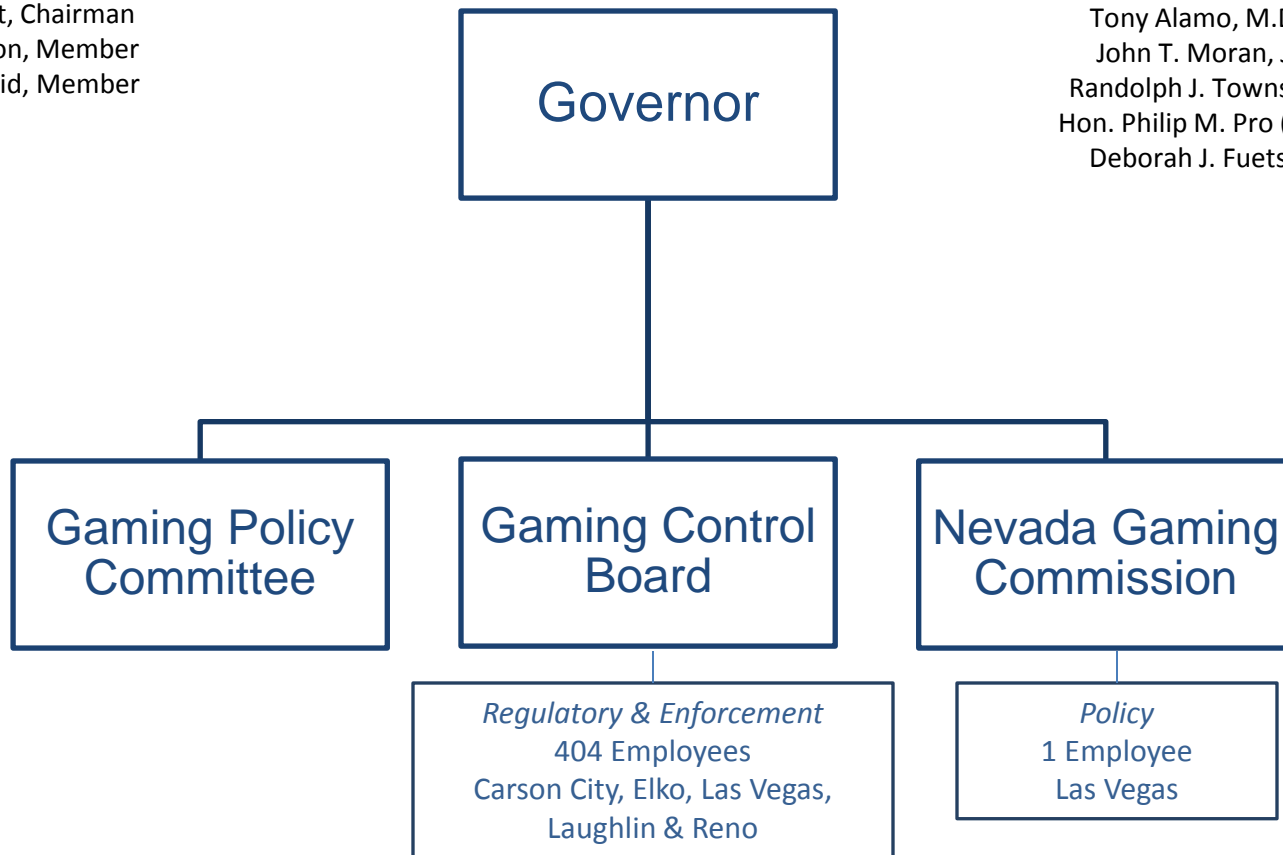
Regulatory Structure

Nevada Gaming Control Board

A.G. Burnett, Chairman
Terry Johnson, Member
Shawn R. Reid, Member

Nevada Gaming Commission

Tony Alamo, M.D., Chairman
John T. Moran, Jr., Member
Randolph J. Townsend, Member
Hon. Philip M. Pro (Ret.), Member
Deborah J. Fuetsch, Member



Nevada Gaming Control Board

Mission:

- Govern Nevada's gaming industry through strict regulation of all persons, locations, practices, associations and related activities.
- Protect the integrity and stability of the gaming industry.
- Ensure the accurate and timely collection of gaming taxes and fees.

