

# *Study of Gaming*



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STUDY OF  
GAMING

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## SUMMARY OF RECOMMENDATIONS

Following is a summary of the recommendations approved by the Legislative Commission's Subcommittee to Study Gaming. The subcommittee recommended that the Legislature take the following actions:

### I. GAMING REGULATORY ISSUES

#### Statutory Changes Regarding the Regulation of Gaming

1. Amend *Nevada Revised Statutes* 463.0155 to clarify what constitutes the manufacturing of gaming devices. (BDR 41-322)
2. Amend NRS 463.0157 to include employees of pari-mutuel operators as gaming employees who must obtain a work permit. (BDR 41-322)
3. Amend NRS 463.0164 to clarify that persons who receive compensation in forms other than cash can be considered independent agents. (BDR 41-322)
4. Amend NRS 464.0167 to require pari-mutuel systems operators to pay a license fee. (BDR 41-322)
5. Amend NRS 463.120 by deleting limiting language "United States Government" and adding broader language "Federal or any foreign government" to codify the existing practices of the State Gaming Control Board. (BDR 41-322)
6. Amend NRS 463.145 by increasing the current 30-day requirement for holding a Gaming Commission hearing to 45 days. (BDR 41-322)
7. Amend NRS 463.270 to clarify the conditions under which a licensee may surrender his license compared to those under which a license may be deemed surrendered. (BDR 41-322)
8. Amend NRS 463.370 to include a provision for "loss carry forwards." (BDR 41-322)
9. Amend NRS 463.421 to allow a finding of suitability and Board control of transmission companies. (BDR 41-322)

10. Amend NRS 463.540 to specify time limitations for reporting a change in officers and directors of a gaming entity. (BDR 41-322)
11. Amend NRS 463.643 to reflect that an application for a finding of suitability is discretionary rather than mandatory for "institutional investors." (BDR 41-322)
12. Amend NRS 463.650 to clarify the Board's authority in matters that involve the disposition of gaming devices without a distributor's license. (BDR 41-322)
13. Amend NRS 464.005 to include a definition of an "off-track pari-mutuel system." (BDR 41-322)
14. Amend NRS 463.408(6) to eliminate the limitation on the number of holiday or special event permits that a gaming licensee may obtain. (BDR 41-322)

The Structure and Operation of the Gaming Policy Committee

15. Amend NRS 463.021 to make the following changes regarding the Gaming Policy Committee:
  - a. In addition to meetings called at the request of the Governor, require the committee to meet on a quarterly basis;
  - b. Revise the membership of the committee by adding one enrolled member of an Indian tribe;
  - c. Revise the membership of the committee by adding one additional representative from the gaming industry;
  - d. Remove the geographical restrictions placed as a qualification on the members representing the gaming industry;
  - e. Revise the appointment procedures to provide that members appointed by the Governor serve 2-year staggered terms at the pleasure of the Governor;
  - f. Provide that the members of the committee representing the Legislature be appointed to the committee by the Legislature pursuant to legislative rules regarding appointment;

- g. Authorize the committee to make recommendations directly to the Legislature; and
- h. Require that the committee hold a public hearing regarding any recommendation it intends to make.

(BDR 41-321)

#### Legalization of Lotteries

- 16. Recommend in the final report that *The Constitution Of The State Of Nevada* not be amended to allow for a lottery.

#### National Gaming Symposium

- 17. Include in the final report support for the concept of the Gaming Policy Committee organizing a national symposium on gaming.

### II. FOREIGN GAMING

- 18. Include in the final report support for continued efforts by Nevada to establish the State as a destination resort for tourism. The various public and private gaming entities within the State should continue efforts to make Nevada an attractive tourist resort offering unique and quality entertainment and recreational activities in addition to gaming.
- 19. Amend the Nevada Foreign Gaming Act to clarify and expand the authority of the State Gaming Control Board to hold Nevada licensees accountable for illegal or unsuitable activities related to gaming in other jurisdictions. The Nevada Foreign Gaming Act should be amended to provide that Nevada licensees shall not:
  - Violate any gaming laws concerning the conduct of gaming in foreign jurisdictions;
  - Conduct foreign gaming not in accordance with the standards of honesty and integrity required in Nevada;

- Pose an unreasonable threat to gaming control in Nevada; or
- Undertake any activity while involved in foreign gaming that would reflect or tend to reflect discredit or disrepute upon the State of Nevada.

Violators of these provisions would be subject to discipline in Nevada. (BDR 41-324)

### III. INDIAN GAMING

20. Provide statutory authority that charges the Gaming Policy Committee with the duty of negotiating Indian gaming compacts pursuant to the Federal Indian Gaming Regulatory Act. (Such compacts to be binding only upon the signature of the Governor acting in his capacity as Governor of Nevada.) (BDR 41-321)
21. Include in the final report of the subcommittee support for the concept that gaming conducted on Indian lands should be regulated on an equal basis with gaming conducted on other lands.
22. Adopt a joint resolution urging the United States Congress to amend the Indian Gaming Regulatory Act to achieve the following (BDR R-323):
  - a. Provide a mechanism for effective enforcement of the law, including the granting of concurrent jurisdiction between the Federal Government and states;
  - b. Provide that tribes may only negotiate for Class III gaming when such specific gaming is permitted by the state in which the Indian land is located;
  - c. Specifically provide that state-sanctioned charitable gaming does not authorize Indian gaming where such conduct would otherwise be prohibited;
  - d. Affirm a state governor's right to prohibit Class III gaming on lands located within the state's jurisdiction when that land has been acquired after the enactment of the Indian Gaming Regulatory Act

and is not contiguous to reservation or trust lands;

- e. Clarify the definitions of Class II gaming;
  - f. Clarify the standard for negotiating in "good faith," including what constitutes a valid "bad faith" claim.
  - g. If the Act is not amended, provide the U.S. Secretary of the Interior with the authority to declare a moratorium on the approval of any new compacts until the Act can be amended.
23. In the final report, recommend that Nevada's Gaming Policy Committee work with representatives of Nevada Indian tribes to develop a flexible draft compact that would be restricted to the use of 15 or fewer slot machines. This compact would not be binding on any parties but would serve as a model for future negotiations.

#### IV. THE TAXATION OF GAMING

24. Include in the final report of the subcommittee a recommendation that the Senate and Assembly Committees on Taxation analyze the feasibility and propriety of the following tax related issues:
- a. Revise the rate and structure of room taxes;
  - b. Broaden the State tax base;
  - c. Examine the level of gaming taxes as a percentage of gross gaming revenues;
  - d. Restructure the tax system to encourage table game play;
  - e. Examine the concept of a retaliatory gaming tax which provides that, where an entity is based in Nevada and operates a business in another state that taxes the business at a higher rate, Nevada could then tax its in-state business in Nevada at the other state's higher rate;

- f. Establish a new tax bracket for the most profitable gaming entities;
  - g. Review the results of the State Gaming Control Board's "Study of Slot Route Operators"; and
25. In the final report, direct the State Gaming Control Board to submit to the 1993 Legislature, for consideration by the Senate and Assembly Committees on Taxation, an analysis of the options available to amend the Casino Entertainment Tax and have the tax remain revenue neutral, including an explanation of any fiscal impacts on different segments of the gaming industry.

REPORT TO THE 67TH SESSION OF THE NEVADA LEGISLATURE  
BY THE LEGISLATIVE COMMISSION'S SUBCOMMITTEE TO  
STUDY GAMING

I. INTRODUCTION

The following report is submitted in compliance with Senate Concurrent Resolution No. 59 (File No. 190, *Statutes of Nevada 1991*, pages 2650-2651) which directed the Legislative Commission to conduct a comprehensive study of gaming. In order to conduct the study, the Legislative Commission appointed a subcommittee consisting of the following 11 legislators:

Senator Dina Titus, Chairman  
Assemblyman Gene T. Porter, Vice Chairman  
Senator Ernest E. Adler  
Senator Nicholas J. Horn  
Senator R. Hal Smith  
Senator John M. Vergiels  
Assemblyman Val Z. Garner  
Assemblyman James W. McGaughey  
Assemblyman Mike McGinness  
Assemblyman Gaylyn J. Spriggs  
Assemblywoman Myrna T. Williams

Legislative Counsel Bureau staff services for the study were provided by Dennis Neilander of the Research Division (principal staff), Brenda Erdoes and Kimberly Ann Morgan of the Legal Division (legal counsels), Kevin Welch and Ted Zuend of the Fiscal Division (fiscal analysts) and Philene E. O'Keefe of the Research Division (subcommittee secretary).

A total of five meetings were held in association with the study. All hearings were conducted at Cashman Field Center in Las Vegas, Nevada, with participation via video teleconference in Carson City, Nevada. The subcommittee adopted a total of 25 recommendations related to gaming. The recommendations address the following topical areas: the regulation of gaming, foreign gaming, Indian gaming, and the taxation of gaming.

The final report of the subcommittee contains a description of the history of gaming in Nevada, an explanation of the regulatory structure of gaming in the State, a status report

of gaming in foreign jurisdictions and on Native American lands, an analysis of the taxation of gaming, discussion of each recommendation individually, selected references, and relevant appendices.

Throughout this report, the State Gaming Control Board is referred to as "the Board," the Nevada Gaming Commission is referred to as "the Commission," and the Gaming Policy Committee is referred to as "the Committee."

## II. HISTORY OF GAMING IN NEVADA

Gaming has always played a significant role in the history of Nevada. Gaming was widespread during the State's frontier days, particularly in the mining camps. With the discovery of the Comstock Lode in 1859 came a population explosion in western Nevada. The Comstock Lode was the largest and wealthiest gold and silver deposit in the United States. The money and people that invaded the area were accompanied by one of the few forms of recreation available to the miners--gambling. The gambler held a respected position in society. One of the most famous residents of Nevada, Mark Twain (then known as Samuel Clemens), described the role of the gambler in his book *Roughing It*, as follows:

In Nevada, for a time, the lawyer, the editor, the chief desperado, the chief gambler, and the saloon keeper, occupied the same level in society, and it was the highest.

Gaming has also always been controversial to one degree or another. In 1863, just one year prior to Nevada's statehood, the third Territorial Legislature prohibited all forms of gaming and provided criminal penalties. Conducting a gambling game was a felony punishable by a fine of not more than \$5,000 and up to 2 years' imprisonment. Betting was punishable by a fine of not more than \$500 and up to 6 months' imprisonment. The law was generally ignored and various forms of gaming, particularly faro, poker and roulette, were widely and openly played.

### The Initial Legalization of Gaming

In 1869, the Legislature, notwithstanding Governor Henry Blasdel's veto, passed a bill legalizing gaming and providing for its regulation. The fee for a gaming license was

set at \$1,000 in counties with fewer than 2,000 registered voters and \$1,600 in more populous counties. The State and the counties split the license fees evenly. Although gaming could not be conducted in the front room of a saloon, and minors under 17 years of age could not participate, the State did little to regulate gaming. Revenues generated from gaming-license activities were an insignificant part of the overall State budget.

In 1879, the Legislature prohibited cheating in licensed games. Until that time, the problem of cheating had been settled privately between the participants. In 1905, in response to falling gaming license revenues, Nevada legalized nickel slot machines.

Although gaming was tolerated during the hey day of mining, Nevada later began to develop an economy that was not entirely dependent upon mining. Also, anti-gaming movements began to strengthen.

#### The Prohibition of Gaming

The Women's Civic League and the Anti-Gambling League of Reno lobbied feverishly to repeal the gaming laws. Their persistence paid off when, in 1909, the Legislature enacted a law prohibiting all forms of gaming after October 1, 1910. In 1911, the prohibition was briefly repealed but was reimposed in 1913. From 1913 to 1931, gaming was illegal in Nevada. However, the ban was unevenly enforced, and illegal gaming establishments continued to operate in many cities.

#### The Re-Legalization of Gaming

The year 1931 was an eventful year throughout the U.S. It was a tough year in Nevada as a severe drought gripped the State. Mining had plunged to a new low, cattle were selling for 3 cents a pound, and the Nation was in the throes of the worst economic depression the Country had ever seen. With the Federal Government owning approximately 86 percent of the land in Nevada, there was little room for further development of agriculture and the property tax base was limited.

Seventeen Senators and 37 Assemblymen gathered in the old Nevada Capitol for the 35th Legislative Session. They have been described as a "motley lot--cowpunchers, miners, ranchers, lawyers, and other rascals." Outside in the dusty

parking lot was a collection of Ford Model A's, Chevy Sixes, Hudsons, Nashes, and the status symbol, a Packard. Recreation was limited to a few drinks at the Senator Bar or a hand of cards in a smoke-filled room where the issues of the next day were decided "fairly and squarely" without need for hearings, press, or an open meeting law.

One of those 1931 legislators was a fellow named Phil Tobin, a freshman Republican Assemblyman from Humboldt County in northern Nevada. He introduced the gambling bill which would change the face and fate of Nevada. The 29-year-old Tobin was not your average politician. Even more, he was not a gambler.

Phil Tobin was a cowboy once described as "a clean-cut, square-jawed ranch hand who thinks before he speaks, then says what he has to say in diction so flawless it seems to belong in a classroom." Tobin had no intention of becoming a career politician. In fact, he served only three sessions in the Legislature, one as an Assemblyman and two as a Senator. By his own account, he ran for office only as a means of helping his fellow ranchers in Humboldt County.

The opposing sides of the gambling question conducted a brief but furious debate before the Committee on Public Morals. The bill's supporters backed Tobin's stand that gambling was too common to ignore and that it went untaxed. Anti-gambling groups argued that gambling was a vice, pure and simple, and would attract gangsters and bring shame to the State.

The supporters of Assembly Bill 98 were victorious as it was passed by the Legislature (Senate vote: 13 to 3; Assembly vote: 24 to 11) and signed by Governor Fred B. Balzar on March 19, 1931. Nevada would never be the same.

Between 1931 and 1945 the State left the regulation of gaming up to the local governments and did not attempt to directly tax gaming establishments. As tourists began traveling to the renowned Las Vegas areas and full service casinos began springing up at a rapid rate, the State (in 1945) required licenses for casinos and imposed a 1 percent tax on gross revenues. During the decade between 1945 and 1955, however, there were acknowledged shortcomings in the State's ability to regulate the burgeoning industry.

## The Modern Regulation of Gaming

In 1955, the Legislature organized the State Gaming Control Board to regulate the industry. Comprehensive background checks of license applicants were also instituted. The Nevada Gaming Commission, which is responsible for overseeing the activities of the Board, was organized in 1959. In 1961, the Legislature created the Gaming Policy Committee, which has the authority to hold hearings on gaming policy and make recommendations to the Board and the Commission. (These entities are discussed in more detail in the next section of this report.)

Throughout the early years of gaming, the State continuously revised the gaming regulatory scheme. Perhaps one of the most important steps taken by the State occurred in 1967 when the Legislature approved a bill that was signed by Governor Paul Laxalt which allowed publicly held corporations to own gaming facilities. Until then, each stockholder had been subject to a background investigation. This change made it much easier for the industry to raise capital and paved the way for the enormous expansion of gaming in recent years. Today almost 50 percent of the State's total gross gaming revenues are attributable to public companies involved in gaming.

The history of gaming in Nevada is a colorful one. Much of the success of gaming can be attributed to a unique balance that has been reached in regulating the industry. The State has consistently sought to balance competing interests. The need for tax revenue is balanced with the need to create an economic and tax environment that promotes gaming. The need to ensure that gaming is conducted fairly is balanced with the need to avoid over-regulation.

### III. THE REGULATION OF GAMING IN NEVADA

As the history of gaming demonstrates, the regulation of gaming is vital to the success of gaming. The Nevada Legislature has provided the framework to regulate gaming by establishing a complex statutory system.

#### A. STATUTORY PROVISIONS

*Nevada Revised Statutes* (NRS) 463.0129 sets forth Nevada's policy concerning gaming. The Legislature has declared that

"the gaming industry is vitally important to the economy of the state and the general welfare of the inhabitants." The gaming laws stress strict regulation of the industry by means of licensing and controlling gaming.

The Legislature has adopted a comprehensive set of laws that strictly control gaming. Chapter 463 of NRS, referred to as the "Nevada Gaming Control Act," is the principle authority that prescribes the regulation of gaming. The act addresses ownership, operation, licensing, financing, financial practices, penalties, fees, and taxes. Various other provisions of NRS address specific aspects of the regulatory structure:

- Chapter 462 addresses lotteries;
- Chapter 463A governs gaming employees and labor organizations;
- Chapter 463B regulates the supervision of gaming establishments;
- Chapter 464 addresses pari-mutuel wagering;
- Chapter 465 establishes crimes and liabilities concerning gaming; and
- Chapter 466 regulates horse and dog racing.

In addition to the statutory provisions governing gaming, the Commission and the Board have adopted a comprehensive set of rules and regulations that implement the statutory provisions.

#### B. STATE GAMING AGENCIES

Three State governmental bodies have the primary function of regulating gaming:

- The State Gaming Control Board;
- The Nevada Gaming Commission; and
- The Gaming Policy Committee.

### The State Gaming Control Board

Nevada's chief regulatory body is the State Gaming Control Board. The Board consists of three members appointed by the Governor for terms of 4 years. Each position is nonpartisan, and Board members are required to devote their full time to the job. The Board conducts confidential investigations of applicants for gaming licenses. It inspects and examines all gaming establishments and has full access to their records. It conducts regular audits and investigates breaches of the gaming laws or regulations. The Board has the authority to seize and impound gaming equipment and supplies for purposes of investigation. It is also responsible for collecting license fees and gaming taxes. Members of the Board's Enforcement Division have the powers of peace officers granted by Nevada law.

With respect to the gaming license application process, the Board conducts a thorough investigation of the qualifications of each applicant before any license may be acted upon. Applicants within specified categories must meet the standard of "suitable." Based on these investigations, the Board recommends that the Commission deny, limit, condition, restrict, or approve any license. (Appendix B describes, in detail, the licensing and suitability requirements of the Board and Commission.)

Investigations are conducted by the Board staff which consists of approximately 400 persons and is divided into the following seven divisions:

- Administration;
- Audit;
- Corporate Securities;
- Electronics Laboratory;
- Enforcement;
- Investigation; and
- Tax and License.

### The Nevada Gaming Commission

The Nevada Gaming Commission consists of five members, appointed by the Governor to terms of 4 years. Members of the Commission are not full-time officers; they meet for a few days each month. The Commission has the power to grant or deny licenses and to take disciplinary action against licensees. The Commission is the final authority in gaming matters.

### The Gaming Policy Committee

The Gaming Policy Committee is an administrative body charged with reviewing and recommending policies related to gaming. The Committee consists of the Governor, one member of the Board, one member of the Commission, two legislators, two representatives of the general public, and two gaming licensees (one from Clark or Lincoln County, and one from elsewhere in the State). Its duties are advisory in nature; it makes recommendations to the Board and the Commission.

Meetings of the committee may only be called at the request of the Governor, and the Committee has not been active in over 5 years.

### Other Related Participants

The three State entities discussed above form the core of Nevada's regulation of gaming. However, the State's Office of the Attorney General has a Gaming Division that provides legal advice to the Board and the Commission. The Executive Secretary serves both the Board and Commission. Local governments also regulate gaming to a certain extent. In fact, local governments have the option of prohibiting gaming entirely, as is done in Boulder City.

## C. THE LICENSING PROCESS

Two types of gaming licenses are issued in Nevada. A nonrestricted license entitles its holder to operate an establishment with 16 or more slot machines, table games, and a race or sports book. The holder of a restricted license can only operate slot machines, which may not exceed 15 in number. Currently, there are almost 400 nonrestricted licenses in force and some 1,800 restricted licenses.

In addition to licensing owners of gaming establishments, Nevada requires that employees of gaming establishments undergo cursory investigations and receive work permits. Manufacturers and distributors are also licensed, and there are currently about 150 such licensees in the State. Slot route operators are required to be licensed (approximately 80 are current licensees). Finally, race and sports books must be licensed.

#### D. SUCCESS OF THE REGULATORY STRUCTURE

This complex framework for the regulation of gaming has developed over a period of several years and seeks to strike a balance between the competing interests associated with the industry. The strength of this regulatory scheme is one of the reasons that gaming is successful in the State. Gaming in Nevada is viewed by many across the Nation as fair and trustworthy. Tourists, including families, are flocking to Nevada in record numbers.

This success has paved the way for other states to examine gaming closely as a tool for enhancing economic development. Nevada has helped create an attitude that gaming, regulated properly, can be positive. Other jurisdictions should benefit from Nevada's experiences and expertise in gaming. However, interested parties within the State are closely monitoring gaming in other jurisdictions to determine what impact such gaming may have on Nevada. Some are fearful that poor regulation in other jurisdictions could lead to scandals that will generally tarnish the image of gaming and consequently have a negative effect on Nevada.

#### E. DISCUSSION OF RECOMMENDATIONS RELATED TO SPECIFIC ASPECTS OF THE REGULATION OF GAMING

During each legislative session, the members consider many bills supported by various parties (including the regulators and those who are regulated). Since the regulation of gaming is a very complex issue, the subcommittee determined that the gaming study should be used in part to put the issues of the 1993 Session "on the table" early to give all interested parties an opportunity to study them prior to the session.

The subcommittee heard testimony from the Board and persons associated with the gaming industry regarding statutory changes to the existing scheme of regulation. Based on this testimony, the members recommended the following concepts be presented to the 1993 Legislature.

- **Amend NRS 463.0155 to clarify what constitutes the manufacturing of gaming devices. (BDR 41-322)**

Currently, the statute is ambiguous and subject to varying interpretations which present difficulties in the prosecution of unlicensed manufacturing cases. The amendment should address the issue of the stage of assembly at which a device actually becomes a game.

- **Amend NRS 463.0157 to include employees of pari-mutuel operators as gaming employees who must obtain a work permit. (BDR 41-322)**

These persons are not currently required to obtain a work permit although their positions are similar to other employees who must possess a work permit.

- **Amend NRS 463.0164 to clarify that persons who receive compensation in forms other than cash can be considered independent agents. (BDR 41-322)**

Situations arise where persons may receive "comps" or similar benefits that are not cash. These persons currently do not fall within the definition of independent agent.

- **Amend NRS 464.0167 to require pari-mutuel systems operators to pay a license fee. (BDR 41-322)**

These persons currently do not pay a license fee although their function is similar to other persons who must pay such a fee.

- **Amend NRS 463.120 by deleting limiting language "United States Government" and adding broader language "Federal or any foreign government" to codify the existing practices of the Board. (BDR 41-322)**

The Board often enters into Memorandums of Understanding regarding the exchange of confidential information with

other jurisdictions, several of which are with foreign governments.

- Amend NRS 463.145 by increasing the current 30-day requirement to 45 days for holding a Commission hearing in response to a petition for a hearing. (BDR 41-322)

The amendment is needed to decrease the possibility that the Commission will need to schedule a special meeting to accommodate this type of petition.

- Amend NRS 463.270 to clarify the conditions under which a licensee may surrender his license compared to those under which a license may be deemed surrendered. (BDR 41-322)

This modification would assist in avoiding the situation where disciplinary action is pending and the licensee surrenders the license thereby causing the State to lose jurisdiction to proceed with the disciplinary action.

- Amend NRS 463.370 to include a provision for "loss carry forwards." (BDR 41-322)

Gaming Regulation 6.110 (7) currently provides:

If in any month the amount of gross revenue is less than zero, the licensee may deduct the excess in the succeeding months, until the loss is fully offset against gross revenue.

The proposed amendment would make the statute and regulation consistent.

- Amend NRS 463.421 to allow a finding of suitability and Board control of transmission companies (race and sports book wire services) where warranted. (BDR 41-322)
- Amend NRS 463.540 to specify time limitations for reporting a change in officers and directors of a gaming entity. (BDR 41-322)

The existing law provides no time limitations for such reporting.

- Amend NRS 463.643 to reflect that an application for a finding of suitability is discretionary rather than

mandatory for "institutional investors." Include a definition of "institutional investor" similar to the one contained in the State securities laws (NRS 90.250). (BDR 41-322)

This action would encourage investment in stocks of publicly traded gaming corporations. Some persons who are considered institutional investors do not have a controlling or management interest in a company and, therefore, a finding of suitability is not necessary.

- Amend NRS 463.650 to clarify the Board's authority in matters that involve the disposition of gaming devices without a distributor's license. (BDR 41-322)

The current law does not address situations involving gaming device repair schools and their relationship with licensed distributors.

- Amend NRS 464.005 to include a definition of an "off-track pari-mutuel system." (BDR 41-322)

Although this type of gaming activity is subject to regulation, the current law provides no definition.

- Amend NRS 463.408(6) to eliminate the limitation on the number of holiday or special event permits that a gaming licensee may obtain. (BDR 41-322)

This action would accommodate the need for increased or special types of gaming not contemplated by the current law. These permits are most often used to add gaming devices for special events. For example, additional slot machines are frequently added and moved outside of the licensed gaming area to accommodate such events as professional boxing matches. The current law only allows such permits to be issued to a single licensee for no more than 10 days in a calendar quarter or 40 days in a calendar year. This amendment would accommodate many anticipated special events, particularly those planned by the new major theme parks under construction. The approval of such permits would remain discretionary with the Board.

**F. DISCUSSION OF RECOMMENDATIONS RELATED TO THE GAMING  
POLICY COMMITTEE**

During the course of the hearings, the subcommittee received a tremendous amount of information and testimony concerning the changes in the gaming industry. Of particular interest was the expansion of gaming into other jurisdictions, both domestic and outside the Nation, and the impact on Nevada. Other broad areas of concern included the effect of the national economy on the Nevada gaming industry and its ability to obtain financing; the proliferation of gaming on Native American lands; Federal attempts to regulate certain aspects of gaming (sports betting); and the approaches of other states related to the taxation of gaming.

The dynamics of the gaming industry are changing so rapidly that most of the information presented to the subcommittee became outdated between meetings. Based on these circumstances, the subcommittee determined that an entity needed to be created or activated which could:

- Provide regular oversight for gaming policy;
- Furnish a continuous forum for dialogue; and
- Track the rapid changes in the gaming industry as they relate to gaming policy in Nevada.

The subcommittee determined that the best approach would be to re-activate and modernize the Gaming Policy Committee to address many of these issues. Thus, the following amendments to NRS 463.021 were recommended:

- In addition to meetings called at the request of the Governor, require the Committee to meet on a quarterly basis. (BDR 41-321)

Currently, the Committee only meets at the request of the Governor.

- Revise the membership of the Committee by adding one enrolled member of a Nevada Native American tribe. (BDR 41-321)

The current membership of the Committee does not include representation by Native Americans.

- Revise the membership of the Committee by adding one additional representative from the gaming industry. (BDR 41-321)
- Remove the geographical restrictions placed as a qualification on the members representing the gaming industry. (BDR 41-321)

The law currently requires that one member of the gaming industry be from Clark or Lincoln County.

- Revise the appointment procedures to provide that members appointed by the Governor serve 2-year staggered terms at the pleasure of the Governor. (BDR 41-321)
- Provide that the members of the Committee representing the Legislature be appointed to the Committee by the Legislature pursuant to legislative rules regarding appointment. (BDR 41-321)
- Authorize the Committee to make recommendations directly to the Legislature. (BDR 41-321)
- Require that the Committee hold public hearings regarding any recommendations it intends to make. (BDR 41-321)

#### G. DISCUSSION OF RECOMMENDATIONS RELATED TO LOTTERIES AND A NATIONAL GAMING SYMPOSIUM

##### Legalization of Lotteries

The subcommittee received testimony regarding the advantages and disadvantages of a lottery. (Appendix C is an information packet prepared by the Board regarding lotteries in other states and the potential revenue capabilities a lottery may have in Nevada. These projections, however, do not take into account the unique nature of Nevada's gaming industry and the potential impact a lottery may have on gaming, or the impact that gaming may have on a lottery.)

Testimony presented in opposition to a lottery indicated that the population in Nevada could not support high enough ticket sales to achieve the large prizes that are necessary to make a lottery successful. It was also argued that a State lottery would be in direct competition with existing

gaming--the State's dominant industry and primary source of revenue.

Arguments in favor of a lottery contended that perhaps Nevada could join with other Western States to form a joint lottery similar to joint lotteries operated in some Eastern States. However, there was skepticism regarding California's willingness to join such an endeavor. The argument was also made that persons who purchase lottery tickets would not necessarily be using money that would otherwise have been used in some other form of gambling.

Primarily because of the many other pressing issues related to gaming, the disadvantages presented regarding a lottery, and the fact that the proposal has been defeated by the Legislature on previous occasions, the subcommittee approved the following action:

- *The Constitution Of The State Of Nevada* not be amended to allow for a lottery.

#### National Symposium on Gaming

The subcommittee also heard testimony regarding the need to hold or participate in a national symposium on gaming. The symposium would bring together various domestic and international governments and regulated parties to establish guidelines to ensure the continued integrity of gaming. The members supported the concept and voted to:

- Support and urge the Gaming Policy Committee to organize a national symposium on gaming.

#### IV. GAMING IN OTHER JURISDICTIONS

The subcommittee heard extensive testimony regarding the proliferation of legalized gaming.

##### A. BACKGROUND INFORMATION RELATED TO FOREIGN GAMING

Nevada held a virtual monopoly on gaming until the legalization of gaming in Atlantic City, New Jersey, in 1975. No other states followed the lead of Atlantic City in the 1970's.

During the 1980's, the legalization of gaming exploded. Currently, only two states (Hawaii and Utah) have no form of legalized gaming. (See Appendix D for a chart providing the status of legalized gaming in the United States.)

In 1991, 48 states considered legalization or expansion of gaming. The legalization of video gambling/lottery devices was proposed in 22 states, approximately twice the number proposed in 1990. Oregon was the only state to authorize video lottery in 1991, but testimony indicated that video gaming is the "wave of the future." Table I (below) indicates the states that considered gaming bills in 1991 by gaming category.

TABLE I

LEGALIZATION/EXPANSION PROPOSITIONS IN 1991  
REFERENCED BY GAMBLING CATEGORY\*

LAND-BASED CASINO GAMBLING:	Arkansas, Colorado, Connecticut, Georgia, Indiana, Louisiana, Missouri, Nebraska (study), New Hampshire, Rhode Island, Texas, Wyoming
RIVERBOAT/CRUISE SHIP GAMBLING:	Georgia, Indiana, Kansas, Louisiana, Maryland, Minnesota (study), Missouri, Pennsylvania, Wisconsin, United States (Federal)
VIDEO GAMBLING/LOTTERY DEVICES:	Connecticut, Delaware, Illinois, Iowa, Kansas, Louisiana, Maine, Massachusetts, Minnesota, Mississippi, Missouri, New Hampshire, New Mexico, New Jersey, New York, Oregon, Pennsylvania, Tennessee, Vermont, Washington, Wisconsin, Wyoming
SPORTS WAGERING:	California, Illinois, Massachusetts, Montana, New Jersey, New York, North Dakota
OFF-TRACK WAGERING:	Indiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, Ohio
STATE LOTTERY:	Arkansas, Georgia, Louisiana, Mississippi, Nebraska, Nevada, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Utah, Wyoming

\*Legislation considered, but not necessarily enacted.

SOURCE: STATE GAMING CONTROL BOARD, GAMING RESEARCH

Likewise, Table II (page 18) highlights the states which enacted legalized gaming laws or expanded existing laws in 1991. (For a state by state explanation of the measures considered by the states in 1991, see Appendix E).

While some states have authorized such games as pari-mutuel betting and state lotteries, others have considered casino style gaming similar to the gaming permitted in Nevada.

The first state in recent years to legalize casino style gaming was South Dakota. The voters amended their constitution in 1988 to permit slot machines and \$5-a-hand blackjack and poker in the historic town of Deadwood. The amendment was supported as a means of raising money primarily to preserve the town of Deadwood's historic buildings.

Following the South Dakota example, voters in Colorado approved limited stakes gaming in three tourist dependent historical mining towns (Blackhawk, Central City and Cripple Creek). The Colorado initiative was also supported for its historic preservation and economic development benefits. In November of 1992, the Colorado voters had an opportunity to vote on another initiative that would have legalized limited gaming in other historic areas. The voters defeated this measure. In addition, Louisiana approved legalized video draw poker and considered a state-franchised casino.

In addition to land-based gaming, Illinois, Iowa, Louisiana, and Mississippi have legalized the operation of river-boat gaming. Indiana and Iowa impose monetary limits on the games while Illinois and Louisiana have no such limits.

#### B. DISCUSSION OF RECOMMENDATIONS RELATED TO FOREIGN GAMING

The impact on Nevada of legalized gaming in foreign jurisdictions is uncertain. Some analysts believe that the introduction of small stakes gaming (such as riverboat gaming in Iowa) will tap a market of persons who would not have otherwise gambled. These gamblers may enjoy the experience and then desire to travel to destination resorts like those in Nevada that have no betting limits. In effect, this would increase the market share of visitors to Nevada.

**SOURCE: STATE GAMING CONTROL BOARD, GAMING RESEARCH**



To the contrary, another argument purports that gaming in other jurisdictions will have a direct detrimental impact on Nevada's economy. This argument suggests that the market for gaming dollars is limited and can be exhausted.

One study has recently been completed which suggests that the legalization of gaming in Atlantic City has had a significant negative impact on the growth of Nevada's gaming industry accompanied by a reduction in State gaming tax collections. It appears that the study is the only one to attempt a comprehensive examination of this issue. (See Shonkwiler, J. S., "The Impact of Foreign Gaming on Nevada's Tax Base," University of Nevada, Reno, 1992.)

A third line of reasoning argues that, as gaming becomes more and more accepted across the U.S. and is not viewed as "sinful" conduct, families may begin combining traditional vacations (stressing activities for children) with gaming activities for adults. Four major family oriented theme park attractions are under construction in the Las Vegas area, and one is planned for the Reno area.

In light of these factors, the subcommittee approved the following recommendation:

- Nevada should continue its efforts in establishing the State as a destination resort for tourism. The various public and private gaming entities within the State should continue efforts to make Nevada an attractive tourist resort offering unique and quality entertainment and recreational activities in addition to gaming.

Aside from the direct economic impact that foreign gaming may have on Nevada, potential criminal or corruptive activity related to gaming in other jurisdictions could have a significant negative impact. For example, a major scandal in New Jersey that tarnishes the image of gaming could have a negative impact on the public trust and confidence of gaming in Nevada. The impact of such an event in New Jersey may be minimal since the state relies on gaming for less than 1 percent of its revenues. The impact in Nevada could be substantial as the State relies on gaming for more than 40 percent of its revenues, and a much larger percent for its economic well being. In addition, a Nevada gaming establishment that operates gaming interests outside of this State which experiences losses because of poor management or poor regulation could also have a negative impact on Nevada.

Although some experts predict that the spread of gaming to other jurisdictions could be fraught with peril, the State Legislature is without much power to prevent or discourage the proliferation. During the late 1970's there was a smaller-scale movement to legalize gaming in other states, in particular California. Many of the issues discussed at that time in Nevada were also discussed during the subcommittee's deliberations regarding foreign gaming.

The 1977 Nevada Legislature enacted a series of laws aimed at foreign gaming. These laws require entities licensed in Nevada to obtain approval from the Gaming Commission before engaging in foreign gaming. The application process and the standards for approval or denial are set forth in *Nevada Revised Statutes* 463.680, et seq. (Appendix F is a listing of the history of foreign gaming approvals.)

Taking into account the information presented regarding the proliferation of gaming, the subcommittee determined that this statute needed to be amended by clarifying and strengthening the authority of the Gaming Commission to discipline Nevada licensees for certain violations when conducting foreign gaming operations. Thus the following recommendation was adopted:

- Amend the Nevada Foreign Gaming Act to provide that Nevada licensees shall not:
  - Violate any gaming laws concerning the conduct of gaming in foreign jurisdictions;
  - Conduct foreign gaming not in accordance with the standards of honesty and integrity required in Nevada;
  - Pose an unreasonable threat to gaming control in Nevada; or
  - Undertake any activity while involved in foreign gaming that would reflect or tend to reflect discredit or disrepute upon the State of Nevada or its gaming industry.

Violators of these provisions would be subject to discipline in Nevada. (BDR 41-324)

## V. INDIAN GAMING

### A. BACKGROUND INFORMATION RELATED TO INDIAN GAMING

Native American Tribes are often described as "dependent sovereigns." They are similar to states in that they are sovereigns, but like the states, they are also subject to the supremacy of the Federal Government. It is between these two legal barriers (dependent but sovereign) within which the states and tribes are centered that has created much confusion regarding gaming on Native American lands.

Many tribes have recently turned to gaming as a source of revenue to improve living conditions and assist in becoming independently self-supporting. However, some states have sought to exercise jurisdiction over the tribes to regulate or prohibit such gaming. Two landmark cases in this area have given the tribes the authority to move forward with certain gambling activities. In 1979, the Seminole Tribe of Florida opened a high stakes bingo game which the state attempted to regulate. The 5th U.S. Circuit Court held that the state did not have jurisdiction to regulate gaming because the Federal Government had never transferred jurisdiction to the state to allow it to impose civil laws on Indian lands. (*Seminole Tribe of Florida v. Butterworth*, 658 F. 2d 310 [5th Cir. 1981].)

A second case followed in 1987 where the U.S. Supreme Court confirmed the ruling in "Florida Seminole" by holding that the Cabazon Indians in California were not subject to state jurisdiction over high stakes bingo because the Federal Government had not transferred civil jurisdiction, only criminal jurisdiction. (*California v. Cabazon Band of Mission Indians*, 480 U.S. 202 [1987].)

In both California and Florida, bingo for charity was legal even though the prizes were limited. The effect of these decisions (at least for states that had criminal but not civil jurisdiction conferred upon them) was to conclude that, where a state did not prohibit a certain form of gaming, the tribes were allowed to offer such gaming without limitation or regulation by the state government.

These rulings left the states and the tribes, to a certain extent, in a quandary. The U.S. Congress responded by enacting the Federal Indian Gaming Regulatory Act (IGRA) of 1988. The intent of this Act was to set out the rights and

responsibilities of the states and the tribes with respect to gaming.

The Act appoints a presidential commission (the Federal Indian Gaming Commission) to oversee gaming. Different types of gaming are divided into three categories. Class I consists of traditional Indian games. These games are strictly left to Indian control. Class II includes bingo and certain non-banking card games. These games are subject to some regulation by the Federal Government in conjunction with the tribes. Class III gaming consists of traditional casino style gaming including blackjack, craps, lotteries, pari-mutuel betting, and slot machines. In order to conduct Class III gaming, the tribes must enter into a compact with the state. The state is required to negotiate a compact with the tribe in "good faith." The tribes are authorized to sue the states for failure to negotiate in good faith.

As of June 1992, states and tribes in nine states had negotiated and signed at least 50 Class III compacts which were approved by the U.S. Secretary of the Interior. However, many negotiations have stalled and fallen into litigation.

Although Congress intended to provide a mechanism to resolve the problems that existed prior to IGRA, the Act has been the subject of much litigation in its short history.

