

COMMITTEE ON COMMERCE - MINUTES OF MEETING - 55TH NEVADA  
ASSEMBLY SESSION - MARCH 11, 1969

Present: Wood, Capurro, Bowler, Torvinen, Mello and  
Hafen

Absent: Espinoza

Also Present: Russell McDonald, Legislative Counsel Bureau;  
Ed Bowers, Ex. Sec. Gaming Commission  
Virgil Anderson, AAA, Jim Lorigan, Farmers Ins.;  
Assemblyman Harry Reid and  
Charles Munson, Director Gaming Industry Assoc.

Chairman Wood convened the meeting at 11:15 a.m.

Representative of the Retail Liquor Dealers spoke and noted there would be witnesses from Las Vegas, Reno, Yerington, Carson City and some from the eastern part of the state also at the hearings to be held on A.B. 522. Wood said he had received requests from the whole sale liquor dealers also who wanted to be heard on this bill. There seems to be some objections among the retail outlets. Torvinen suggested that the Chairman set the hearing at his discretion and contact the people interested.

Wood then set the following schedule for hearings:

A.B. 522 March 18 at 10:00 in Room 58;

A.B. 450 thru

A.B. 454

A.B. 497

A.B. 562

A.B. 510

All PSC bills would be heard March 20, at 10:00

Ed Bowers was then introduced and asked to comment on the cash deposits vs. the negotiable securities deposit on S.B. 207.

Bowers said this was an administrative bill which seeks to eliminate the provision of the \$50,000 bond. It also eliminates certain provisions with regard to the lessee/lessor relationship as it applies to gaming. In light of today's casino operations, the \$50,000 limit has become unrealistic. The last two years have found 11 different casinos which actually would have been required to place a \$150,000 bond for the first quarter, had they not had this limitation.

The Commission would be given the right to set the amount of the bond. This would be done by virtue of such information as the geographic area, size of the casino, etc. These bonds are only placed for a limited length of time. When the casino first goes into operation, the bond required is approximately the amount of the first quarter's operation. The bond is not to exceed five months and 29 days when the first quarter's operation should be established. He is then required to make

## Assembly

Page -2- Commerce Committee

March 11, 1969

an advanced deposit. The bond may be in the form of a time certificate or other and is to be in favor of the gaming commission.

With regard to that section in paragraph 4 on page 3, wherein it states "or located in an area or space on such premises which is leased by the licensee-owner to any such person". The commission was challenged on the basis that the lessee was only renting the area and not the machines. Under this new amendment, he would be required to combine his revenue with that of the lessor.

Capurro asked if this bill included cash or negotiable securities but not surety bonds. He also asked about the collection on a short period of time. Bowers said that this bond is only for a limited period of time to be placed prior to operation. A licensee must show responsibility but in some cases, the commission is forced to proceed against the surety company. They are attempting to eliminate the surety provision. The bond is to defray what would be a cash obligation when the 5 months and 29 days are up. He then has to make a report on the basis of the income generated and make his deposit accordingly. At the end of this time the bond is returned and he must put up cash.

The first full quarter if licensed commencing on January 2, would not begin until July. Based on the amount for the first quarter the amount would be doubled. That is the amount that would be retained until cease of operation as discussed in A.B. 102 and does not refer in any way to the deposit required under S.B. 207.

If the amount under A.B. 102 were allowed to be placed in negotiable securities the general fund would lose approximately \$700,000 to \$800,000 a year in revenue. Torvinen said he could not see how they could justify the philosophy of putting someone else's money into the general fund in this manner. Bowers noted that it was not his decision it was something that came out of the last session. Torvinen said they could open a fund for the purpose of holding these funds for the people.

Bowers did not know what the policy was in this regard. Munson noted that the idea was a confusing thing. Historically a licensee completed his first full quarter of operation and based on this he made a payment in advance and a payment in arrears. That way if he were to cease operation 25 years later, he would not have to pay the tax on it because it would already have been paid. In the meantime it is fiduciary money and actually has no business in the general fund.

## Assembly

Page -3- Commerce Committee

March 11, 1969

Bowers informed them that the bill he had been referring to as coinciding with A.B. 102 was one presented by Senator Dodge and had not come into the committee yet.

A.B. 404, provides for arbitration with respect to uninsured motorist coverage.

Virgil Anderson noted that this bill restored the right of arbitration in determining liability and damages with regard to the uninsured motorist. The law was changed in 1967 to do away with arbitration and now there is considerable litigation which has therefore increased the cost of coverage. This bill would give both parties the right of arbitration. He noted that his association felt it was a good bill.