Nevada Gaming Control Board Employee Positions:

Division	Carson City	Elko	Las Vegas	Laughlin	Reno	Total
Administration	38		15			53
Audit			68		23	91
Enforcement	5	5	84	5	22	121
Investigations	51		34			85
Tax & License	9		12		7	28
Technology			24		2	26
Total	103	5	237	5	54	404



Six Divisions

Executive Offices & Administration Division

- Provides administrative and support services to the Board, Commission and Divisions in areas such as human resources, financial services, records, facilities and training.

Audit Division

- Audits the records of Group I licensees for compliance with gaming law. Group 1 licensees collect more than \$6.5 million in gross gaming revenue per year.



Enforcement Division

- Conducts criminal and regulation investigations, arbitrates disputes between patrons and licensees, gathers intelligence on organized criminal groups and makes recommendations for excluded persons.
- Agents are certified peace officers in Nevada.

Investigations Division

- Investigates all gaming license and key employee applicants and makes licensing recommendations to the Board.
- Monitors, investigates and analyzes activities of registered, publicly traded corporations and their subsidiaries involved in the Nevada gaming industry.



Tax & License Division

- Collects and deposits all gaming taxes, fees, penalties, interest and fines.
- Attends all Board and Commission meetings to record outcomes, issue licenses and monitors owners and conditions and licensing history.
- Performs compliance reviews of Group II licensees and stand alone manufacturers and distributors.
- Forecasts gaming taxes and fees for the Economic Forum.
- Produces the monthly press release for gaming win and percentage fee collections and annually produces the Nevada Gaming Abstract.
- Monitors Tribal Gaming Compacts in Nevada.



Technology Division

- Reviews and makes recommendations for approval based on results from independent testing labs.
- Performs random inspections of gaming devices and associated equipment.
- Monitors technology trends and provides guidance to industry and Board on gaming technology.
- Provides forensic support to the Board's divisions.

Board Funding by Source

(in millions of dollars)

	General Fund Appropriation	Other Funds *	Total Funds	Other Funds as Percent of Total Funds
FY 10	\$ 30.6	\$ 14.1	\$ 44.7	31.6%
FY 11	\$ 26.7	\$ 17.2	\$ 43.9	39.3%
FY 12	\$ 24.9	\$ 17.0	\$ 41.9	40.5%
FY 13	\$ 25.3	\$ 17.2	\$ 42.5	40.4%
FY 14	\$ 26.1	\$ 16.0	\$ 42.1	38.0%
FY 15	\$ 25.9	\$ 16.0	\$ 42.0	38.2%
FY 16	\$ 30.4	\$ 15.2	\$ 45.6	33.3%
FY 17	\$ 31.4	\$ 15.3	\$ 46.7	32.8%

* Other funds include: employee registration fees, investigation fees, gaming lab fees, publication sales, training fees, copy charges.

Revenues Collected FY 16

Gaming Collections by Area



	<i>Millions</i>	<i>Percent of Total</i>
■ Clark	\$ 756.5	86.4%
■ Washoe	\$ 63.5	7.3%
■ Elko	\$ 20.5	2.3%
■ South Lake Tahoe	\$ 15.9	1.8%
■ Carson Valley	\$ 8.1	0.9%
■ Other	\$ 11.5	1.3%