One of the most publicized cases decided since IGRA involved the State of Connecticut and the Mashantucket Pequot Tribe. This case interpreted IGRA to mean that where a state authorized limited "Las Vegas" night gaming for charity, the tribes in that state could operate full-scale casino gaming with no limits and not dependent upon charity. In this case, the Mashantucket Pequot Tribe attempted to open a casino over the objections of the State of Connecticut. A lawsuit ensued and the lower courts ordered the state to enter into a compact with the tribe allowing full-scale gaming based on the fact that the state allowed "Las Vegas Nights" for prizes of value. The U.S. Supreme Court allowed the decision to stand by refusing to entertain the appeal. (*Mashantucket Pequot Tribe v. State of Connecticut*, [D.Conn. 1990], 737 F.Supp. 169, *affd.* 913 F.2d 1024 [2nd Cir. 1990], *cert. denied*, 111 S.Ct 1620 [1991].)

This case is an example of the competing interests and different interpretations that have arisen since the passage

of IGRA. The State of Connecticut argued that IGRA and previous court decisions should only allow a tribe to conduct "Las Vegas Nights for Charity" if that is the only type of gaming allowed outside of Indian lands. That is not the interpretation the court followed in the case.

#### **B. DISCUSSION OF RECOMMENDATIONS RELATED TO INDIAN GAMING**

During the course of the hearings, the subcommittee identified many areas of IGRA that are ambiguous and need further clarification. Among those are the fact that the Act does not provide any guidelines for the negotiation process or define negotiation in "good faith." The Act also does not designate any entity that should act as the "state" in the course of the required negotiations.

For the most part, the governors of the states have assumed the role of the "state." However, in Kansas, the Governor negotiated and signed a compact that was forwarded to the Federal Indian Gaming Commission without consulting the Kansas Legislature. The Legislature then received a Kansas Attorney General's Opinion which stated that the Governor may participate in negotiations of compacts, but legislative action is necessary to make a compact binding and enforceable against the state. The Kansas Supreme Court subsequently held that the Governor has the authority to negotiate compacts, but not to bind the state to a compact with terms contrary to state law. The Governor has filed suit in Federal Court to force the approval of the completed compact. In May of 1992, the Kansas Legislature voted to ban casino gambling in the state, but the Governor vetoed the bill.

In this regard, the subcommittee adopted the following two recommendations:

- Provide statutory authority that charges the Gaming Policy Committee with the duty of negotiating Indian gaming compacts pursuant to IGRA. Such compacts to be binding upon the signature of the Governor acting in his capacity as Governor of Nevada. (BDR 41--321)

The Committee, if amended in accordance with the subcommittee's recommendation as discussed in Section II, would be a broad based group including Native American

representation and best suited to conduct the negotiations.

- Support the concept that gaming conducted on Indian lands should be regulated on an equal basis with gaming conducted on other lands.

After extensive testimony regarding the deficiencies of IGRA, the subcommittee also approved the following recommendation relative to the Federal law:

- Adopt a joint resolution urging Congress to amend the IGRA to achieve the following (BDR R-323):
  - Provide a mechanism for effective enforcement of the law, including the granting of concurrent jurisdiction among the Federal Government and states;
  - Provide that tribes may only negotiate for Class III gaming when such specific gaming is permitted by the state in which the Indian land is located;
  - Specifically provide that state sanctioned charitable gaming does not authorize Indian gaming where such conduct would otherwise be prohibited;
  - Affirm a state governor's right to prohibit Class III gaming on lands located within the state's jurisdiction when that land has been acquired after the enactment of the Indian Gaming Regulatory Act and is not contiguous to the reservation or trust lands;
  - Clarify the definitions of Class II gaming;
  - Clarify the standard for negotiating in "good faith," including what constitutes a valid "bad faith" claim; and
  - If the Act is not amended, provide the U.S. Secretary of the Interior with the authority to declare a moratorium on the approval of any new compacts until the Act can be amended.

With respect to gaming on Native American lands within Nevada, one compact has been completed between the State and the Southern Nevada Mojave Tribe. This intergovernmental

agreement predates IGRA and was used as a model during the initial consideration of the Federal legislation.

The subcommittee heard extensive testimony from tribes regarding their desire to enter into the gaming market within Nevada and determined a mechanism should be established to assist the tribes that desire to enter into slot machine gaming on Native American lands.

Thus subcommittee adopted the following recommendation:

- Nevada's Gaming Policy Committee should work with representatives of Nevada Indian tribes to develop a flexible draft compact that would be restricted to the use of 15 or fewer slot machines. This compact would not be binding on any parties, but would serve as a model for future negotiations.

The Committee was chosen because the subcommittee recommended that this entity conduct any formal negotiations under IGRA and because of its broad based membership which would include, if amended, State legislators and regulators, members from tribes and members of the gaming industry.

## VI. THE TAXATION OF GAMING

### A. BACKGROUND INFORMATION RELATED TO THE TAXATION OF GAMING

The subcommittee began its deliberations on this issue by examining the history and current structure of gaming taxes in Nevada. (Appendix G provides a chronological history of each of the gaming taxes in Nevada, including a summary of the current tax structure. Appendix H provides a 5-year history of the amount of gaming taxes collected in Nevada by tax type.)

The current tax structure calls for the following tax rates and brackets relative to the tax on gross gaming revenues:

- 3 percent on gaming revenues up to \$50,000 monthly;
- 4 percent on gaming revenues between \$50,000 monthly and \$134,000 monthly; and
- 6.25 percent on gaming revenues above \$134,000 monthly.

The 6.25 percent tax on gross gaming revenues is the primary tax paid by gaming establishments and generates the most revenues for the State. This tax was first assessed in 1945 as 1 percent of gross gaming revenues. In 1955, the Legislature established a graduated rate schedule with the highest bracket paying 5.5 percent of gross revenues. The tax brackets and/or rates were amended by the Legislature in 1967, 1981, 1983, 1987, and 1989.

In addition to the tax on gross revenues, gaming establishments are assessed a \$250 annual slot machine tax per device, a 10 percent Casino Entertainment Tax, a quarterly slot machine license fee that varies depending on the number of machines and type of license, an annual and quarterly State games license fee, and a race wire license fee. Fees are also charged for manufacturers' and distributors' licenses and for slot route operators.

After reviewing the status of gaming taxes and fees paid by the gaming industry, the subcommittee requested information that would indicate other costs of doing business. Some members were concerned that other indirect fees related to doing business must be considered together with the direct taxes to achieve a true picture of the economics of gaming. (Appendix I outlines the various other fees and charges associated with the gaming business. Among those are business license fees, fees associated with operating a corporation, industrial insurance, unemployment insurance, property tax, sales and use tax, room tax, and various local taxes.)

After reviewing all the fees associated with gaming, the subcommittee requested information regarding other states with legalized gaming and the tax structures in those states. The following charts (Tables III and IV on page 27) depict the tax rates as a percentage of gross gaming revenues for other jurisdictions with legalized gaming.

TABLE III

TAXATION OF GAMING  
(NON-RIVERBOAT)

<u>STATE</u>	<u>RATE OF TAXATION FOR GROSS REVENUES</u>
<b>Colorado</b> (Limited Gaming)	
\$0 - \$440,000.....	4.0 percent
\$440,000 - \$1,200,000.....	8.0 percent
Above \$1,200,000.....	15.0 percent
<b>Louisiana</b> (Video Gaming).....	22.5 percent
<b>Montana</b> (Video Gaming).....	15.0 percent
<b>Nevada</b> (Full-service Gaming)	
\$0 - \$50,000.....	3.0 percent
\$50,000 - \$134,000.....	4.0 percent
Above \$134,000.....	6.25 percent
(Figures are per month.)	
<b>New Jersey</b> (Full-service Gaming).....	8.0 percent
<b>South Dakota</b> (Limited Gaming).....	8.0 percent

Note: Percentages are based on adjusted gross gaming receipts. (All money received from gaming activities minus amounts paid to winners.)

SOURCE: RESEARCH DIVISION, LEGISLATIVE COUNSEL BUREAU, 1992

TABLE IV

## TAXATION OF RIVERBOAT GAMING

<u>STATE</u>	<u>RATE OF TAXATION FOR GROSS REVENUES</u>
<b>Iowa</b> (Betting Limits)	
\$0 - \$1,000,000.....	5.0 percent
\$1,000,000 - \$3,000,000.....	10.0 percent
Above \$3,000,000.....	20.0 percent
<b>Illinois</b> .....	20.0 percent
<b>Louisiana</b> .....	18.5 percent
<b>Mississippi</b> (gaming receipts per month)	
\$0 - \$50,000.....	4.0 percent
\$50,000 - \$134,000.....	6.0 percent
Above \$134,000.....	8.0 percent
<b>Missouri</b>	
\$0 - \$1,000,000.....	5.0 percent
\$1,000,000 - \$3,000,000.....	12.0 percent
Above \$3,000,000.....	20.0 percent

Note: Percentages are based on adjusted gross gaming receipts. (All money received from gaming activities minus amounts paid to winners.)

SOURCE: RESEARCH DIVISION, LEGISLATIVE COUNSEL BUREAU, 1992

Most of these states also charge various licensing and annual fees in addition to the tax on gross revenues. (Appendix J summarizes the various fees charged by these states in addition to taxes.)

**B. DISCUSSION OF RECOMMENDATIONS RELATED TO THE TAXATION OF GAMING**

After analyzing this information, the subcommittee considered a number of concepts related to taxation. The adoption of any of these proposals would have a major impact on the consideration of other tax issues that directly and indirectly apply to gaming. For example, various bill drafts have been requested to amend the business tax and revise the workers' compensation system. The subcommittee concluded that any amendments to the existing gaming taxes must be considered in conjunction with amendments to business taxes, workers' compensation fees, and so forth, in order to gauge the economic impact on the gaming economy.

Thus, the members did not recommend the adoption of any specific modification of the gaming tax structure, but rather approved the following approach to the relevant issues:

- The Senate and Assembly Committees on Taxation should analyze the feasibility and propriety of the following tax-related concepts:
  - Revise the rate and structure of room taxes.

These taxes are potentially large revenue producers because of the volume of tourists that visit Nevada. Some members of the gaming industry argued that any increase in the taxes would be detrimental to the gaming industry because it may have a deterring effect on the convention business. It was argued that much of the success of gaming in Nevada is dependent upon the convention market which is very competitive among the states. However, other people testifying before the subcommittee disputed this conclusion.

- **Broaden the State tax base.**

Some persons testified that the State should discontinue its heavy reliance on the gaming industry for State revenues, particularly in light of the proliferation of gaming and the impact of the recession on unstable tourist-based revenues. They contended that the State must look to other taxes that are growth-generated.

- **Examine the level of gaming taxes as a percentage of gross gaming revenues.** (This alternative is opposite to the approach discussed above.)

Members of the gaming industry presented information regarding the profitability of gaming (see Appendix K) in which they argued that gaming is a fragile industry. Testimony indicated that, in 1990, approximately 50 percent of the casinos in Nevada were profitable, 16 percent marginal (less than 5 percent profit) and 34 percent were unprofitable. The gaming industry representatives argued that the rate of return on capital (8.2 percent) is below the median U.S. return rate (9.2 percent). The current tax and regulatory structure allows the profitable casinos to invest their "next dollar in Nevada." Most of the expansion that occurred in the 1980's was financed by junk bonds which are no longer available, and financing is scarce. It was argued that an increase in the tax rates would prevent the kind of expansion and new gaming projects which are currently under construction, particularly for the publicly held corporations who have an obligation to first satisfy investors. The testimony contended that higher taxes directly reduce profit and would hamper efforts to recruit new investors.

- **Restructure the tax rates and system to encourage table game play.**

Information presented to the subcommittee indicated that the profit margin for table games is approximately 25 percent compared to slot and video machines which is 75 to 80 percent. Most of the legalized gaming that is proliferating across the Nation is in the form of video or slot machine gaming. Players appear to be more comfortable playing slot machines

and may believe their chances of losing money are less. Video games are also easier to regulate than table games.

Nevada is unique because it offers a variety of table games not available in other jurisdictions. It was suggested that with the trend toward slot machine play, Nevada may be able to provide incentives for table game play to capitalize on the State's strengths. It was also suggested that, because slot machines are more profitable, they could be taxed at a higher rate.

- **Examine a retaliatory gaming tax which provides that, when an entity is based in Nevada and operates a business in another state which taxes the business at a higher rate, Nevada may then tax its in-state business at the other state's higher rate.**

This concept is based on the retaliatory tax that currently applies in the insurance industry. One significant difference is that Congress authorized the retaliatory insurance tax but has not authorized such a tax for gaming; therefore, the concept may be an unconstitutional impediment to interstate commerce. It is argued that such an approach might be helpful in preventing companies from expanding to other states where involvement in criminal conduct and violation of gaming laws would be detrimental to the health and welfare of Nevada. Conversely, this type of action might have the effect of expediting expansion into foreign jurisdictions because it would eliminate the favorable tax and regulatory environment that has helped make gaming successful in Nevada.

- **Establish a new tax bracket for the most profitable gaming entities.**

Since it was argued that only 50 percent of the casinos in Nevada are profitable, some testimony suggested that perhaps the casinos at the top of the 50 percent should pay a larger share of the tax burden.

- **The taxation of slot route operators. (This tax is discussed in more detail in the following sections.)**

- The applicability and operation of the Casino Entertainment Tax. (This tax is discussed in more detail in the following sections.)

#### Study of Slot Route Operators

Assembly Bill 824 (Chapter 717, *Statutes of Nevada 1991*, pages 2379-2380), directed the Board to conduct a comprehensive study of the financial health and prospective growth of the businesses operating slot machine routes in Nevada. It also directed the Board to report the status of the study to the Subcommittee to Study Gaming. At the February 21, 1992, meeting of the subcommittee, the Board presented an update regarding the study. The Board had decided to contract out parts of the study to a consultant and had issued requests for proposals. At that time, the Board had not selected a consultant, and there was therefore nothing substantive for the members to consider.

The subcommittee made the following recommendation in that regard:

- The Senate and Assembly Committees on Taxation should, in examining gaming tax related issues, review the results of the Board's "Study of Slot Route Operators" and consider such results in proposing any changes to taxes that affect the gaming industry.

#### Casino Entertainment Tax

The Casino Entertainment Tax is a 10 percent tax on admission, food, refreshments, and merchandise. It only applies in casinos with more than 51 slot machines, six table games, or a combination thereof. The tax is based on the Federal Cabaret Tax which was repealed in 1966. The Federal Cabaret Tax had been developed as part of the Federal Admissions Tax to deal with forms of entertainment for which no direct admission charge was made, such as cabarets. It was intended to cover situations where the price of admission was included in the amounts paid by a patron for refreshment, service or merchandise.

Upon the repeal of the tax by the Federal Government, the State picked up the tax and imposed it as a State Casino Entertainment Tax. The tax has created confusion because the wording of the statute is subject to many different

interpretations. It has been the subject of a significant amount of litigation in Nevada.

The subcommittee asked the Board to formulate a proposal to amend the tax to clarify its application while at the same time keep collections revenue neutral. The Board was unable to complete this task during the course of the hearings. It proved to be difficult because any revision would have different impacts on various sectors of the gaming industry, even if the tax remained revenue neutral.

For this reason, the subcommittee adopted the following recommendation:

- The State Gaming Control Board should submit to the 1993 Legislature, for consideration by the Senate and Assembly Committees on Taxation, an analysis of the options available to amend the Casino Entertainment Tax and have the tax remain revenue neutral, including an explanation of any fiscal impacts on different segments of the gaming industry.

## VII. CONCLUSION

The regulation and economics of gaming are dynamic issues. Nevada has developed, in part by trial and error, a successful system that accommodates both. The subcommittee has made various recommendations that continue to balance economic and regulatory interests.

While there is nothing new about the refining of gaming policy in Nevada, what is new is the need to examine policy with a view toward gaming outside of Nevada. Gaming issues outside of Nevada now play an important role in the making of gaming policy within the State. As the information in this report demonstrates, the legalization of gaming has become a serious endeavor in other jurisdictions.

The subcommittee considered the multitude of events in other jurisdictions while examining gaming policy in Nevada. While the need to strictly regulate gaming in all jurisdictions was demonstrated, no other jurisdiction has more at stake than Nevada. Yet, the Legislature does not have many tools at its disposal to control or regulate gaming outside the State. The recommendations in this report are designed to continue to strike the delicate

balance required in the regulation of gaming and to foster an environment conducive to maintaining and solidifying Nevada as the World's most popular gaming destination.



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# APPENDIX A

SENATE CONCURRENT RESOLUTION NO. 59

FILE NO. 190,

*STATUTES OF NEVADA 1991,*

PAGES 2650-2651



Senate Concurrent Resolution No. 59—Senator Titus

FILE NUMBER...190

SENATE CONCURRENT RESOLUTION—Directing the Legislative Commission to conduct an interim study of gaming.

WHEREAS, In 1869 the Nevada Legislature passed the gaming bill after an override of the governor's veto, and legalized gaming in Nevada; and

WHEREAS, Since those early years, Nevada prohibited gaming only once for a period of 21 years until 1931 when gaming was once again legalized as Governor Balsar signed Assemblyman Tobin's so-called "wide open gambling" bill; and

WHEREAS, In the past 60 years gaming has become Nevada's primary industry, contributing nearly 43 percent of the state's annual budget; and

WHEREAS, As gaming continues to be legalized in more and more states, competition for tourists increases, thereby creating a need for the continued promotion of this state as an attractive and exciting destination for visitors; and

WHEREAS, Although the State of Nevada must continue to diversify its economic base, it must not neglect its commitment to the gaming industry which remains the primary source of revenue for this state; now, therefore, be it

RESOLVED BY THE SENATE OF THE STATE OF NEVADA, THE ASSEMBLY CONCURRING, That the Legislative Commission is hereby directed to conduct an interim study on gaming; and be it further

RESOLVED, That the study should include an intensive evaluation of the future of gaming in this state taking into consideration:

1. The effect on Nevada of gaming in other areas of the United States including proposals to allow gaming on Indian reservations;
  2. Present and future plans for taxation of the gaming industry;
  3. The treatment of the law on larger gaming establishments compared to smaller ones; and
  4. Any other aspect of gaming which may influence Nevada's economy;
- and be it further

RESOLVED, That the Legislative Commission submit a report of its findings and any recommendations for appropriate legislation to the 67th session of the Nevada Legislature.

19  91



# **A P P E N D I X   B**

**REGULATORY JURISDICTION OF  
STATE GAMING CONTROL BOARD  
AND  
NEVADA GAMING COMMISSION**



REGULATORY JURISDICTION OF STATE GAMING CONTROL BOARD  
AND NEVADA GAMING COMMISSION

I. Sources of Funds to Casinos or Regarding Operation of Casinos:

A. Must be licensed or found suitable:

1. Anyone who provides services, property or equipment (gaming or non-gaming) to a casino for a percentage of gaming revenue.
2. Manufacturers and distributors of gaming devices.
3. Anyone desiring to share in the revenue from the conduct of off-track pari-mutuel wagering in Nevada.
4. Anyone desiring to accept off-track pari-mutuel wagers in Nevada.
5. The systems operator of an off-track pari-mutuel system.
6. Disseminators.

B. May be licensed or found suitable:

1. Landlords
2. Anyone who repairs, rebuilds or modifies any gaming device.
3. Anyone who manufactures or distributes chips or gaming tokens in Nevada.
4. Lenders or holders of indebtedness.
5. Underwriters
6. Anyone who furnishes services, goods or property to a gaming licensee (i.e. suppliers of goods and services).
7. Anyone doing business on the premises of a licensed gaming establishment.
8. Independent agents (junket representatives).

9. Anyone who does business with a casino as a ticket purveyor, tour operator, operator of a bus program, or as the operator of any other type of casino travel program or promotion.
10. Anyone who provides any goods or services to a casino for grossly disproportionate compensation (when compared to the value of the goods or services).
11. Anyone who receives compensation for conducting a tournament or contest on behalf of or in conjunction with a gaming licensee.
12. Labor organizations which deal with employers of gaming casino employees.
13. Any person associated with the operation of a charitable lottery in Nevada.
14. Qualified organizations conducting charitable lotteries in Nevada.

II. Individuals Otherwise Involved Directly or Indirectly with Gaming Licensee:

A. Must be licensed or found suitable:

1. All officers, directors and shareholders of a corporate gaming licensee.
2. All general partners and limited partners of a limited partnership gaming licensee, unless the limited partner is a publicly traded corporation or has been granted delayed licensing under NGC Regulation 15A.
3. Each officer, director and employee of a publicly traded corporation actively and directly engaged in the administration or supervision of, or having any other significant involvement with, the activities of a subsidiary gaming licensee.

4. Any beneficial owner of more than 10% of the voting securities of a registered publicly traded corporation. (Any beneficial owner of more than 5% of the voting securities of a registered publicly traded corporation must report such acquisition to the Gaming Control Board within 10 days after reporting such acquisition to the SEC).

B. May be licensed or found suitable:

1. Lenders, holders of indebtedness, underwriters, and any key executives, agents and employees of a corporate or limited partnership gaming licensee.
2. Limited partners of a limited partnership gaming licensee previously granted delayed licensing pursuant to NGC Reg. 15A.
3. Any beneficial owner of voting securities of a registered publicly traded corporation, regardless of percentage of ownership thereof.
4. Any beneficial owner of any security (equity or debt) issued by a registered publicly traded corporation.
5. Any individual determined to have a material relationship to, or material involvement with, a registered publicly traded corporation, where the public interest and the purposes of the Gaming Control Act so require. (i.e. controlling persons, key employees, or agents, consultants, advisors or other persons who exercise significant influence upon the management or affairs of the registered publicly traded corporation.)
6. Any other officer, director or employee of a registered publicly traded corporation, if it is determined that the policies of the state regarding gaming would be served thereby.



# APPENDIX C

## STATE LOTTERIES



## STATE LOTTERIES

In 1970, there were two state lotteries nationwide in the U.S. Today, 33 states and the District of Columbia operate a public lottery. Texas will soon be added to this list as voters of the "Lone Star State" authorized a state lottery in November 1991, and Texas officials are hurriedly working and organizing to commence lottery chance sales by July 1992. Additionally, the first leg of a constitutional amendment authorizing a state lottery was passed by the Tennessee legislature in 1991 and voters in Georgia and Nebraska will decide in the November 1992 general election whether their respective states should have a lottery. Legalization of a state lottery has become a perennial topic in several other state legislatures including Hawaii and Utah, the only two states presently with no legal form of gambling.

Eight tables/charts are attached which identify recent indicators of performance by individual state lotteries:

Table I is a chart showing the annual total state lottery sales achieved in the U.S. between and including calendar years 1982 and 1990. The chart shows total sales grew from \$4.1 billion in 1982 to \$21 billion in 1990, an increase of over 414%, and positive growth has been achieved each year, 23.5% annually on average. In 1982, lotteries represented approximately 3.3% of the total dollars wagered legally in the U.S., but in 1990 lotteries grew to nearly 7.4% of the total. There were 17 state lotteries (including the District of Columbia) in 1982 and by 1990 there were 33.

Table II is a table listing the 33 state lotteries operated during fiscal year (FY) 1990 and identifying the resident population, total sales, total sales per capita, total prizes, and net government revenue achieved by each jurisdiction for the fiscal year. The table also indicates the proportions each jurisdiction's prize total and government revenue total represented of its total sales. The states are listed by population in descending order.

Table II generally demonstrates the population of a state has a direct bearing on the total lottery sales it may achieve. California with the largest population experienced the highest sales of any state in FY 1990 with \$2.5 billion. Likewise, South Dakota had the lowest total sales (excluding video lottery revenue) with \$18.9 million and ranked near the bottom in population. The most extreme exception to this trend appeared to be Washington, D.C., With the second lowest population, D.C. had total sales of \$150 million, a sum otherwise achieved by states with four times the population. Connecticut and Massachusetts also bucked the population-total sales correlation. It is commonly held that 85%-90% of total lottery sales are typically generated by the residents of the lottery state.

Table III shows how the individual lottery states ranked in four categories for FY 1990: population, total sales, total prizes, and total government revenue as a percentage of total sales. This table again shows the relationship between the size of population and the size of total sales and it also shows the relationship between total prizes to the first two rankings. Total prize award amounts are typically required by statute or regulation to be a given percentage of total sales, thus the correlation.

In contrast, the percentage of total sales eventuating into government revenue, or "lottery efficiency," is not driven by population size. Among a host of variables effecting lottery efficiency, the age of a lottery appears to typically have some bearing.

Table IV shows the annual total sales growth experienced by individual lotteries between and including FY 1987 and FY 1990. Probably the most apparent point illustrated by this table is the erraticism associated with lottery sales year-to-year.

Table V indicates the size and frequency of jackpots awarded during a particular month in 1990 by a sampling of state lotteries and the multi-state lottery associations.

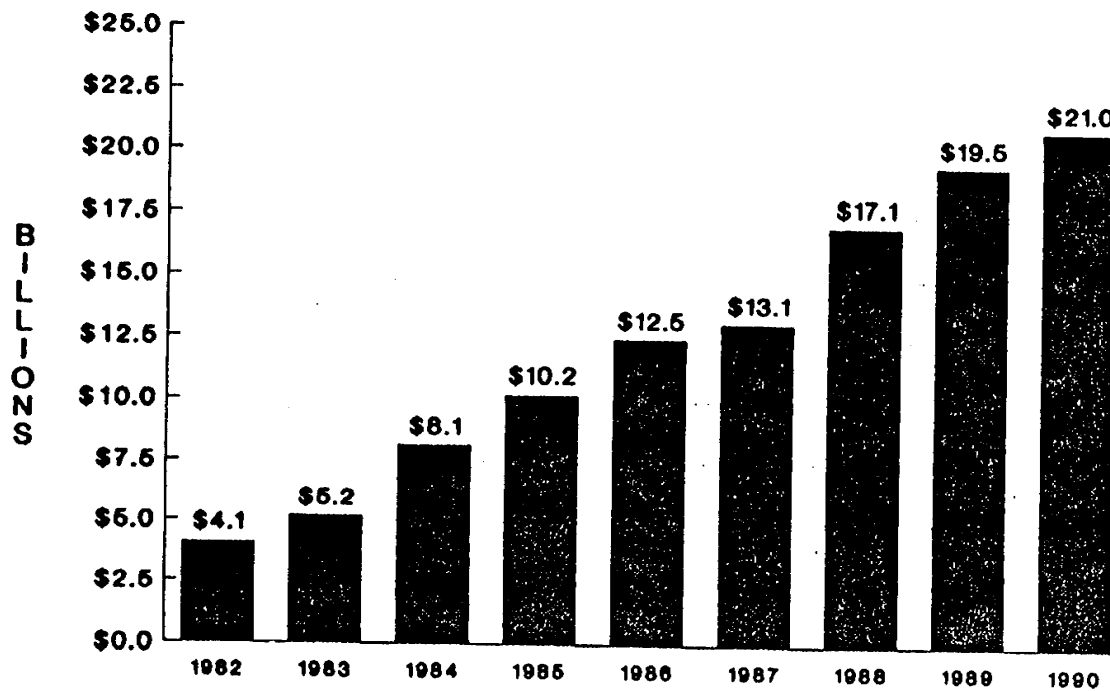
Table VI approximates the amount of revenue Nevada might realize from a state lottery by applying an average of lottery revenue generated for state coffers in seven like-sized jurisdictions to Nevada.

Table VII approximates the amount of revenue Nevada might realize from a state lottery by applying the averages of per capita sales achieved by like-sized states to Nevada.

Table VIII approximates the amount of revenue Nevada might realize from a state lottery by applying the average relationship between total lottery sales and total personal income in like-sized states to Nevada.

It should be noted, the approximations depicted in Tables VI, VII, and VIII do not take into account Nevada's unique presence of prevalent gaming and its potential impact (good/bad) upon lottery activity.

# U.S. LOTTERY SALES 1982 - 1990



Source: Gaming & Wagering Business

# STATE LOTTERY REVENUES & EXPENSES FY 1990

- States are Listed by Population in Descending Order -

	POPULATION (Millions)	TOTAL SALES <sup>1</sup> (Millions)	PER CAPITA SALES	TOTAL PRIZES (Millions)	PRIZES AS % OF SALES	NET GOVT. REVENUE <sup>2</sup> (Millions)	GOVT. REV. AS % OF SALES
CALIFORNIA	29.76	\$2,476.6	\$83.22	\$1,236.3	50.0%	\$965.0	39.6%
NEW YORK	17.99	2,066.1	114.40	979.5	47.6%	926.0	45.1%
FLORIDA	12.94	2,091.7	161.65	1,076.6	51.5%	799.9	38.2%
PENNSYLVANIA	11.88	1,543.3	129.91	804.6	52.1%	619.6	40.1%
ILLINOIS	11.43	1,569.6	137.32	766.3	50.2%	594.0	37.6%
OHIO	10.85	1,650.2	152.09	811.9	49.2%	644.3	39.0%
MICHIGAN	9.30	1,164.2	125.16	583.7	50.1%	479.8	41.2%
NEW JERSEY	7.73	1,223.5	158.28	613.3	50.1%	524.2	42.8%
VIRGINIA	6.19	474.6	76.70	252.3	53.1%	166.5	33.0%
MASSACHUSETTS	6.02	1,571.7	261.06	945.0	60.1%	475.2	30.2%
INDIANA <sup>3</sup>	5.54	404.1	72.94	215.7	53.4%	126.0	31.2%
MISSOURI	5.16	222.8	43.01	118.0	53.0%	75.0	33.7%
WISCONSIN	4.69	309.7	63.33	163.2	52.7%	107.5	34.7%
WASHINGTON	4.67	247.1	50.74	117.3	47.5%	92.0	37.2%
MARYLAND	4.76	811.6	169.79	406.3	50.3%	335.3	41.3%
MINNESOTA <sup>4</sup>	4.36	67.8	15.48	34.3	50.6%	13.1	19.3%
KENTUCKY	3.69	197.0	53.39	96.5	50.0%	68.0	34.5%
ARIZONA	3.67	267.9	76.45	136.7	47.5%	112.7	39.1%

NEVADA STATE GAMING CONTROL BOARD • GAMING RESEARCH

TABLE II

	POPULATION (Millions)	TOTAL SALES <sup>1</sup> (Millions)	PER CAPITA SALES	TOTAL PRIZES (Millions)	PRIZES AS % OF SALES	NET GOVT. REVENUE <sup>2</sup> (Millions)	GOVT. REV. AS % OF SALES
COLORADO	3.29	\$139.9	\$42.52	\$73.2	52.3%	\$40.9	29.2%
CONNECTICUT	3.29	525.3	159.67	258.3	49.2%	227.6	43.3%
OREGON	2.84	164.0	57.75	86.6	52.6%	54.7	33.4%
IOWA	2.76	168.3	60.54	90.8	54.0%	50.5	30.0%
KANSAS	2.48	64.5	26.00	28.5	44.2%	17.9	27.6%
WEST VIRGINIA	1.79	67.2	37.54	31.5	46.9%	18.0	26.8%
* MAINE	1.23	95.9	77.97	48.4	50.5%	30.6	31.9%
* NEW HAMPSHIRE	1.11	97.8	88.11	47.5	48.6%	32.7	33.4%
* IDAHO <sup>3</sup>	1.01	66.0	65.35	31.7	48.0%	17.2	26.1%
* RHODE ISLAND	1.00	65.9	65.90	30.0	45.5%	27.2	41.3%
* MONTANA	0.80	21.5	26.87	10.2	47.4%	4.2	19.5%
* SOUTH DAKOTA <sup>4</sup>	0.70	18.9	27.00	9.7	51.3%	4.5	23.8%
* DELAWARE	0.67	66.4	99.10	35.0	52.7%	25.0	37.7%
D.C. (Washington)	0.61	150.0	245.90	74.5	49.7%	47.9	31.9%
VERMONT	0.56	42.8	76.43	23.6	55.1%	13.2	30.6%

Sources: Gaming & Wagering Business  
Select State Lottery Agencies

<sup>1</sup>Ticket sales exclude revenues from retailer license fees and interest income.

<sup>2</sup>Government revenue does not reflect individual lotteries' retained earnings.

<sup>3</sup>Commenced sales October 1989.

<sup>4</sup>Commenced sales April 1990.

<sup>5</sup>Commenced sales July 1989. Idaho's total government revenue includes \$6 million in state lottery retained earnings.

<sup>6</sup>South Dakota figures do not include video lottery contributions. Video lottery contributed an additional \$10.4 million to government coffers.

NOTE: Starred (\*) states have a population within approximately 550,000 of Nevada's.

# STATE LOTTERY RANKINGS FY 1990

POPULATION (in Millions)		TOTAL SALES (in Millions)		TOTAL PRIZES (in Millions)		TOTAL GOVERNMENT REVENUE AS % OF TOTAL SALES	
1. CALIFORNIA	29.76	1. CALIFORNIA	\$2,476.8	1. CALIFORNIA	\$1,238.3	1. NEW YORK	45.1%
2. NEW YORK	17.90	2. FLORIDA	2,091.7	2. FLORIDA	1,076.6	2. CONNECTICUT	43.3%
3. FLORIDA	12.94	3. NEW YORK	2,050.1	3. NEW YORK	879.5	3. NEW JERSEY	42.8%
4. PENNSYLVANIA	11.80	4. OHIO	1,650.2	4. MASSACHUSETTS	945.0	4. MARYLAND	41.3%
5. ILLINOIS	11.43	5. MASSACHUSETTS	1,571.7	5. OHIO	811.9	5. RHODE ISLAND	41.3%
6. OHIO	10.86	6. ILLINOIS	1,540.6	6. PENNSYLVANIA	804.6	6. MICHIGAN	41.2%
7. MICHIGAN	9.30	7. PENNSYLVANIA	1,543.3	7. ILLINOIS	788.3	7. PENNSYLVANIA	40.1%
8. NEW JERSEY	7.73	8. NEW JERSEY	1,223.5	8. NEW JERSEY	613.3	8. CALIFORNIA	39.8%
9. VIRGINIA	6.10	9. MICHIGAN	1,184.2	9. MICHIGAN	563.7	9. ARIZONA	39.1%
10. MASSACHUSETTS	6.02	10. MARYLAND	811.6	10. MARYLAND	408.3	10. OHIO	39.0%
11. INDIANA	5.54	11. CONNECTICUT	525.3	11. CONNECTICUT	258.3	11. FLORIDA	38.2%
12. MISSOURI	5.18	12. VIRGINIA	474.8	12. VIRGINIA	252.3	12. ILLINOIS	37.6%
13. WISCONSIN	4.80	13. INDIANA *	404.1	13. INDIANA *	215.7	13. DELAWARE	37.7%
14. WASHINGTON	4.87	14. WISCONSIN	308.7	14. WISCONSIN	183.2	14. WASHINGTON	37.2%
15. MARYLAND	4.78	15. ARIZONA	287.9	15. ARIZONA	138.7	15. WISCONSIN	34.7%
16. MINNESOTA	4.38	16. WASHINGTON	247.1	16. MISSOURI	118.0	16. KENTUCKY	34.5%
17. KENTUCKY	3.80	17. MISSOURI	222.8	17. WASHINGTON	117.3	17. MISSOURI	33.7%
18. ARIZONA	3.67	18. KENTUCKY	197.0	18. KENTUCKY	98.5	18. OREGON	33.4%
19. COLORADO	3.29	19. IOWA	188.3	19. IOWA	90.8	19. NEW HAMPSHIRE	33.4%
20. CONNECTICUT	3.29	20. OREGON	164.0	20. OREGON	86.6	20. VIRGINIA	33.0%
21. OREGON	2.84	21. D.C. (Washington)	150.0	21. D.C. (Washington)	74.5	21. D.C. (Washington)	31.9%
22. IOWA	2.78	22. COLORADO	139.9	22. COLORADO	73.2	22. MAINE	31.9%
23. KANSAS	2.48	23. NEW HAMPSHIRE	97.8	23. MAINE	48.4	23. INDIANA *	31.2%
24. WEST VIRGINIA	1.79	24. MAINE	95.9	24. NEW HAMPSHIRE	47.5	24. VERMONT	30.6%
25. MAINE	1.23	25. MINNESOTA **	67.6	25. DELAWARE	35.0	25. MASSACHUSETTS	30.2%
26. NEW HAMPSHIRE	1.11	26. WEST VIRGINIA	67.2	26. MINNESOTA **	34.3	26. IOWA	30.0%
27. IDAHO	1.01	27. DELAWARE	66.4	27. IDAHO ***	31.7	27. COLORADO	29.2%
28. RHODE ISLAND	1.00	28. IDAHO ***	66.0	28. WEST VIRGINIA	31.5	28. KANSAS	27.8%
29. MONTANA	0.80	29. RHODE ISLAND	65.9	29. RHODE ISLAND	30.0	29. WEST VIRGINIA	26.8%
30. SOUTH DAKOTA	0.70	30. KANSAS	64.5	30. KANSAS	28.5	30. IDAHO ***	26.1%
31. DELAWARE	0.67	31. VERMONT	42.8	31. VERMONT	23.6	31. SOUTH DAKOTA	23.8%
32. D.C. (Washington)	0.61	32. MONTANA	21.5	32. MONTANA	10.2	32. MONTANA	19.5%
33. VERMONT	0.58	33. SOUTH DAKOTA	18.9	33. SOUTH DAKOTA	9.7	33. MINNESOTA **	19.3%

\* Commenced sales October 1989.  
 \*\* Commenced sales April 1990.  
 \*\*\* Commenced sales July 1989.

