

Assembly Bill No. 651–Committee on Judiciary

CHAPTER.....

AN ACT relating to gaming; making various changes relating to the manufacture, sale and distribution of gaming devices and associated equipment and inter-casino linked systems; 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. If an operator of an inter-casino linked system makes the inter-casino linked system available to a nonrestricted licensee, other than during a trial period, the operator shall also make the inter-casino linked system available to any other eligible nonrestricted licensee subject to the provisions of this chapter and reasonable production and delivery schedules. For purposes of this section, a nonrestricted licensee shall be deemed to be eligible if the licensee is a Group I licensee or a Group II licensee, as determined pursuant to the regulations of the commission and otherwise meets the requirements of the commission regarding locations for games that are part of an inter-casino linked system.

2. The provisions of subsection 1 do not prevent the imposition by an operator of an inter-casino linked system of different terms and conditions, including prices, based on:

(a) The quantity or volume of gaming devices connected to an inter-casino linked system that are sold or leased to a licensee or to affiliated licensees by the operator; or

(b) Credit considerations.

Sec. 2. NRS 463.0129 is hereby amended to read as follows:

463.0129 1. The legislature hereby finds, and declares to be the public policy of this state, that:

(a) The gaming industry is vitally important to the economy of the state and the general welfare of the inhabitants.

(b) The continued growth and success of gaming is dependent upon public confidence and trust that licensed gaming ~~is~~ *and the manufacture, sale and distribution of gaming devices and associated equipment are* conducted honestly and competitively, that establishments where gaming is conducted and where gambling devices are operated do not unduly impact the quality of life enjoyed by residents of the surrounding neighborhoods, that the rights of the creditors of licensees are protected and that gaming is free from criminal and corruptive elements.

(c) Public confidence and trust can only be maintained by strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gaming establishments , ~~and~~ the

manufacture , *sale* or distribution of ~~gambling~~ *gaming* devices and *associated* equipment ~~and the operation of inter-casino linked systems~~.

(d) All establishments where gaming is conducted and where ~~gambling~~ *gaming* devices are operated, and manufacturers, sellers and distributors of certain ~~gambling~~ *gaming* devices and equipment , *and operators of inter-casino linked systems* must therefore be licensed, controlled and assisted to protect the public health, safety, morals, good order and general welfare of the inhabitants of the state, to foster the stability and success of gaming and to preserve the competitive economy and policies of free competition of the State of Nevada.

(e) To ensure that gaming is conducted honestly, competitively and free of criminal and corruptive elements, all gaming establishments in this state must remain open to the general public and the access of the general public to gaming activities must not be restricted in any manner except as provided by the legislature.

2. No applicant for a license or other affirmative commission approval has any right to a license or the granting of the approval sought. Any license issued or other commission approval granted pursuant to the provisions of this chapter or chapter 464 of NRS is a revocable privilege, and no holder acquires any vested right therein or thereunder.

3. This section does not:

(a) Abrogate or abridge any common law right of a gaming establishment to exclude any person from gaming activities or eject any person from the premises of the establishment for any reason; or

(b) Prohibit a licensee from establishing minimum wagers for any gambling game or slot machine.

Sec. 3. 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 and chapter 466 of NRS, 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;

(d) Obtained by the board from a manufacturer, distributor or operator , **or from an operator of an inter-casino linked system**, relating to the manufacturing of gaming devices ~~or~~ **or the operation of an inter-casino linked system**; or

(e) Prepared or obtained by an agent or employee of the board or commission relating to an application for a license, a finding of suitability or any approval that is required pursuant to the provisions of this chapter,

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 a state or the government of any foreign country. Notwithstanding any other provision of state law, such information may not be otherwise revealed without specific authorization by the board or commission.

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. 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.

9. The Nevada gaming commission, by the affirmative vote of a majority of its members, may remove from its records the name of a debtor and the amount of tax, penalty and interest, or any of them, owed by him, if after 5 years it remains impossible or impracticable to collect such amounts. The commission shall establish a master file containing the information removed from its official records by this section.

Sec. 4. NRS 463.15993 is hereby amended to read as follows:

463.15993 **1.** The commission ~~may~~ **shall** adopt regulations governing the **approval and** operation of inter-casino linked systems and the licensing of the operators of such systems.

2. The commission shall include in the regulations, without limitation:

(a) Standards for the approval and operation of an inter-casino linked system.

(b) Requirements for the:

(1) Operator of an inter-casino linked system to disclose to the board, the commission and licensees on a confidential basis the rate of progression of the primary jackpot meter; and

(2) Establishment of a minimum rate of progression of the primary jackpot meter.