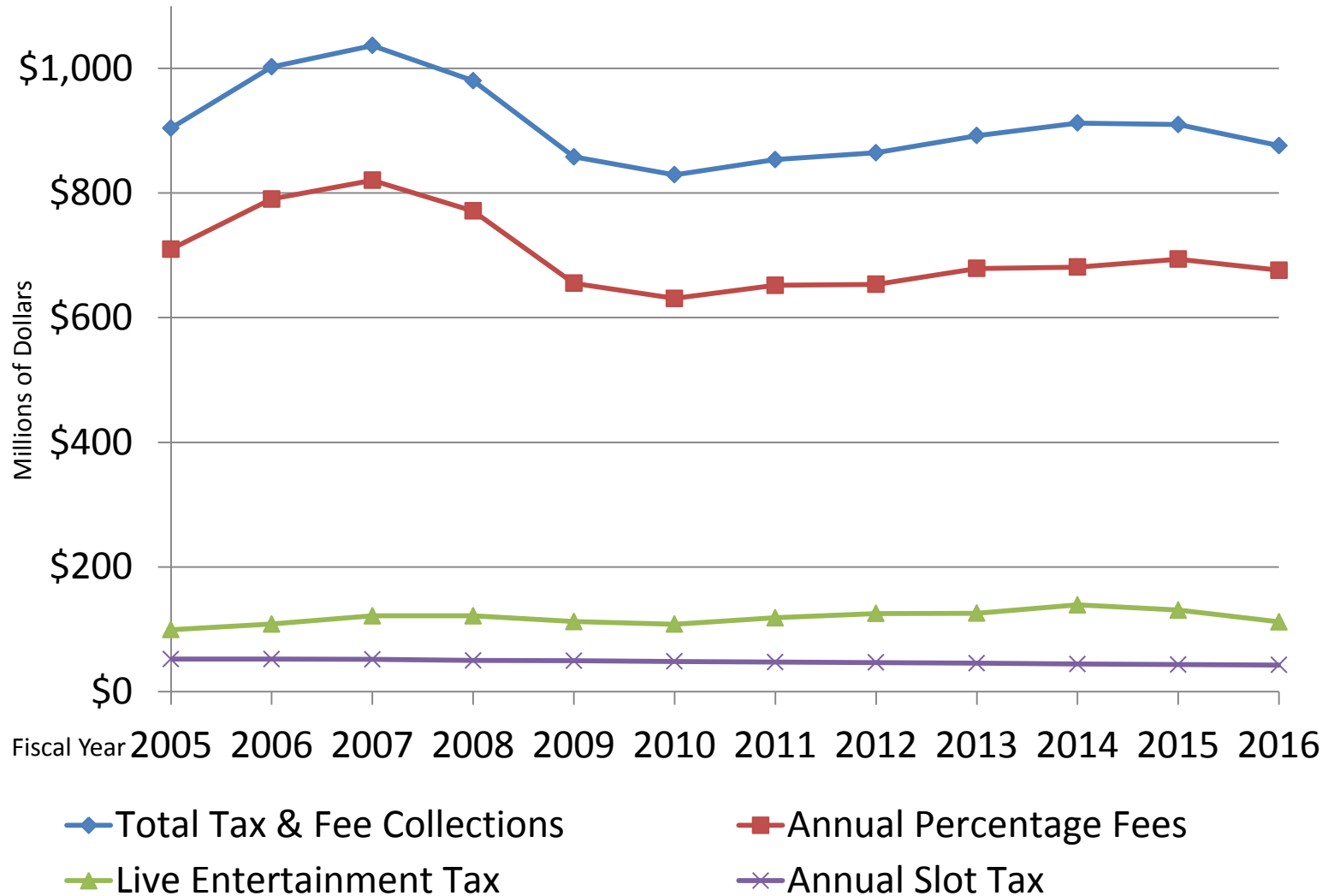
Total Revenues Collected: \$876,040,147

Collections by Category FY 16

Revenue	Collections (in millions)	Percent
Percentage Fees	\$676.2	77.2%
Live Entertainment Tax	\$111.9	12.8%
Annual Slot Tax	\$42.7	4.9%
Quarterly Nonrestricted Slot Tax	\$10.9	1.2%
Quarterly Restricted Slot Tax	\$8.2	0.9%
Quarterly Games Tax	\$6.5	0.7%
Annual Games Tax	\$2.5	0.3%
Other Collections	\$17.1	2.0%
Total	\$876.0	100%

Gaming Collections

FY 2005 to FY 2016



Revenues Collected by Type

Percentage Fees

FY 15 collections: \$694,048,872

FY 16 collections: \$676,219,096

** - There were a total of \$24.7 million in transferable tax credits used during FY16, which are not reflected in this total.*

- Tax is based on nonrestricted licensee's monthly taxable gaming revenue.
- Tax rates are:
 - 3.5% of the first \$50,000 of taxable revenue
 - 4.5% of the next \$84,000
 - 6.75% of all revenue exceeding \$134,000

Live Entertainment Tax

FY 15 collections: \$130,861,416

FY 16 collections: \$111,994,620

- During the 2015 Legislative Session the tax rate changed from 10% and 5% to 9% on admission charges only. The provisions governing the taxation of food, refreshments and merchandise sold at a facility where live entertainment is provided were removed.

Quarterly Nonrestricted Slot Fee

FY 15 collections: \$11,164,523

FY 16 collections: \$10,861,213

- Payment is based on a quarterly fee of \$20 per machine operated by each nonrestricted licensee.