Sources: Gaming & Vagring Business  
 Select State Lottery Agencies

TABLE III

# STATE LOTTERY SALES TRENDS FY 1986 - FY 1990

	FY 1986		FY 1987		FY 1988		FY 1989		FY 1990	
	Total		Total	Percent	Total	Percent	Total	Percent	Total	
	Sales		Sales	Change	Sales	Change	Sales	Change	Sales	
ARIZONA.....	120.9		142.2	17.6%	172.8	21.4%	252.0	46.0%	287.9	14.2%
CALIFORNIA.....	1,785.6		1,392.2	-21.1%	2,106.5	51.3%	2,828.9	24.8%	2,476.6	-5.8%
COLORADO.....	101.2		113.3	12.0%	90.9	-19.8%	78.9	-13.2%	139.9	77.3%
CONNECTICUT.....	429.1		489.3	14.0%	513.9	5.0%	493.8	-3.9%	525.3	6.4%
DELAWARE.....	40.9		45.8	12.0%	55.5	21.2%	63.4	14.2%	88.4	4.7%
D.C. (Washington).....	118.6		121.7	2.6%	123.0	1.1%	142.6	15.9%	150.0	5.2%
FLORIDA <sup>1</sup> .....	N/A		N/A		1,560.1		1,991.6	27.7%	2,280.4	14.5%
IDAH0 <sup>2</sup> .....	N/A		N/A		N/A		N/A		66.0	
ILLINOIS.....	1,284.1		1,303.8	1.5%	1,301.5	-0.2%	1,527.9	17.4%	1,569.6	2.7%
INDIANA <sup>3</sup> .....	N/A		N/A		N/A		N/A		404.1	
IOWA.....	81.7		94.5	15.7%	124.0	31.2%	172.5	39.1%	168.3	-2.4%
KANSAS <sup>4</sup> .....	N/A		N/A		65.8		68.2	3.6%	64.5	-5.4%
KENTUCKY <sup>5</sup> .....	N/A		N/A		N/A		124.6		197.0	58.1%
MAINE.....	38.7		58.1	50.1%	82.5	42.0%	96.3	16.7%	95.9	-0.4%
MARYLAND.....	718.2		780.5	8.6%	811.4	6.7%	746.3	-8.0%	811.6	8.7%
MASSACHUSETTS.....	1,133.9		1,259.8	11.1%	1,372.2	8.9%	1,541.0	12.3%	1,571.7	2.0%
MICHIGAN.....	999.4		1,006.3	0.7%	1,201.1	19.4%	1,155.3	-3.8%	1,164.2	0.8%
MINNESOTA <sup>6</sup> .....	N/A		N/A		N/A		N/A		67.8	
MISSOURI.....	207.0		174.4	-15.7%	147.8	-15.3%	199.2	34.8%	222.8	11.8%
MONTANA <sup>7</sup> .....	N/A		3.8		21.8	473.7%	11.7	-48.3%	21.5	83.8%
NEW HAMPSHIRE.....	33.8		60.2	78.1%	78.2	29.9%	89.4	14.3%	97.8	9.4%
NEW JERSEY.....	990.1		1,118.9	12.8%	1,174.3	5.1%	1,247.0	6.2%	1,223.5	-1.9%
NEW YORK.....	1,317.0		1,458.8	10.8%	1,565.9	7.3%	1,847.1	18.0%	2,058.1	11.4%
OHIO.....	937.2		1,069.9	14.2%	1,375.7	28.8%	1,414.1	2.8%	1,650.2	16.7%
OREGON.....	87.4		100.3	14.8%	160.0	59.5%	155.5	-2.8%	164.0	5.5%
PENNSYLVANIA.....	1,320.2		1,338.5	1.4%	1,439.1	7.5%	1,567.2	8.9%	1,543.3	-1.5%
RHODE ISLAND.....	58.9		57.9	-1.8%	61.3	5.9%	61.0	-0.5%	65.9	8.0%
SOUTH DAKOTA <sup>8</sup> .....	N/A		N/A		28.1		21.0	-19.5%	18.9	-10.0%
VERMONT.....	12.4		25.3	104.0%	35.1	38.7%	39.4	12.3%	42.8	8.6%
VIRGINIA <sup>9</sup> .....	N/A		N/A		N/A		409.1		474.8	16.1%
WASHINGTON.....	181.2		193.9	7.0%	215.0	10.9%	255.4	18.8%	247.1	-3.2%
WEST VIRGINIA.....	53.0		70.5	33.0%	56.6	-19.7%	59.2	4.6%	67.2	13.5%
WISCONSIN <sup>10</sup> .....	N/A		N/A		N/A		230.4		309.7	34.4%

<sup>1</sup>Calendar Year  
<sup>2</sup>Began January 1988  
<sup>3</sup>Began July 1989

<sup>4</sup>Began November 1987  
<sup>5</sup>Began April 1989  
<sup>6</sup>Began April 1990

<sup>7</sup>Began June 1987  
<sup>8</sup>Began September 1987  
<sup>9</sup>Began September 1988  
<sup>10</sup>Began October 1989

Sources: Select State Lottery Agencies  
Public Gaming International

TABLE IV

## SAMPLING OF STATE LOTTERY JACKPOT SIZES

### JACKPOTS AWARDED DURING JUNE 1990

- States are Listed by Population in Descending Order -  
(Dollars in Millions)

	POPULATION (in Millions)	AVERAGE JACKPOT SIZE	NUMBER OF JACKPOTS AWARDED	LARGEST JACKPOT AWARDED
CALIFORNIA	29.78	\$10.60	9	\$26.91
NEW YORK	17.99	6.36	9	11.25
ILLINOIS	11.43	15.80	5	25.00
VIRGINIA	6.19	2.34	5	3.55
MISSOURI	5.18	2.37	9	4.20
WASHINGTON	4.87	1.61	9	3.00
MARYLAND	4.78	4.00	4	6.00
KENTUCKY	3.69	2.17	6	4.00
COLORADO	3.29	8.96	5	18.00
CONNECTICUT	3.29	4.48	10	11.79
OREGON	2.84	1.48	9	2.25
* NEW HAMPSHIRE	1.11	1.03	5	1.51
* DELAWARE	0.67	0.97	9	2.25
D.C. (Washington)	.61	10.5	4	25.00
Tri-State Lotto <sup>1</sup>	N/A	2.30	5	4.50
Lotto America <sup>2</sup>	N/A	9.44	9	23.12

Sources: Select State Lottery Agencies  
Public Gaming International

<sup>1</sup>Tri-State Lotto is a multi-state lottery with Maine, New Hampshire, and Vermont as the participants.

<sup>2</sup>Lotto America is a multi-state lottery with fifteen states and the District of Columbia as the participants. (The participating states include: Delaware, Idaho, Indiana, Iowa, Kansas, Kentucky, Maine, Minnesota, Missouri, Montana, Oregon, Rhode Island, South Dakota, West Virginia, and Wisconsin.)

NOTE: Starred (\*) states have a population within approximately 550,000 of Nevada's.

TABLE V

**STATE REVENUE GENERATED BY LOTTERIES DURING FY 1990  
-IN STATES HAVING A POPULATION WITHIN 550,000 OF NEVADA'S**

	POPULATION (Millions)	TOTAL GENERAL FUND REVENUE <sup>1</sup> (Millions)	LOTTERY REVENUE TO STATE (Millions)	LOTTERY REV. TO STATE AS % OF GEN. FUND REV.
MAINE	1.23	\$1,420.4	\$30.8	2.2%
NEW HAMPSHIRE	1.11	532.0	32.7	6.2%
IDAHO	1.01	927.2	17.2	1.9%
RHODE ISLAND	1.00	1,369.7	27.2	2.0%
MONTANA	0.80	444.61	4.2	1.0%
SOUTH DAKOTA <sup>2</sup>	0.70	445.0	4.5	1.0%
DELAWARE	0.67	1,131.6	25.0	2.2%
<b>Average:</b>		<b>\$895.79</b>	<b>\$20.2</b>	<b>2.3%</b>

Source: State Budget/Fiscal Agencies

<sup>1</sup>Not all of the states shown deposit revenue generated by their state lottery into their state general fund. However, for the purposes of this table, lottery revenue was included in the state general fund total in all instances, notwithstanding respective budgetary practices.

<sup>2</sup>South Dakota "Lottery Revenue to State" does not include video lottery revenue.

Applying the foregoing averages to Nevada:

\$802,026,000	(Nevada's General Fund Revenue in FY 1990)
x .023	(2.3% - Average Percentage Lottery Revenue Represents of the Total General Fund Revenue for Like-Sized States)
<u>\$18,446,598</u>	(2.3% of Nevada's FY 1990 General Fund Revenue)

TABLE VI

NEVADA STATE GAMING CONTROL BOARD • GAMING RESEARCH

**POTENTIAL NEVADA STATE LOTTERY SALES**  
**--BASED UPON FY 1990 PER CAPITA LOTTERY SALES IN STATES HAVING**  
**A POPULATION WITHIN 550,000 OF NEVADA'S**

	POPULATION (Millions)	TOTAL LOTTERY SALES (Millions)	PER CAPITA LOTTERY SALES	GOVT. REV. FROM LOTTERY (Millions)	GOVT. REV. AS % OF TOTAL SALES
MAINE	1.23	\$96.9	\$77.97	\$30.6	31.9%
NEW HAMPSHIRE	1.11	\$97.8	88.11	32.7	33.4%
IDAHO <sup>1</sup>	1.01	\$96.0	95.35	17.2	26.1%
RHODE ISLAND	1.00	\$65.9	65.90	27.2	41.3%
MONTANA	0.80	\$21.5	26.87	4.2	19.5%
SOUTH DAKOTA <sup>2</sup>	0.70	\$18.9	27.00	4.5	23.8%
DELAWARE	0.67	\$66.4	99.10	25.0	37.7%
Average:	0.93	\$61.8	\$66.32	\$20.2	32.7%

<sup>1</sup>The Idaho Lottery did not commence sales until June 1989.

<sup>2</sup>South Dakota figures do not include video lottery contributions.

Source: Gaming & Wagering Business  
Select State Lottery Agencies

Applying the foregoing averages to Nevada:

1,201,833	(Estimated Population of Nevada in 1990)
x \$66.32	(Average Per Capita Sales for Like-Sized States)
<u>\$79,705,565</u>	(Potential Nevada State Lottery Total Sales)
 \$79,705,565	
x .327	(32.7% - Average Government Revenue as a Percentage of Total Sales for Like-Sized States)
<u>\$26,063,720</u>	(Potential Government Revenue Generated by a Nevada State Lottery)

TABLE VII

NEVADA STATE GAMING CONTROL BOARD • GAMING RESEARCH

**POTENTIAL NEVADA STATE LOTTERY SALES**  
**-BASED UPON FY 1990 TOTAL PERSONAL INCOME AND TOTAL LOTTERY**  
**SALES IN STATES HAVING A POPULATION WITHIN 550,000 OF NEVADA'S**

	TOTAL LOTTERY SALES (Millions)	TOTAL PERSONAL INCOME (Millions)	PERSONAL INCOME TO SALES RATIO	GOVT. REV. FROM LOTTERY (Millions)	GOVT. REV. AS % OF TOTAL SALES
MAINE	\$95.9	\$21,146	220.50	\$30.6	31.9%
NEW HAMPSHIRE	97.8	23,147	238.88	32.7	33.4%
IDAHO <sup>1</sup>	66.0	15,423	233.68	17.2	28.1
RHODE ISLAND	65.9	18,894	286.71	27.2	41.3%
MONTANA	21.5	12,205	567.87	4.2	19.5%
SOUTH DAKOTA <sup>2</sup>	18.9	10,997	581.85	4.5	23.8%
DELAWARE	66.4	13,397	201.76	25.0	37.7%
Average:	\$61.8	\$16,458	266.44	\$20.2	32.7%

<sup>1</sup>The Idaho Lottery did not commence sales until July 1988.

<sup>2</sup>South Dakota figures do not include video lottery contributions.

Sources: Gaming & Wagering Business  
U.S. Dept. of Commerce, BEA

Applying the foregoing averages and ratio to Nevada:

\$23,298,000,000	(Nevada's Total Personal Income for 1990)
+ 266.44	(Total Personal Income to Total Lottery Sales Average Ratio for Like Sized States)
<u>\$87,441,826</u>	(Potential Nevada State Lottery Total Sales)
 \$87,441,826 x .327	 (32.7% - Average Government Revenue as a Percentage of Total Sales in Like-Sized States)
<u>\$28,593,477</u>	(Potential Government Revenue Generated by a Nevada State Lottery)
 \$87,441,826 ÷ 1,201,833	 (Estimated Population of Nevada in 1990)
<u>\$72.76</u>	(Potential Per Capita Nevada State Lottery Sales)

TABLE VIII

NEVADA STATE GAMING CONTROL BOARD • GAMING RESEARCH



# APPENDIX D

GAMING

AT A

GLANCE



## Gaming at a glance

Researched, compiled and written by Terri La Fleur and Levenor

The following is *Gaming & Wagering Business's* 11th annual edition of U.S. and Canadian Gaming at a Glance. Changes in industry segments are listed by state and province. For our 10th annual World Gaming at a Glance, see the July 15, 1990 issue.

### U.S. JURISDICTIONS

**Sports betting:** Legal and operative in four states. Private book-making operations are legal statewide only in Nevada. The Oregon lottery offers a U.S. sports pool based on the results of professional football.

**Keno:** Legal and operative in six states. New jurisdictions: (1) Kansas. Four state lotteries offer keno as part of their product mix. Local option lotteries or keno is conducted in 36 communities throughout Nebraska and have been approved by voters in some 50 other cities or counties. The Oregon lottery has authorized the launch of keno in Fall 1991.

**Lotteries:** State-sponsored lotteries legal in 33 states, Washington, D.C., the Virgin Islands and Puerto Rico. A privatized lottery sells tickets in Alaska. The Louisiana Lottery Corp. is expected to begin its first instant game by Labor Day. In 1991, two legislatures in Georgia and Nebraska approved bills to change the respective states' constitutional prohibition of lotteries.

(1) **Instant:** Legal and operative in 33 states and Washington, D.C. A private lottery corporation operates in Alaska, generating revenues for statewide charities through the sale of instant tickets.

(2) **On-line lotto:** Legal in 33 states and Washington, D.C., operative in 32 states and D.C. New jurisdictions: (2): Minnesota and South Dakota.

(3) **On-line numbers:** Legal in 31 states and Washington, D.C., operative in 24 states, D.C. and Puerto Rico.

New jurisdictions for 3-digit numbers: (2): Minnesota and Puerto Rico.

New jurisdiction for hybrid card/numbers game: (1): Ohio.

U.S.	Lottery	Parimutuels	Off-track
State	Bingo	Card rooms	Casinos
	Pull-tabs	Sport machines	Sports betting
	Keno	Instant	Lotto
	Numbers	Pastors	VLTs
	Greyhound	Harness	Jai-alai
	Quarter horse	Thoroughbred	Interstate intertrack
	OTB, race/sportsbooks	Interstate intertrack	Telephone betting
	Teletheaters		
Alabama			
Alaska			
Arizona			
Arkansas			
California			
Colorado			
Connecticut			
Delaware			
Florida			
Georgia			
Hawaii			
Idaho			
Illinois			
Indiana			
Iowa			
Kansas			
Kentucky			
Louisiana			
Maine			
Maryland			
Massachusetts			
Michigan			
Minnesota			
Mississippi			
Missouri			
Montana			
Nebraska			
Nevada			
New Hampshire			
New Jersey			
New Mexico			
New York			
North Carolina			
North Dakota			
Ohio			
Oklahoma			
Oregon			
Pennsylvania			
Rhode Island			
South Carolina			
South Dakota			
Tennessee			
Texas			
Utah			
Vermont			
Virginia			
Washington			
Wash., D.C.			
West Virginia			
Wisconsin			
Wyoming			
Puerto Rico			
Virgin Islands			

Explanation of symbols:   
 • legal and operative   
 \* implemented since July 1990   
 > authorized but not yet implemented   
 □ permitted by law and previously operative   
 ■ operative but no parimutuel wagering

The South Dakota and Arizona lotteries are prohibited by law from running a daily numbers game.

4) **Passive games:** Legal in 33 states, plus Washington, D.C., Puerto Rico, and the Virgin Islands. The Rhode Island lottery continues to sell the traditional draw lottery. Three states, California, Ohio and Michigan, now sell spiel games, an overlay passive game offered with lotto. The West Virginia lottery discontinued its spiel game, Easy 8s, in fiscal 1990. Currently, the traditional passive game continues to be the sole product offered by the Virgin Islands lottery.

5) **Video lottery terminals (VLTs):** Legal in four states, operative in three. Citizens in Nebraska and North Dakota rejected initiatives to legalize video gambling terminals in the November 1990 elections.

In South Dakota, VLTs are limited to establishments licensed for on-site consumption of alcohol. Currently, there are more than 5,500 VLTs operating in the state.

The West Virginia lottery operates a small network of VLTs only at a northern panhandle racetrack/convention center.

Legislation is now before the Illinois legislature to permit high-payoff video poker machines. Video lottery legislation is also being pursued in several lottery states, including Maine, Vermont, Pennsylvania, New Hampshire, New Jersey, Wisconsin, Minnesota and Oregon.

**Bingo:** Legal and operative in 46 states, Washington, D.C. and Puerto Rico. Previously legal and operative in Tennessee. At present, a bill legalizing bingo in Hawaii awaited the signature of Gov. John Waihee.

**Charitable gaming tickets:** Legal and operative in 34 states, Washington, D.C. and the Virgin Islands. Also known as "pull-tabs," "jar tickets," "pickle cards," and "Lucky 7s," charity game tickets are a breakopen ticket that reveals instant prizes. Six U.S. lotteries offer pull-tabs as part of their product mix:

Iowa, Kansas, Kentucky, Missouri, Oregon and Wisconsin. The Tennessee legislature is considering a bill to legalize pull-tabs.

## Gaming at a glance

**Casinos:** Events of the last year or so make it apparent that the 1990s will be the decade of casino gaming's advance across the United States. Efforts leading to the aggressive expansion of Indian gaming at dozens of locations and the approval of riverboat or shipboard casinos will be the primary means of this expansion.

Riverboat casinos began operating out of Iowa cities this past April and the first licensed ships in Illinois are expected to be ready before the end of the year.

Dockside casino gaming in Mississippi may also be open this year, since the Legislature has recently authorized funds to put the necessary regulatory apparatus in place. The first Mississippi casinos are probably going to be in Bay St. Louis, less than an hour from downtown New Orleans, and further north on the Mississippi in Natchez.

Riverboat gaming is also likely in Tunica which is less than an hour south of Memphis, Tenn.

Riverboat gaming has most recently approved in Louisiana where Gov. Buddy Roemer has said he will sign the bill, although that had not occurred as of mid-July.

Additionally, small gambling halls in the historic Colorado

mountain communities of Cripple Creek, Central City and Blackhawk will be open during the last quarter of the year as the result of a statewide vote in favor of casinos last year. Forces in favor of casino-style gambling are also at work in several other states from Pennsylvania to Missouri and Louisiana.

**Indian gaming:** The likely shape of things to come in the world of Indian gaming is more difficult to determine since it depends on factors such as the compacts that must be negotiated between tribes and state officials where the tribes are located. The ultimate shape of these compacts will be determined, in part, by litigation that is only now beginning or is still in process on many fronts.

In this respect, Minnesota is a leader with about a dozen compacts signed with different tribes there. The use of a wide variety of video gaming devices is already allowed and litigation now in the courts will determine whether blackjack can be played in the reservation casinos. It is already being played at some casinos pending the outcome of litigation.

New tribal gaming facilities in South Dakota, California, Mississippi and Connecticut, to name just a few of the states where ac-

tivity is obvious, will also encourage additional projects. The Seminole tribe of Florida has formally notified state officials of their desire to develop a casino compact. Litigation is likely there because of initial indications that tribal and state leaders are far apart in terms of what each is willing to accept.

Key gaming industry strategists in Nevada and to a lesser degree Atlantic City have launched private campaign to tighten restrictions on Indian gaming wherever possible. Their preferred tact in many cases is the argument that tribal leaders do not have the experience or skill to properly police gaming.

On the other hand, some Nevada casino companies as well as casino operators from other jurisdictions are looking for the opportunity to operate some tribal casinos.

Nothing on the scale of a Las Vegas or Atlantic City has been approved anywhere yet, but the efforts to have land-based casinos in New Orleans and Gary, Ind., will almost certainly be pushed forward from year to year.

In the meantime, casino proposals pop up almost monthly, a good sign that confidence in casino gaming as a revenue generator continues to grow.

**Card rooms:** Indian gaming interests will be a driving force in the continued growth of this section of the gaming business. Poker is one of the games that appears to be generally acceptable to many of the state officials where tribes would like to open casinos.

New gaming legislation in New Jersey means the Casino Control Commission could approve poker there on an experimental basis, but this is not expected to happen in the near future. Card rooms have been a major focus of Indian gaming interests in California. Even on non-reservation sites, the number of California card rooms continues to increase and the Bicycle Club south of Los Angeles is far busier than even the busiest Nevada card room.

**Thoroughbred racing:** The total net distribution of purse money for North American thoroughbred racing hit \$759.2 million, an all time high during 1990, and 0.6% better than 1989. The figure was driven upward by the increasing number of off-track electronic betting opportunities.

Both purses and the mutual handle have grown during recent years as more states approved the

(Continued on page 24)

### CANADIAN JURISDICTIONS

**Instant:** Legal and operative in all 10 provinces.

**Lotto:** Legal and operative in all 10 provinces. Five provincial lotteries sell the national lotto 6/49 under the umbrella of the Interprovincial Lottery Corp. Four provincial lotteries conduct provincial lotto games.

**Numbers:** Legal in all 10 provinces, operative in nine provinces under widely varying conditions. Atlantic (4-digit numbers); Loto-Quebec (3- and 4-digit numbers games); Ontario (3-digit numbers game); Western Canada Lottery (a hybrid daily card/numbers game).

**Keno:** Legal in all 10 provinces, operative by four lotteries.

**Passives:** Legal and operative in all 10 provinces. All five provincial lotteries conduct special \$10 overlay passive games under the umbrella of the Interprovincial Lottery Corp, plus individually sell provincial passive games. Spiel games are also offered by all five

provincial lotteries.

**VLTs:** Legal and operative in three provinces. New jurisdictions (3): New Brunswick, Newfoundland and Nova Scotia. The province of Prince Edward Island is expected to implement video lottery terminals in Fall 1991. The provincial government of Alberta has also approved a limited test of VLTs, commencing in Summer 1991 and operated by the Western Canada Lottery Corp.

**Sports Betting:** Legal in 10 provinces; operative in five. New jurisdictions: (four provinces, two territories); Alberta, Manitoba, Northwest Territories, Quebec, Saskatchewan, Yukon Territories. Western Canada lottery offers sports pool bets on Canadian and U.S.-run football, hockey and baseball. Loto-Quebec ran a sports pool game based on hockey in fiscal 1991. A national sports pool lotteries based on the results of baseball was discontinued in 1984 after the game ran up estimated losses of C\$46 million.

**Bingo:** Legal and operative in all the provinces and territories.

### Canada

	Lottery		Parimutuels		Off-track	
Province or Territory	Bingo	Card rooms	Casinos	Pull-tabs	Slot machines	Sports betting
Alberta	•	•	•	•	•	•
British Columbia	•	•	•	•	•	•
Manitoba	•	•	•	•	•	•
New Brunswick	•	•	•	•	•	•
Newfoundland	•	•	•	•	•	•
Northwest Terr.	•	•	•	•	•	•
Nova Scotia	•	•	•	•	•	•
Ontario	•	•	•	•	•	•
Prince Edward Isl.	•	•	•	•	•	•
Quebec	•	•	•	•	•	•
Saskatchewan	•	•	•	•	•	•
Yukon Terr.	•	•	•	•	•	•

#### Explanation of symbols

- legal and operative
- implemented since July 1990
- authorized but not yet implemented
- permitted by law and previously operative
- + requires provincial approval

# APPENDIX E

*GAMBLING LEGALIZATION*

*EFFORTS & ACTIVITY*

*IN THE*

*UNITED STATES*

*1991 IN REVIEW*



**GAMBLING LEGALIZATION**  
**EFFORTS & ACTIVITY**  
**IN THE**  
**UNITED STATES**  
**1991 IN REVIEW**

March 1992

*NEVADA STATE GAMING CONTROL BOARD • GAMING RESEARCH*

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## **ALASKA**

Legislation seeking to legalize pari-mutuel wagering on horse races was introduced and carried over to the 1992 legislative session.

## **ARIZONA**

Legislation seeking to permit interstate betting on horse races was introduced but failed to pass.

## **ARKANSAS**

Legislation seeking to permit cities the option of permitting gambling within their respective jurisdictions was introduced but failed to pass.

Legislation seeking to authorize a state lottery and legalize bingo was introduced but failed to pass.

## **CALIFORNIA**

Legislation authorizing the conduct of "stud-horse" poker was enacted.

Legislation expanding the scope of lawful off-track wagering was enacted.

Legislation authorizing pari-mutuel wagering on show jumping, steeplechases, and barrel racing was enacted.

A local referendum seeking to authorize the conduct of card rooms in South Gate, California, was soundly defeated with nearly 70% of those casting ballots voting against the prospect.

An initiative petition drive to place a referendum on the November 1992 statewide ballot which sought to legalize wagering on the outcome of sports events was unsuccessful. The proposal also sought to consolidate the regulation of all forms of legal gambling in California under a single State Gaming Commission. As a means to win the support of the racing industry, proponents of the initiative measure included a provision in the proposal which established a state lottery game based upon the outcome of horse races. Unified support from the racing industry did not materialize.

## **COLORADO**

The Colorado "Limited Gaming Act" was enacted in accordance with the constitutional referendum passed by Colorado voters in November 1990 enabling limited casino gambling to be conducted in the small historic towns of Central City, Black Hawk and Cripple Creek.

## **CONNECTICUT**

Legislation seeking to legalize casino gambling was introduced but failed to pass.

Legislation seeking to direct a study on the feasibility of legalized casino gambling was introduced but failed to pass.

Legislation seeking to legalize the operation of video slot machines in jai-alai frontons and dog race tracks was introduced but failed to pass.

Legislation seeking to expand the scope of simulcasting was introduced but failed to pass.

Legislation seeking to legalize commercial bingo was introduced but failed to pass.

A bill authorizing the conduct of cow chip raffle events for non-profit purposes was enacted.

## **DELAWARE**

Legislation authorizing interstate common pari-mutuel pools was enacted.

An amendment to the State Constitution authorizing wagering on simulcast races at licensed tracks, regardless of whether the track is conducting a live race meeting, was adopted. Also, statutes enabling the new constitutional activity were enacted.

Legislation seeking to legalize the operation of video lottery machines at licensed race tracks was introduced and carried over to the 1992 legislative session.

## **FLORIDA**

Legislation seeking to establish a pilot program allowing state lottery play by telephone was introduced but failed to pass.

Legislation seeking to authorize pari-mutuel wagers to be placed by telephone was introduced but failed to pass.

### **FLORIDA (continued)**

Legislation seeking to authorize charitable organizations to conduct "casino night" fund raisers was introduced but failed to pass.

Legislation seeking to clarify the lawful conduct of non-profit/charitable raffles and drawings by chance was passed by the Legislature but vetoed by the Governor.

### **GEORGIA**

A resolution amending the State Constitution to authorize a state lottery was passed and must receive statewide voter approval in the November 1992 general election in order to be adopted.

Legislation seeking to legalize the conduct of casino gambling was introduced and carried over to the 1992 legislative session.

Legislation seeking to legalize the conduct of casino gambling on cruise vessels was introduced and carried over to the 1992 legislative session.

Legislation seeking to legalize the conduct of pari-mutuel wagering at authorized race tracks was introduced and carried over to the 1992 legislative session.

### **HAWAII**

Legislation authorizing non-profit organizations to conduct bingo and raffles was passed by the Legislature but vetoed by the Governor. Similar legislation was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize a state lottery was introduced and carried over to the 1992 legislative session.

Legislation seeking to legalize pari-mutuel wagering on horse races was introduced and carried over to the 1992 legislative session.

### **IDAHO**

Legislation authorizing interstate common pari-mutuel pools was enacted.

## **ILLINOIS**

Legislation seeking to legalize the operation of video gambling devices statewide was introduced and carried over to the 1992 legislative session.

Legislation seeking to legalize the operation of slot machines at Chicago Midway and O'Hare airports was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize a state lottery game based upon the outcome of sports events was introduced and carried over to the 1992 legislative session.

Legislation seeking to permit licensed riverboats to conduct gaming activities while docked was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize the issuance of five riverboat gambling licenses for operation in Cook County (encompassing Chicago) was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize the issuance of five riverboat gambling licenses for operation on Lake Michigan, with three vessels docked in Cook County and two vessels docked in Lake County, was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize the issuance of a riverboat gambling license for permanently docked operations on Lake Michigan was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize the issuance of a riverboat gambling license to the Metro Pier and Expo Authority was introduced and carried over to the 1992 legislative session.

Legislation expanding the scope of lawful off-track wagering was enacted.

## **INDIANA**

A bill seeking to legalize casino gambling in Gary, French Lick, and West Baden; legalize casino gambling on licensed excursion boats on the Ohio River; and legalize off-track pari-mutuel wagering was introduced but failed to pass.

Legislation seeking to legalize off-track pari-mutuel wagering was introduced but failed to pass.

## **IOWA**

Legislation seeking to implement video lottery as a state lottery game was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize the means by which Iowa riverboat gambling passengers could embark and disembark at docks in other states was introduced and carried over to the 1992 legislative session.

## **KANSAS**

Legislation authorizing the Kansas Lottery to participate in multi-state lotteries was enacted.

Legislation seeking to legalize simulcasting and wagering on simulcast races was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize the State Lottery Commission to conduct casino gaming on excursion boats was introduced but failed to pass.

Legislation seeking to authorize the State Lottery Commission to conduct video lottery games was introduced but failed to pass.

## **LOUISIANA**

Legislation legalizing riverboat gambling was enacted.

Legislation legalizing the operation of video draw poker devices statewide was enacted.

Legislation seeking to authorize and provide for the regulation of a single state-owned casino in New Orleans was introduced but failed to pass.

## **MAINE**

Legislation seeking to legalize the operation of coin-operated video gambling machines was introduced and carried over to the 1992 legislative session.

Legislation expanding the scope of lawful beano (bingo) was enacted.

Legislation authorizing off-track pari-mutuel wagering was enacted.

## **MARYLAND**

Legislation seeking to legalize casino gambling on specified passenger vessels was introduced but failed to pass.

Legislation authorizing inter-track common pari-mutuel pools was enacted.

## **MASSACHUSETTS**

Legislation encouraging the restoration of thoroughbred horse racing and pari-mutuel wagering on such races was enacted.

Legislation seeking to permit non-profit organizations to operate video poker games was introduced but failed to pass.

Legislation seeking to authorize off-track wagering was introduced but failed to pass.

Legislation seeking to authorize wagering based on the outcome of professional football games was introduced but failed to pass.

Legislation seeking to authorize a City of New Bedford Lottery was introduced but failed to pass.

## **MICHIGAN**

Legislation seeking to authorize off-track wagering was introduced and carried over to the 1992 legislative session.

Legislation authorizing inter-track wagering on horse races was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize pari-mutuel wagering on jai-alai was introduced and carried over to the 1992 legislative session.

Legislation prohibiting the conduct of lottery games based upon the outcome of sports events was enacted.

## **MINNESOTA**

Legislation authorizing off-track wagering was enacted.

### **MINNESOTA (continued)**

Legislation seeking to authorize the State Lottery Division to adopt rules governing video lottery machines was introduced and carried over to the 1992 legislative session.

Legislation seeking to direct a study of the legalization of riverboat gambling was introduced and carried over to the 1992 legislative session.

### **MISSISSIPPI**

Legislation seeking to legalize a state lottery was introduced but failed to pass.

Legislation seeking to legalize the operation of video gambling machines was introduced but failed to pass.

Legislation seeking to legalize pari-mutuel wagering on horse and dog races was introduced but failed to pass.

Legislation seeking to legalize off-track wagering was introduced but failed to pass.

Legislation seeking to authorize certain non-profit/charitable organizations to operate slot machines was introduced but failed to pass.

### **MISSOURI**

A bill legalizing riverboat gambling was passed and must receive statewide voter approval in the November 1992 general election in order to be enacted. In addition to authorizing and providing for the licensing and regulation of casino gambling on certain navigable riverboats, the measure also allows a license to be issued authorizing the conduct of limited gaming activity on the premises of the permanently docked Admiral Riverboat in St. Louis.

A resolution amending the State Constitution to authorize off-track wagering was passed and must receive statewide voter approval in the November 1992 general election in order to be adopted.

Legislation seeking to legalize the operation of gambling machines statewide was introduced but failed to pass.

Legislation seeking to legalize casino gambling on the premises of licensed liquor establishments, resorts, and non-profit clubs was introduced but failed to pass.

### **MISSOURI (continued)**

Legislation seeking to legalize parimutuel wagering on dog races was introduced but failed to pass.

Legislation seeking to legalize casino gambling on the premises of the Kansas City Union Station, a historic railroad depot in Kansas City, was introduced but failed to pass.

### **MONTANA**

Legislation expanding the scope of lawful charitable gambling was enacted.

Legislation expanding the scope of lawful sports pools was enacted.

Legislation seeking to authorize pull-tabs and punch boards was introduced but failed to pass.

Legislation seeking to authorize placing wagers by telephone and the operation of sports books at race tracks and simulcast facilities was introduced but failed to pass.

Legislation seeking to authorize the conduct of twenty-one was introduced but failed to pass.

Legislation seeking to expand the scope of lawful operation of video gaming devices was introduced but failed to pass.

Legislation seeking to authorize new forms of lawful gambling only by voter approval was introduced but failed to pass.

### **NEBRASKA**

A resolution amending the State Constitution to authorize a state lottery was passed and must receive statewide voter approval in the November 1992 general election in order to be adopted.

Legislation establishing the "State Lottery Act" was passed but relies upon adoption of the constitutional amendment enabling a state lottery to be enacted.

A resolution directing an interim study of the potential impact of the legalization of casino gambling in Nebraska and surrounding areas was passed.

Legislation seeking to authorize interstate combined wagering pools was introduced and carried over to the 1992 legislative session.

### **NEBRASKA (continued)**

Legislation seeking to authorize the licensing of for-profit entities to conduct pari-mutuel wagering on horse races was introduced but failed to pass; however a resolution directing an interim study of the impact of legalized for-profit horse racing on the existing horse racing industry in Nebraska was passed.

### **NEVADA**

Legislation was enacted in accordance with the constitutional referendum passed by Nevada voters in November 1990 enabling the lawful conduct of charitable lotteries.

Legislation seeking to authorize a state lottery was introduced but failed to pass.

### **NEW HAMPSHIRE**

Legislation seeking to legalize casino gambling and off-track wagering was introduced but failed to pass.

Legislation seeking to legalize the operation of electronic games of chance on the premises of licensed race tracks was introduced and carried over to the 1992 legislative session.

### **NEW MEXICO**

Legislation authorizing pari-mutuel wagering on the outcome of bicycle races was enacted.

Legislation seeking to authorize a state lottery was introduced but failed to pass.

Legislation seeking to legalize the operation of video gaming devices was introduced but failed to pass.

Legislation seeking to authorize interstate common-pool wagering was introduced but failed to pass.

### **NEW JERSEY**

Legislation seeking to authorize municipalities to conduct public lotteries was carried over from the previous session but failed to pass.

#### **NEW JERSEY (continued)**

Legislation seeking to legalize sports wagering in licensed casinos and racetracks was carried over from the previous session but failed to pass.

Legislation seeking to authorize the New Jersey Lottery to establish a statewide network of video lottery machines was introduced but failed to pass.

Legislation authorizing the Casino Control Commission to permit 24-hour casino gaming in Atlantic City on weekends, federal/state holidays, and for special events was enacted. This provision sunsets in three years from its enactment.

Legislation adding Red Dog, Pai Gow, and Sic Bo (casino games) to the list of permissible gambling games offered in Atlantic City casino gaming was enacted.

Legislation authorizing casinos to increase the percentage of total gaming floor space they may devote to the operation of slot machines (45% maximum) was enacted. Existing casinos must phase in the increase over a three-year period.

#### **NEW YORK**

Legislation expanding the scope of lawful wagering on simulcast races was enacted.

Legislation seeking to legalize wagering on the outcome of professional sporting events was introduced but failed to pass.

Legislation seeking to authorize non-profit organizations to operate video gambling devices was introduced and carried over to the 1992 legislative session.

#### **NORTH CAROLINA**

Legislation seeking to authorize a state lottery was introduced and carried over to the 1992 legislative session.

Legislation directing the study of legalizing pari-mutuel wagering on horse races was enacted.

#### **NORTH DAKOTA**

Legislation expanding the scope of lawful charitable gambling was enacted.

#### **NORTH DAKOTA (continued)**

Legislation seeking to authorize wagering on the outcome of sports events was introduced but failed to pass.

#### **OHIO**

Legislation authorizing interstate common wagering pools on horse racing was enacted.

Legislation seeking to legalize off-track wagering was introduced and carried over to the 1992 legislative session.

Legislation seeking to legalize pari-mutuel wagering on dog races was introduced and carried over to the 1992 legislative session.

#### **OKLAHOMA**

Legislation seeking to authorize pari-mutuel wagering on dog races was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize a state lottery was introduced and carried over to the 1992 legislative session.

#### **OREGON**

Legislation authorizing the Oregon Lottery to operate video lottery machines statewide was enacted.

Legislation seeking to prohibit the Oregon Lottery to conduct games based upon the outcome of sports events was introduced but failed to pass.

#### **PENNSYLVANIA**

Legislation seeking to legalize the conduct of casino on excursion boats was introduced and carried over to the 1992 legislative session.

Legislation seeking to legalize the operation of video poker machines was introduced and carried over to the 1992 legislative session.

#### **PENNSYLVANIA (continued)**

Legislation seeking to legalize the operation of video lottery machines was introduced and carried over to the 1992 legislative session.

#### **RHODE ISLAND**

Legislation seeking to submit an amendment to the State Constitution to allow gambling facilities was introduced and carried over to the 1992 legislative session.

#### **SOUTH CAROLINA**

Legislation seeking to authorize a state lottery was introduced and carried over to the 1992 legislative session.

#### **SOUTH DAKOTA**

Legislation seeking to authorize the State Gaming Commission to set maximum wagering limits for limited casino gaming passed the Legislature but was vetoed by the Governor. Presently, such limits are stipulated by statute.

Legislation seeking to repeal the requirement that limited casino gaming operators/retailers be a resident and citizen of South Dakota was introduced but failed to pass.

#### **TENNESSEE**

A resolution amending the State Constitution to authorize a state lottery was passed. The measure must pass again in 1993, and subsequently must receive statewide voter approval in order to be adopted.

Legislation calling for a constitutional convention to abolish the prohibition of lotteries was introduced and carried over to the 1992 legislative session.

Although one measure seeking to legalize the operation of video gaming machines was defeated, there was other legislation enabling the operation of such devices which carried over to the 1992 legislative session.

## **TEXAS**

Legislation seeking to legalize casino gambling on Pleasure Island in Port Arthur, Texas, was introduced but failed to pass.

Legislation seeking to authorize a state lottery was introduced but failed to pass during the regular legislative session. However, a resolution amending the State Constitution to authorize a state lottery passed during a special session of the Legislature, as did a bill enabling the creation and operation of a state lottery. The constitutional amendment had to be approved by the statewide electorate prior in order to be adopted and in order for the enabling state lottery bill to be enacted. In November 1991, Texas voters authorized and effectively created a state lottery with approximately 65% of those casting ballots voting favorably.

## **UTAH**

Legislation seeking to authorize a state lottery was introduced but failed to pass.

## **VERMONT**

Legislation authorizing wagering on simulcast races was passed by the Legislature but was vetoed by the Governor.

Legislation seeking to legalize video gambling devices was introduced and carried over to the 1992 legislative session.

Legislation seeking to authorize the Vermont Lottery Commission to conduct video lottery games was introduced and carried over to the 1992 legislative session.

## **VIRGINIA**

Legislation authorizing wagering on simulcast horse races was enacted.

## **WASHINGTON**

Legislation prohibiting the Washington State Lottery from conducting video lottery games was enacted.

Legislation seeking to authorize non-profit organizations to operate video card games was introduced and carried over to the 1992 legislative session.

## **WEST VIRGINIA**

Legislation seeking to prohibit the Lottery Commission from operating video lottery machines until the Legislature has specifically addressed the issue was introduced but failed to pass.

## **WISCONSIN**

Legislation seeking to legalize state-operated gambling on certain vessels was introduced and carried over to the 1992 legislative session.

Legislation seeking to legalize casino gambling on certain passenger vessels operating on Lakes Michigan or Superior, or the Mississippi River, was introduced and carried over to the 1992 legislative session.

Legislation seeking to legalize the operation of video poker machines was introduced and carried over to the 1992 legislative session.

## **WYOMING**

An initiative petition drive seeking to amend the State Constitution to authorize local option limited gaming commenced in October 1991. Proponents of the constitutional amendment have 18 months to gather signatures of 24,646 registered voters to successfully place the issue on the November 1994 general election ballot.

Legislation seeking to legalize the operation of video gaming machines was introduced but failed to pass.

