



# NEVADA LEGISLATURE COMMITTEE TO CONDUCT AN INTERIM STUDY CONCERNING THE IMPACT OF TECHNOLOGY UPON GAMING

(Assembly Bill 360, Chapter 508, *Statutes of Nevada 2013*)

## SUMMARY MINUTES AND ACTION REPORT

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The first meeting of the Nevada Legislature's Committee to Conduct an Interim Study Concerning the Impact of Technology Upon Gaming was held on Tuesday, January 21, 2014, at 9:30 a.m. in Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 3138 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. A copy of this set of "Summary Minutes and Action Report," including the "Meeting Notice and Agenda" ([Exhibit A](#)) and other substantive exhibits, is available on the Nevada Legislature's website at <http://www.leg.state.nv.us/interim/77th2013/committee/>. In addition, copies of the audio or video record are available through the Legislative Counsel Bureau's Publications Office (e-mail: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775/684-6835).

### COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblyman Randy Kirner

A. G. Burnett, Chairman, State Gaming Control Board (*Nonvoting Member*)

### COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman William C. Horne, Chair

Senator Greg Brower

Senator Justin C. Jones

Senator Tick Segerblom

Assemblywoman Olivia Diaz

Peter C. Bernhard, Chairman, Nevada Gaming Commission (*Nonvoting Member*)

Michael Cohen, Representative, Nonrestricted Gaming Licensees (*Nonvoting Member*)

Mark A. Lipparelli, Representative, Manufacturers or Developers of Gaming Technology (*Nonvoting Member*)

Randy Miller, Representative, Restricted Gaming Licensees (*Nonvoting Member*)

Mike Sloan, Representative, Entities Engaged in the Business of Interactive Gaming (*Nonvoting Member*)

Whitney Thier, Representative, Operators of Race Books and Sports Pools (*Nonvoting Member*)

**LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:**

Melinda Martini, Principal Research Analyst, Research Division

Bryan Fernley-Gonzalez, Principal Deputy Legislative Counsel, Legal Division

Dan Yu, Principal Deputy Legislative Counsel, Legal Division

Lisa Gardner, Senior Research Secretary, Research Division

## **OPENING REMARKS**

- Assemblyman William C. Horne, Chair, welcomed the Committee members, presenters, and the public to the first meeting of the Committee to Conduct an Interim Study Concerning the Impact of Technology Upon Gaming. He introduced the members and staff, and provided members with the opportunity to share remarks.

## **PUBLIC COMMENT**

- Chair Horne called for public comment; however, no testimony was presented.

## **REVIEW OF ASSEMBLY BILL 360 AND COMMITTEE RESPONSIBILITIES**

- Melinda Martini, Principal Research Analyst, Research Division, Legislative Counsel Bureau (LCB), referenced documents from the Committee's resource binder ([Exhibit B](#)) that pertain to: (1) the Committee's duties; (2) the Committee's meeting dates; (3) definitions of gaming terms; and (4) Gaming Regulation 5A, Operation of Interactive Gaming. Ms. Martini pointed out that Committee Duties 1, 2, and 7 would be addressed at the meeting.

Ms. Martini explained that the resource binder includes ten relevant bills from the 2013 Session as well as links to gaming articles. She noted the documents are available on the Committee's webpage.

Discussion ensued between Chair Horne and Ms. Martini regarding coverage of Committee Duties 3 through 6 at future meetings. Chair Horne recommended that Committee members share topic ideas for future presentations with Ms. Martini.

## **DISCUSSION AND CONSIDERATION OF THE IMPACT OF MODERN AND EVOLVING TECHNOLOGY UPON GAMING AND THE REGULATION OF GAMING**

- Jon Griffin, Policy Specialist, Fiscal Affairs Program, National Conference of State Legislatures (NCSL), gave a Microsoft PowerPoint presentation on modern and emerging technologies relating to interactive gaming ([Exhibit C](#)). He commented on the rapid growth of mobile gaming and referred to a *Juniper Research, Ltd.* whitepaper dated September 2010, titled "[Good Odds for Mobile Gambling](#)."

Mr. Griffin noted that New Jersey has approved the use of mobile devices for gambling; however, the activity is restricted to casino grounds. He also remarked on the prevalence of social gaming, data mining, and free interactive gaming.