Quarterly Restricted Slot Fee

FY 15 collections: \$8,291,051

FY 16 collections: \$8,225,963

- Payment is based on the number of slot machines a restricted location is operating each quarter, with a payment of \$81 per slot machine for the operation of 1 to 5 machines and a payment of \$141 per slot machine in excess of 5 up to the maximum of 15.

Quarterly Nonrestricted Game Fee

FY 15 collections: \$6,522,917

FY 16 collections: \$6,450,491

- Payment is based on the number of games a nonrestricted licensee is operating each quarter.

Advance License Fee

FY 15 collections: \$1,733,482

FY 16 collections: \$1,780,785

- New licensees, after their first full month of operations, must pay a fee equal to three times the amount of percentage fees owed for that month.

Manufacturer and Distributor License Fees

FY 15 collections: \$281,000

FY 16 collections: \$279,500

- Annual fee of \$1,000 for manufacturers and \$500 for distributors.

Slot Route Operator License Fees

FY 15 collections: \$35,000

FY 16 collections: \$34,000

- Annual fee of \$500.

Annual Slot Tax

FY 15 collections: \$43,432,043

FY 16 collections: \$42,696,766

- Payment is based on an annual fee of \$250 per slot machine paid by all licensees. The first \$5 million of the tax goes directly to the Capital Construction Fund for Higher Education. Twenty percent of the tax goes to the Special Capital Construction Fund for Higher Education. The remaining balance goes to the State Distributive School Account.

Annual Games Fee

FY 15 collections: \$2,530,383

FY 16 collections: \$2,462,842

- Payment is based on the number of games a nonrestricted licensee is operating. Collections are earmarked and split equally between the 17 counties.

Expired Slot Machine Wagering Vouchers

FY 15 collections: \$8,383,407

FY 16 collections: \$8,778,021

- Licensees are required to remit 75% of the value of Unredeemed Slot Machine Wagering Vouchers quarterly.

Operator of Interactive Gaming License

FY 15 collections: \$500,000

FY 16 collections: \$500,000

- The initial fee is \$500,000, for a two-year license. The annual fee thereafter is \$250,000.

Manufacturer of Interactive Gaming Systems License

- The initial fee is \$125,000, for a one-year license. The annual fee thereafter is \$25,000.

FY 15 collections: \$200,000

FY 16 collections: \$175,000

Interactive Gaming Service Provider License & Gaming Service Provider License

FY 15 collections: \$61,000

FY 16 collections: \$63,000

- The annual fee is \$1,000.



Gaming Industry Changes—1991 vs. 2016

1991

1. Smaller corporate ownership
2. Nevada and national corporations
3. Fundamental business transactions
4. Slot Machines
 - One game per machine
 - Primarily coin operated
 - EPROM chips
 - Games of chance
5. Simple hard copy promotions/coupon books
6. Primarily manual tracking of casino transactions
7. Gaming conducted only within the casino
8. Atlantic City only other primary gaming destination
9. Traditional gaming events available only at casino locations
10. Gaming available only on casino floor
11. Limited pari-mutuel race wagering and *only from within* Nevada



Changes....continued

2016

1. Publicly traded and multi-layered holdings
2. International and foreign corporations
3. Complex securities/financing transactions
4. Slot Machines
 - Multi-game/multi-denomination
 - Ticket In/Ticket Out; wagering accounts
 - Server-based gaming systems across properties
 - Transitioning to skill-based/hybrid gaming
5. Promotions interfaced with player cards/accounts and social media
6. Computerized tracking of casino and patron transactions
7. Statewide linkage of gaming systems
8. Gaming destinations located in many states and locations worldwide
9. Mobile gaming on handheld devices and sports wagering on mobile phones and kiosks
10. Gaming available in private gaming salons/clubs
11. Legalized Interactive Poker (Nevada-Delaware Compact)
12. Las Vegas strip developed into a megaresort destination
13. Gaming must compete with other forms of entertainment (i.e. night clubs, day clubs, shows)
14. ESports, and the wagering on said activity
15. Overhaul of regulations governing the minimum standards for, and field tests of, gaming devices and inter-casino linked systems to provide an alternative procedure intended to expedite the introduction of innovative gaming products for play in Nevada

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