Legislation seeking to authorize a state lottery was introduced but failed to pass.

Legislation seeking to authorize local option gaming was introduced but failed to pass.

## **FEDERAL LEGISLATION**

Legislation seeking to ban wagering based on the outcome of sports events was introduced and carried over to the 1992 congressional session.

Legislation seeking to authorize U.S.-flagged ships to conduct casino gaming in waters beyond three miles of the coast was introduced and carried over to the 1992 congressional session.



# **A P P E N D I X   F**

**HISTORY OF FOREIGN GAMING**

**APPROVALS GRANTED**

**BY NGC/GCB**

**(As of October 25, 1991)**



**HISTORY OF FOREIGN GAMING APPROVALS GRANTED**  
**BY NGC/GCB**  
**(As of October 25, 1991)**

<u>JURISDICTION</u>	<u>LICENSEE</u>	<u>DATE APPROVED</u>
1. ANTIGUA	IGT	07/28/88 (P).
	IGT	12/01/88 (F)
2. ARUBA	H Group Holding (Hyatt)	08/30/90 (F)
	Southmark Corporation	11/20/86 (W)
3. AUSTRALIA	Hilton Hotels Corporation	09/22/83 (P)
	Hilton Hotels Corporation	10/24/85 (F)
	Promus (Holiday Corp. & Holiday Inns, Inc.)	07/17/86 (P)
4. CALIFORNIA	Mirage Resorts (Golden Nugget, Inc.)(Hollywood Park)	02/13/91 (WD)
5. COLORADO	Daniel P. Douglass	09/26/91 (F)
	Stanley Fulton/Anchor Coin	09/26/91 (F)
	Calvin Kinney, Jr.	09/23/91 (WD)
6. CRUISE SHIPS	Caesars World, Inc.	12/21/89 (F)
	Bill Dougall	02/23/89 (L)
	Tim Dougall	02/23/89 (L)
	Si Redd	01/26/89 (L)
	Si Redd	01/10/90 (WD)
7. GREAT BRITAIN	Bally Manufacturing Corp. (slot route)	08/30/90 (F)
	Bally Manufacturing Corp. (Clermont Club)	12/05/90 (WD)
8. ILLINOIS	Fitzgeralds Iowa, Inc. (riverboat)	06/12/91 (WD)

	Phillip D. Griffith and Jerome H. Turk (riverboat)	06/27/91 (F)
	Promus (riverboat)	09/11/91 (WD)
9. IOWA	IGT (riverboat)	06/21/90 (P)
	IGT (riverboat)	02/27/91 (F)
10. MASSACHUSETTS	IGT (lottery)	01/28/86 (W)
11. MICHIGAN	IGT (lottery)	01/28/86 (W)
12. MONTANA	IGT (lottery)	12/15/88 (F)
	Jackpot Enterprises, Inc. (slot route)	09/27/90 (P)
13. NEW JERSEY	Bally Manufacturing Corp.	06/21/79 (F)
	Caesars World, Inc.	04/26/79 (F)
	Elsinore Corporation	01/22/81 (L)
	Elsinore Corporation	01/19/84 (F)
	Mirage Resorts (Golden Nugget, Inc.)	11/14/80 (L)
	Mirage Resorts (Golden Nugget, Inc.)	01/19/84 (F)
	Promus (Holiday Inns, Inc.)	11/14/80 (L)
	Promus (Holiday Inns, Inc.)	01/19/84 (F)
	Promus (Holiday Inns, Inc.)	03/15/84 (F)
	Aztar (Ramada Inns, Inc.)	11/19/81 (L)
	Aztar (Ramada Inns, Inc.)	01/19/84 (F)
	Southmark Corporation	11/20/86 (F)
	Showboat, Inc.	02/19/87 (F)
	Del E. Webb Corporation	05/21/81 (L)
	Del E. Webb Corporation	01/19/84 (F)

	Pratt Hotel Corp.	02/18/88 (F)
14. OHIO	IGT (lottery)	01/28/86 (W)
15. PENNSYLVANIA	Mirage Resorts (Golden Nugget, Inc.) (Philadelphia Park)	05/08/90 (F)
	Caesars World, Inc. (lottery)	05/27/89 (W)
16. PORTUGAL	IGT	10/15/87 (P)
17. PUERTO RICO	Southmark Corporation	10/15/87 (F)
	Pratt Hotel Corp.	02/18/88 (F)
	Sands Casino, Inc.	06/24/82 (F)
18. SOUTH DAKOTA	Jackpot Enterprises, Inc.	06/21/90 (F)
19. TINIAN	Caesars World, Inc.	05/30/91 (P)
20. TURKEY	Hilton Hotels Corporation	05/21/87 (P)
21. MISCELLANEOUS	Caesars World, Inc.	08/29/91 (C)
	Hilton Hotels Corporation	08/29/91 (C)
	Hyatt	11/21/91 (C)
	Mirage Resorts, Inc.	10/24/91 (C)
	Promus Companies	06/26/91 (C)

Type of Approval Code:

(C) = Continuous Approval  
 (F) = Final Approval  
 (L) = Limited Final Approval  
 (P) = Preliminary Approval  
 (W) = Waiver  
 (WD) = Withdrawal

MEMORANDUM

DATE: December 5, 1990

TO: William A. Bible, Chairman  
State Gaming Control Board

FROM: Paul A. Lofgren, Supervisor  
Corporate Securities Division

SUBJECT: Pending Foreign Gaming Applications

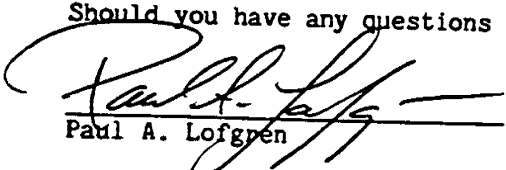
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Pursuant to your request, the following is a list of pending foreign gaming applications:

- Barbary Coast Corporation	- Continuous foreign gaming	
- Gold Coast Hotel & Casino	- Louisiana	- Final
- Andy Tompkins/Lady Luck	- Continuous Foreign Gaming	
- Hilton	- Illinois	- Preliminary
	- Mississippi	- Final
	- Turkey	- Final
	- Egypt	- Preliminary
- California Hotel & Casino	- New Jersey	- Final
- Caesars World, Inc.	- Continuous foreign gaming	
- Carnival Cruise Lines	- Tinian	- Final
	- Jamaica	- Final
	- Bahamas	- Final
	- Cruise Ships	- Final
- Sport of Kings	- Continuous foreign gaming**	
- International Game Technology	- England**	- Final
- Bally Manufacturing Corporation	- Woomera, Australia	- Final
- Video Lottery Technologies	- Germany	- Final
	- South Dakota	- Final
- United Coin Machine Co.	- Puerto Rico**	- Final
	- Oregon	- Final

\*\* Application not yet amended to reflect entity's intention to apply.

Should you have any questions please do not hesitate to call.

  
Paul A. Lofgren

PAL:df

NEVADA GAMING COMMISSION  
STATE GAMING CONTROL BOARD

# APPENDIX G

*GAMING-RELATED TAX RATE CHANGES*

*LISTING OF NEVADA GAMING TAXES*



**GAMING-RELATED TAX RATE CHANGES**  
**LISTING OF NEVADA GAMING TAXES**

January, 1991

Nevada Gaming Control Board  
Gaming Research



## **GAMING-RELATED TAX RATE CHANGES**

### **PERCENTAGE FEES ON GROSS GAMING REVENUE (NRS 463.370):**

INCEPTION: July 1, 1945

1. 1945 - Initial legislation provided for a Quarterly State License Fee set at 1% of all gross gaming revenues exceeding \$3,000 each quarter.
2. 1947 - \$3,000 tax-base floor removed and tax rate increased to 2 percent of all gross gaming revenues on a quarterly basis.
3. 1955 - A graduated rate schedule was set on gross gaming revenues:

3% on gaming revenues up to \$150,000 quarterly;  
4% on revenues between \$150,000 and \$400,000 quarterly;  
5% on revenues between \$400,000 and \$1,000,000 quarterly;  
5.5% on all revenues above \$1,000,000 quarterly.

4. 1967 - Tax rates and brackets on gross gaming revenues were changed:

3% on revenues up to \$150,000 quarterly;  
4% on revenues between \$150,000 and \$400,000 quarterly;  
5.5% on all revenues above \$400,000 quarterly.

Restricted gaming locations exempted from percentage fee tax and now subject to flat fee (see Quarterly Fee on Restricted Slot Machines, NRS 463.373). Change in percentage fee schedule increased tax revenues by approximately \$996,000 in the year following enactment.

5. 1981 - Gaming revenue tax brackets remain unchanged but the top rate increased to 5.75% from 5.5%:

3% on revenues up to \$150,000 quarterly;  
4% on revenues between \$150,000 and \$400,000 quarterly;  
5.75% on all revenues above \$400,000 quarterly.

Change in percentage fee schedule increased tax revenues by approximately \$5,795,000 in the year following enactment.

6. 1983 - Tax rates remain the same but reporting period and gross gaming revenue brackets converted to monthly figures:

3% on revenues up to \$50,000 monthly;  
4% on revenues between \$50,000 and \$134,000 monthly;  
5.75% on all revenues above \$134,000 monthly.

**Nevada Gaming Control Board  
Gaming Tax Rate Changes**

7. July 1, 1987 - Top tax rate increased to 6%, gross gaming revenue ranges remain unchanged.

Change in percentage fee schedule increased tax revenues by approximately \$9,396,000 in the year following enactment.

8. July 1, 1989 - Top tax rate increased to 6.25%, gross gaming revenue ranges remain unchanged.

Change in percentage fee schedule increased tax revenues by approximately \$11,400,000 in the year following enactment.

**ANNUAL SLOT MACHINE TAX (NRS 463.385):**

INCEPTION: July 1, 1972

Prior to July 1, 1972, all licensees operating slot machines were required to pay the Internal Revenue Service \$250 annually for a Federal Tax Stamp on each slot machine operated. As a part of the revenue sharing program of the federal government, the U.S. Congress enacted legislation giving Nevada a credit of 80% (\$200) of this revenue. In anticipation of such federal action, in 1967 the Nevada Legislature enacted a law (NRS 463.385) which would enable the State to assess a tax on licensees equal to any credit against a tax, or repeal of any tax imposed on slot machines by the federal government.

1. July 1, 1972 - State tax credit of \$200 (80% of federal tax) per slot machine based on federal tax of \$250 per slot machine.
2. Fiscal Year 1980 - State tax credit of 95% of federal tax.
3. July 1, 1980 - Federal Tax Stamp repealed, Nevada now receives full \$250 per year per slot device.

**CASINO ENTERTAINMENT TAX (NRS 463.401):**

INCEPTION: July 1, 1965

The initial Casino Entertainment Tax was based upon the then existing Federal Cabaret Tax which was 10% of all sales of merchandise, food and beverages, and admissions while the casino is actually furnishing entertainment.

1. July 1, 1965 - State rate set at 5% of all sales of merchandise, food and

**Nevada Gaming Control Board  
Gaming Tax Rate Changes**

beverages, and admissions.

2. December 31, 1965 - Federal Cabaret Tax repealed and the State Casino Entertainment Tax rate was increased to 10%.

3. 1967 - State legislation amended Casino Entertainment Tax to exempt gaming establishments having fifty or less slot machines and/or not more than three table games.

4. 1983 - State legislation amended Casino Entertainment Tax to exempt gaming establishments having fifty or less slot machines and/or not more than five table games.

**QUARTERLY FEE ON NONRESTRICTED SLOT MACHINES (NRS 463.375):**

INCEPTION: 1967

1. 1967 - Rate of \$10 quarterly for each slot machine, payable in advance with no proration. Rate based on 16 or more slot machines or any number of slot machines in conjunction with games.

2. 1981 - Tax increased to \$20 quarterly for each slot machine, payable in advance with no proration.

Change in tax rate increased tax revenues by approximately \$2,789,000 in the year following enactment.

**QUARTERLY FEE ON RESTRICTED SLOT MACHINES (NRS 463.373):**

INCEPTION: 1967

1. 1967 - Rate of \$25 quarterly for each slot machine (1-15), payable in advance with no proration.

2. 1981 - Tax increased to \$35 quarterly for each machine, payable in advance with no proration.

Change in tax rate increased tax revenues by approximately \$318,000 in the year following enactment.

3. 1983 - Tax base changed to \$35 quarterly for each slot machine 1-5; \$55 quarterly for each slot machine if operating 6-15 devices. \$55 quarterly fee applies to all

**Nevada Gaming Control Board  
Gaming Tax Rate Changes**

machines if operating 6-15 machines. Payable in advance with no proration.

Change in tax rate increased tax revenues by approximately \$301,000 in the year following enactment.

4. 1987 - Tax base changed to \$45 quarterly for each slot device 1-5; \$90 quarterly for each slot device 6-15. Payable in advance with no proration.

Change in tax rate increased tax revenues by approximately \$868,000 in the year following enactment.

**QUARTERLY LICENSE FEES ON GAMES (NRS 463.383):**

INCEPTION: 1967

No changes have been made in the original tax rates for this tax.

**ANNUAL STATE GAMES LICENSE (NRS 463.380 & 463.320)**

INCEPTION: 1947

1. Schedule of original 1947 rates was expanded in 1955 and again in 1957.
2. Original legislation provided that all funds would go into the State General Fund. Effective April, 1957 legislation provided for the distribution of the fees equally among the 17 counties (after state administrative costs had been deducted).

**RACE WIRE LICENSE FEE (NRS 463.450)**

INCEPTION: 1949

1. No changes have been made to the original 1949 tax rate of \$10 per day for each race book service.

**PARI-MUTUEL WAGERING (NRS 464 & 466)**

INCEPTION: 1949

Pari-mutuel wagering is a system of wagering in which the payoff on winning tickets is determined by calculation based on the total amount of money bet on the winning

**Nevada Gaming Control Board  
Gaming Tax Rate Changes**

entry, in relation to the amount wagered on all entries in the event.

Pari-mutuel wagering on racing was made subject to licensing by the Nevada Tax Commission in 1949. The Nevada Gaming Commission assumed this responsibility between 1959 and 1965; then in 1965 the Nevada Racing Commission became the licensing authority. In 1973 the Nevada Gaming Commission resumed licensing responsibility. Under present law the Gaming Control Board has the responsibility for the investigation of applicants for licenses, the issuing of the licenses, and for all disciplinary actions. The Racing Commission governs action after licensing, the running of events, and taxation. Sporting events, such as Jai-Alai, are monitored and licensed and taxed--at three percent of total wagers--by the State Gaming Control Board and the Nevada Gaming Commission.

**APPENDIX 1 - Summary of Gaming-Related Taxes**

**APPENDIX 2 - Detailed Listing of Gaming-Related Taxes to include: (1) Basis of taxation; (2) Measure; (3) Rate(s); (4) Disposition; (5) Procedure; (6) Exemptions; and (7) Administration.**

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**SUMMARY LISTING OF GAMING-RELATED TAXES**

**SUMMARY LISTING - GAMING-RELATED TAXES:**  
(Listed in order of relative tax revenue importance)

1. GL 3041  
PERCENTAGE FEES ON GROSS GAMING REVENUE (NRS 463.370)
2. GL 3329  
ANNUAL SLOT MACHINE TAX (NRS 463.385)
3. GL 3031  
CASINO ENTERTAINMENT TAX (NRS 463.401)
4. GL 3044  
QUARTERLY SLOT MACHINE LICENSE FEE - NON-RESTRICTED  
(NRS 463.375)
5. GL 3045  
QUARTERLY STATE GAMES LICENSES (NRS 463.383)
6. GL 3043  
QUARTERLY SLOT MACHINE LICENSE FEE - RESTRICTED (NRS 463.373)
7. GL 3035 (State portion only)/GL 4501 (County portions)  
ANNUAL STATE GAMES LICENSE (NRS 463.380 & NRS 463.320)
8. GL 3034  
RACE WIRE LICENSE FEE (NRS 463.450)
9. GL 3033  
MANUFACTURERS AND DISTRIBUTORS LICENSE FEE (NRS 463.660)
10. GL 3048  
ANNUAL SLOT MACHINE ROUTE OPERATOR FEE (NRS 463.3855)

(NOTE: GL numbers refer to State General Fund General Ledger Account Numbers.)

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3041

PERCENTAGE FEES ON GROSS GAMING REVENUE (NRS 463.370)

**Basis of Taxation**--Gross gaming revenue of nonrestricted gaming licensees. Nonrestricted licensees include each casino licensed to operate 16 or more slot machines only or casinos licensed to operate any number of slot machines together with any other game or gaming device. Gross gaming revenue is defined as the total of all casino revenues derived from gaming wagerings less all payouts as winnings, less all credit extended in the current period, plus all credit cash repayments from the current and prior periods.

**Measure**--Revenue derived from all gaming operations received as cash winnings less the total of all cash paid out as losses to patrons; annuities purchased to fund losses paid to patrons over several years by independent financial institutions; and cost of personal property won by a slot machine player. Excludes foreign coins, entry fees, counterfeit bills and fraudulent acts.

Rate(s)--	Up to \$50,000 per month.....	3%
	\$50,000 to \$134,000 per month.....	4%
	Over \$134,000 per month.....	6-1/4%

**Disposition**--State General Fund. (General Ledger account 3041)

**Procedure**--Casinos are licensed annually (calendar year). Licensees report gross revenue and remit monthly license fees on or before the 24th of the month based upon operations of the preceding month.

**Exemptions**--Gross gaming revenue derived from restricted licensees operating from 1 to 15 slot machines only. (See Quarterly Slot Machine License Fee - Restricted.)

**Administration**--Nevada Gaming Commission/State Gaming Control Board, 1150 East William Street, Carson City, NV 89710.

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3329

ANNUAL SLOT MACHINE TAX (NRS 463.385)

**Basis of Taxation**--To operate slot machines. Paid by gaming licensees or applicants.

**Measure**--On each slot machine to be operated in any fiscal year (July 1st through June 30th).

**Rate(s)**--\$250 per machine per year imposed annually. After July 31st tax is prorated by the month the machine is placed in operation.

**Disposition**--The first \$5,000,000 is allocated to the higher education Capital Construction Fund. 20% of total collections are allocated to the Higher Education Special Capital Construction Fund. The remainder is allocated to the State Distributive School Fund (General Ledger account 3329).

**Procedure**--The tax is collected annually. Must be paid in advance, prior to June 20th, as a condition of the issuance of a state gaming license to operate any slot machine. This tax is in addition to any other applicable license fees and taxes.

**Exemptions**--None.

**Administration**--Nevada Gaming Commission/State Gaming Control Board,  
1150 East William Street, Carson City, NV 89710

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3031

CASINO ENTERTAINMENT TAX (NRS 463.401)

**Basis of Taxation**--Licensed gaming establishments with live music and dancing or any other form of entertainment.

**Measure**--Total sales of merchandise, food, refreshments, and charges for admission, in areas where entertainment is provided.

**Rate(s)**--10% of all charges except gratuities or any service charges not collected and retained by the licensee.

**Disposition**--State General Fund. (General Ledger account 3031)

**Procedure**--Licensees report and remit the tax each calendar month on or before the 24th day of the month following the close of each month.

**Exemptions**--Licensees with not more than 50 slot machines or not more than 5 games or any combination of machines and games within those limits, or if no alcoholic beverage is served or permitted to be consumed; only light refreshments are served; no charge for dancing where space is provided; music is instrumental or other music supplied without any charge to the owner, lessee or operator or to any concessionaire; or mechanical music.

**Administration**--Nevada Gaming Commission/State Gaming Control Board, 1150 East William Street, Carson City, NV 89710

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3044

QUARTERLY SLOT MACHINE LICENSE FEE - NONRESTRICTED (NRS 463.375)

**Basis of Taxation**--To operate 16 or more slot machines only, or any number of slot machines together with any other game or gaming device, in addition to any other gaming license fees. Paid by gaming licensee or applicant.

**Measure**--Each slot machine to be operated in any calendar year.

**Rate(s)**--\$80 for each slot machine for each calendar year, payable at the rate of \$20 for each slot machine for each calendar quarter. No proration allowed.

**Disposition**--State General Fund. (General Ledger account 3044)

**Procedure**--The slot machine license fee is charged and collected on or before the last day of the last month in a calendar quarter, from a licensee whose operation is continuing; and, in advance from a licensee who begins operation during a calendar quarter.

**Exemptions**--Does not apply to restricted licensees.

**Administration**--Nevada Gaming Commission/State Gaming Control Board,  
1150 East William Street, Carson City, NV 89710

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3045

QUARTERLY STATE GAMES LICENSES (NRS 463.383)

**Basis of Taxation**--For nonrestricted gaming operations. Paid by gaming licensees and applicants. No proration allowed.

**Measure**--All games to be operated in any calendar quarter.

Rate(s)--Number of games	Quarterly Fee
1	\$ 12.50
2	25.00
3	50.00
4	93.75
5	218.75
6 to 7	375.00
8 to 10	750.00
11 to 16	125.00 per game--1-16 inclusive
17 to 26	2,000.00 plus \$1,200.00 for each game over 16
27 to 35	14,000.00 plus \$ 700.00 for each game over 26
Over 35	20,300.00 plus \$ 25.00 for each game over 35

**Disposition**--State General Fund. (General Ledger account 3045)

**Procedure**--Licensees report and remit fees on or before the last day of each calendar quarter for the following calendar quarter; and, in advance when beginning operation or putting additional games into play.

**Exemptions**--Applicants or licensees not operating games.

**Administration**--Nevada Gaming Commission/State Gaming Control Board,  
1150 East William Street, Carson City, NV 89710

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3043

QUARTERLY SLOT MACHINE LICENSE FEE - RESTRICTED (NRS 463.373)

**Basis of Taxation**--To operate from 1 to 15 slot machines and no other games or gaming devices. Paid by gaming licensee and applicants.

**Measure**--Each slot machine to be operated in any calendar quarter.

**Rate(s)**--\$45.00 for each slot machine for each calendar quarter for 1 to 5 machines. \$225.00 plus \$90.00 per machine in excess of 5 up to 15.

**Disposition**--State General Fund. (General Ledger account 3043)

**Procedure**--Licenses are issued on a calendar year basis, subject to quarterly renewal. The license fee is charged and collected on or before the last day of the last month in a calendar quarter for the ensuing calendar quarter.

**Exemptions**--Does not apply to nonrestricted licensees.

**Administration**--Nevada Gaming Commission/State Gaming Control Board,  
1150 East William Street, Carson City, NV 89710

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3035 (State portion only)/GL 4501 (County portions)  
ANNUAL STATE GAMES LICENSE (NRS 463.380 & NRS 463.320)

**Basis of Taxation**--For nonrestricted gaming operations. Paid by gaming licensees and applicants.

**Measure**--Annual fee on all games to be operated in any calendar year.

Rate(s)--Number of Games	Annual Fee
1	\$ 100.00
2	200.00
3	400.00
4	750.00
5	1,750.00
6 to 7	3,000.00
8 to 10	6,000.00
11 to 13	650.00 per game
14 to 16	1,000.00 per game
17 or more	16,000.00 plus \$200.00 per game in excess of 16

**Disposition**--Distributed equally among all of the State's 17 counties, after deducting the cost of collection and administration. Deposited to the County General Fund unless County Commissioners desire to share with cities and towns. (General Ledger account 4501 [County totals] and 3035 [State portion only to cover costs of collection and administration])

**Procedure**--Annual licenses are issued on a calendar year basis, regardless of the date of application or date of issuance of the license. If the operation is continuing, the prescribed fee is payable on or before December 31st for the ensuing calendar year. Fees are prorated after January 31st.

**Exemptions**--Card games, including stud or draw poker, bridge, whist, solo, low ball and panguingui for money, and slot machines, when not utilized as an adjunct to or a unit of any banking, percentage or mechanical device or machine, are not gambling games under the provisions of this section.

**Administration**--Nevada Gaming Commission/State Gaming Control Board, 1150 East William Street, Carson City, NV 89710

**APPENDIX 2**  
**Gaming-Related Taxes/GL 3035/4501**

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3034

RACE WIRE LICENSE FEE (NRS 463.450)

**Basis of Taxation**--Disseminator of racing information received from any source outside of the State of Nevada, when such information is to be used, for the purpose of maintaining and operating any gambling game and particularly any race book.

**Measure**--On the number of race books being furnished information.

**Rate(s)**--\$10.00 per day for each and every day for each and every race book to which the disseminator furnished such information in Nevada.

**Disposition**--State General Fund. (General Ledger account 3034)

**Procedure**--License is issued on a calendar year basis subject to renewal on a calendar year basis provided fees are remitted when due.

**Exemptions**--Any televised broadcast which is presented without charge to any person who receives the broadcast.

**Administration**--Nevada Gaming Commission/State Gaming Control Board,  
1150 East William Street, Carson City, NV 89710

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3033

MANUFACTURERS AND DISTRIBUTORS LICENSE FEE (NRS 463.660)

**Basis of Taxation**--To conduct or maintain in Nevada any form of manufacturing, selling or distributing of any device, equipment, material or machine used in gambling. Paid by any gaming applicant or licensee.

**Measure**--Annual license fee for manufacturing, selling, or distributing slot machines or similar coin-operated gaming devices.

**Rate(s)**--An annual fee of:

\$1,000.00 for a manufacturer

500.00 for issuance or renewal of seller or distributors license.

**Disposition**--State General Fund. (General Ledger account 3033)

**Procedure**--All licenses are issued for the calendar year and expire on December 31st. The fee shall be the full annual fee, regardless of the date of the application or issuance of the license.

**Exemptions**--None.

**Administration**--Nevada Gaming Commission/State Gaming Control Board,  
1150 East William Street, Carson City, NV 89710

**GAMING RESEARCH  
NEVADA GAMING CONTROL BOARD**

**GAMING-RELATED TAXES**

GL 3048

ANNUAL SLOT MACHINE ROUTE OPERATOR FEE (NRS 463.3855)

**Basis of Taxation**--Tax on persons who, under any agreement whereby consideration is paid or payable for the right to place slot machines, engages in the business of placing and operating slot machines upon the business premises of others.

**Measure**--Annual license fee for operating a slot machine route.

**Rate(s)**--Annual fee of:

\$500.00 for issuance or renewal of slot route operators license.

**Disposition**--State General Fund. (General Ledger account 3048)

**Procedure**--All licenses are issued for the calendar year and expire on December 31st. The fee shall be the full annual fee, regardless of the date of the application or issuance of the license.

**Exemptions**--None.

**Administration**--Nevada Gaming Commission/State Gaming Control Board,  
1150 East William Street, Carson City, NV 89710

# APPENDIX H

"HISTORY OF STATE GAMING

TAX COLLECTIONS,

FY 1985-86 TO FY 1990-91"

AND

"PERCENT CHANGES IN STATE GAMING

TAX COLLECTIONS,

FY 1985-86 TO FY 1990-91"



30-Sep-91

## HISTORY OF STATE GAMING TAX COLLECTIONS, FY 1985-86 TO FY 1990-91

LCB-FISCAL

	FY 1985-86	FY 1986-87	FY 1987-88	FY 1988-89	FY 1989-90	FY 1990-91
CASINO ENT. TAX	\$16,129,414	\$16,915,795	\$18,230,061	\$17,542,569	\$17,927,622	\$21,083,345
PARI-MUTUEL TAX	\$0	\$0	\$0	\$0	\$0	\$0
MFGR/DIST LICENSE FEES	\$114,500	\$106,500	\$105,000	\$111,000	\$113,000	\$110,500
RACE WIRE LICENSE FEES	\$250,310	\$325,440	\$350,610	\$597,280	\$609,500	\$541,210
% FEES ON GROSS REVENUE	\$186,229,848	\$204,610,750	\$233,086,340	\$253,365,327	\$294,635,297	\$327,296,588
PENALTIES, FINES, INTRST	\$672,480	\$336,461	\$317,165	\$1,546,382	\$880,281	\$1,052,405
RESTRICTED SLOT FEES	\$2,038,662	\$2,281,740	\$3,400,760	\$3,731,848	\$3,920,853	\$4,076,395
NONRESTRICTED SLOT FEES	\$7,630,000	\$8,012,695	\$8,780,266	\$9,220,340	\$10,222,315	\$10,880,791
NONRESTRICTED GAME FEES	\$5,341,304	\$5,503,777	\$5,836,595	\$5,761,066	\$5,920,893	\$6,112,518
ADVANCE LICENSE FEES	\$1,106,284	\$1,339,413	\$3,123,695	\$5,196,260	\$3,960,924	\$5,452,896
SLOT OPER LICENSE FEES	\$43,500	\$41,500	\$43,500	\$41,000	\$39,500	\$39,000
MISC & COURT FEES	\$0	\$1,100	\$719	\$0	\$0	\$0
ANNUAL SLOT TAX	\$27,275,982	\$29,855,082	\$32,840,838	\$34,847,130	\$38,850,491	\$39,588,237
ANNUAL FEE ON GAMES	\$2,284,004	\$2,288,616	\$2,476,709	\$2,408,308	\$2,480,168	\$2,477,291
TOTAL	\$249,116,288	\$271,618,869	\$308,592,258	\$334,368,510	\$379,560,844	\$418,711,176

30-Sep-91

## PERCENT CHANGES IN STATE GAMING TAX COLLECTIONS, FY 1985-86 TO FY 1990-91

LCB-FISCAL

	FY 1985-86 TO FY 1986-87	FY 1986-87 TO FY 1987-88	FY 1987-88 TO FY 1988-89	FY 1988-89 TO FY 1989-90	FY 1989-90 TO FY 1990-91	FY 1985-86 TO FY 1990-91 CUMULATIVE
CASINO ENT. TAX	4.9%	7.8%	-3.8%	2.2%	17.6%	30.7%
PARI-MUTUEL TAX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
MFGR/DIST LICENSE FEES	-7.0%	-1.4%	5.7%	1.8%	-2.2%	-3.5%
RACE WIRE LICENSE FEES	30.0%	7.7%	70.4%	2.0%	-11.2%	116.2%
% FEES ON GROSS REVENUE	9.9%	13.9%	8.7%	16.3%	11.1%	75.7%
PENALTIES, FINES, INTRST	-50.0%	-5.7%	387.6%	-43.1%	19.6%	56.5%
RESTRICTED SLOT FEES	11.9%	49.0%	9.7%	5.1%	4.0%	100.0%
NONRESTRICTED SLOT FEES	5.0%	9.6%	5.0%	10.9%	6.4%	42.6%
NONRESTRICTED GAME FEES	3.0%	6.0%	-1.3%	2.8%	3.2%	14.4%
ADVANCE LICENSE FEES	21.1%	133.2%	66.3%	-23.8%	37.7%	392.9%
SLOT OPER LICENSE FEES	-4.6%	4.8%	-5.7%	-3.7%	-1.3%	-10.3%
MISC & COURT FEES	----	-34.6%	-100.0%	----	----	----
ANNUAL SLOT TAX	9.5%	10.0%	6.1%	11.5%	1.9%	45.1%
ANNUAL FEE ON GAMES	0.2%	8.2%	-2.8%	3.0%	-0.1%	8.5%
TOTAL	9.0%	13.6%	8.4%	13.5%	10.3%	68.1%

# APPENDIX I

MEMORANDUM TO CHAIRMAN DINA TITUS AND  
MEMBERS OF THE LEGISLATIVE SUBCOMMITTEE  
TO STUDY GAMING  
CONCERNING  
GAMING INDUSTRY TAXES  
AND FEES,  
DATED DECEMBER 5, 1991



STATE OF NEVADA  
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING  
CAPITOL COMPLEX  
CARSON CITY, NEVADA 89710  
Fax No.: (702) 687-5962



LEGISLATIVE COMMISSION (702) 687-6800  
JOHN M. VEROIELS, Senator, Chairman  
John R. Crossley, Director, Secretary

INTERIM FINANCE COMMITTEE (702) 687-6821  
MATTHEW Q. CALLISTER, Assemblyman, Chairman  
Daniel G. Miles, Fiscal Analyst  
Mark W. Stevens, Fiscal Analyst

JOHN R. CROSSLEY, Director  
(702) 687-6800

Wm. GARY CREWS, Legislative Auditor (702) 687-6815  
ROBERT E. ERICKSON, Research Director (702) 687-6825  
LORNE J. MALKIEWICH, Legislative Counsel (702) 687-6830

December 5, 1991

MEMORANDUM

TO: CHAIRMAN DINA TITUS AND MEMBERS OF THE LEGISLATIVE  
SUBCOMMITTEE TO STUDY GAMING (S.C.R. 59)

FROM: Kevin D. Welsh, Deputy Fiscal Analyst  
Fiscal Analysis Division

SUBJECT: Gaming Industry Taxes and Fees

Per your request, below is a table of taxes and fees that could be imposed on individual members of Nevada's gaming industry. The actual taxes and fees imposed and the actual dollar amount would depend on the location, size and component makeup of each individual gaming location.

<u>State Taxes and Fees</u>	<u>Rate</u>
Business License Fees	Based on number of employees
Incorporation Fees	Determined by value of total shares
Limited Partnership Fees	Determined by the type of filing
Trademarks, Trade names	Registration - \$25 Renewal - \$10
Uniform Commercial Code	Determined by type and amount of service needed
Industrial Insurance	Determined on classification basis
Unemployment Insurance Tax	Determined by number of employees and firms unemployment record
Casino Entertainment Tax	10% of all charges retained by licensee except gratuities
Gross Gaming Revenue Fee	3, 4, or 6.25% determined by monthly gross
Pari-mutuel Wagering Tax	1, 2, 3 or 4% determined by type of wager
Racewire License Fee	\$10 per day per racebook
Nonrestricted Slot License Fee	\$20 per machine per quarter
Restricted Slot Licensee Fee	\$45 per quarter per machine (1-5 machines)

SENATOR DINA TITUS  
December 5, 1991  
Page 2

Five machines or less	\$225 plus \$90 per machine per quarter (6 to 15 machines)
Slot Machine Excise Tax	\$250 per machine per year
Slot Route Manufacturers and Distributors Annual License Fees	\$1,000 per year (manufacturer) \$500 per year (seller, distributor, or route operator)
State Games License-Quarterly Fees	Sliding Scale based on number of games
State Lodging Tax*	1% of gross receipts
Property Tax*	Average Tax Rate is \$2.79 per \$100 Assessed Valuation
Sales and Use Tax*	6.5 to 7%
<u>Local Taxes</u>	
Business License Fees	Varies from entity to entity
Building Permits and Special Assessments	Varies from entity to entity
County Gaming Fees	\$10 per game per month based on type of game
City/County Gaming Tax	Varies from entity to entity
Gaming License - Annual Fees	Sliding scale based on number of games

\*Also local government revenue source.

Note: When applicable, the gaming industry also pays motor vehicle, special and jet fuel taxes and motor vehicle registration and privilege taxes.

kdw dt/nw  
TITUS

# APPENDIX J

PRESENTATION TO THE LEGISLATIVE COMMISSION'S  
SUBCOMMITTEE TO STUDY GAMING  
BY DENNIS NEILANDER,  
SENIOR RESEARCH ANALYST,  
LEGISLATIVE COUNSEL BUREAU'S RESEARCH DIVISION,  
CONCERNING TAXATION OF GAMING  
IN THE UNITED STATES,  
DATED OCTOBER 18, 1991



PRESENTATION TO THE  
LEGISLATIVE COMMISSION'S SUBCOMMITTEE  
TO STUDY GAMING

DENNIS NEILANDER  
SENIOR RESEARCH ANALYST  
LEGISLATIVE COUNSEL BUREAU  
RESEARCH DIVISION

October 18, 1991

TAXATION OF GAMING IN THE UNITED STATES

The following is a summary of gaming related taxes being imposed in states other than Nevada. License and other fees are included to depict the overall financial impact on gaming establishments. The statutory structure within which gaming operates is discussed as it may be an important factor in comparing the tax systems of these states with Nevada's. Most of the gaming that has been authorized in states other than Nevada is in its infancy and there is no history of revenues. This paper focuses on Nevada style gaming and does not analyze the taxation of bingo, lottories, pari-mutuel wagering and so forth.

The first part of this paper discusses non-riverboat gaming. The second part analyzes riverboat gaming.

TAXATION OF NON-RIVERBOAT GAMING

Colorado

Status of Legalized Gaming

Colorado allows charitable gaming, pari-mutuel wagering (horse and greyhound racing), a state lottery, and limited casino gaming.

### Limited Casino Gaming

In November of 1990, the voters of Colorado approved a Constitutional Amendment to allow limited casino gaming. The legislature adopted the Colorado Limited Gaming Act in June of 1991 to implement the Constitutional Amendment. "Limited Gaming" allows the operation of slot machines, blackjack, and poker with each game having a maximum single bet of \$5. Gaming can only be conducted in the historic mining towns of Black Hawk, Central City and Cripple Creek.

### Annual Licensing and Other Fees

- Annual gaming device fee of \$100 per device. The localities are authorized to charge an additional gaming device fee. (Currently \$800 in Blackhawk, \$1,000 in Central City and \$1,200 in Cripple Creek - per device).
- Slot machine manufacturer or distributor license - \$1,000
- Operator license - \$1,000
- Retail gaming license - \$250

### Taxes

Gaming establishments may be taxed up to 40 percent of the adjusted gross gaming proceeds, in addition to license fees. The Colorado Limited Gaming Control Commission establishes the appropriate level of tax levy. The current level as established by the commission is as follows:

- Four percent of adjusted gross gaming receipts up to \$440,000.
- Eight percent of adjusted gross gaming receipts between \$440,000 and \$1.2 million.
- Fifteen percent of adjusted gross gaming receipts above \$1.2 million.

The state's general fund receives 50 percent of the money collected; 28 percent goes to the state historic fund; 12 percent is shared among the counties where gaming is permitted; and 10 percent is shared among the 3 cities.

## Louisiana

### Status of Legalized Gaming

Louisiana allows pari-mutuel betting, a state lottery, video poker, and riverboat gaming.

The 1991 Louisiana Legislature passed the Video Draw Poker Devices Control Act legalizing certain video gaming. The following fee schedule has been established:

### License Fees

	<u>Annually</u>
• Manufacturer	\$5,000
• Distributor	\$3,000
• Licensed establishment	\$ 100
• Service entity	\$2,000
• Device owner	\$1,000
• Device operator, per device	\$1,000

### Taxes

The following taxes are levied on the device operator:

- Twenty-two and one-half percent of net device revenue.

## Montana

### Status of Legalized Gaming

Montana allows card games, video games, sports pools, pari-mutuel wagering, and a state lottery. The state does not allow Nevada-style casino gaming.

### Taxation of Video Gaming

Certain establishments in Montana are authorized to operate not more than 20 video machines (draw poker, bingo, and

keno--but not slot machines). A fee of \$200 per machine is charged with \$100 going to the state to cover regulatory and administrative costs and \$100 to the locality. A tax of 15 percent of the net income generated by each machine is paid to the state with the state retaining one-third and the locality receiving the remaining two-thirds.

### New Jersey

#### Status of Legalized Gaming

Atlantic City has Nevada-style casino gaming with the exception of race and sports book betting. Gaming is only allowed in Atlantic City.

#### License and Other Fees

The following fees are assessed against casino operators:

- An annual slot fee of \$500 per machine.
- A work permit fee that is assessed against all employees of a licensee.
- A license fee that funds gaming control activities set by the New Jersey Gaming Commission. The minimum initial fee is \$200,000 per year and \$100,000 thereafter. The fee rate increases in accordance with the gaming control and regulatory costs incurred by the state.