Mr. Griffin stated that certain financial institutions refuse to process credit or debit card transactions for interactive gaming. He explained such institutions were initially deterred by strict penalties imposed through the Unlawful Internet Gambling Enforcement Act of 2006. Mr. Griffin remarked that although the penalties have been lifted in states where interactive gaming is legal, banks have been slow to react due to the possibility of fraudulent activity.

Discussion ensued between Chair Horne and Mr. Griffin regarding the viability of the new currency, Bitcoin, in gaming. Mr. Griffin indicated that Bitcoin is lagging behind other technologies and has yet to be approved by any jurisdiction.

- Mr. Sloan asked Mr. Griffin if he believes the projected global revenues of \$48 billion by 2015 is an accurate figure.
- Mr. Griffin replied that he obtained the information from Juniper Research, Ltd., which is an independent and experienced firm. He pointed out that United States adoption is not expected until 2014 or 2015; therefore, the projection is likely based on foreign markets.

Further discussion between Mr. Sloan and Mr. Griffin addressed issues pertaining to geolocation, problem gambling, age verification, and money laundering by terrorist groups. Mr. Griffin stated that problems with geolocation will be resolved through technological improvements by the industry. He said he was unaware of the issue of money laundering by terrorist groups and was therefore unable to speak to it. Mr. Griffin articulated that policy measures can reduce problem gambling through the establishment of time limits and required breaks. He added that technology can interrupt playtime and warnings can be placed on websites.

Responding to questions from Mr. Lipparelli, Mr. Griffin explained that seven states currently prohibit interactive gaming. He pointed out that under federal law, interactive gaming is automatically illegal in states that have not authorized the activity. Mr. Griffin said the data acquired for the projected global revenues reflected legal gaming activity; illegal gaming activity was not tracked. He noted that data on illegal gaming activity is primarily obtained through web traffic counters.

In response to a question from Ms. Thier, Mr. Griffin confirmed that data on sports wagering was not included in the projected global revenues.

## **DISCUSSION AND CONSIDERATION OF INTERACTIVE GAMING IN NEVADA AND OTHER JURISDICTIONS, AND ANY PROPOSED OR ENACTED FEDERAL LEGISLATION IN THE AREA**

- Jon Griffin, previously identified, continued his Microsoft PowerPoint presentation ([Exhibit C](#)). He discussed the authorization of interactive gaming in Delaware, New Jersey, and the U.S. Virgin Islands. He also made corrections to data provided on a map in his handout to include the U.S. Virgin Islands in the total number of jurisdictions with laws pertaining to interactive gaming. Mr. Griffin clarified that 4 jurisdictions have laws relating to the activity and 39 jurisdictions have no such laws or legislation.

Mr. Griffin highlighted key provisions from interactive gaming laws in Nevada, including: (1) the ability of the Governor to enter into agreements with other states, nations, or local bodies; and (2) the prohibition on licensure for an operator of an illegal interactive gaming enterprise until 2018, unless a waiver is obtained.

He discussed New Jersey's inaccurate forecast projection and briefed the Committee on legislation relating to interactive gaming introduced in California, Delaware, Hawaii, Pennsylvania, Texas, and the U.S. Virgin Islands. Mr. Griffin mentioned the Internet Poker Freedom Act (H.R. 2666), introduced by Representative Joe Barton (R-TX) in July 2013. He noted that NCSL is opposed to the federal measure.

Concluding his testimony, Mr. Griffin pointed out the Governors of Nevada and Delaware are discussing the possibility of entering an international compact to increase the number of players in casinos. He also commented on a New Jersey bill that would create foreign internet wagering licenses.

- Mr. Bernhard asked Mr. Griffin if any bills in other states propose to tax revenue from interactive gaming differently than revenue derived from brick and mortar casinos. He also requested information on revenue projections from other jurisdictions.
- Mr. Griffin replied that the New Jersey bill on foreign internet wagering would involve a different tax rate than what is applied to brick and mortar casinos. He offered to provide additional information on New Jersey's gaming tax structure upon request. Mr. Griffin commented that New Jersey's revised projections were recently made available and Delaware has yet to release their figures. He noted that failed measures in California did not progress far enough to have fiscal notes attached.

Responding to another question from Mr. Bernhard, Mr. Griffin said he is unaware of any studies correlating a reduction in problem gambling with the legalization of interactive gaming.