(c) Criteria for multiple licensing of inter-casino linked systems and the operators of inter-casino linked systems.

(d) Procedures and criteria for the regular auditing of the regulatory compliance of an operator of an inter-casino linked system.

Sec. 5. (Deleted by amendment.)

Sec. 6. NRS 463.170 is hereby amended to read as follows:

463.170 1. Any person who the commission determines is qualified to receive a license, to be found suitable or to receive any approval required under the provisions of this chapter, or to be found suitable regarding the operation of a charitable lottery under the provisions of chapter 462 of NRS, having due consideration for the proper protection of the health, safety, morals, good order and general welfare of the inhabitants of the State of Nevada and the declared policy of this state, may be issued a state gaming license, be found suitable or receive any approval required by this chapter, as appropriate. The burden of proving his qualification to receive any license, be found suitable or receive any approval required by this chapter is on the applicant.

2. An application to receive a license or be found suitable must not be granted unless the commission is satisfied that the applicant is:

(a) A person of good character, honesty and integrity;

(b) A person whose prior activities, criminal record, if any, reputation, habits and associations do not pose a threat to the public interest of this state or to the effective regulation and control of gaming or charitable lotteries, or create or enhance the dangers of unsuitable, unfair or illegal practices, methods and activities in the conduct of gaming or charitable lotteries or in the carrying on of the business and financial arrangements incidental thereto; and

(c) In all other respects qualified to be licensed or found suitable consistently with the declared policy of the state.

3. A license to operate a gaming establishment **or an inter-casino linked system** must not be granted unless the applicant has satisfied the commission that:

(a) ~~He~~ **The applicant** has adequate business probity, competence and experience, in gaming or generally; and

(b) The proposed financing of the entire operation is:

(1) Adequate for the nature of the proposed operation; and

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(2) From a suitable source.

Any lender or other source of money or credit which the commission finds does not meet the standards set forth in subsection 2 may be deemed unsuitable.

4. An application to receive a license or be found suitable constitutes a request for a determination of the applicant's general character, integrity, and ability to participate or engage in, or be associated with gaming or the operation of a charitable lottery, as appropriate. Any written or oral statement made in the course of an official proceeding of the board or commission by any member thereof or any witness testifying under oath which is relevant to the purpose of the proceeding is absolutely privileged and does not impose liability for defamation or constitute a ground for recovery in any civil action.

5. The commission may in its discretion grant a license to:

(a) A publicly traded corporation which has complied with the provisions of NRS 463.625 to 463.643, inclusive;

(b) Any other corporation which has complied with the provisions of NRS 463.490 to 463.530, inclusive;

(c) A limited partnership which has complied with the provisions of NRS 463.564 to 463.571, inclusive; and

(d) A limited-liability company which has complied with the provisions of NRS 463.5731 to 463.5737, inclusive.

6. No limited partnership, except one whose sole limited partner is a publicly traded corporation which has registered with the commission, or a limited-liability company, or business trust or organization or other association of a quasi-corporate character is eligible to receive or hold any license under this chapter unless all persons having any direct or indirect interest therein of any nature whatever, whether financial, administrative, policymaking or supervisory, are individually qualified to be licensed under the provisions of this chapter.

7. The commission may, by regulation:

(a) Limit the number of persons who may be financially interested and the nature of their interest in any corporation, other than a publicly traded corporation, limited partnership, limited-liability company or other organization or association licensed under this chapter; and

(b) Establish such other qualifications for licenses as it may, in its discretion, deem to be in the public interest and consistent with the declared policy of the state.

Sec. 7. NRS 463.245 is hereby amended to read as follows:

463.245 1. Except as otherwise provided in ~~{subsection 3, all}~~
subsections 2, 3 and 4:

(a) All licenses issued to the same person, including a wholly owned subsidiary of that person, for the operation of any game, including a sports pool or race book, which authorize gaming at the same establishment must be merged into a single gaming license.

(b) A gaming license may not be issued to any person if the issuance would result in more than one licensed operation at a single establishment, whether or not the profits or revenue from gaming are shared between the licensed operations.

2. A person who has been issued a nonrestricted gaming license may establish a sports pool or race book on the premises of the establishment at which he conducts a nonrestricted gaming operation only after obtaining permission from the commission.

3. A person who has been issued a license to operate a sports pool or race book at an establishment may be issued a license to operate a sports pool or race book at another establishment if the second establishment is operated by a person who has been issued a nonrestricted license.