#### Taxation

- Eight percent of gross revenues.

### South Dakota

#### Status of Legalized Gaming

South Dakota allows pari-mutuel wagering, a state lottery, and limited casino gaming in the City of Deadwood. Limited casino gaming includes slot machines, blackjack, and poker. Wagers are limited to \$5.00 per hand or play. Casinos may not operate more than 15 gaming devices per retailers license.

### Licensing and Other Fees

The following fees are assessed against operators:

- An annual gaming device fee exists of \$2,000 per gaming device.
- Slot machine manufacturers or distributors and operators pay an initial licensing fee of \$1,000 and an annual license renewal fee of \$250.

### Taxation

The South Dakota Gaming Commission may adjust the tax on gross proceeds within a range of 5 to 15 percent. The current rate is 8 percent of adjusted gross proceeds.

Forty percent of the gaming tax collections go to the State General Fund with 10 percent going to the county. Administrative expenses of the commission are paid with the tax proceeds and the remainder of the tax is transferred to the City of Deadwood for deposit into its Historic Restoration and Preservation Fund.

### RIVERBOAT GAMING

The following is a description of state programs that authorize riverboat gaming and the fees and taxes associated with those programs.

#### Iowa

##### Status of Legalized Gaming

Iowa allows pari-mutuel wagering on dog and horse racing and has a state lottery. Iowa was the first state to authorize riverboat gaming. Slot machines, blackjack, video gaming, dice, and roulette are authorized. Wagers are limited to \$5 per hand or game play and \$200 per gaming excursion. Only nonprofit corporations may conduct gaming operations; however, commercial ventures may manage/operate the gaming activities.

### Licensing and Other Fees

The following fees are prescribed:

- Annual license fee of \$5 per person capacity of the vessel.
- State admission fee of 50 cents per passenger (\$250,000 maximum per vessel).
- Local option of 50 cents per passenger.
- Gambling game manufacturer - \$250 per year.
- Gambling game distributor - \$1,000 per year.

### Taxes

The following taxes are assessed on adjusted gross gaming receipts:

- Five percent on the first \$1 million.
- Ten percent on the next \$2 million.
- Twenty percent on receipts exceeding \$3 million.

## Illinois

### Status of Legalized Gaming

Illinois allows pari-mutuel wagering (horse racing) a state lottery, and riverboat gaming. Currently there are no betting limits, but the Illinois Gaming Board must make a recommendation to the legislature in 1992 regarding betting limits.

### License and Other Fees

The following fees are prescribed:

- Owner's license - \$25,000 initial and \$5,000 annually thereafter.
- Supplier's license - \$5,000 annually.

- Occupational license and casino management license (other than an owner) set by the board.
- Two dollars per passenger admitted to the boat (\$1 to the state and \$1 to the county).

#### Taxes

- Twenty percent of the adjusted gross gaming receipts.

#### Distribution of Taxes and Fees

- Twenty-five percent to the municipality of home dock.
- Sufficient money to pay for administrative and regulatory costs.
- The balance of the money is distributed to the Education Assistance Fund.

### Louisiana

#### Status of Legalized Gaming

Louisiana allows video poker gaming, a state lottery, pari-mutuel, and riverboat gaming. There are no betting limits applicable to riverboat gaming.

#### License and Other Fees

- Racehorse wagering permit - \$1,000 annually.
- Goods/services supplier (non-gaming) - \$250 annually.
- Slot machine manufacturer - \$5,000 annually.
- Gaming device/equipment manager (other than slots) - \$2,500 annually.
- Gaming device/equipment supplier - \$1,500 annually.
- One hundred dollars per employee.

- Initial license fee of \$50,000 per vessel and \$100,000 per vessel annually thereafter.
- Local option of \$2.50 per passenger.

#### Taxes

- "License Fee" of 3.5 percent of net gaming proceeds.
- "Franchise Fee" of 15 percent of net gaming proceeds.

Total of 18.5 percent of net gaming proceeds.

### Mississippi

#### Status of Legalized Gaming

Mississippi allows riverboat gaming but no other major form of gaming. Mississippi is the only jurisdiction that allows gaming to be conducted while the vessel is continuously docked. There are no betting or wagering loss limits.

#### Fees

- Five thousand dollars annual license fee.
- Variable gaming device fee based on the number of games - range of \$50 to \$4,800 per establishment.
- Local option of one-tenth of the taxes listed below.
- Gaming device manufacturers license fee - \$1,000 annually.
- Gaming device sellers or distributors license - \$500 annually.

#### Taxes

- Four percent on the first \$50,000 of gross gaming revenues per month.
- Six percent on the next \$84,000 of gross gaming revenues per month.
- Eight percent on gross gaming revenues above \$134,000 per month.

### Missouri

Missouri allows pari-mutuel betting and a state lottery. The 1991 legislature approved a river boat gaming measure, but this measure must be approved by the electorate at the November 1992 General Election as a ballot issue. The legislation imposes a wagering loss limit of \$500 per person, per excursion. If the measure is approved, the following fees and taxes will be applicable.

#### Fees

- \$5 per person capacity of each vessel.
- Gambling game manufacturer or distributor - \$1,000 annually.

#### Taxes

- Five percent on the first \$1 million of adjusted gross gaming receipts.
- Twelve percent on the next \$2 million of adjusted gross gaming receipts.
- Twenty percent on adjusted gross gaming receipts in excess of \$3 million.



# APPENDIX K

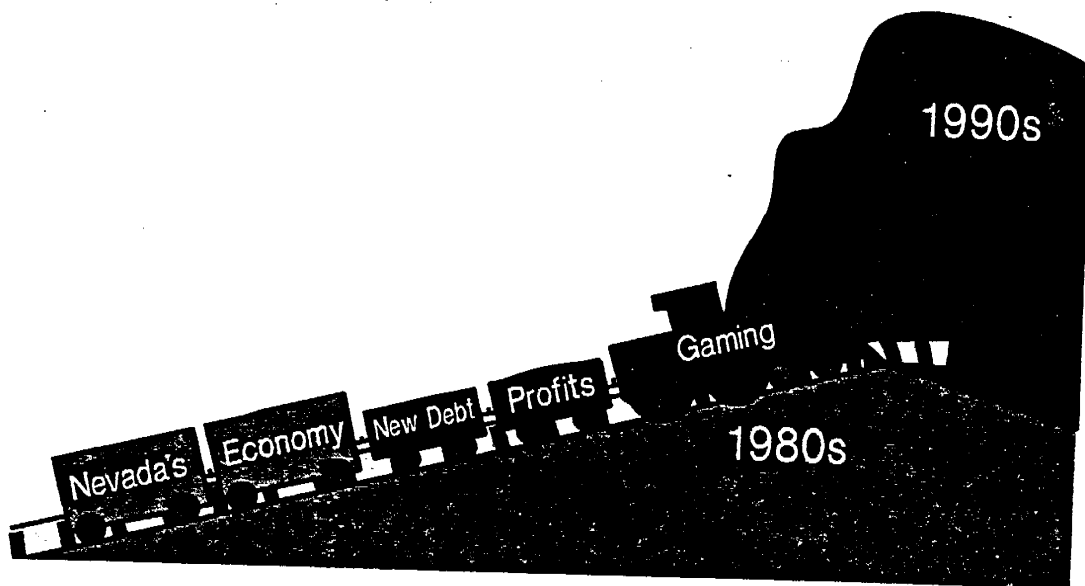
*GAMING PROFITABILITY AND INVESTMENT--*

*FUEL FOR NEVADA'S ECONOMIC ENGINE*



# GAMING PROFITABILITY AND INVESTMENT

Fuel for Nevada's  
Economic Engine



by **ARTHUR  
ANDERSEN**  
ARTHUR ANDERSEN & CO., S.C.

March 25, 1991



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- II. Profitability Report
- III. Profitability Trends
- IV. Debt Trends
- V. Tax Trends
- VI. List of Schedules, Graphs, and Definitions



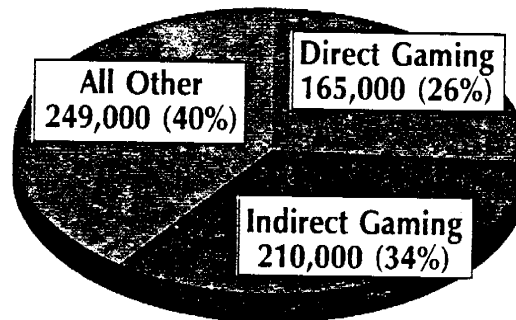
# GAMING PROFITABILITY AND INVESTMENT

## Fuel for Nevada's Economic Engine EXECUTIVE SUMMARY

Despite the considerable efforts of business, government and community leaders to broaden the state's industrial base, gaming continues to be the dominant industry in Nevada.

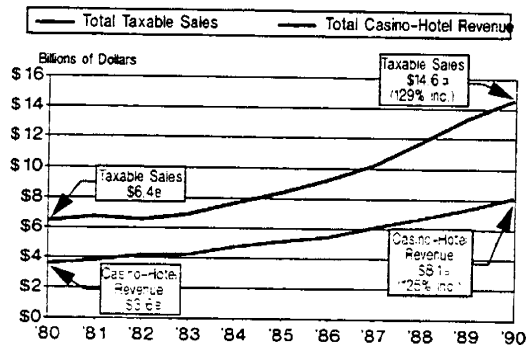
### 1990 NEVADA EMPLOYMENT

It provides 60%  
of Nevada's jobs.



Total 624,000

### TAXABLE SALES VS. CASINO-HOTEL REVENUES

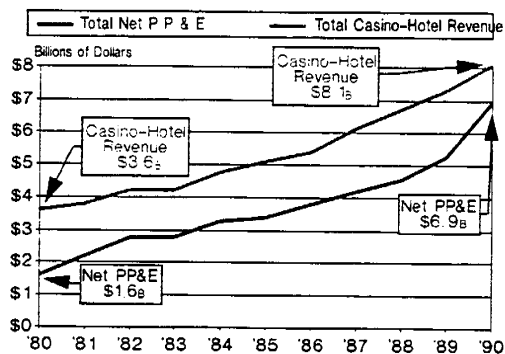


Its growth drives the  
growth of the other  
industries in the state.

Nevada's economic engine is fueled by new investment. The \$4.5 billion increase in the industry's total annual revenues in the 1980s is the direct result of its \$5.3 billion investment in new buildings and equipment during the period.

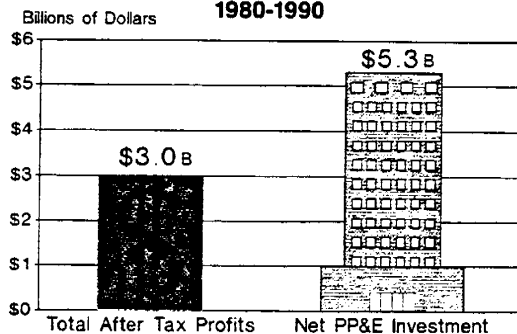
The sources of gaming's investment capital are primarily internally generated funds, or profits, and external debt financing.

### CASINO-HOTEL INVESTMENT VS. REVENUES



### Gaming Industry Profitability Trends

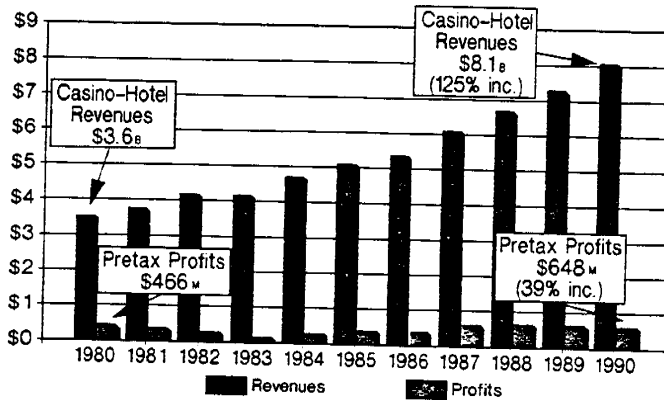
#### CASINO-HOTEL INVESTMENT VS. PROFITS 1980-1990



Profits are a substantial potential source of financing. Much of the \$3 billion of after-tax profits generated by the industry in the 1980's was reinvested. In fact, gaming companies invested all of this amount, and \$2.3 billion more, in the recently concluded decade.

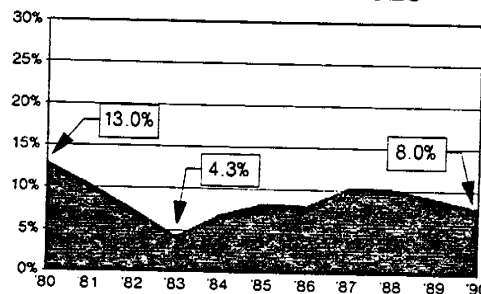
As previously mentioned, the industry's huge investment translated into a \$4.5 billion, or 125%, annual increase in revenues. Profits, however, have lagged behind, growing only \$182 million, or 39%.

### CASINO-HOTEL REVENUES VS. PRETAX PROFITS

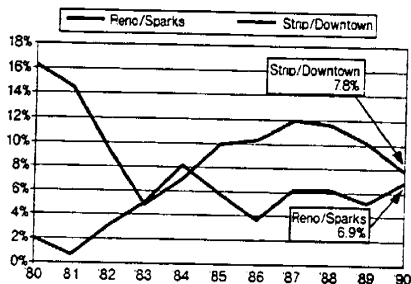


As a result, the industry's pretax profit margins experienced a precipitous decline, from 13% to 8%, during the decade.

### PRETAX PROFITS AS A PERCENTAGE OF CASINO-HOTEL REVENUES

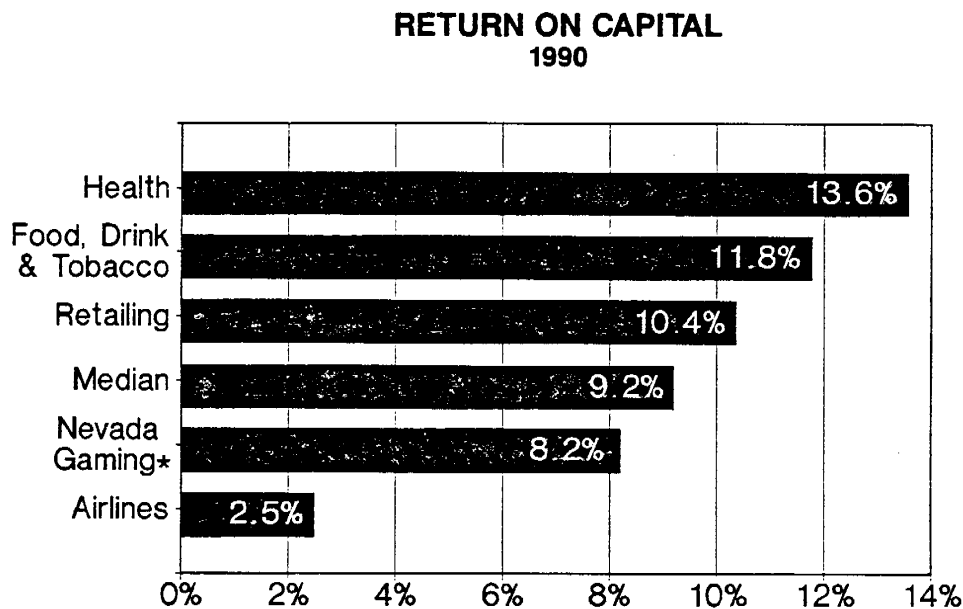


### CASINO-HOTEL PROFIT MARGINS BY REGION



Profit margins recorded in 1990 in each of the State's two principal markets were less than half of those enjoyed in Las Vegas as the 1980s began.

Declining profitability, coupled with burgeoning investment, translated into a substandard return on capital. Nevada's gaming industry earned a substantially lower rate of return on its investment in the 1980s than the median return generated by all U.S. industry in 1990.



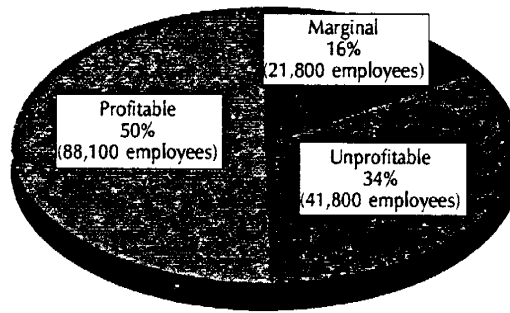
\*Return on Capital invested over last 10 years.

Source of nongaming information: *Forbes* magazine, January 7, 1991

A substandard return on capital reduces an owner's incentive to reinvest profits and dulls an industry's attractiveness to external sources of financing.

The profit picture is not uniformly bleak. Half of Nevada's Group 1 and 2 casinos, employing 88,000 persons, generated profitable results in 1990. The other half, employing 64,000 persons, registered marginal or unprofitable results.

#### INDIVIDUAL CASINO PROFITABILITY - 1990

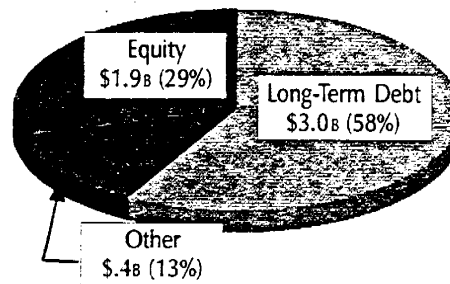


**Profitable:** pretax margin > 5%.  
**Marginal:** 0.5% profit margin.

#### Debt Financing in the 1980s

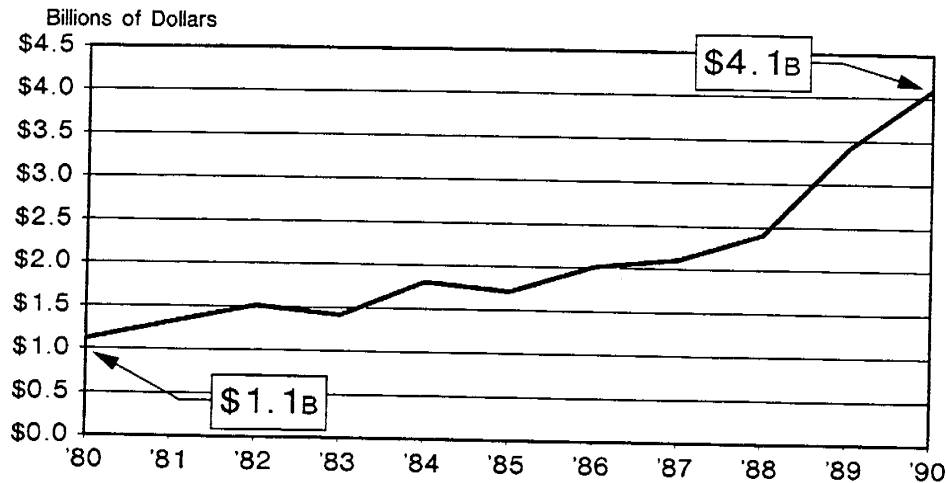
The industry's \$5.3 billion investment in new plant and equipment during the 1980s could not be funded by profits alone. The construction of The Mirage and Excalibur and expansions to virtually every existing Nevada casino-hotel required huge amounts of debt—\$3.0 billion worth—to complement the reinvestment of profits.

#### SOURCES OF INVESTMENT CAPITAL 1980-1990 (Billions of Dollars)



In achieving the necessary financing, the industry shouldered a four-fold increase in its debt burden, from \$1.1 billion to \$4.1 billion.

### GAMING INDUSTRY DEBT



The unavoidable predominance of debt in the new capital equation and the limited resources of the state's banks dictated the use of a new financing vehicle: high-yield bonds.

### HIGH-YIELD BOND ISSUERS 1980-1990

Almost all of the public gaming companies availed themselves of this vast funding resource.

Bally's  
Caesars World  
Circus Circus  
Golden Nugget  
Holiday Inns (Promus)  
Ramada (Aztar)  
Sahara Resorts  
Showboat

The high-yield bonds bore high interest rates and carried early and significant repayment obligations. Issuers relied on their ability to refinance these burdensome repayment obligations when cash flow projections could not be achieved.

**NEVADA PUBLIC  
DEBT ISSUES  
IN DEFAULT**

<u>Issuer</u>	<u>Principal Amount</u>
Bally's	\$494 million
Goldriver Finance	<u>118</u>
	<u>\$612 million</u>

But the high-yield bond market has collapsed, eliminating the possibility of refinancing. Over \$600 million of Nevada public debt issues are currently in default.

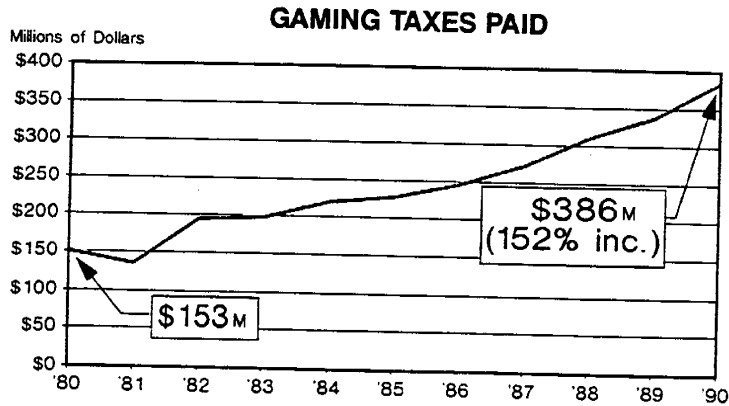
The collapse of the high-yield bond market and the restrictions imposed on bank and other financial institutional lending in the wake of the S & L debacle has severely limited the availability of new debt financing to the gaming industry.

The industry must now look primarily to profits to fuel new expansions and to meet enormous debt service burdens.

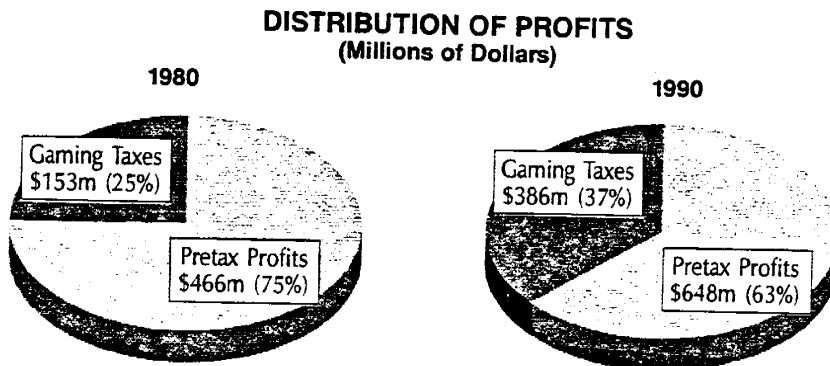
## Gaming Taxes vs. Gaming Profits

Each additional dollar of gaming taxes represents one less dollar of gaming profits.

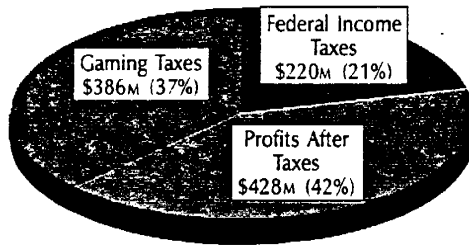
Reflecting investment-induced revenues growth and three rate hikes, gaming taxes paid annually by the casino industry increased \$233 million, or 152%, in the 1980s.



Gaming taxes are now 37% of profits before gaming and income taxes, up from 25% in 1980.



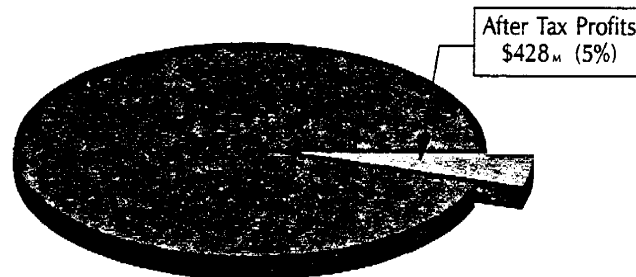
**1990  
REDUCTION OF PROFITS  
BY TAXES**  
(Millions of Dollars)



In addition to the 37 % of profits paid out in gaming taxes in 1990, the federal government took 21% in the form of income taxes, leaving only 42 % of after-tax profits for owners and stockholders.

**1990 AFTER-TAX PROFITS  
VS. REVENUES**

After-tax profits represent just 5 % of total 1990 revenues.



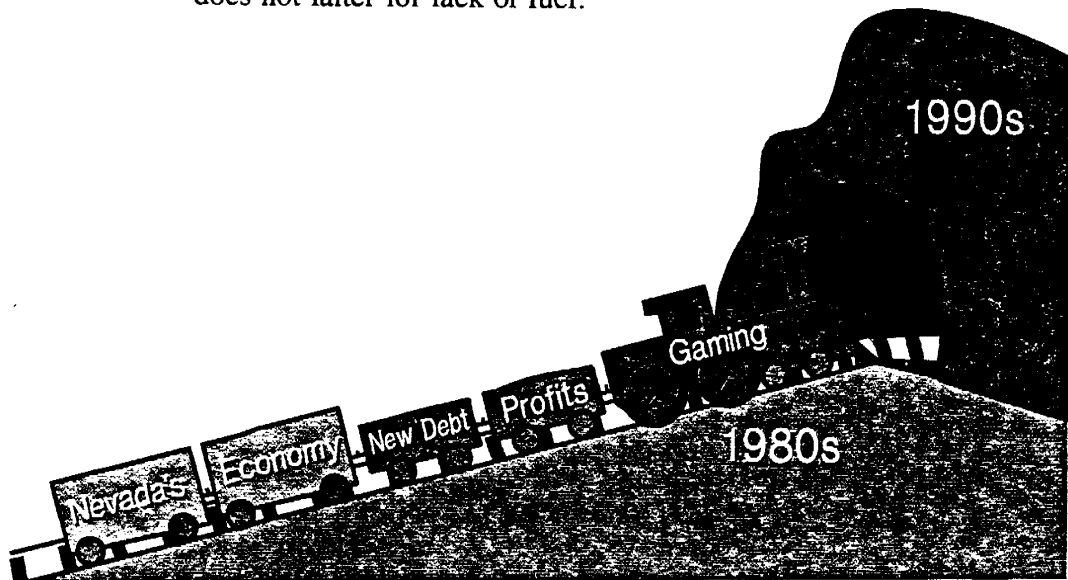
**TOTAL CASINO REVENUES \$8.1 B**

**Implications for the 1990s**

The \$5.3 billion invested in new buildings and equipment by the gaming industry in the recently concluded decade paved the way for Nevada's explosive growth. Unfortunately, despite soaring revenues, the industry earned a substandard rate of return on this investment. Contributing to the substandard return was the growing share of pretax profits taken by revenue-based gaming taxes.

New debt financing is unlikely to make up the capital resources shortfall left by eroding profit margins. Restrictive regulations imposed on lending institutions in the aftermath of the savings and loan crisis, together with the collapse of the high-yield bond market, have sharply curtailed the availability of debt as a financing vehicle. The huge debt service overhang associated with the \$3.0 billion of new borrowings in the 1980s further reduces the potential of the debt markets to function as a net provider of funds to the gaming industry in the upcoming decade.

Gaming profits will be the fundamental source of growth for the gaming industry and Nevada in the future. Gaming profits will provide new investment capital. Gaming profits will support existing and new debt service obligations. Gaming profits must grow to ensure that Nevada's economic engine does not falter for lack of fuel.



## GAMING INDUSTRY: AN UNCERTAIN FORECAST

If Nevada's gaming industry were portrayed on a satellite weather photo, it would look good—for the moment. Its best feature would be the sunny state of gaming revenues, which have been increasing dramatically. But right behind it would be "gathering clouds": declining profit margins, rising expenses, burdensome debt service, and unavailability of debt financing. In any other state, such a forecast could be shrugged off as "local weather conditions." But in Nevada, where gaming is the economy, the gathering clouds are cause for statewide reflection.

Why the darkening skies?

- High-Yield Bond Market Collapses: In large part, high-yield bonds made the gaming industry's recent expansion and upgrading possible. Now that that source—and most other sources—of outside capital have dried up, profits become the primary sustenance of the industry.
- Profits Shrink: Gaming companies have historically ploughed much of their profits back into their businesses. However, there is simply not enough margin in gaming now to fund everything that needs to be funded and grow, too. Most of the state's properties require extensive maintenance to keep them in good working order. Everything costs more every year: salaries, food, drink, insurance, transportation, etc. Moreover, bond financing was expensive financing, and service on debt consumes a considerable amount of each month's revenues.
- Gaming Taxes Grow: Finally, state-imposed taxes on the industry have been increasing as a percentage of profits. These taxes have been the largest single contributor to the state's general fund.

That's the "weather" picture as taken by a wide-angle lens. Here it is in close-up:

- Gaming Drives Economy: Gaming is the most significant economic force in the Silver State today, driving the growth of all the other industries located here. Some 375,000 Nevadans, roughly 60% of the state's labor force, are employed directly and indirectly in gaming (see graph 1). When gaming booms, the desert blooms—with jobs, that is, both inside and outside the industry. The growth of taxable sales over the last decade mirrors the growth rate of casino/hotel revenues during the same period. These revenues increased some 125% while taxable sales went up 129% (see graph 2).

- Bottom Line Anemic: Although casino/hotel revenues have grown steadily over the last decade, they have not filtered down to the industry's bottom line. Pretax net income was stagnant relative to new growth (see graph 4). At the beginning of the '80s, the industry enjoyed an annual profit margin of 13%. The nationwide recession of '83 caused that margin to plunge to a low of 4%. Profits rebounded over the next four years to 10%, but they've been consistently declining ever since (see graph 4A). Today, they stand at 8%, their lowest level in five years.

Profits have declined in most of Nevada's principal gaming areas. Even the Vegas Strip—the largest and most profitable casino/hotel venue in the state—has exhibited a downward trend, with profit margins falling from 15.2% in 1980 to 9.1% in 1990. The decline of pretax profits has been even more dramatic in downtown Las Vegas, where margins fell from 20.7% to 2.5%. The only area to buck the trend has been Reno/Sparks, which saw pretax profit as a percentage of total revenue rise from 2.0% in 1980 to 6.9% at decade's end. The 6.9% is below the state average as a whole and less than half the profit margin of the Las Vegas Strip at the beginning of the decade.

- Return on Capital Uninspiring: Gaming's \$5.3 billion incremental investment during the 80's brought a return on capital that is 11% below *Forbes Magazine's* computation of the median return on capital realized in all industries (see graph 6). Gaming's 8% average return puts it ahead of troubled sectors such as travel, but lagging well behind many other categories: retailing, health and food, drink and tobacco.

There is a direct correlation between the gaming industry's investment in its property and equipment and its increased revenues. However, total investment outstripped profits by almost two to one. When return on investment is substandard, owners lose their incentive to spend money on their properties and outside investors look elsewhere for more attractive opportunities.

- Debt Service High: During the last decade, total pretax profits on gaming in Nevada did not cover the industry's \$5.3 billion outlay in property, plant, equipment (see graph 7). The short fall was made up from borrowings. During the last decade, 57% of new investments were financed by debt and 36% by equity and the balance by other (see graph 17).

Long-term debt skyrocketed from just over \$1 billion to \$4.1 billion, a significant portion of it in high-yield bonds. The high-yield bond market is now gone. No resurgence of the market is in sight. Moreover, new restrictions imposed after the S & L debacle have virtually eliminated traditional lending institutions as players in this market.

Long-term debt as a percentage of stockholders' equity increased from 91.7% in 1980 to 132.3% in 1990. Several Nevada gaming companies are heavily leveraged, impairing their ability to improve the bottom line. But other companies show signs of health and even vigor. As of June 30, 1990, the industry included 120 (66%) profitable properties and 61 (34%) unprofitable ones.

- Taxes Increase Overall: During the '80s, the gaming industry's tax contribution to Nevada's general fund increased 152% from \$153 million to \$386 million (see graph 18). Put another way, state taxes used to account for 25% of the industry's profits; they now account for 37% (see graphs 19 and 19A). Moreover, federal income taxes erode profits by another 34%, although this percentage has decreased substantially over the past 10 years.
- The Outlook for Tomorrow—Blue Skies or Gray? A booming gaming industry has meant a booming Nevada: more jobs, more taxes, more investment in the state. But unfavorable changes in the financial markets and reduced profitability, have placed it under a strain. Gaming today is caught in a squeeze between falling profits, evaporating capital sources and repayment of long-term debt. It must hold the line and even improve its profit picture or its near-term outlook will be decidedly "cloudy."

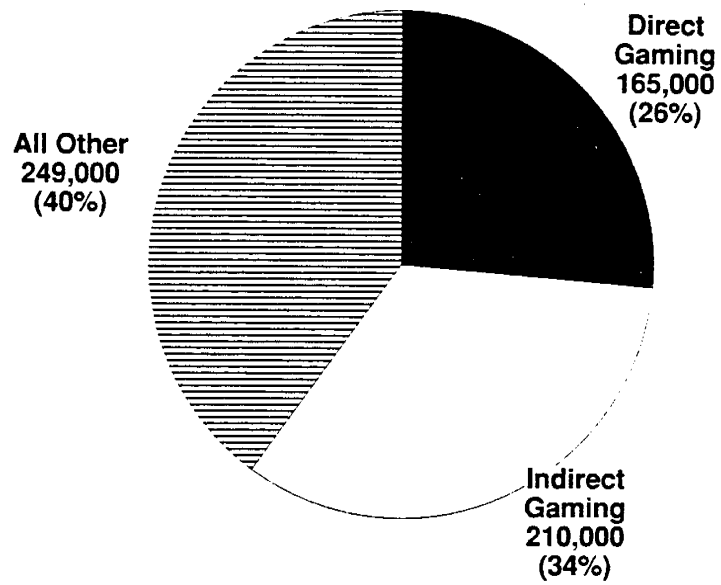


## PROFITABILITY TRENDS SUMMARY

- Approximately 60% of Nevada's employment is attributable to the gaming industry. Approximately 26% of the work force is employed directly in the gaming industry while 34% of the State's employment is indirectly attributable to gaming.
- Casino-hotel revenue directly correlates with the State's taxable sales. Casino-hotel revenues have increased approximately 125% over the past decade and taxable sales have followed suit by increasing roughly 129% during the same period.
- As a percentage of total casino-hotel revenues, the Industry's pretax profits of approximately 8% are at their lowest level in the past 5 years. The Industry's return on invested capital over the past decade has averaged approximately 8%, whereas the food, drink, and tobacco, health and retailing industries have averaged returns of approximately 12%, 14%, and 10%, respectively.
- While there is a direct correlation between the dollars invested in property and equipment and gaming revenues generated, the total investment in property and equipment over the past decade has out-stripped the Industry's net profits by nearly a two to one margin. While over \$5 billion has been invested in property and equipment over the past decade, the industry has generated after tax profits of only approximately \$3 billion during this period.
- Regionally, the Vegas Strip is the largest casino-hotel revenue producing area in the State. In FY 1990, the Strip generated almost half of the State's total gaming revenue and pretax profits. The Strip's profit margins have demonstrated a downward trend over the past few years, falling from approximately 15.2% in 1980 to 9.1% in 1990. The percentage of profitable Las Vegas Strip Group I & II casinos has decreased from 58.3% in 1980 to 46.3% in 1990.
- As a percentage of total Nevada Group I & II casinos, the number of profitable casinos has decreased 5.2% over the past decade.
- The percentage of profitable Downtown Las Vegas Group I & II casinos has decreased from 72.7% in 1980 to 33.3% in 1990. Pretax profit as a percentage of total revenue has declined from 20.7% in 1980 to 2.5% in 1990.
- The percentage of profitable Reno/Sparks Group I & II casinos has increased from 29.7% in 1980 to 39.4% in 1990. Pretax profit as a percentage of total revenue has increased from 2.0% in 1980 to 6.9% in 1990. The 6.9% is below the state average as a whole and less than half the profit margin of the Las Vegas Strip at the beginning of the decade.

Graph 1

**1990 NEVADA EMPLOYMENT**



**TOTAL 624,000**

Schedule 1

**1990 NEVADA EMPLOYMENT**

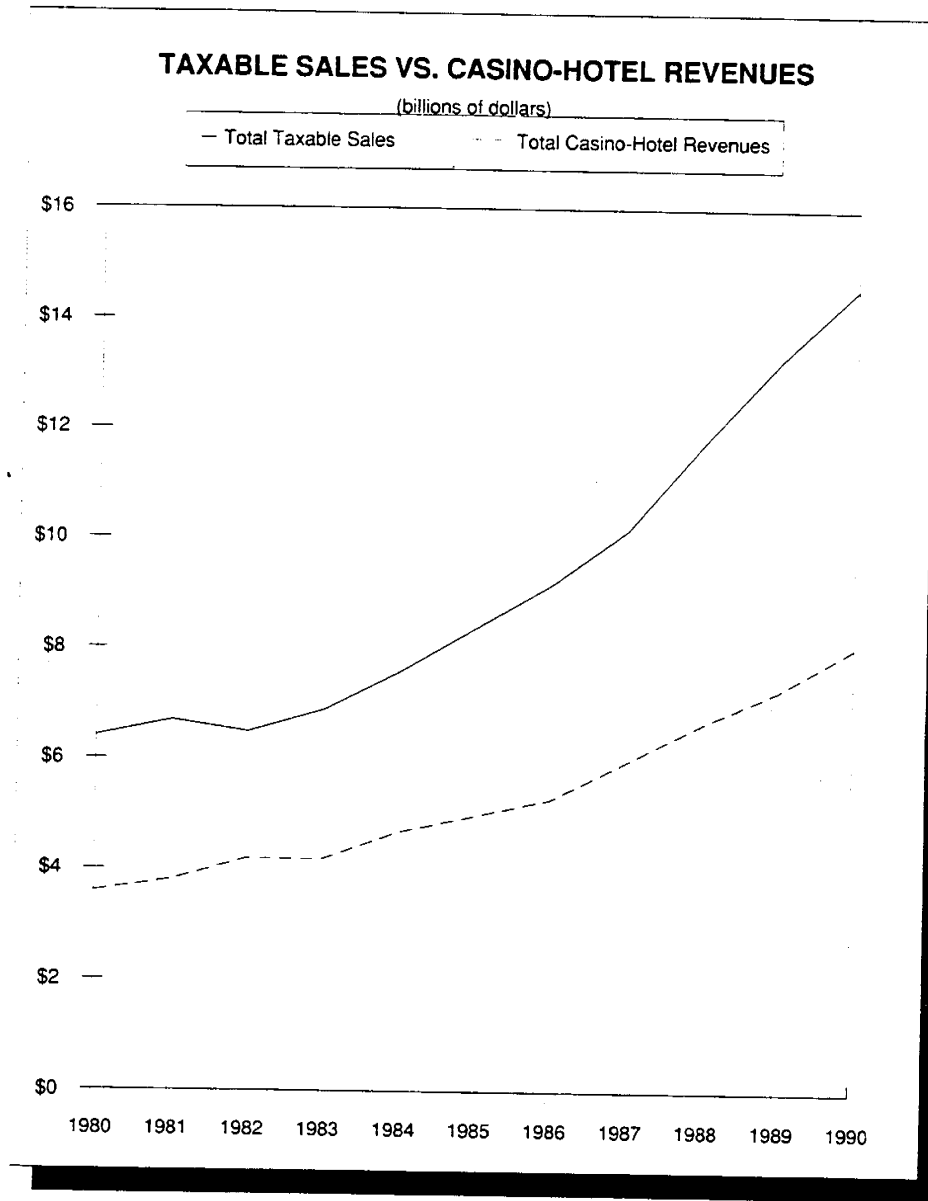
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Total Employment In Nevada	624,000
Direct Employment by the Gaming Industry	165,000
Indirect Employment Attributable to the Gaming Industry *	210,000
All Other Industry Employment	249,000

\* Determined as a ratio of 1.27 of indirect employment to total direct employment in the gaming industry.