There was a conversation between Chair Horne and Mr. Griffin regarding the failure of Hawaii Senate Bill 768. Mr. Griffin remarked that the measure tied interactive gaming to a lottery system, as Delaware has done. He explained that Hawaii has never had a lottery system and there was not enough interest in establishing one.

Discussion ensued among Chair Horne, Senator Brower, and Mr. Griffin regarding NCSL's opposition to H.R. 2666. Mr. Griffin stated that NCSL is generally opposed to federal intervention when states are regulating themselves well, as is the case with interactive gaming. Chair Horne commented that issues relating to interstate activity might provide a rationale for federal legislation. Mr. Griffin indicated that the organization might review its position if the bill were to establish a system to facilitate interstate cooperation. He pointed out that NCSL's policy positions are determined by legislators who serve on the organization's committees.

There was a brief conversation between Senator Jones and Mr. Griffin regarding the potential for a state to "cross the line" between implementing a framework and advocating for increased gaming activity.

## DISCUSSION AND CONSIDERATION OF THE EFFECT OF LEGISLATION APPROVED BY THE 77TH SESSION OF THE NEVADA LEGISLATURE WITH REGARD TO GAMING AND THE REGULATION OF GAMING

- Melinda Martini, previously identified, gave a Microsoft PowerPoint presentation ([Exhibit D](#)) regarding the ten gaming related bills approved by the 2013 Legislature. She pointed out that the resource binder ([Exhibit B](#)) contains a summary sheet (Floor Statement) for each measure, followed by a copy of the bill. Ms. Martini provided an overview of the legislation and categorized them as follows:
  1. Interactive gaming: Assembly Bill 10 (Chapter 285, *Statutes of Nevada*), A.B. 114 (Chapter 2, *Statutes of Nevada*), A.B. 127 (Chapter 10, *Statutes of Nevada*), A.B. 360 (Chapter 508, *Statutes of Nevada*), and Senate Bill 409 (Chapter 242, *Statutes of Nevada*);
  2. Restricted and nonrestricted gaming licenses: A.B. 7 (Chapter 534, *Statutes of Nevada*), A.B. 360, and S.B. 416 (Chapter 396, *Statutes of Nevada*);
  3. Pari-mutuel wagering: S.B. 425 (Chapter 498, *Statutes of Nevada*); and
  4. Miscellaneous Regulatory Provisions: S.B. 9 (Chapter 389, *Statutes of Nevada*) and S.B. 17 (*Chapter 49, Statutes of Nevada*).

She noted definitions revised in the bills are included in the Glossary of Select Gaming Terms ([Exhibit B](#)).

- Mr. Burnett provided a status update on legislation passed in 2013. He reported that A.B. 114, which was amended by A.B. 360, ultimately allowed rather than required the Nevada Gaming Commission to adopt regulations authorizing the Governor to enter into multi-state agreements. Mr. Burnett stated that pursuant to Section 12 of A.B. 360, the Commission has submitted a recommendation to the Governor to enter into agreements with other jurisdictions. He pointed out that the Commission and the State Gaming Control Board have decided not to adopt regulations governing multi-state agreements.

Continuing, Mr. Burnett stated that pursuant to A.B. 127, the Commission has adopted the seal that licensees are required to place on their interactive “skin” for interactive poker. He commented that a study was conducted by the Commission on the issue of rebates, as set forth in S.B. 425. Mr. Burnett articulated that the Commission made a recommendation not to allow licensees to enter into rebating activities; however, the issue may be reconsidered in coming years. Regarding S.B. 9, he noted the annual adjustment to financial reporting thresholds is in place. Mr. Burnett added that per S.B. 17, the deadline has been changed for gaming licensees to file their financial reports with Wall Street and public shareholders.

## **DISCUSSION AND CONSIDERATION OF THE COMMITTEE'S WORK PLAN**

- Chair Horne requested input from members regarding the direction of study for Committee Duties 4 through 6. He mentioned that conflicting points of view are best resolved when discussions begin during the interim.
- Senator Jones recommended the Committee receive testimony regarding what is happening “on the ground” with restricted and nonrestricted gaming.
- Chair Horne indicated stakeholders may provide testimony regarding the effects of recent legislation at the February 27, 2014, Committee meeting. He conveyed that adjustments might be considered during the 2015 Session.
- In response to a question from Chair Horne, Sean T. Higgins, Representative, Golden Gaming, Inc., stated that his organization can provide testimony. He suggested the Committee review the actions of the Board and the Commission.
- Mr. Sloan recommended consideration of resources provided to the Board and Commission to conduct their duties and make effective decisions. He said it would be beneficial to hear from the Chairmen on these issues.
- Senator Segerblom recommended studying existing tax rates for restricted and nonrestricted gaming.