Assemblyman Reid said he had introduced the bill after discussing the matter with some Reno attorneys. He understood there were two suits pending which regarded the service of process on non-residents. Judgment was taken and they immediately went against the company. They went to the limits of the policy. There being no other present solution to the problems, they felt this might solve some of them. He said in the case of the judgment the courts had interpreted the statutes differently than they were intended.

Mr. Lorigan supported the views expressed by Mr. Anderson. He said when the uninsured motorist coverage was offered it was based on the fact that relief would be sought on the basis of arbitration. Since the last session with the abolishment of arbitration, the company has had to raise their rates. The thing they want to stop is the mass of litigation and he believes arbitration is fair and much more expeditious than going through the courts.

A.B. 35, authorizes investment of certain public funds in bonds of International Bank for Reconstruction and development and the Inter-American Development Bank.

Wood reported that he had researched these bnks and had reports from the SEC regarding them and they were A-1.

McDonald recalled that this bill had been introduced last session. He had received some supporting information from Mr. Webb with the International Bank for Reconstruction and Development which substantiated what Mr. Wood had reported.

It is already provided that funds may be invested on behalf of the cities and counties and other public funds, however, this provides for the investment in these banks which are part of the World Bank system. It makes any public funds available usable in these types of investments. These banks provide financing for other countries such as lending to under-privileged countries for building projects.

## Assembly

Page -4- Commerce Committee

March 11, 1969

This bill would provide that NIC funds, Public Employees funds, or other public organization could participate in these functions.

Torvinen said he remembered the bill from last year and as he saw it it was the obligation of the legislators to either sop a vice or give a benefit; he could not see where this bill did either.

This bill does do something because it allows for investment of funds, noted Wood. It is specific and does not allow them to be promiscuously used. Also it applies only to these two banks.

McDonald noted that the World Bank bonds also pay a higher rate of interest than others. Bowler said he believed this did nothing but create a new outlet for the state. He said Ohio has a bill similar to this which provides for the dealing with the World Bank. McDonald said at the present time 38 out of 50 states already provide for this type of operation.

S.B. 207, permits raise in amount of bond required of gaming licensees.

Torvinen moved for a Do Pass on S.B. 207;  
Motion seconded by Bowler;  
Unanimously carried.

A.B. 102, permits provisional gaming licensees to make license fee deposits in form of time certificates of deposit or negotiable securities.

Wood noted that this bill would be put back in the hold file until they received Senator Dodge's bill.

A.B. 404, provides for arbitration with respect to uninsured motorist coverage.

Hafen said it appeared on the surface to be a good deal but he wondered if the bill meant that they had to arbitrate. Capurro noted that he liked the bill. Torvinen said the way he read the bill, the arbitration is mandatory upon the parties should one of them so desire to have it.

Bowler moved for a Do Pass on A.B. 404;  
Motion seconded by Capurro;  
Vote taken with following results: 5 For and 1 Against.

## Assembly

Page -5- Commerce Committee

March 11, 1969

A.B. 35, concerning investment in International Bank, etc.

Capurro moved for a Do Pass on A.B. 35;

Motion seconded by Bowler;

Vote taken with following results: 4 For and 2 abstaining.

A.B. 656, permits loans to banks directors, employees and certain officers.

Wood said this bill lets the Nevada State Banks do what the Federal Banks allow with respect to loaning money to their officers and employees. They are granted no special favors; they must qualify the same as any other borrower.

Capurro asked who requested this bill and Wood said it was a committee introduction requested by the Nevada Bankers Association. Capurro said he had a bill which would go hand in hand with this bill which allows keeping stock available for officers and employees the same as with National Banks.

McDonald noted that right now if an employee wants to borrow money for home or automobile, etc., he is forced to go to another lending institution. Then he is required to make a written report of the fact to his employer. He is forced to go to a competitor bank for his loans.

Hafen said in Utah they have this law and the President of one of the banks borrowed them right into bankruptcy. McDonald said in his opinion even the State Banks have the same amount of audits required and this would have to be shown in the audit reports.

Capurro said the bill was to provide the same leniency in the State Banks as in the National Banks. There are more and more of the National Banks and the State banks are becoming less and less.

Bowler moved for a Do Pass on A.B. 656;

Motion seconded by Capurro;

Unanimously carried.

A.B. 17, entitled stockholder to inspect copy or audit financial records of private corporations.

Short discussion held and it was noted that there were still some amendments to come in on this bill which would eliminate the harrassment features now in it. One of the amendments would make the inspection applicable only in those cases where an audit had not been made available within the last year.

Meeting adjourned.