Source: Nevada Employment Security Department  
Source: State of Nevada Legislative Council Bureau

Graph 2



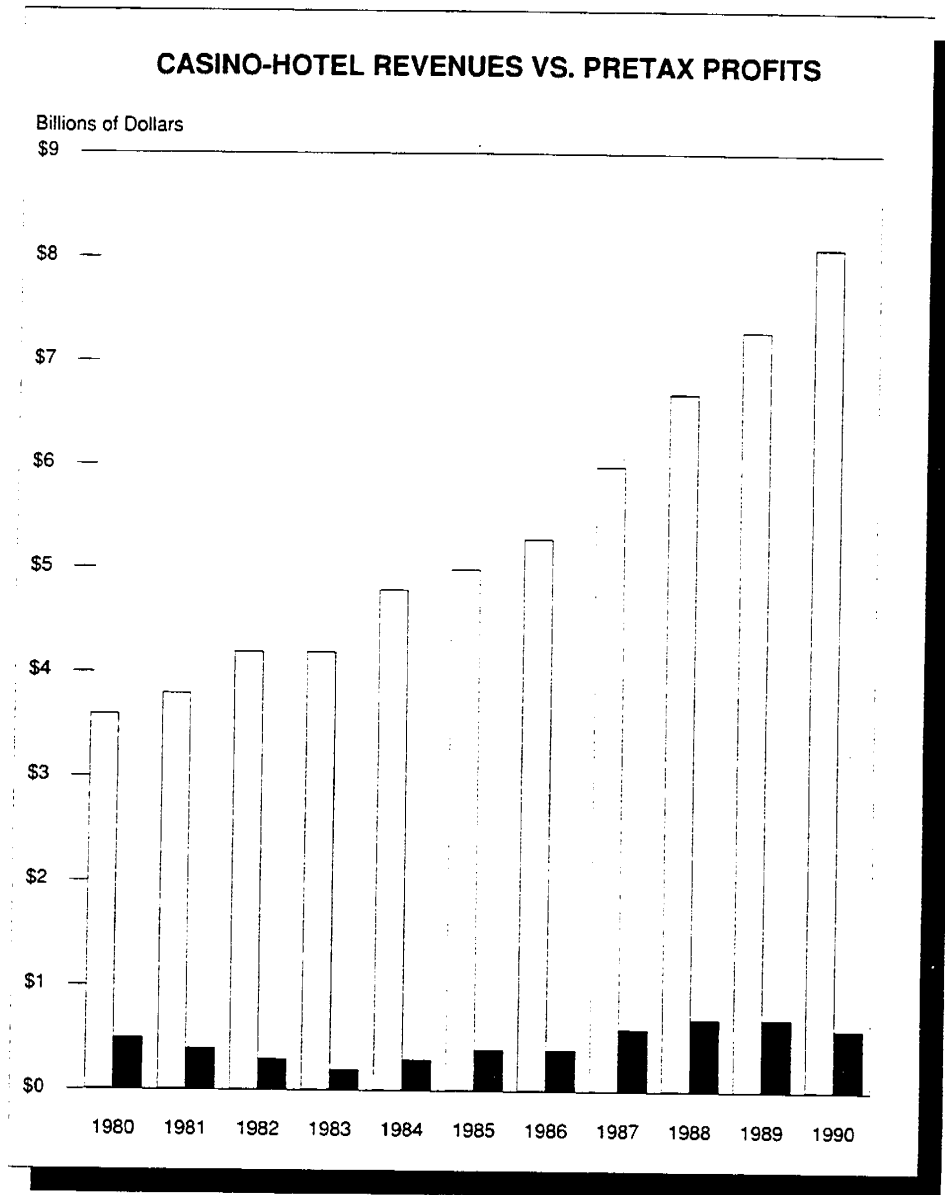
Schedule 3

**CASINO-HOTEL INVESTMENT VS. REVENUE**  
(thousands of dollars)

Fiscal Year Ending Jun-30	Property, Plant, & Equipment (net of depreciation)	Total Casino-Hotel Revenue
1980	\$1,881,948	\$3,583,584
1981	\$2,174,071	\$3,803,185
1982	\$2,747,433	\$4,211,652
1983	\$2,765,834	\$4,218,559
1984	\$3,235,132	\$4,747,859
1985	\$3,377,981	\$5,044,909
1986	\$3,804,324	\$5,336,248
1987	\$4,178,986	\$6,043,236
1988	\$4,543,073	\$6,713,409
1989	\$5,246,643	\$7,305,791
1990	\$6,927,451	\$8,078,238

Source: State Gaming Control Board

Graph 4



## Schedule 2

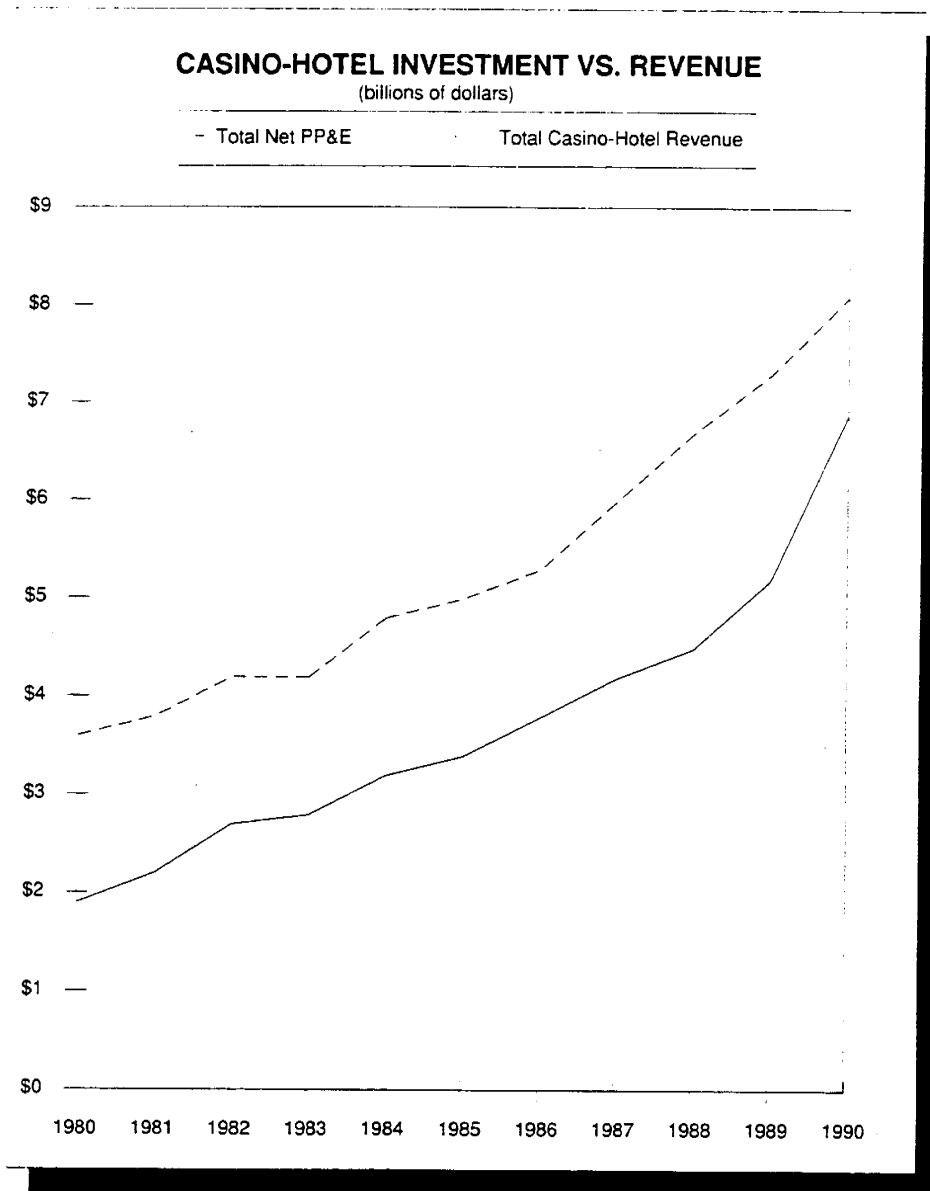
**TAXABLE SALES VS. CASINO-HOTEL REVENUE**

(thousands of dollars)

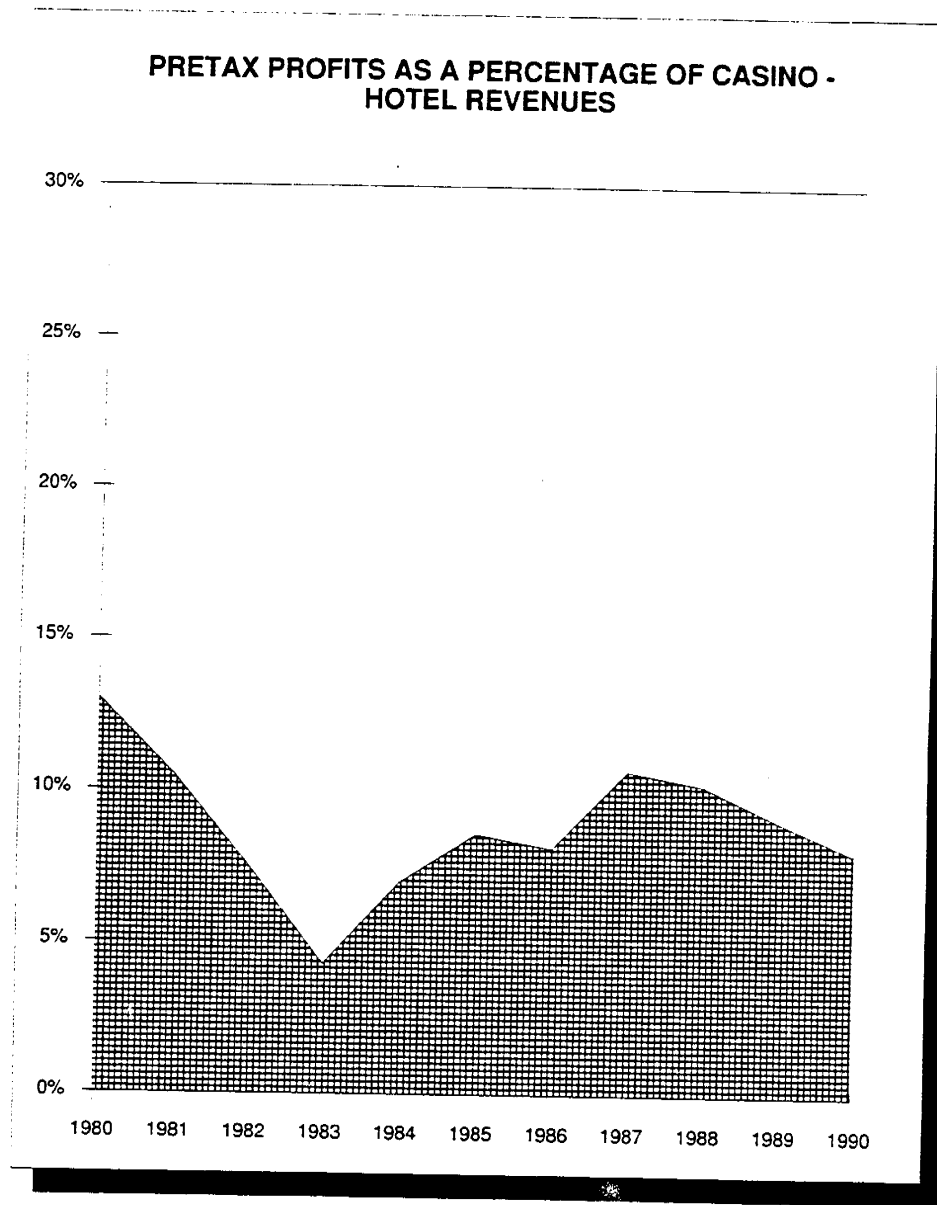
Fiscal Year Ending Jun-30	Total Casino-Hotel Revenues	Total Taxable Sales
1980	\$3,583,584	\$6,382,471
1981	\$3,803,185	\$6,741,715
1982	\$4,211,652	\$6,539,311
1983	\$4,218,559	\$6,858,869
1984	\$4,747,859	\$7,624,717
1985	\$5,044,909	\$8,384,795
1986	\$5,336,248	\$9,163,503
1987	\$6,043,236	\$10,224,239
1988	\$6,713,409	\$11,771,439
1989	\$7,305,791	\$13,321,002
1990	\$8,078,238	\$14,612,215

Source: Nevada Department of Taxation  
Source: State Gaming Control Board

Graph 3



Graph 4A



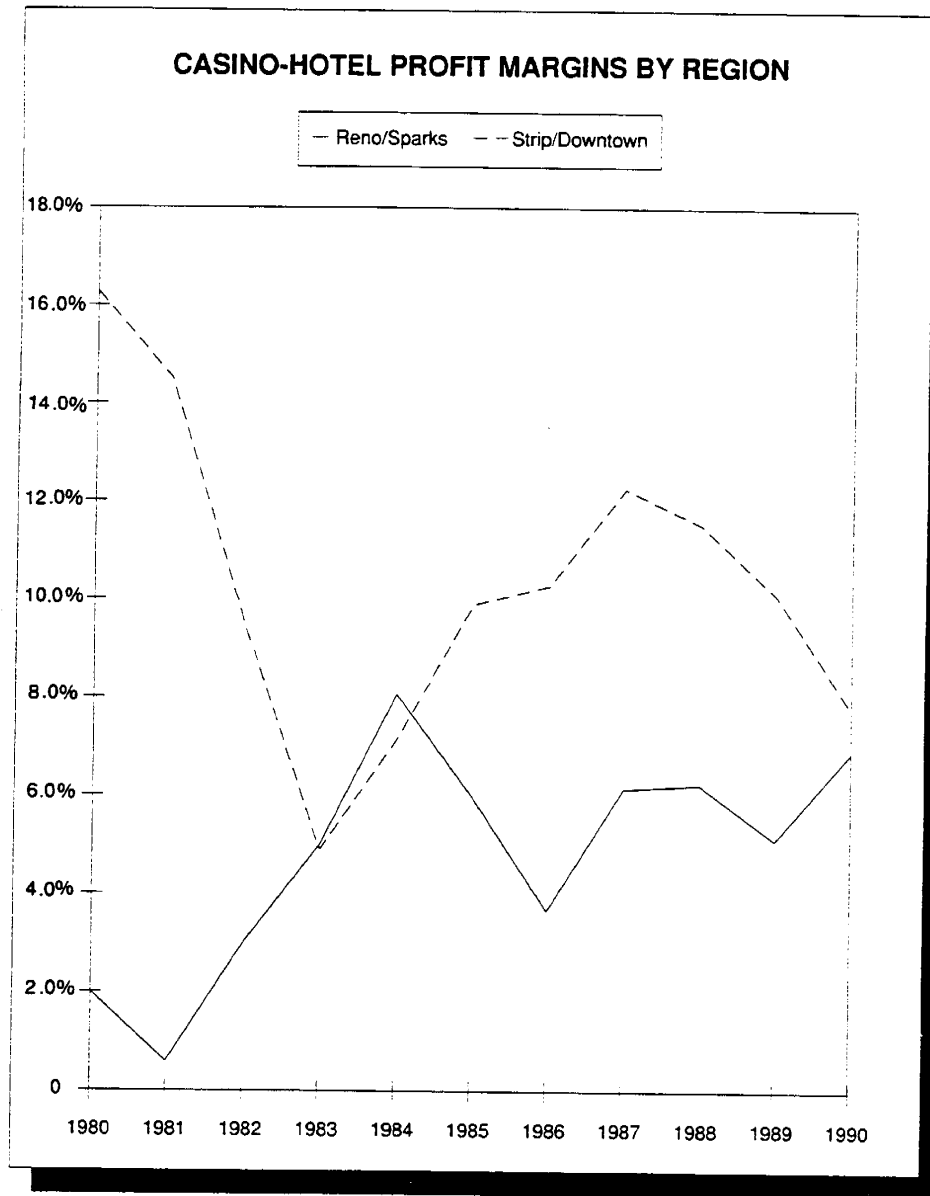
Schedule 4

**CASINO-HOTEL REVENUES VS. PRETAX PROFITS  
AND PRETAX PROFITS AS A PERCENTAGE OF  
CASINO-HOTEL REVENUES**  
(thousands of dollars)

Fiscal Year Ending Jun-30	Total Casino-Hotel Revenues	Pretax Profits	Percentage
1980	\$3,583,584	\$465,866	13.0%
1981	\$3,803,185	\$399,334	10.5%
1982	\$4,211,652	\$315,874	7.5%
1983	\$4,218,559	\$180,537	4.3%
1984	\$4,747,859	\$332,735	7.0%
1985	\$5,044,909	\$434,233	8.6%
1986	\$5,336,248	\$435,207	8.2%
1987	\$6,043,236	\$648,294	10.7%
1988	\$6,713,409	\$689,218	10.3%
1989	\$7,305,791	\$664,452	9.1%
1990	\$8,078,238	\$648,191	8.0%

Source: State Gaming Control Board

Graph 5



## Schedule 5

**CASINO-HOTEL PROFIT MARGINS BY REGION**

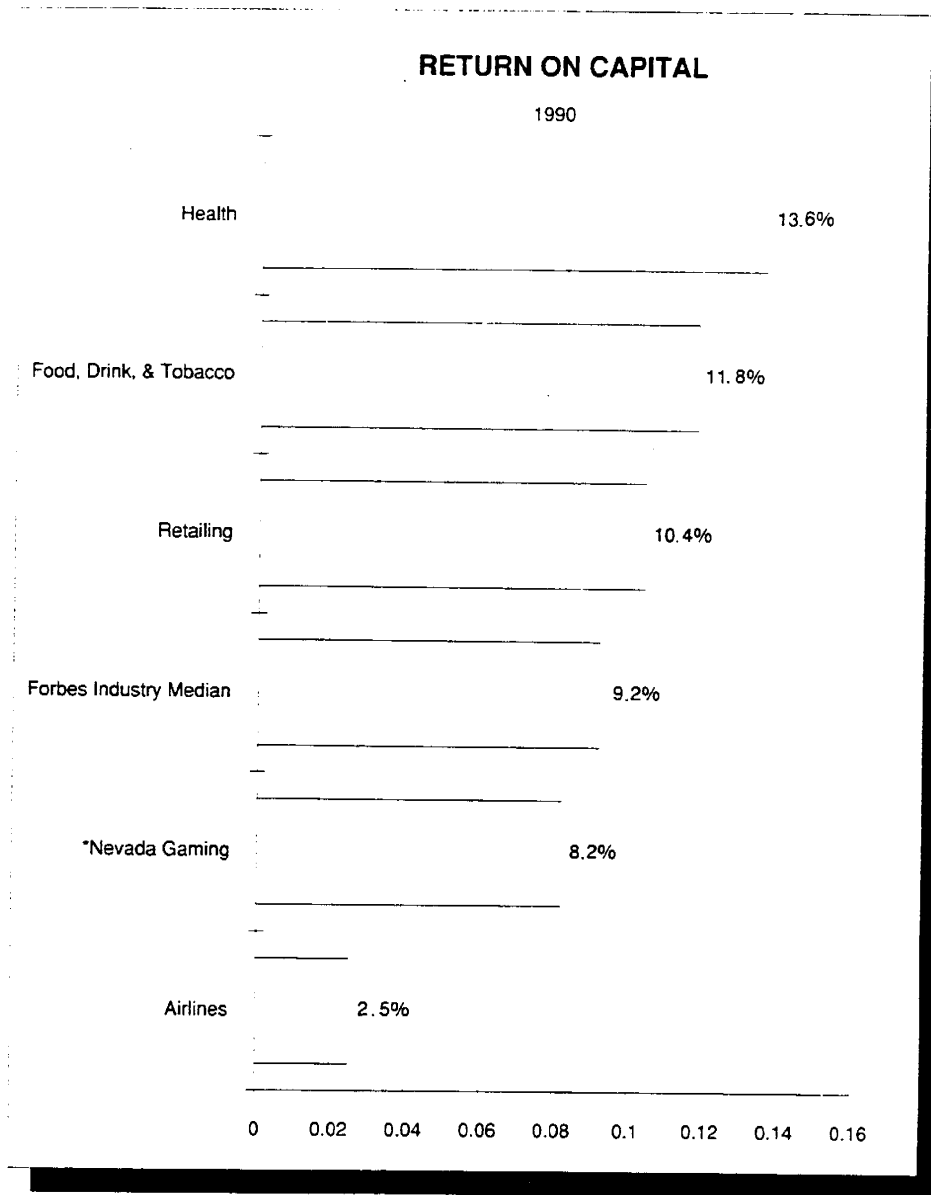
Fiscal Year Ending Jun-30	Profit Margin		
	Reno/Sparks	Strip/Downtown	Statewide
1980	2.0%	16.3%	13.0%
1981	0.6%	14.5%	10.5%
1982	3.0%	9.4%	7.5%
1983	5.0%	4.9%	4.3%
1984	8.1%	7.1%	7.0%
1985	6.0%	9.9%	8.6%
1986	3.7%	10.3%	8.2%
1987	6.2%	12.3%	10.7%
1988	6.3%	11.6%	10.3%
1989	5.1%	10.1%	9.1%
1990	6.9%	7.8%	8.0%

Fiscal Year Ending Jun-30	Total Revenue (thousands of dollars)		
	Reno/Sparks	Strip/Downtown	Statewide
1980	\$663,308	\$2,317,504	\$3,583,584
1981	\$703,505	\$2,349,895	\$3,803,185
1982	\$695,496	\$2,689,961	\$4,211,652
1983	\$797,938	\$2,481,735	\$4,218,559
1984	\$905,904	\$2,755,810	\$4,747,859
1985	\$943,038	\$2,917,923	\$5,044,909
1986	\$972,825	\$3,083,756	\$5,336,248
1987	\$1,012,270	\$3,582,290	\$6,043,236
1988	\$1,092,471	\$3,931,790	\$6,713,409
1989	\$1,104,290	\$4,369,555	\$7,305,791
1990	\$1,158,332	\$4,888,637	\$8,078,238

Fiscal Year Ending Jun-30	Pretax Profit (thousands of dollars)		
	Reno/Sparks	Strip/Downtown	Statewide
1980	\$13,266	\$377,037	\$465,866
1981	\$4,221	\$340,586	\$399,334
1982	\$20,865	\$254,047	\$315,874
1983	\$39,982	\$121,897	\$180,537
1984	\$73,268	\$196,941	\$332,735
1985	\$56,704	\$289,731	\$434,233
1986	\$35,896	\$317,691	\$435,207
1987	\$62,551	\$440,093	\$648,294
1988	\$68,481	\$454,225	\$689,218
1989	\$56,736	\$442,524	\$664,452
1990	\$80,360	\$381,738	\$648,191

Source: State Gaming Control Board

Graph 6



\*Return on Capital invested over last 10 years

Schedule 6

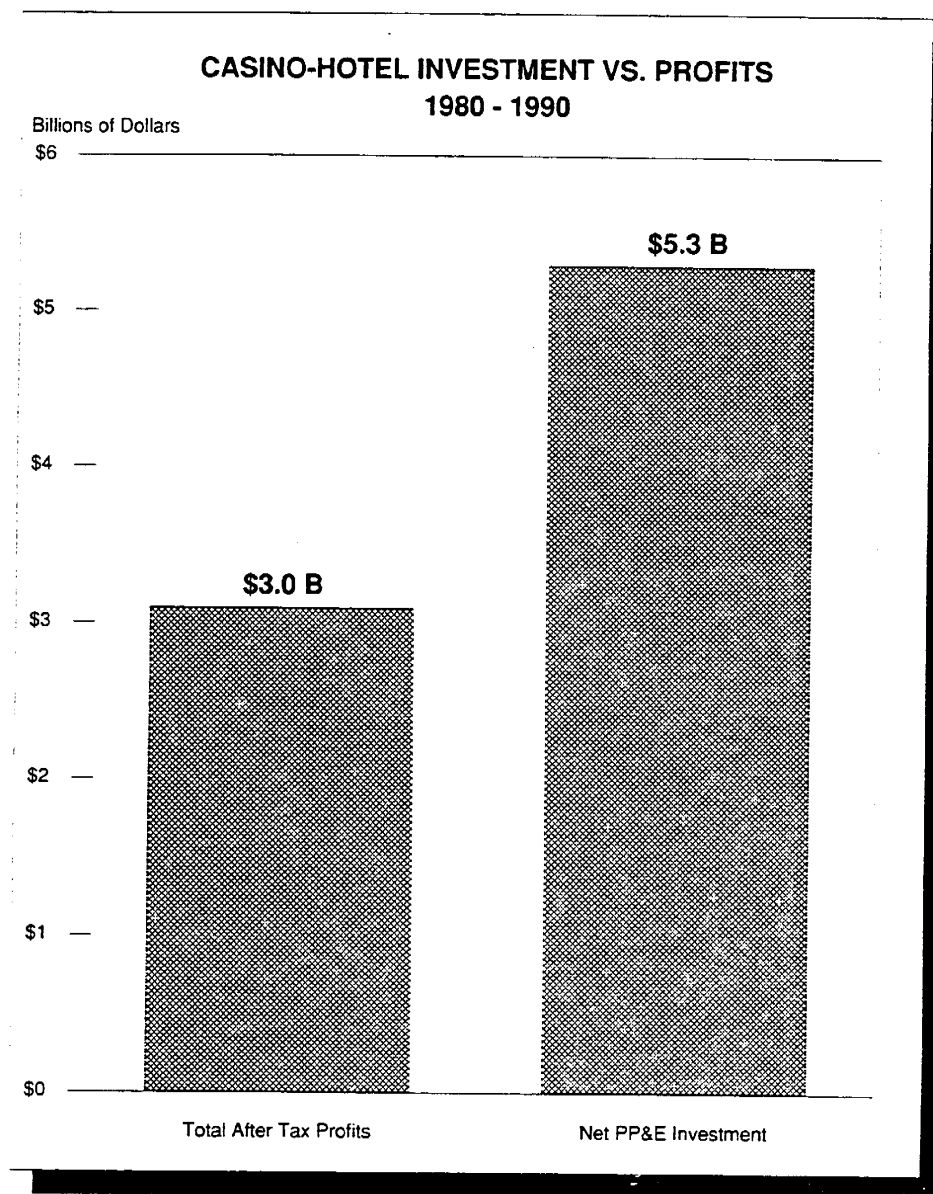
**Return On Capital**

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Health	13.6%
Food, Drink, & Tobacco	11.8%
Retailing	10.4%
Forbes Industry Median	9.2%
*Nevada Gaming	8.2%
Airlines	2.5%

Source: Forbes Magazine, except for Nevada Gaming.  
\* Return on Capital invested over last 10 years.

Graph 7



## Schedule 7

**CASINO-HOTEL INVESTMENT VS. PROFITS**  
(thousands of dollars)

Fiscal Year Ending Jun-30	Pretax Profits	Federal Corporate Tax Rate	FIT	Total After Tax Profits
1980	\$465,866	46%	\$214,298	\$251,568
1981	399,334	46%	183,694	215,640
1982	315,874	46%	145,302	170,572
1983	180,537	46%	83,047	97,490
1984	332,735	46%	153,058	179,677
1985	434,233	46%	199,747	234,486
1986	435,207	46%	200,195	235,012
1987	648,294	46%	298,215	350,079
1988	689,218	34%	234,334	454,884
1989	664,452	34%	225,914	438,538
1990	648,191	34%	220,385	427,806
<b>TOTAL 1980-1990</b>				<b>\$3,055,751</b>

PROPERTY, PLANT, & EQUIPMENT (net of accumulated depreciation)	
Beginning 1980	\$1,667,392
End 1990	\$6,927,451
Net Incremental PP&E Investment	\$5,260,059

Source: State Gaming Control Board, except for effective federal corporate tax rate.

Schedule 8

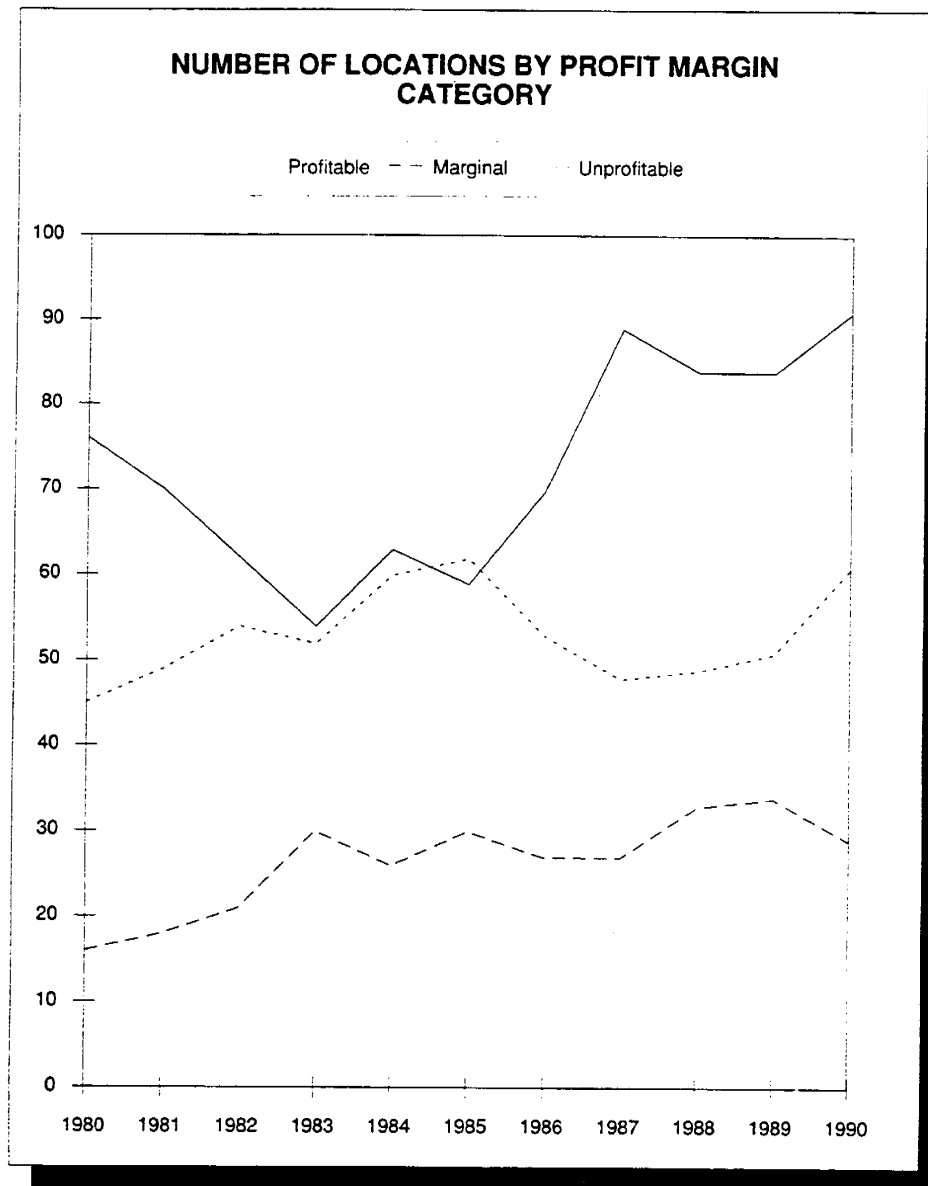
**STATEWIDE PROFITABILITY  
HIGHLIGHTS**

Pertinent Point	1980	1990
Number of Group 1 & 2 Casinos	137	181
- profitable	55.5%	50.3%
- marginal	11.7%	16.0%
- unprofitable	32.8%	33.7%
Pretax profit (loss) - millions		
- profitable	\$487.9	\$801.3
- marginal	\$14.4	\$31.3
- unprofitable	(\$37.6)	(\$184.5)
	1982	1990
Number of Employees		
- profitable	54,613	88,076
- marginal	16,189	21,826
- unprofitable	31,949	41,804

Source: State Gaming Control Board 1984 - 1990  
Laventhol & Horwath 1980 - 1983

Footnote: 1980 and 1981 employment statistics not available

Graph 8



## Schedule 9

**CASINO SUMMARY BY PROFITABILITY**

Nevada's Group 1 &amp; 2 Casinos

Fiscal Year Ending June 30	Number of Locations by Level of Profitability			Total Locations
	Profitable	Marginal	Unprofitable	
1980	76	16	45	137
1981	70	18	49	137
1982	62	21	54	137
1983	54	30	52	136
1984	63	26	60	149
1985	59	30	62	151
1986	70	27	53	150
1987	89	27	48	164
1988	84	33	49	166
1989	84	34	51	169
1990	91	29	61	181

	1980		1990	
	Number	% of Total	Number	% of Total
Profitable	76	55.5%	91	50.3%
Marginal	16	11.7%	29	16.0%
Unprofitable	45	32.8%	61	33.7%

Source: State Gaming Control Board 1984 - 1990  
Laventhol & Horwath 1980 - 1983

Schedule 10

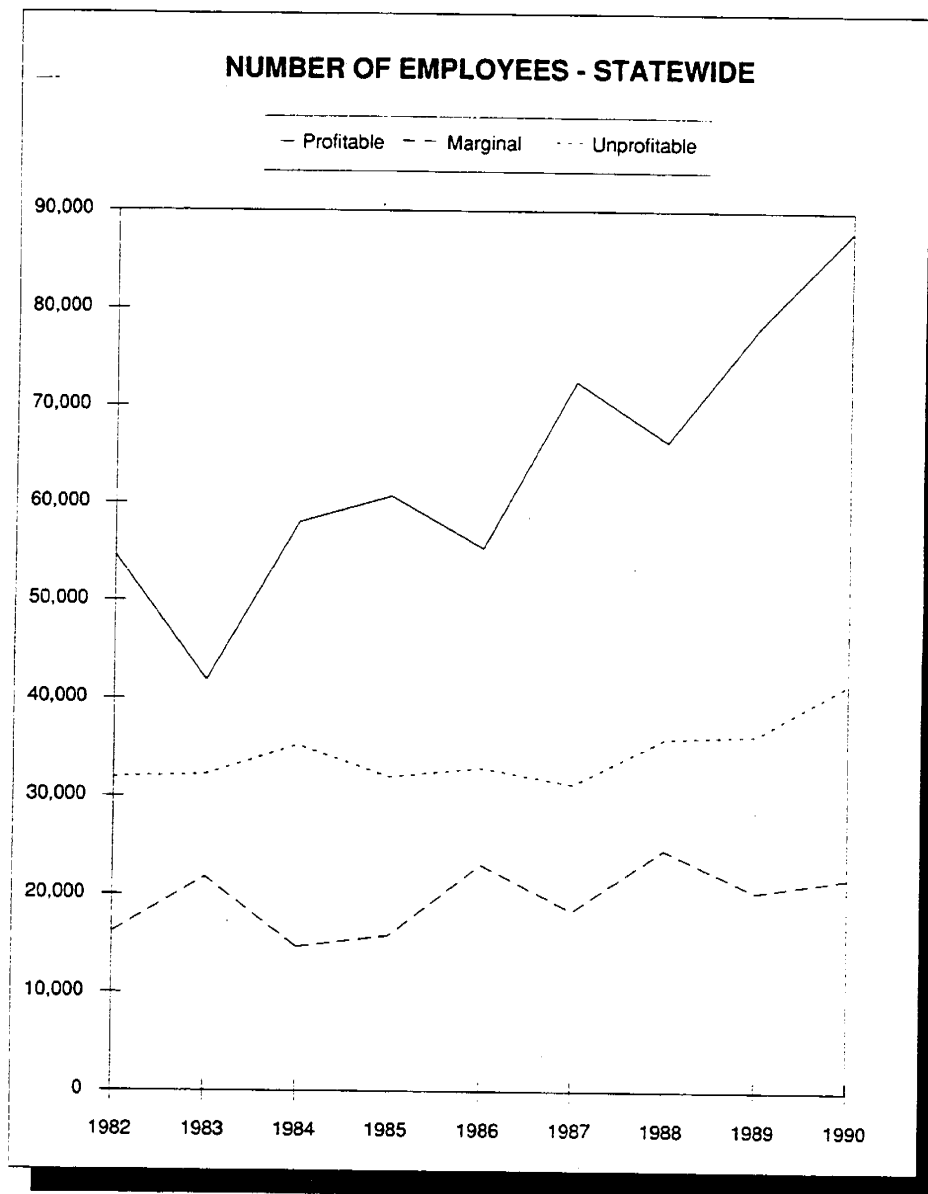
**ANALYSIS OF TOTAL CASINO HOTEL AND  
GROSS GAMING REVENUES AND PRETAX PROFITS**

Nevada's Group 1 & 2 Casinos  
(thousands of dollars)

Fiscal Year Ending Jun-30	Locations	Casino-Hotel Revenue	Gross Gaming Revenue	Pretax Profit
1980	137	3,583,584	2,178,819	465,865
1981	136	3,803,185	2,327,549	399,334
1982	137	4,211,652	2,577,531	315,874
1983	138	4,218,559	2,569,785	180,537
1984	149	4,747,859	2,941,428	332,735
1985	151	5,044,909	3,103,770	434,233
1986	150	5,336,248	3,264,287	435,207
1987	164	6,043,236	3,667,783	648,294
1988	166	6,713,409	4,094,870	689,218
1989	169	7,305,791	4,514,158	664,452
1990	181	8,078,238	4,952,979	648,191

Source: State Gaming Control Board

Graph 9



## Schedule 11

**GROUP I & II CASINO/HOTEL EMPLOYMENT****Statewide**

Level of Profitability	Total Employees	Total Casinos	Average Number of Employees Per Casino
<b>Fiscal Year 1982</b>			
Profitable	54,613	62	881
Marginal	16,189	21	771
Unprofitable	31,949	54	592
Total	102,751	137	750
<b>Fiscal Year 1990</b>			
Profitable	88,076	91	968
Marginal	21,826	29	753
Unprofitable	41,804	61	685
Total	151,706	181	838

Source: State Gaming Control Board 1990  
Laventhol & Horwath 1982

Footnote: 1980 and 1981 employment statistics not available

Schedule 12.