Responding to a question from Chair Horne, Senator Segerblom suggested the Board or Commission might provide testimony regarding the level of ease, or difficulty, with changing the tax structure.

- Mr. Miller remarked that much of the controversy from the 2013 Session was resolved through the current legislation and a modification to Gaming Regulation 3.015, “Applications for restricted licenses.” He suggested waiting to see how the changes “roll out” before proposing additional legislation. Mr. Miller also provided background information on restricted gaming based on his 30 years of experience as a restricted gaming operator in the State.
- Chair Horne pointed out that the interim is a beneficial time to address whether or not certain pieces of legislation should be repealed. He indicated that the purpose of the Committee is to improve the gaming industry as a whole; therefore, various adjustments can be proposed.
- Ms. Thier offered to provide information to the Committee regarding entity wagering and adoption rates and uses of mobile technology. She remarked that companies with mobile applications, which are largely used for sports wagering, could provide aggregate data. She suggested topics might include discussion on proposals and possible structures.

- Mr. Sloan stated he is in favor of enforcing current law rather than writing a new statute or regulation. He recommended the regulatory agencies share their point of view regarding these matters.
- Mr. Lipparelli suggested the Committee receive testimony from law enforcement and the Board regarding coverage of illegal interactive gaming activity in the *Nevada Revised Statutes*. He noted State and federal uncertainty with the distinction between legal and illegal activity.
- Senator Brower recommended focusing on illegal activity, entity wagering, and interactive gaming agreements with other states. He commented on S.B. 346, a bill relating to entity wagering that he sponsored during the 2013 Session. Senator Brower noted that the measure passed in the Senate but died in the Assembly.
- Mr. Burnett offered to provide testimony relating to Committee Duties 3 through 6.
- Senator Segerblom recommended the Committee revisit the issue of gambling on elections. (S.B. 418 of the 2013 Session was approved by the Senate but died in the Assembly.)

## **PUBLIC COMMENT**

- Chair Horne called for public comment; however, none was offered.
- Chair Horne shared comments of remembrance for former Assemblyman Bernard (Bernie) Anderson.



## ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:39 a.m.

Respectfully submitted,

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Lisa Gardner  
Senior Research Secretary

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Melinda Martini  
Principal Research Analyst

APPROVED BY:

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Assemblyman William C. Horne, Chair

Date: \_\_\_\_\_

## LIST OF EXHIBITS

[Exhibit A](#) is the “Meeting Notice and Agenda” provided by Melinda Martini, Principal Research Analyst, Research Division, Legislative Counsel Bureau (LCB).

[Exhibit B](#) is a resource binder for the Committee to Conduct an Interim Study Concerning the Impact of Technology Upon Gaming, submitted by Melinda Martini, Principal Research Analyst, Research Division, LCB.

[Exhibit C](#) is a Microsoft PowerPoint presentation titled “Online Gaming—The Impact of Modern Technology and Legislative Updates,” dated January 21, 2014, provided by Jonathan Griffin, Policy Specialist, Fiscal Affairs Program, National Conference of State Legislatures.

[Exhibit D](#) is a Microsoft PowerPoint presentation titled “Discussion and Consideration of the Effect of Legislation Approved by the 2013 Legislature Upon Gaming and the Regulation of Gaming,” submitted by Melinda Martini, Principal Research Analyst, Research Division, LCB.

This set of “Summary Minutes and Action Report” is supplied as an informational service. Exhibits in electronic format may not be complete. Copies of the complete exhibits and other materials distributed at the meeting are on file in the Research Library of the Legislative Counsel Bureau, Carson City, Nevada. You may contact the Library online at [www.leg.state.nv.us/lcb/research/library/feedbackmail.cfm](http://www.leg.state.nv.us/lcb/research/library/feedbackmail.cfm) or telephone: 775/684-6827.