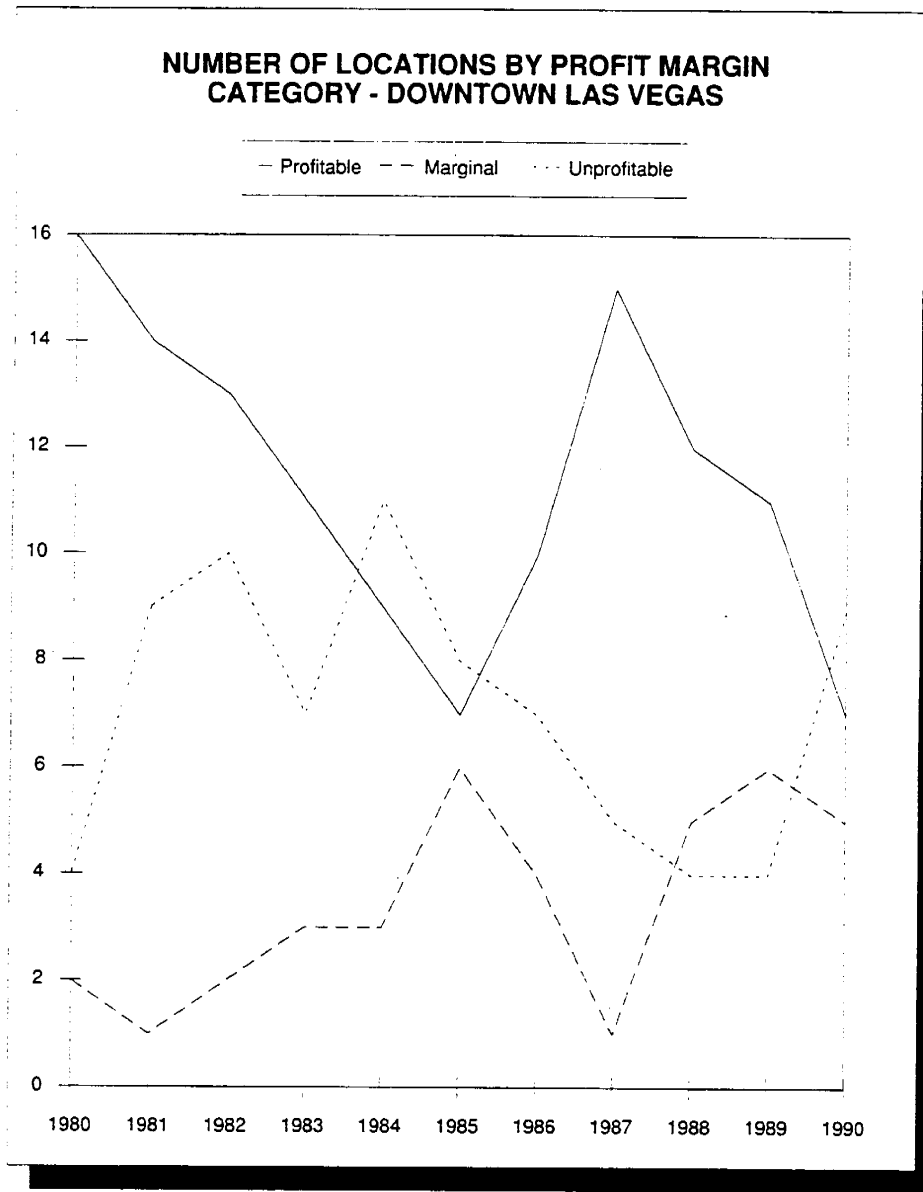
# **DOWNTOWN LAS VEGAS PROFITABILITY HIGHLIGHTS**

Pertinent Point	1980	1990
Number of Group 1 & 2 Casinos	22	21
- profitable	72.7%	33.3%
- marginal	9.1%	23.8%
- unprofitable	18.2%	42.9%
Pretax profit (loss) - millions		
- profitable	\$96.6	\$31.0
- marginal	\$0.3	\$10.8
- unprofitable	(\$3.3)	(\$18.3)
	1982	1990
Number of Employees		
- profitable	10,044	3,373
- marginal	198	6,824
- unprofitable	4,028	7,638

Source: State Gaming Control Board 1984 - 1990  
Laventhol & Horwath 1980 - 1983

Footnote: 1980 and 1981 employment statistics not available

Graph 10



## Schedule 13

**CASINO SUMMARY BY PROFITABILITY**

Group 1 &amp; 2 Casinos - Downtown Las Vegas

Fiscal Year Ending June 30	Number of Locations by Level of Profitability			Total Locations
	Profitable	Marginal	Unprofitable	
1980	16	2	4	22
1981	14	1	9	24
1982	13	2	10	25
1983	11	3	7	21
1984	9	3	11	23
1985	7	6	8	21
1986	10	4	7	21
1987	15	1	5	21
1988	12	5	4	21
1989	11	6	4	21
1990	7	5	9	21

	1980		1990	
	Number	% of Total	Number	% of Total
Profitable	16	72.7%	7	33.3%
Marginal	2	9.1%	5	23.8%
Unprofitable	4	18.2%	9	42.9%

Source: State Gaming Control Board 1984 - 1990  
Laventhol & Horwath 1980 - 1983

Schedule 14

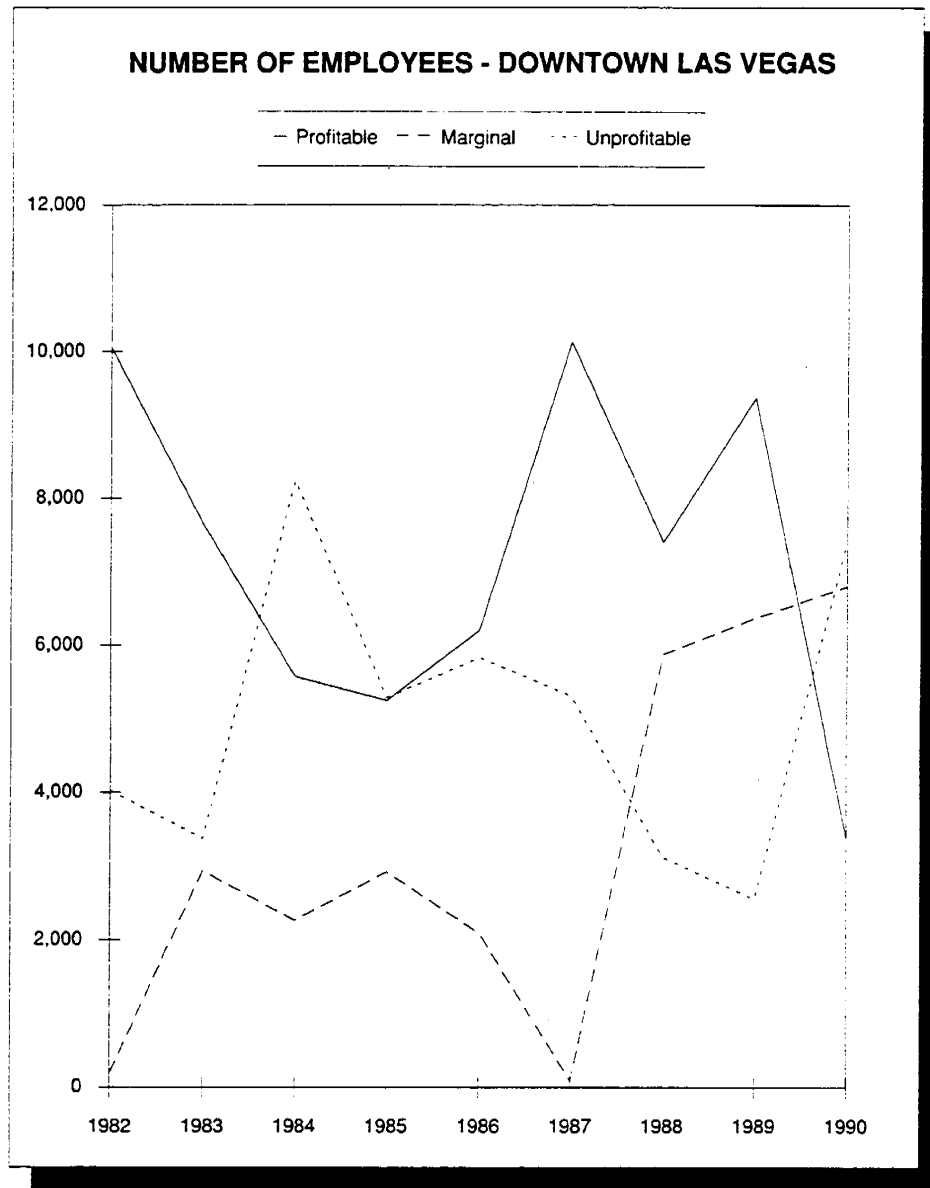
**ANALYSIS OF TOTAL CASINO HOTEL AND  
GROSS GAMING REVENUES AND PRETAX PROFITS**

Group 1 & 2 Casinos - Downtown Las Vegas  
(thousands of dollars)

<u>Fiscal Year Ending Jun-30</u>	<u>Locations</u>	<u>Casino-Hotel Revenue</u>	<u>Gross Gaming Revenue</u>	<u>Pretax Profit</u>
1980	22	450,484	316,690	93,250
1981	23	499,808	347,367	70,473
1982	25	523,629	364,969	46,079
1983	21	541,027	378,568	46,426
1984	23	593,016	411,192	17,395
1985	21	638,743	441,023	29,869
1986	21	702,935	486,828	24,026
1987	21	776,887	524,156	35,709
1988	21	897,028	592,616	76,775
1989	21	937,936	638,506	36,951
1990	21	949,305	641,990	23,603

Source: State Gaming Control Board

Graph 11



**GROUP 1 & 2 CASINO/HOTEL EMPLOYMENT****Downtown Las Vegas**

<u>Level of Profitability</u>	<u>Total Employees</u>	<u>Total Casinos</u>	<u>Average Number of Employees Per Casino</u>
<u>Fiscal Year 1982</u>			
Profitable	10,044	13	773
Marginal	198	2	99
Unprofitable	4,028	10	403
Total	14,270	25	571
<u>Fiscal Year 1990</u>			
Profitable	3,373	7	482
Marginal	6,824	5	1,365
Unprofitable	7,638	9	849
Total	17,835	21	849

Source: State Gaming Control Board 1990  
Laventhol & Horwath 1982

Footnote: 1980 and 1981 employment statistics not available

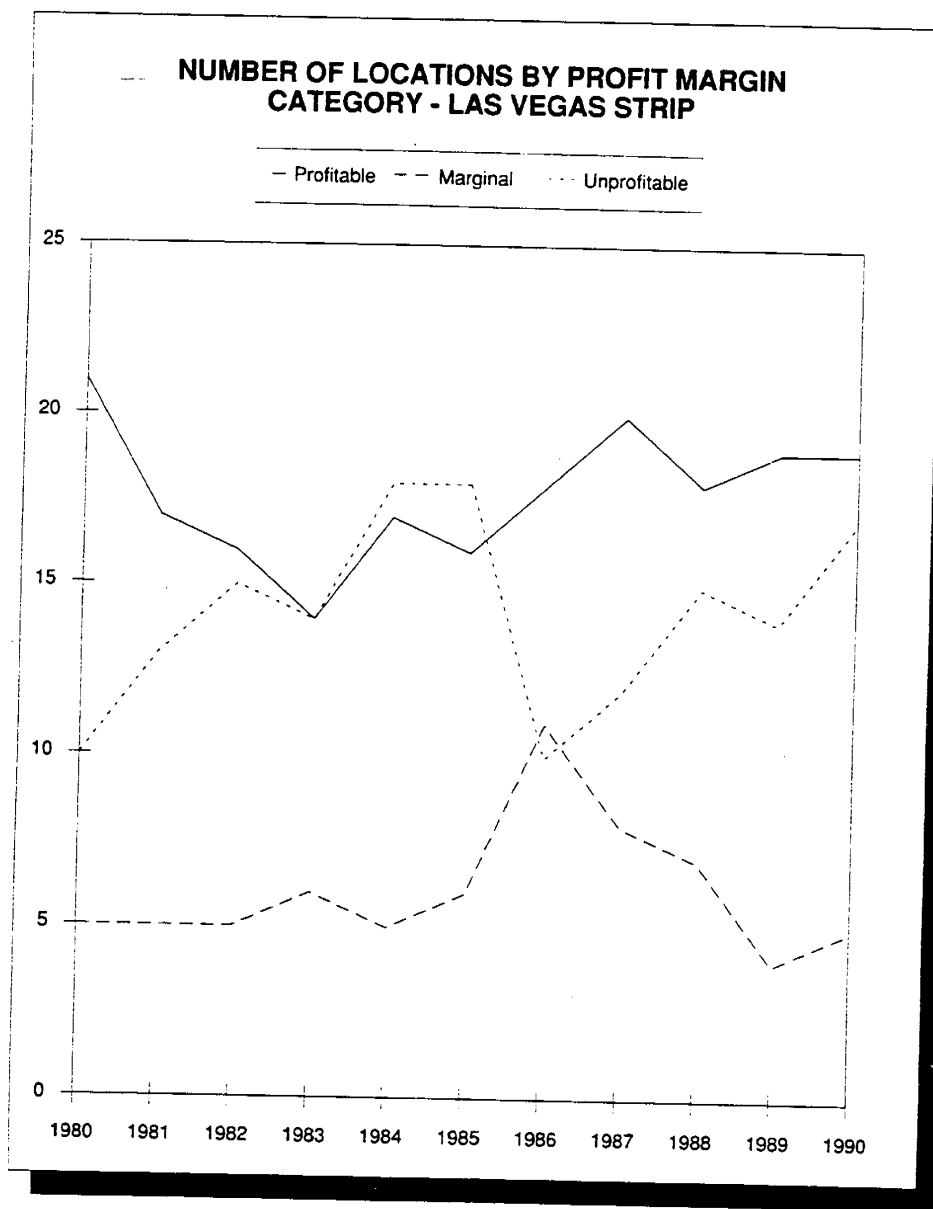
### LAS VEGAS STRIP PROFITABILITY HIGHLIGHTS

Pertinent Point	1980	1990
Number of Group 1 & 2 Casinos	36	41
- profitable	58.3%	46.3%
- marginal	13.9%	12.2%
- unprofitable	27.8%	41.5%
Pretax profit (loss) - millions		
- profitable	\$285.7	\$456.9
- marginal	\$10.0	\$5.1
- unprofitable	(\$10.1)	(\$103.9)
	1982	1990
Number of Employees		
- profitable	21,677	45,960
- marginal	6,412	4,232
- unprofitable	13,485	18,183

Source: State Gaming Control Board 1984 - 1990  
Laventhol & Horwath 1980 - 1983

Footnote: 1980 and 1981 employment statistics not available

Graph 12



Schedule 17

**CASINO SUMMARY BY PROFITABILITY**

Group 1 & 2 Casinos - Las Vegas Strip

Fiscal Year Ending June 30	Number of Locations by Level of Profitability			Total Locations
	Profitable	Marginal	Unprofitable	
1980	21	5	10	36
1981	17	5	13	35
1982	16	5	15	36
1983	14	6	14	34
1984	17	5	18	40
1985	16	6	18	40
1986	18	11	10	39
1987	20	8	12	40
1988	18	7	15	40
1989	19	4	14	37
1990	19	5	17	41

	1980		1990	
	Number	% of Total	Number	% of Total
Profitable	21	58.3%	19	46.3%
Marginal	5	13.9%	5	12.2%
Unprofitable	10	27.8%	17	41.5%

Source: State Gaming Control Board 1984 - 1990  
Laventhol & Horwath 1980 - 1983

Schedule 18

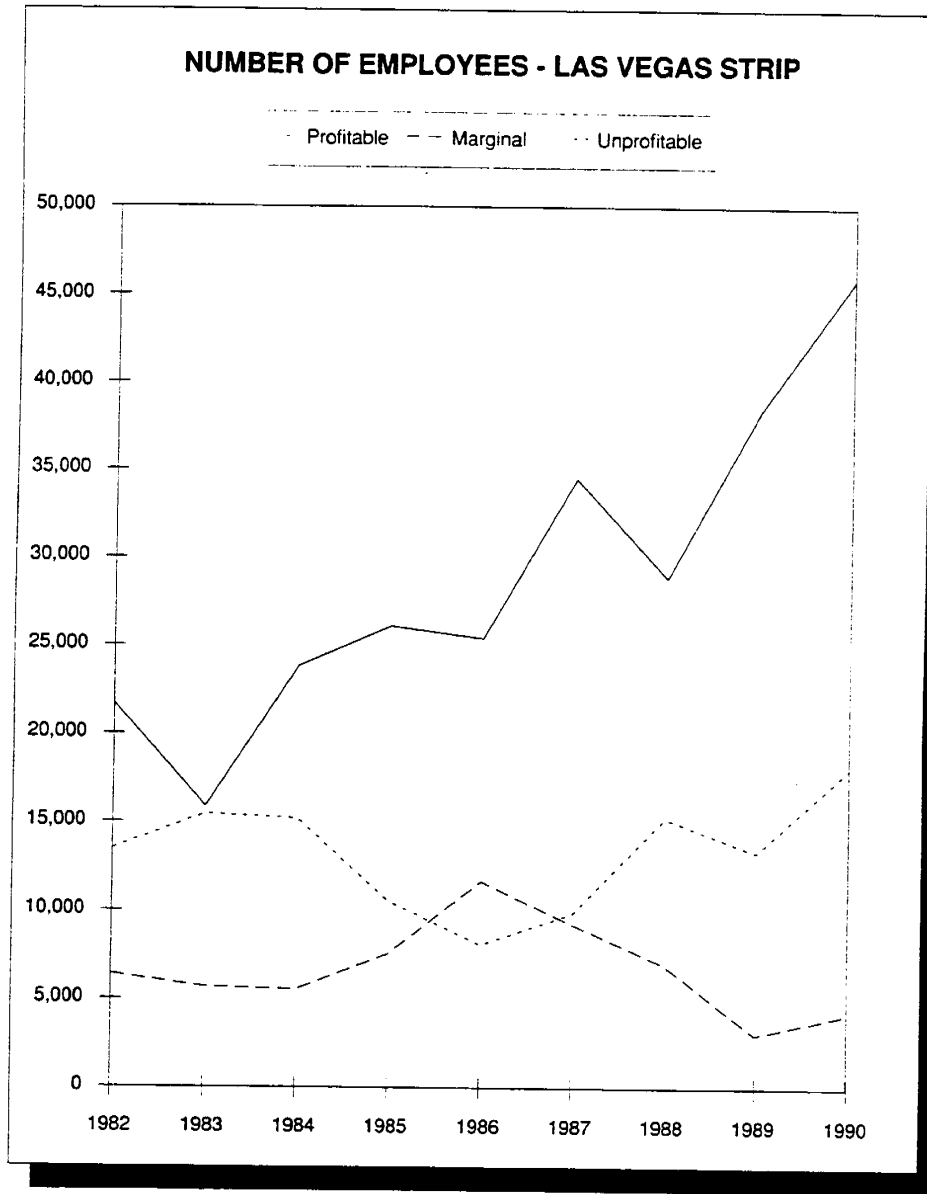
**ANALYSIS OF TOTAL CASINO HOTEL AND  
GROSS GAMING REVENUES AND PRETAX PROFITS**

Group 1 & 2 Casinos - Las Vegas Strip  
(thousands of dollars)

Fiscal Year Ending Jun-30	Locations	Casino-Hotel Revenue	Gross Gaming Revenue	Pretax Profit
1980	35	1,867,020	1,086,606	283,787
1981	35	1,850,087	1,091,551	270,113
1982	36	2,166,332	1,284,635	207,968
1983	34	1,940,708	1,122,961	75,471
1984	40	2,162,794	1,267,999	179,546
1985	40	2,279,180	1,318,568	259,862
1986	39	2,380,821	1,371,208	293,665
1987	40	2,805,403	1,597,414	404,384
1988	40	3,034,762	1,739,265	377,450
1989	37	3,431,619	2,023,619	405,573
1990	41	3,939,332	2,278,666	358,135

Source: State Gaming Control Board

Graph 13



Schedule 19

**GROUP 1 & 2 CASINO/HOTEL EMPLOYMENT**

**Las Vegas Strip**

Level of Profitability	Total Employees	Total Casinos	Average Number of Employees Per Casino
<b>Fiscal Year 1982</b>			
Profitable	21,677	16	1,355
Marginal	6,412	5	1,282
Unprofitable	13,485	15	899
Total	41,574	36	1,155
<b>Fiscal Year 1990</b>			
Profitable	45,960	19	2,419
Marginal	4,232	5	846
Unprofitable	18,183	17	1,070
Total	68,375	41	1,668

Source: State Gaming Control Board 1990  
Laventhol & Horwath 1982

Footnote: 1980 and 1981 employment statistics not available

Schedule 20

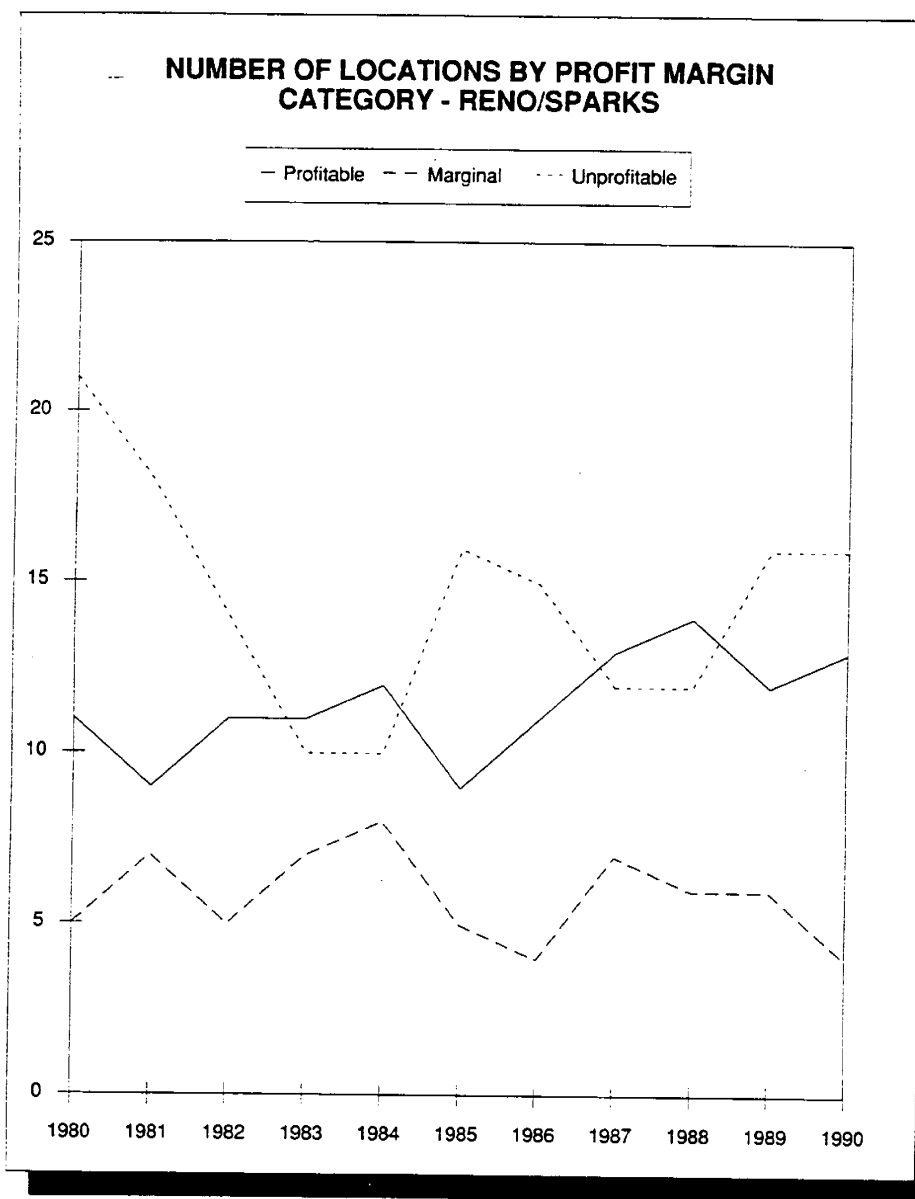
**RENO/SPARKS PROFITABILITY  
HIGHLIGHTS**

Pertinent Point	1980	1990
Number of Group 1 & 2 Casinos	37	33
- profitable	29.7%	39.4%
- marginal	13.5%	12.1%
- unprofitable	56.8%	48.5%
Pretax profit (loss) - millions		
- profitable	\$30.7	\$88.5
- marginal	\$3.5	\$7.2
- unprofitable	(\$20.5)	(\$15.4)
Number of Employees	1982	1990
- profitable	10,494	13,480
- marginal	6,068	3,971
- unprofitable	3,836	7,652

Source: State Gaming Control Board 1984 - 1990  
Laventhol & Horwath 1980 - 1983

Footnote: 1980 and 1981 employment statistics not available

Graph 14



## Schedule 21

**CASINO SUMMARY BY PROFITABILITY**

Group 1 &amp; 2 Casinos - Reno/Sparks

Fiscal Year Ending June 30	Number of Locations by Level of Profitability			Total Locations
	Profitable	Marginal	Unprofitable	
1980	11	5	21	37
1981	9	7	18	34
1982	11	5	14	30
1983	11	7	10	28
1984	12	8	10	30
1985	9	5	16	30
1986	11	4	15	30
1987	13	7	12	32
1988	14	6	12	32
1989	12	6	16	34
1990	13	4	16	33

	1980		1990	
	Number	% of Total	Number	% of Total
Profitable	11	29.7%	13	39.4%
Marginal	5	13.5%	4	12.1%
Unprofitable	21	56.8%	16	48.5%

Source: State Gaming Control Board 1984 - 1990  
Laventhol & Horwath 1980 - 1983

Schedule 22

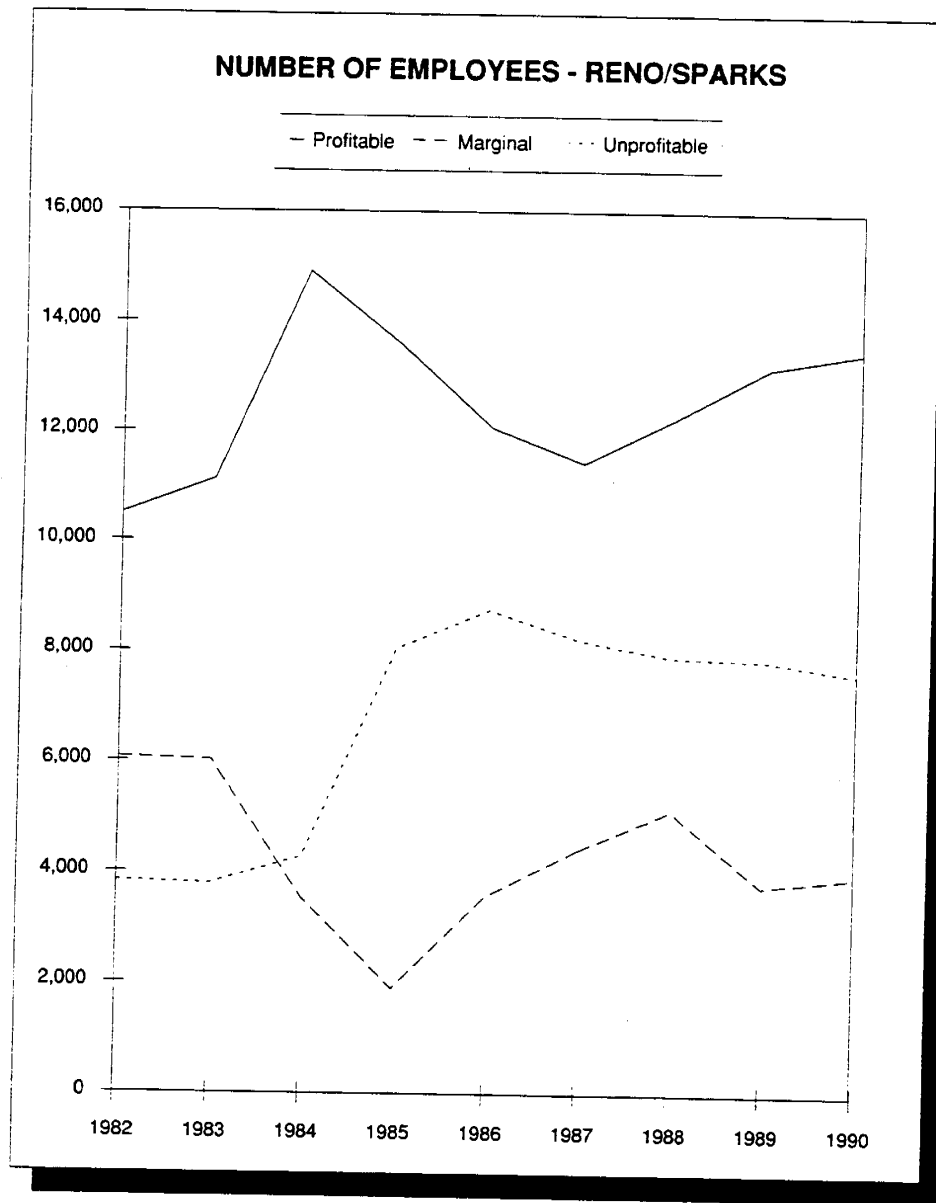
**ANALYSIS OF TOTAL CASINO HOTEL AND  
GROSS GAMING REVENUES AND PRETAX PROFITS**

Group 1 & 2 Casinos - Reno/Sparks  
(thousands of dollars)

Fiscal Year Ending Jun-30	Locations	Casino-Hotel Revenue	Gross Gaming Revenue	Pretax Profit
1980	37	663,308	399,311	13,266
1981	34	703,505	427,731	4,221
1982	30	695,496	424,253	20,865
1983	29	797,938	493,813	39,982
1984	30	905,904	573,812	73,268
1985	30	943,038	586,709	56,704
1986	30	972,825	592,258	35,896
1987	32	1,012,270	611,178	62,551
1988	32	1,092,471	660,906	68,481
1989	34	1,104,290	660,704	56,736
1990	33	1,158,332	696,246	80,360

Source: State Gaming Control Board

Graph 15



## Schedule 23

**GROUP 1 & 2 CASINO/HOTEL EMPLOYMENT****Reno/Sparks**

Level of Profitability	Total Employees	Total Casinos	Average Number of Employees Per Casino
<b>Fiscal Year 1982</b>			
Profitable	10,494	11	954
Marginal	6,068	5	1,214
Unprofitable	3,836	14	274
Total	20,398	30	680
<b>Fiscal Year 1990</b>			
Profitable	13,480	13	1,037
Marginal	3,971	4	993
Unprofitable	7,652	16	478
Total	25,103	33	761

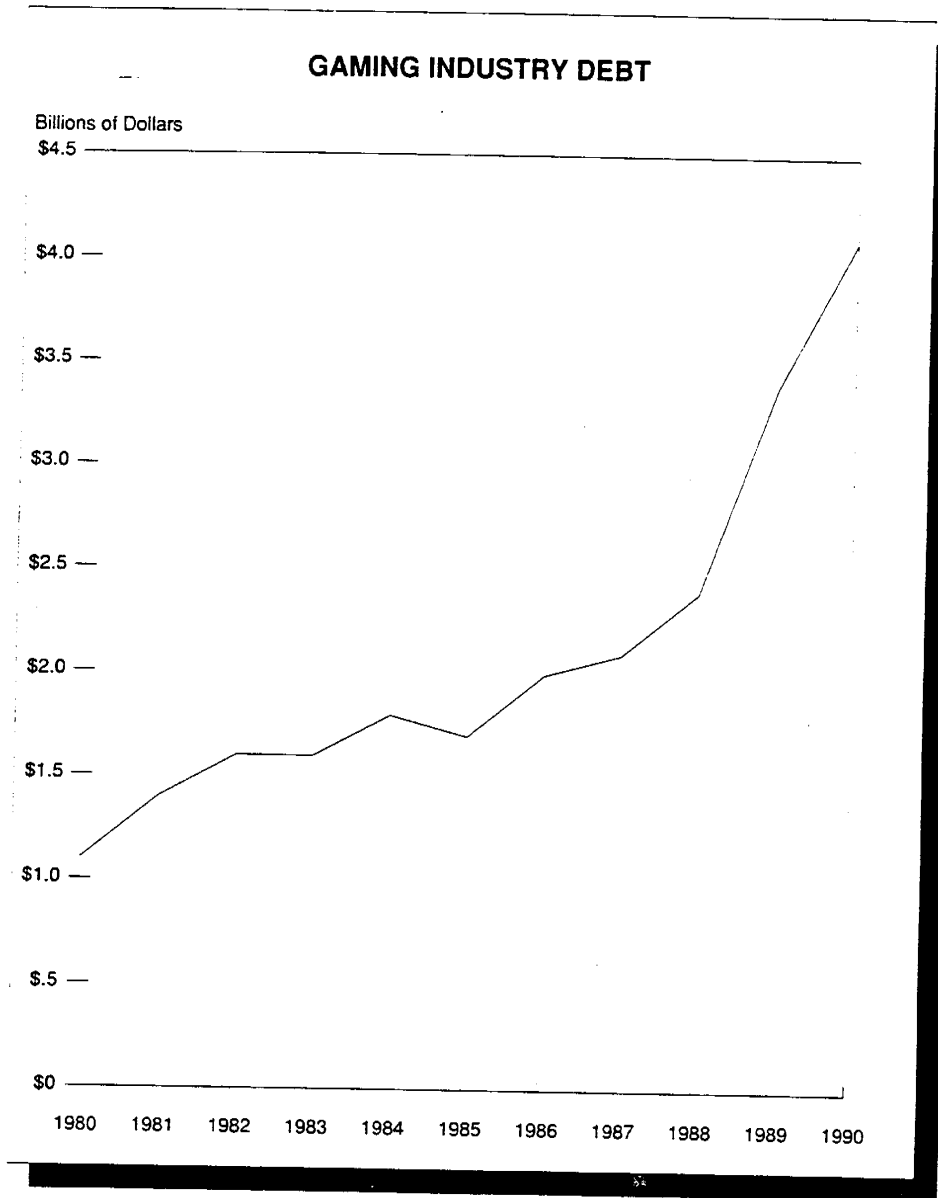
Source: State Gaming Control Board 1990  
Laventhol & Horwath 1982

Footnote: 1980 and 1981 employment statistics not available

## DEBT TRENDS SUMMARY

- Over the past decade, the Industry's debt has increased over 3 1/2 times. At the end of FY 1980, the Industry's long-term debt totaled over \$1 billion. By the end of FY 1990, this amount had grown to just over \$4 billion.
- Long-term debt as a percentage of stockholders' equity has increased from 91.7% in 1980 to 132.3% in 1990.

Graph 16



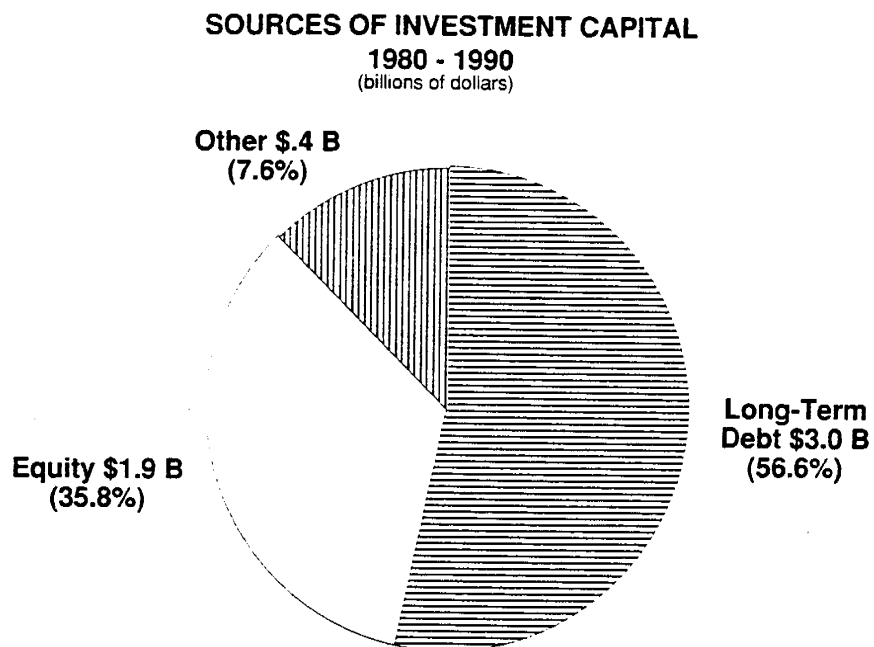
Schedule 24

**GAMING INDUSTRY DEBT**

Fiscal Year Ending Jun-30	Long Term Debt
1980	\$1,126,919,953
1981	\$1,433,338,149
1982	\$1,646,457,774
1983	\$1,615,758,380
1984	\$1,808,256,345
1985	\$1,675,921,113
1986	\$1,987,882,526
1987	\$2,120,725,162
1988	\$2,436,094,984
1989	\$3,389,989,996
1990	\$4,078,961,048

Source: State Gaming Control Board

Graph 17



**TOTAL \$5.3 B**

## Schedule 25

**SOURCES OF INVESTMENT CAPITAL**  
**1980 - 1990**  
(thousands of dollars)

	Stockholders' Equity	Long-Term Debt	Other
Beginning 1980	\$1,181,405	\$1,083,015	\$597,029
End 1990	3,083,395	4,078,961	234,905
Total	\$1,901,990	\$2,995,946	\$362,124

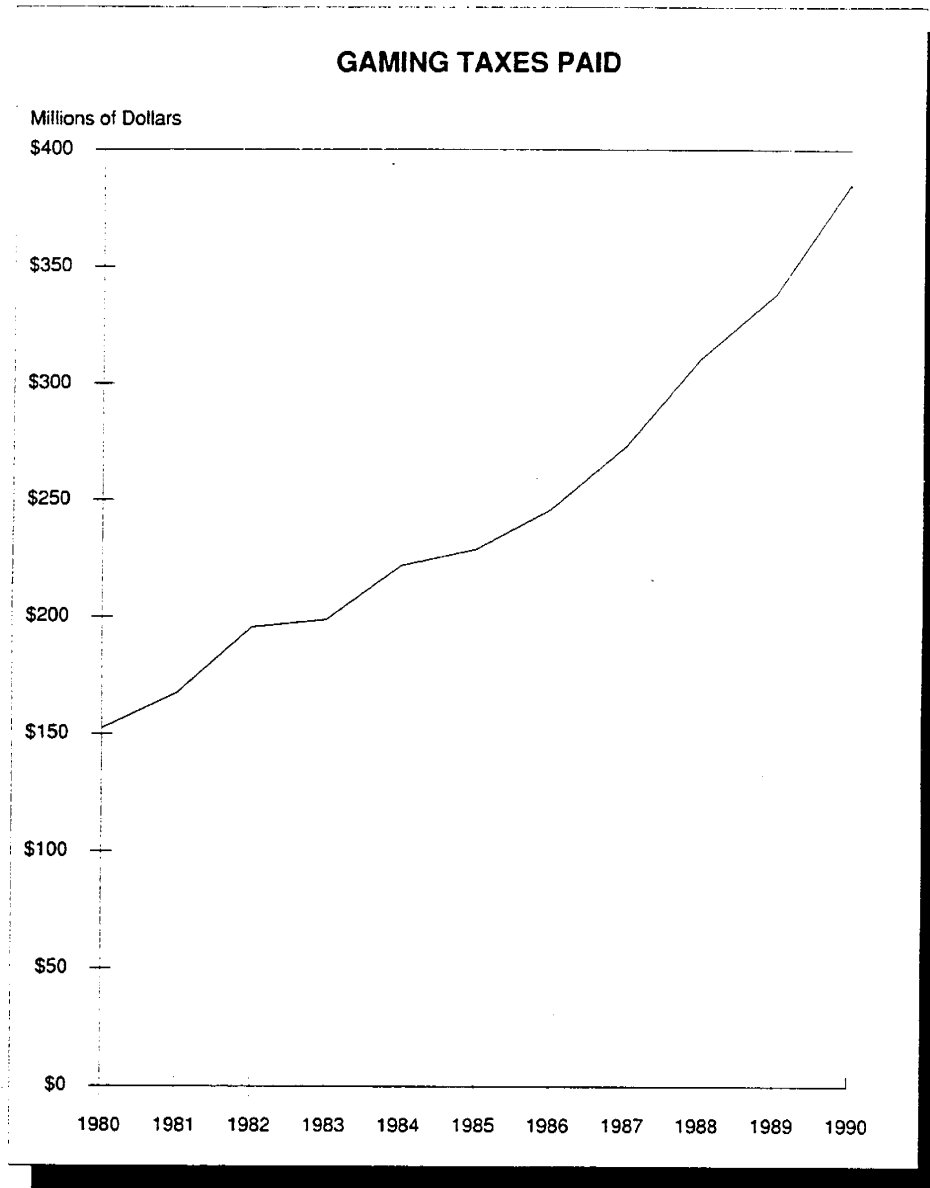
	Ten Year Incremental 1980 - 1990
Stockholders' Equity	\$1,901,990
Long-Term Debt	2,995,946
Other	362,124
Total	\$5,260,060



## TAX TRENDS SUMMARY

- Over the past decade, annual gaming taxes and licensing fees paid by the Industry have increased by more than 150%. This represents an average annual increase of roughly 15% per year.
- Between FY 1980 and FY 1990, gaming taxes and licensing fees have increased from 25% to 37% of total pretax profits.

Graph 18



Schedule 26

**GAMING TAXES PAID**

Fiscal Year Ending Jun-30	Gaming Taxes & Licenses
1980	\$152,517,335
1981	\$167,583,543
1982	\$195,892,358
1983	\$199,209,000
1984	\$222,400,050
1985	\$229,443,215
1986	\$246,407,053
1987	\$273,416,318
1988	\$311,137,272
1989	\$338,675,499
1990	\$385,979,224

Source: State Gaming Control Board

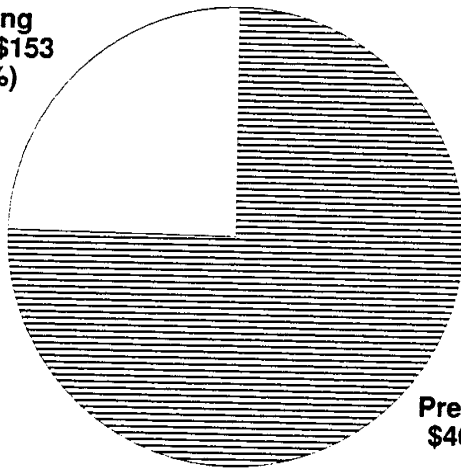
Graph 19

**DISTRIBUTION OF PROFITS**

**1980**

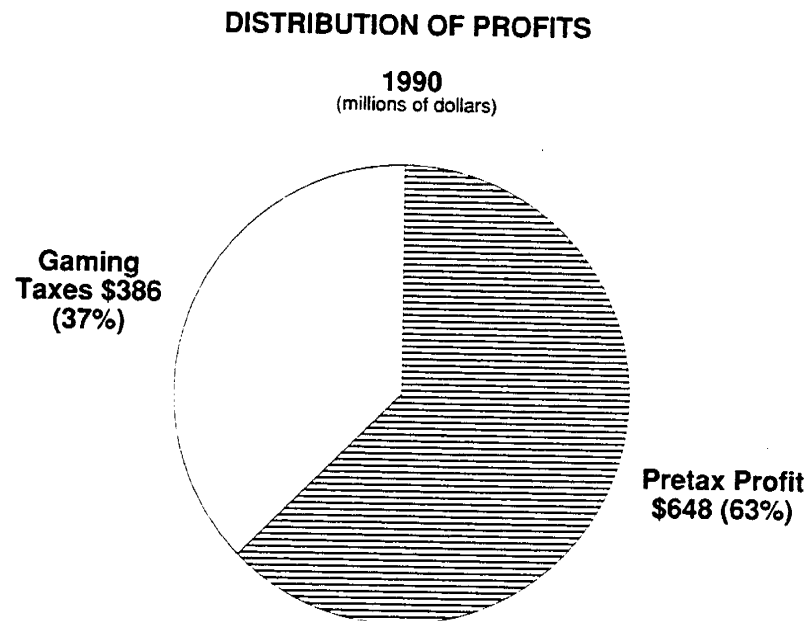
(millions of dollars)

**Gaming  
Taxes \$153  
(25%)**



**Pretax Profit  
\$466 (75%)**

Graph 19A



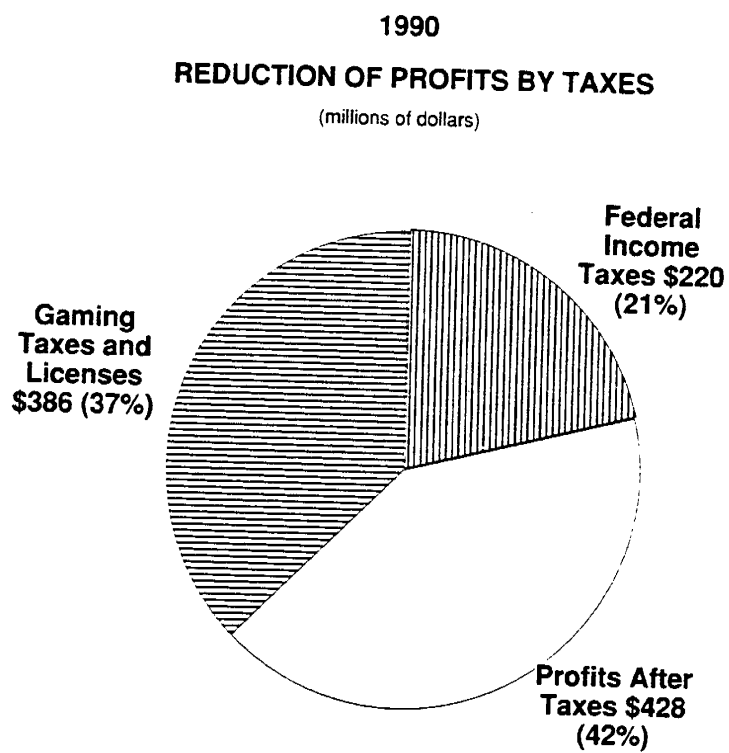
## Schedule 27

**DISTRIBUTION OF PROFITS**  
**1980 - 1990**  
(thousands of dollars)

Fiscal Year Ending Jun-30	Pretax Profits and Gaming Taxes & Licenses	Pretax Profits	Gaming Taxes and Licenses	Percentage
1980	\$618,383	\$465,866	\$152,517	25%
1981	\$566,918	\$399,334	\$167,584	30%
1982	\$511,766	\$315,874	\$195,892	38%
1983	\$379,746	\$180,537	\$199,209	52%
1984	\$555,135	\$332,735	\$222,400	40%
1985	\$663,676	\$434,233	\$229,443	35%
1986	\$681,614	\$435,207	\$246,407	36%
1987	\$921,710	\$648,294	\$273,416	30%
1988	\$1,000,355	\$689,218	\$311,137	31%
1989	\$1,003,127	\$664,452	\$338,675	34%
1990	\$1,034,170	\$648,191	\$385,979	37%

Source: State Gaming Control Board

Graph 20



Schedule 28

**REDUCTION OF PROFITS BY TAXES**  
(thousands of dollars)

Fiscal Year Ending Jun-30	Pretax Profits	Gaming Taxes and Licenses	Pretax Profit Before Gaming Taxes	Federal Income Tax	Profits After Taxes
1990	\$648.191	\$385.979	\$1,034,170	\$220.385	\$427.806

Source: Gaming Control Board, except Federal income tax.

## DEFINITION OF KEY TERMS

<b>GAMING INDUSTRY</b>	For the basis of this report, all statistics refer to all casino-hotels included in the State Gaming Control Board "Nevada Gaming Abstract" with gross gaming revenues of \$1 million and above.
<b>CASINO-HOTEL REVENUE</b>	Total Gross Casino-Hotel Revenue includes sales of food and beverage, total room sales, other operating department sales, and gross gaming revenue.
<b>GAMING REVENUE</b>	Gross gaming revenue is defined as the total of all sums received as winnings less only the total of all sums paid out as losses (operating expenses are not gaming losses).
<b>LONG-TERM DEBT</b>	Long-term debt includes both long-term debt and the current portion of long-term debt.
<b>NET INCREMENTAL PP&amp;E INVESTMENT</b>	Net Incremental PP&E Investment is defined as the increase in fixed assets less depreciation over a specific period of time.
<b>NET PP&amp;E</b>	Net PP&E is defined as Property, Plant, and Equipment less accumulated depreciation.
<b>PRETAX PROFIT</b>	Pretax profit is defined as income before federal income taxes and extraordinary items.
<b>PROFIT MARGIN</b>	Profit Margin is defined as pretax profit divided by total casino-hotel revenues.
<b>RETURN ON CAPITAL</b>	Return on Capital is defined as profits before interest and after tax divided by the sum of shareholders' equity and long-term debt.
<b>PROFITABLE</b>	Profitable casino-hotels are defined as having pretax profits (income before federal income taxes and extraordinary items as a percent of total revenue) greater than 5%.
<b>MARGINAL</b>	Marginal casino-hotels are defined as having pretax profits (income before federal income taxes and extraordinary items as a percent of total revenue) between 0 and 5%.
<b>UNPROFITABLE</b>	Unprofitable casino-hotels are defined as having pretax profits (income before federal income taxes and extraordinary items as a percent of total revenue) less than 0%.



X. SUGGESTED LEGISLATION

	<u>Page</u>
Bill Draft Request No. 41-321 "Revise duties, composition and meetings of gaming policy committee".....	209
Bill Draft Request No. 41-322 "Makes various changes regarding regulation of gaming".....	213
Bill Draft Request No. R-323 Joint Resolution: "Urges Congress to amend the Indian Gaming Regulatory Act".....	233
Bill Draft Request No. 41-324 "Clarify the authority of State Gaming Control Board over certain activity by licensees committed outside of Nevada".....	237



SUMMARY--Makes various changes relating to gaming policy committee.

(BDR 41-321)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to the gaming policy committee; revising its composition and duties; requiring the governor to call meetings of the committee; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

**Section 1.** NRS 463.021 is hereby amended to read as follows:

463.021 1. The gaming policy committee, consisting of the governor as chairman and [eight] 10 members, is hereby created.

2. The committee [shall consist] *must be composed* of:

(a) One member of the commission, designated by the commission;

(b) One member of the board, designated by the board; [and]

(c) *One member of the senate appointed by the legislative commission;*

(d) *One member of the assembly appointed by the legislative commission;*

*and*

(e) Six members appointed by the governor *for terms of 2 years* as follows:

(1) *One enrolled* member of [the senate;

(2) One member of the assembly;

(3)] *a Nevada Indian tribe;*

(2) Two representatives of the general public; [and

(4)] (3) Two representatives of *nonrestricted* gaming licensees [.] ; and

(4) *One representative of restricted gaming licensees.*

3. Members who are [representatives of the general public] *appointed by the governor* serve at the pleasure of the governor.

4. Members who are legislators serve terms beginning when the legislature convenes and continuing until the next regular session of the legislature is convened.

5. [Members who are representatives of gaming licensees shall be appointed as follows:

(a) One member, who is a resident of Clark or Lincoln County, from among persons nominated by recognized gaming associations and groups located in those counties; and

(b) One member, residing elsewhere in the state, from among persons nominated by recognized gaming associations and groups located elsewhere in the state.

6.] The governor [may, from time to time,] *shall, at least quarterly,* call meetings of the gaming policy committee for the exclusive purpose of discussing matters of gaming policy. *If any of the recommendations of the committee affect the statutory law of this state or a regulation of the commission, the commission shall include the recommendation on its agenda for consideration at its next meeting.* The recommendations concerning gaming

policy made by the committee [shall be deemed] *are* advisory and not binding on the board or the commission in the performance of their duties and functions.

6. *The committee may submit any of its recommendations to the legislature for consideration.*

7. *The committee shall participate in the negotiation of any compact between an Indian tribe and this state concerning gaming. The governor shall sign any such compact in his capacity as governor and not as chairman of the committee.*



SUMMARY--Makes various changes regarding regulation of gaming.  
(BDR 41-322)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to gaming; authorizing the Nevada gaming commission to require a finding of suitability for transmission services under certain circumstances; revising the definition of "gaming device"; revising the provisions governing the licensing of off-track pari-mutuel systems and disseminators of information concerning racing; making various other changes concerning the regulation of gaming; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

**Section 1.** Chapter 463 of NRS is hereby amended by adding thereto a new section to read as follows:

*1. The commission, upon recommendation by the board, may require a natural person or an entity providing services in connection with the transmission of live broadcasts to file an application for a finding of suitability.*

2. *If the commission determines that the person or entity is unsuitable to provide transmission services, any association or agreement between the provider and a licensee must be terminated, unless otherwise provided by the commission.*

3. *An agreement between such a person or entity and a licensee shall be deemed to include a provision for its termination without liability on the part of the licensee upon a finding by the commission that the provider is unsuitable to be associated with a licensee. Failure to include that condition in the agreement is not a defense in any action brought concerning the termination of an agreement pursuant to this section.*

4. *If an application for a finding of suitability is not submitted to the board within 30 days after the commission so requests, the commission may pursue any remedy or combination of remedies provided in this chapter.*

5. *Failure of a licensee to terminate any association or agreement with a person or entity providing services in connection with the transmission of live broadcasts after receiving notice of a determination of unsuitability, or the failure of the provider to file a timely application for a finding of suitability, is an unsuitable method of operation.*

**Sec. 2.** NRS 463.0155 is hereby amended to read as follows:

463.0155 "Gaming device" means any equipment or mechanical, electromechanical or electronic contrivance, component or machine used remotely or directly in connection with gaming or any game which affects the result of a wager by determining win or loss. The term includes [a system for processing information which can alter the normal criteria of random selection, which affects the operation of any game or which determines the outcome of a

game. The term does not include a system or device which affects a game solely by stopping its operation so that the outcome remains undetermined.] :

1. *A slot machine.*
2. *A collection of two or more of the following components:*
  - (a) *An assembled electronic circuit which cannot be demonstrated to have any use other than in a slot machine;*
  - (b) *A cabinet with electrical wiring and provisions for mounting a coin, token or currency acceptor and provisions for mounting a dispenser of coins, tokens or anything of value;*
  - (c) *A storage medium containing the source language or executable code of a computer program that cannot be demonstrated to have any use other than in a slot machine;*
  - (d) *An assembled video display unit;*
  - (e) *An assembled mechanical or electromechanical display unit intended for use in gambling; or*
  - (f) *An assembled mechanical or electromechanical unit which cannot be demonstrated to have any use other than in a slot machine.*
3. *Any mechanical, electrical or other device which may be connected to or used with a slot machine to alter the normal criteria of random selection or affect the outcome of a game.*

**Sec. 3.** NRS 463.0157 is hereby amended to read as follows:

463.0157 1. "Gaming employee" means any person connected directly with an operator of a slot route, the operator of a pari-mutuel system or a manufacturer, distributor or disseminator, or with the operation of a gaming

establishment licensed to conduct any game, 16 or more slot machines, a race book, sports pool or pari-mutuel wagering, including:

(a) Accounting or internal auditing personnel who are directly involved in any recordkeeping or the examination of records associated with revenue from gaming;

(b) Boxmen;

(c) Cashiers;

(d) Change personnel;

(e) Counting room personnel;

(f) Dealers;

(g) *Employees of a person required by NRS 464.010 to be licensed to operate an off-track pari-mutuel system;*

(h) Employees of a person required by NRS 463.430 to be licensed to disseminate information concerning racing;

[(h)] (i) Employees of manufacturers or distributors of gaming equipment within this state whose duties are directly involved with the manufacture, repair or distribution of gaming equipment;

[(i)] (j) Employees of operators of slot routes who have keys for slot machines or who accept and transport revenue from the slot drop;

[(j)] (k) Floormen;

[(k)] (l) Hosts or other persons empowered to extend credit or complimentary services;

[(l)] (m) Keno runners;

[(m)] (n) Keno writers;

- [(n)] (o) Machine mechanics;
- [(o)] (p) Odds makers and line setters;
- [(p)] (q) Security personnel;
- [(q)] (r) Shift or pit bosses;
- [(r)] (s) Shills;
- [(s)] (t) Supervisors or managers; and
- [(t)] (u) Ticket writers.

2. "Gaming employee" does not include bartenders, cocktail waitresses or other persons engaged exclusively in preparing or serving food or beverages.

**Sec. 4.** NRS 463.0164 is hereby amended to read as follows:

463.0164 1. "Independent agent" means any person who:

(a) Approves or grants the extension of gaming credit on behalf of a state gaming licensee or collects a debt evidenced by a credit instrument; or

(b) Contracts with a state gaming licensee or its affiliate to provide services outside of Nevada consisting of arranging [transportation or lodging] *complimentary transportation, food, lodging or other services, or any combination thereof, whose combined retail price per person exceeds \$1,000 in any 7-day period* for guests at a licensed gaming establishment.

2. The term does not include:

- (a) A state gaming licensee;
- (b) A bonded collection agency licensed by the local government authorities in the jurisdiction where the agency has its principal place of business;
- (c) A licensed attorney;
- (d) A supplier of transportation;

(e) A travel agency which receives compensation solely on the price of the transportation or lodging arranged for by the agency; *or*

(f) An employee of a state gaming licensee or its affiliate . [; or

(g) A person who does not receive cash for his services.]

**Sec. 5.** NRS 463.0165 is hereby amended to read as follows:

463.0165 "License" means a gaming license, a manufacturer's [, seller's] or distributor's license , *a license issued to a disseminator of information concerning racing* or a license issued to an operator of an off-track pari-mutuel system.

**Sec. 6.** NRS 463.0167 is hereby amended to read as follows:

463.0167 "License fees" means any [moneys] *money* required by law to be paid to obtain or renew a gaming license, manufacturer's or distributor's license or [pari-mutuel wagering license.] *license issued to an operator of an off-track pari-mutuel system. The term also includes the fees paid by a disseminator of information concerning racing.*

**Sec. 7.** NRS 463.0171 is hereby amended to read as follows:

463.0171 "Licensee" means any person to whom a valid gaming license, manufacturer's [, seller's] or distributor's license [or pari-mutuel wagering license] , *license for the operation of an off-track pari-mutuel system or license for dissemination of information concerning racing* has been issued.

**Sec. 8.** NRS 463.0177 is hereby amended to read as follows:

463.0177 "Nonrestricted license" or "nonrestricted operation" means a state gaming license for, or an operation consisting of, 16 or more slot machines or a license for or operation of any number of slot machines together with any

other game, gaming device, race book or sports pool at one establishment. *The terms also include a license, or an authorized operation, to place slot machines in three or more locations under any arrangement whereby consideration is paid or payable for the right to place and operate machines.*

**Sec. 9.** NRS 463.120 is hereby amended to read as follows:

463.120 1. The board and the commission shall cause to be made and kept a record of all proceedings at regular and special meetings of the board and the commission. These records are open to public inspection.

2. The board shall maintain a file of all applications for licenses under this chapter, together with a record of all action taken with respect to those applications. The file and record are open to public inspection.

3. The board and the commission may maintain such other files and records as they may deem desirable.

4. Except as *otherwise* provided in this subsection and subsection 5, all information and data:

(a) Required by the board or commission to be furnished to it under this chapter or which may be otherwise obtained relative to the finances, earnings or revenue of any applicant or licensee;

(b) Pertaining to an applicant's criminal record, antecedents and background which have been furnished to or obtained by the board or commission from any source;

(c) Provided to the members, agents or employees of the board or commission by a governmental agency or an informer or on the assurance that the information will be held in confidence and treated as confidential; and

(d) Obtained by the board from a manufacturer, distributor or operator relating to the manufacturing of gaming devices,

are confidential and may be revealed in whole or in part only in the course of the necessary administration of this chapter or upon the lawful order of a court of competent jurisdiction. The *board and* commission may reveal such information and data to an authorized agent of any agency of the United States Government, any state or any political subdivision of [this state pursuant to regulations adopted by the commission.] *a state or the government of any foreign country.*

5. Before the beginning of each legislative session, the board shall submit to the legislative commission for its review and for the use of the legislature a report on the gross revenue, net revenue and average depreciation of all licensees, categorized by class of licensee and geographical area and the assessed valuation of the property of all licensees, by category, as listed on the assessment rolls.

6. [Notice of the content of any information or data furnished or released pursuant to subsection 4 may be given to any applicant or licensee in a manner prescribed by regulations adopted by the commission.

7.] The files, records and reports of the board are open at all times to inspection by the commission and its authorized agents.

[8.] 7. All files, records, reports and other information pertaining to gaming matters in the possession of the Nevada tax commission must be made available to the board and the Nevada gaming commission as is necessary to the administration of this chapter.

**Sec. 10.** NRS 463.145 is hereby amended to read as follows:

463.145 1. The commission shall, pursuant to NRS 463.150, adopt, amend and repeal regulations in accordance with the following procedures:

(a) At least 30 days before the initial meeting of the commission and 20 days before any subsequent meeting at which the adoption, amendment or repeal of a regulation is considered, notice of the proposed action must be:

(1) Published in such newspaper as the commission prescribes;

(2) Mailed to every person who has filed a request therefor with the commission; and

(3) When the commission deems advisable, mailed to any person whom the commission believes would be interested in the proposed action, and published in such additional form and manner as the commission prescribes.

(b) The notice of proposed adoption, amendment or repeal must include:

(1) A statement of the time, place and nature of the proceedings for adoption, amendment or repeal;

(2) Reference to the authority under which the action is proposed; and

(3) Either the express terms or an informative summary of the proposed action.

(c) On the date and at the time and place designated in the notice, the commission shall afford any interested person or his authorized representative, or both, the opportunity to present statements, arguments or contentions in writing, with or without opportunity to present them orally. The commission shall consider all relevant matter presented to it before adopting, amending or repealing any regulation.

(d) Any interested person may file a petition with the commission requesting the adoption, amendment or repeal of a regulation. The petition must state, clearly and concisely:

(1) The substance or nature of the regulation, amendment or repeal requested;

(2) The reasons for the request; and

(3) Reference to the authority of the commission to take the action requested.

Upon receipt of the petition, the commission shall within [30] 45 days deny the request in writing or schedule the matter for action pursuant to this subsection.

(e) In emergencies, the commission may summarily adopt, amend or repeal any regulation if at the same time it files a finding that such action is necessary for the immediate preservation of the public peace, health, safety, morals, good order or general welfare, together with a statement of the facts constituting the emergency.

2. In any hearing [under] *held pursuant to* this section, the commission or its [duly] authorized representative may administer oaths or affirmations, and may continue or postpone the hearing from time to time and at such places as it prescribes.

3. The commission may request the advice and assistance of the board in carrying out the provisions of this section.

**Sec. 11.** NRS 463.270 is hereby amended to read as follows:

463.270 1. Subject to the power of the commission to deny, revoke, suspend, condition or limit licenses, any state license in force may be renewed

by the commission for the next succeeding license period upon proper application for renewal and payment of state license fees and taxes as required by law and the regulations of the commission.

2. All state gaming licenses are subject to renewal on the 1st day of each January and all quarterly state gaming licenses on the 1st day of each calendar quarter thereafter.

3. Application for renewal must be filed with the commission and all state license fees and taxes required by law, including without limitation NRS 463.370, 463.373 to 463.3855, inclusive, 463.401, 463.660 and 464.040, must be paid to the commission on or before the dates respectively provided by law for each fee or tax.

4. Application for renewal of licenses for slot machines only must be made by the operators of the locations where such machines are situated.

5. Any person failing to pay any state license fees or taxes due at the times respectively provided shall pay in addition to such license fees or taxes a penalty of not less than \$50 or 25 percent of the amount due, whichever is the greater, but not more than \$1,000 if the fees or taxes are less than 10 days late and in no case in excess of \$5,000. The penalty must be collected as are other charges, license fees and penalties under this chapter.

6. Any person who operates, carries on or exposes for play any gambling game, gaming device or slot machine or who manufactures, sells or distributes any gaming device, equipment, material or machine used in gaming, after his license becomes subject to renewal, and thereafter fails to apply for renewal as provided in this section, is guilty of a misdemeanor and, in addition to the

penalties provided by law, is liable to the State of Nevada for all license fees, taxes and penalties which would have been due upon application for renewal.

7. If any licensee or other person fails to renew his license as provided in this section the commission may order the immediate closure of all his gaming activity until the license is renewed by the payment of the necessary fees, taxes, interest and any penalties. Except for a license for which fees are based on the gross revenue of the licensee, failure to renew a license within 30 days after the date required by this chapter shall be deemed a surrender of the license.

*8. The voluntary surrender of a license by a licensee does not become effective until accepted in the manner provided in the regulations of the commission. The surrender of a license does not relieve the former licensee of any penalties, fines, fees, taxes or interest due.*

**Sec. 12.** NRS 463.370 is hereby amended to read as follows:

463.370 1. Except as otherwise provided in NRS 463.373, the commission shall charge and collect from each licensee a license fee based upon all the gross revenue of the licensee as follows:

Three percent of all the gross revenue of the licensee which does not exceed \$50,000 per calendar month;

Four percent of all the gross revenue of the licensee which exceeds \$50,000 per calendar month and does not exceed \$134,000 per calendar month;  
and

Six and one-quarter percent of all the gross revenue of the licensee which exceeds \$134,000 per calendar month.

2. Unless the licensee has been operating for less than a full calendar month, the commission shall charge and collect the fee prescribed in subsection 1, based upon the gross revenue for the preceding calendar month, on or before the 24th day of the following month. Except for the fee based on the first full month of operation, the fee is an estimated payment of the license fee for the third month following the month whose gross revenue is used as its basis.

3. When a licensee has been operating for less than a full calendar month, the commission shall charge and collect the fee prescribed in subsection 1, based on the gross revenue received during that month, on or before the 24th day of the following calendar month of operation. After the first full calendar month of operation, the commission shall charge and collect the fee based on the gross revenue received during that month, on or before the 24th day of the following calendar month. The payment of the fee due for the first full calendar month of operation must be accompanied by the payment of a fee equal to three times the fee for the first full calendar month. This additional amount is an estimated payment of the license fees for the next three calendar months. Thereafter, each license fee must be paid in the manner described in subsection 2. Any deposit held by the commission on July 1, 1969, must be treated as an advance estimated payment.

4. All revenue received from any game or gaming device which is leased for operation on the premises of the licensee-owner to a person other than the owner thereof, or located in an area or space on the premises which is leased by the licensee-owner to any such person, must be attributed to the owner for the

purposes of this section and be counted as part of the gross revenue of the owner. The lessee is liable to the owner for his proportionate share of the license fees.

5. Any person required to pay a fee pursuant to this section shall file with the commission, on or before the 24th day of each calendar month, a report showing the amount of all gross revenue received during the preceding calendar month. Each report must be accompanied by:

- (a) The fee due based on the revenue of the month covered by the report; and
- (b) An adjustment for the difference between the estimated fee previously paid for the month covered by the report, if any, and the fee due for the actual gross revenue earned in that month. If the adjustment is less than zero, a credit must be applied to the estimated fee due with that report.

6. If the amount of license fees required to be reported and paid pursuant to this section is later determined to be greater or less than the amount actually reported and paid by the licensee, the commission shall:

- (a) Charge and collect the additional license fees determined to be due, with interest thereon until paid; or
- (b) Refund any overpayment, with interest thereon, to the licensee.

Interest must be computed at the rate prescribed in NRS 17.130 from the first day of the first month following either the due date of the additional license fees or the date of overpayment until paid.

7. Failure to pay the fees provided for in this section shall be deemed a surrender of the license at the expiration of the period for which the estimated payment of fees has been made, as established in subsection 2.

8. Except as otherwise provided in NRS 463.386, the amount of the fee prescribed in subsection 1 must not be prorated.

9. Except as otherwise provided in NRS 463.386, if a licensee ceases operation, the commission shall:

(a) Charge and collect the additional license fees determined to be due with interest; or

(b) Refund any overpayment, with interest thereon, to the licensee, based upon the gross revenue of the licensee during the last 3 months immediately preceding the cessation of operation, or portions of those last 3 months.

*10. If in any month, the amount of gross revenue is less than zero, the licensee may offset the loss against gross revenue in succeeding months until the loss has been fully offset.*

**Sec. 13.** NRS 463.408 is hereby amended to read as follows:

463.408 1. As used in this section, "holidays or special events" refers to periods during which the influx of tourist activity in this state or any area thereof may require additional or alternative industry accommodation as determined by the board.

2. Any licensee holding a valid license under this chapter may apply to the board, on application forms prescribed by the board, for a holiday or special event permit to:

(a) Increase the licensee's game operations during holidays or special events; or

(b) Provide persons who are attending a special event with gaming in an area of the licensee's establishment to which access by the general public may be restricted.

3. The application must be filed with the board at least 15 days before the date of the holiday or special event.

4. If the board approves the application, it shall issue to the licensee a permit to operate presently existing games or any additional games in designated areas of the licensee's establishment. The number of additional games must not exceed 50 percent of the number of games operated by the licensee at the time the application is filed. The permit must state the period for which it is issued and the number, if any, of additional games allowed. For purposes of computation, any fractional game must be counted as one full game. The licensee shall present any such permit on the demand of any inspecting agent of the board or commission.

5. Before issuing any permit, the board shall charge and collect from the licensee a fee of \$14 per game per day for each day the permit is effective. The fees are in lieu of the fees required under NRS 463.380, 463.383 and 463.390.

6. [A permit may not be issued to any licensee for more than 40 cumulative days during any calendar year, nor for a period longer than 10 days during any calendar quarter year. The 10-day period during a calendar quarter year may be consecutive or divided into two lesser periods. For purposes of computation, 1 day is equal to a 24-hour period.

7.] The additional games allowed under a permit must not be counted in computing the casino entertainment tax under NRS 463.401.

[8.] 7. If any such additional games are not removed at the time the permit expires, the licensee is immediately subject to the fees provided for in this chapter.

**Sec. 14.** NRS 463.540 is hereby amended to read as follows:

463.540 1. After licensing pursuant to NRS 463.530, but before the corporation may issue or transfer any security to any person, it shall file a report of its proposed action with the board and commission, which report shall request the approval of the commission. The commission [shall have] *has* 90 days within which to approve or deny the request. If the commission denies the request, the corporation shall not issue or transfer any such security.

2. After licensing pursuant to NRS 463.530, the corporation shall file a report of each change of the corporate officers and the members of its board of directors with the board and commission [.] *within 30 days after the change becomes effective*. The commission [shall have] *has* 90 days within which to approve or disapprove [such] *the* change. During [such] *the* 90-day period and thereafter if the commission does not disapprove the change, [such] *the* officer or member of the board of directors [shall be entitled to] *may* exercise all powers of the office to which he was so elected or appointed.

**Sec. 15.** NRS 463.650 is hereby amended to read as follows:

463.650 1. Except as otherwise provided in subsections 2 [, 3 and 4,] *to 5, inclusive*, it is unlawful for any person, either as owner, lessee or employee, whether for hire or not, to operate, carry on, conduct or maintain any form of manufacture, selling or distribution of any gaming device for use or play in

Nevada or for distribution outside of Nevada without first procuring and maintaining all required federal, state, county and municipal licenses.

2. A lessor who specifically acquires equipment for a capital lease is not required to be licensed under this section or NRS 463.660.

3. The holder of a state gaming license or the holding company of a corporate licensee may, within 2 years after cessation of business or upon specific approval by the board, dispose of by sale in a manner approved by the board, any or all of its gaming devices, including slot machines, without a distributor's license. In cases of bankruptcy of a state gaming licensee or foreclosure of a lien by a bank or other person holding a security interest for which gaming devices are security in whole or in part for the lien, the board may authorize the disposition of the gaming devices without requiring a distributor's license.

4. The commission may, by regulation, authorize a person who owns slot machines for home use in accordance with subsection 3 of NRS 463.160 to sell such devices without procuring a license therefor.

5. *Upon approval by the board, a gaming device owned by:*

*(a) A law enforcement agency for training purposes;*

*(b) A court of law; or*

*(c) A gaming device repair school licensed by the commission on postsecondary education,*

*may be disposed of by sale, in a manner approved by the board, without a distributor's license. An application for approval must be submitted to the board in the manner prescribed by the chairman.*

6. Any person whom the commission determines is a suitable person to receive a license under the provisions of this section and NRS 463.660 may be issued a manufacturer's or distributor's license. The burden of proving his qualification to receive or hold a license under this section and NRS 463.660 is at all times on the applicant or licensee.

[6.] 7. Every person who must be licensed pursuant to this section is subject to the provisions of NRS 463.482 to 463.645, inclusive, unless exempted from those provisions by the commission.

[7.] 8. The commission may exempt, for any purpose, a manufacturer, seller or distributor from the provisions of NRS 463.482 to 463.645, inclusive, if the commission determines that the exemption is consistent with the purposes of this chapter.

[8.] 9. As used in this section, "holding company" has the meaning ascribed to it in NRS 463.485.

**Sec. 16.** NRS 464.005 is hereby amended to read as follows:

464.005 As used in this chapter, unless the context otherwise requires:

1. "Off-track pari-mutuel system" means a computerized system, or component of such a system, that is used [with regard to an interstate pari-mutuel pool to transmit information such as amounts wagered, odds and payoffs on races.] *to transmit wagering data to and from a race track which offers interstate common pari-mutuel pools.*

2. "Off-track pari-mutuel wagering" means any pari-mutuel system of wagering approved by the Nevada gaming commission for the acceptance of wagers on races or other sporting events which take place outside of this state.

3. "Operator of a system" means a person engaged in providing an off-track pari-mutuel system.

4. "Pari-mutuel system of wagering" means any system whereby wagers with respect to the outcome of a race or other sporting event are placed in a wagering pool conducted by a person licensed or otherwise permitted to do so under state law, and in which the participants are wagering with each other and not against that person. The term includes off-track pari-mutuel wagering.

SUMMARY--Urges Congress to amend Indian Gaming Regulatory Act.  
(BDR R-323)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

JOINT RESOLUTION Urging Congress to amend the Indian Gaming Regulatory Act or, if the Act is not amended, to provide the Secretary of the Interior with the authority to declare a moratorium on the approval of any new compacts until the Act can be amended.

WHEREAS, The Indian Gaming Regulatory Act, 25 U.S.C. §§ 2701-2721 and 18 U.S.C. §§ 1166-1168, were enacted by Congress in 1988; and

WHEREAS, The resulting implementation and interpretation of the Act have caused tremendous ambiguity and uncertainty; and

WHEREAS, Primary jurisdiction for enforcement of the Act lies with the Federal Government, but the United States Justice Department has refused to conduct enforcement activity despite numerous reports of illegal gaming on Indian lands; and

WHEREAS, The Act is being interpreted as entitling tribes to negotiate for all forms of Class III gaming in states that permit some form of Class III gaming, even when the state does not permit other forms of Class III gaming; and

WHEREAS, The Act is being interpreted as allowing all forms of Class III gaming in a state which only authorizes charitable gaming for no consideration; and

WHEREAS, The Act is unclear regarding a governor's authority to prohibit gaming on land acquired after the enactment of the Act which is within the state's jurisdiction, but which is not contiguous to the reservation or trust lands; and

WHEREAS, The definitions of Class II gaming are not specific; and

WHEREAS, The Act does not provide any guidance or standards for what constitutes negotiating in "good faith"; and

WHEREAS, The proper conduct of gaming both inside and outside the State of Nevada is vital to the economic well-being of this state; now, therefore, be it

RESOLVED BY THE                      AND                      OF THE STATE OF NEVADA, JOINTLY, That the Congress of the United States is hereby urged to amend the Indian Gaming Regulatory Act to clarify the ambiguities and uncertainties that have arisen in its implementation and interpretation; and be it further

RESOLVED, That Congress is hereby urged to amend the Act to:

1. Provide a mechanism for effective enforcement of the law, including granting concurrent jurisdiction to the states and the Federal Government;
2. Provide that tribes may only negotiate for the particular type of Class III gaming that is permitted by the state in which the Indian land is located;

3. Provide specifically that state-sanctioned charitable gaming does not authorize Indian gaming where such conduct would otherwise be prohibited;

4. Affirm a state governor's right to prohibit Class III gaming on land acquired after the enactment of the Act which is located within the state's jurisdiction, but which is not contiguous to the reservation or trust lands;

5. Clarify the definitions of Class II gaming;

6. Clarify the standard for negotiating in "good faith," including what constitutes a "bad faith" claim;

and be it further

RESOLVED, That if the Act is not amended, Congress is urged to provide the Secretary of the Interior with the authority to declare a moratorium on the approval of any new compacts until the Act can be amended; and be it further

RESOLVED, That the                      of the                      prepare and transmit a copy of this resolution to the Vice President of the United States as presiding officer of the Senate, the Speaker of the House of Representatives, the Secretary of the Interior and each member of the Nevada Congressional Delegation; and be it further

RESOLVED, That this resolution becomes effective upon passage and approval.



SUMMARY--Requires licensees who are involved in foreign gaming to conduct their activities in other jurisdictions in lawful and suitable manner. (BDR 41-324)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to the control of gaming; requiring a licensee who is involved in foreign gaming to conduct his activities in other jurisdictions in a lawful and suitable manner; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

**Section 1.** Chapter 463 of NRS is hereby amended by adding thereto a new section to read as follows:

*1. A licensee who is involved in foreign gaming shall not violate any foreign, federal, tribal, state or local law, regulation, rule or any equivalent thereof concerning the conduct of gaming operations in a foreign jurisdiction.*

*2. Each licensee who is involved in foreign gaming shall at all times conduct his foreign gaming operations in accordance with the standards of honesty and integrity required for gaming activities in this state.*

*3. A licensee's involvement in foreign gaming must not at any time pose an unreasonable threat to gaming control in Nevada.*

*4. A licensee who is involved in foreign gaming shall not engage in any activity which causes or tends to cause:*

*(a) The discredit or disrepute of the State of Nevada or its gaming industry;*  
*or*

*(b) Any result contrary to the state policy set forth in NRS 463.0129.*

*5. As used in this section, "licensee" includes a person who is licensed or required to be licensed pursuant to NRS 463.650.*

**Sec. 2.** NRS 463.680 is hereby amended to read as follows:

463.680 For the purposes of NRS 463.690 to 463.720, inclusive [:] , and  
*section 1 of this act:*

1. "Foreign gaming" means any gaming operations outside this state.

2. "Licensee" means a person who:

(a) Is licensed or required to be licensed pursuant to NRS 463.160, 463.162  
or 463.167;

(b) Is or is required to be licensed, registered or found suitable pursuant to  
NRS 463.482 to 463.645, inclusive; or

(c) Directly or through one or more intermediaries controls, is controlled by  
or is under common control with a person described in paragraph (a) or (b).

**Sec. 3.** This act becomes effective upon passage and approval.