4. Nothing in this section limits or prohibits an operator of an inter-casino linked system from placing **and operating** such a system on the premises of two or more gaming licensees and receiving, either directly or indirectly, any compensation or any percentage or share of the money or property played from the linked games ~~in accordance with the provisions of this chapter and the regulations adopted by the commission.~~ An inter-casino linked system must not be used to link games other than slot machines, unless such games are located at an establishment that is licensed for games other than slot machines.

Sec. 8. NRS 463.305 is hereby amended to read as follows:

463.305 1. Any person who operates or maintains in this state any gaming device of a specific model, ~~or~~ **any gaming device** which includes a significant modification, **or any inter-casino linked system** which the board **or commission** has not approved for testing or for operation, is subject to disciplinary action by the board or commission.

2. The board shall maintain a list of approved gaming devices ~~and~~ **inter-casino linked systems.**

3. The commission shall adopt regulations relating to gaming devices and their significant modification ~~and inter-casino linked systems.~~

Sec. 9. 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 3 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 operated on the premises of a licensee, regardless of whether any portion of the revenue is shared with any other person, must be attributed to the licensee for the purposes of this section and counted as part of the gross revenue of the licensee. Any other person, *including, without limitation, an operator of an inter-casino linked system*, who is authorized to receive a share of the revenue *from any game, gaming device or inter-casino linked system that is operated on the premises of a licensee* is liable to the licensee for ~~his~~ *that person's* proportionate share of the license fees paid *by the licensee* pursuant to this section ~~and shall remit or credit the full proportionate share to the licensee on or before the 24th day of each calendar month. The proportionate share of an operator of an inter-casino linked system must be based on all compensation and other consideration received by the operator of the inter-casino linked system, including, without limitation, amounts that accrue to the meter of the primary progressive jackpot of the inter-casino linked system and amounts that fund the reserves of such a jackpot, subject to all appropriate adjustments for deductions, credits, offsets and exclusions that the licensee is entitled to take or receive pursuant to the provisions of this chapter. A licensee is not liable to any other person authorized to receive a share of the licensee's revenue from any game, gaming device or inter-casino linked system that is operated on the premises of the licensee for that person's proportionate share of the license fees to be remitted or credited to the licensee by that person pursuant to this section.~~

5. *An operator of an inter-casino linked system shall not enter into any agreement or arrangement with a licensee that provides for the*

operator of the inter-casino linked system to be liable to the licensee for less than its full proportionate share of the license fees paid by the licensee pursuant to this section, whether accomplished through a rebate, refund, charge-back or otherwise.

6. 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.

~~16.1~~ 7. 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, 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 to the person entitled thereto pursuant to this chapter, with interest thereon.

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.

~~17.1~~ 8. 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.

~~18.1~~ 9. Except as otherwise provided in NRS 463.386, the amount of the fee prescribed in subsection 1 must not be prorated.

~~19.1~~ 10. 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.

~~110.1~~ 11. 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.

~~111.1~~ 12. If in any month, the amount of the license fee due is less than zero, the licensee is entitled to receive a credit against any license fees due in succeeding months until the credit has been fully offset.

Sec. 10. NRS 463.375 is hereby amended to read as follows:

463.375 1. In addition to any other state gaming license fees provided for in this chapter, before issuing a state gaming license to an applicant for a nonrestricted operation, the commission shall charge and collect from the applicant a license fee of \$80 for each slot machine for each calendar year.

2. The commission shall charge and collect the fee prescribed in subsection 1, at the rate of \$20 for each slot machine for each calendar quarter:

(a) On or before the last day of the last month in a calendar quarter, for the ensuing calendar quarter, from a licensee whose operation is continuing.

(b) In advance from a licensee who begins operation or puts additional slot machines into play during a calendar quarter.

3. Except as provided in NRS 463.386, no proration of the quarterly amount prescribed in subsection 2 may be allowed for any reason.

4. The operator of the location where slot machines are situated shall pay the fee prescribed in subsection 1 upon the total number of slot machines situated in that location, whether the machines are owned by one or more licensee-owners.

5. Any other person, including, without limitation, an operator of an inter-casino linked system, who is authorized to receive a share of the revenue from any slot machine that is operated on the premises of a licensee is liable to the licensee for that person's proportionate share of the license fees paid by the licensee pursuant to this section and shall remit or credit the full proportionate share to the licensee on or before the dates set forth in subsection 2. A licensee is not liable to any other person authorized to receive a share of the licensee's revenue from any slot machine that is operated on the premises of a licensee for that person's proportionate share of the license fees to be remitted or credited to the licensee by that person pursuant to this section.

Sec. 11. NRS 463.385 is hereby amended to read as follows:

463.385 1. In addition to any other license fees and taxes imposed by this chapter, there is hereby imposed upon each slot machine operated in this state an annual excise tax of \$250. If a slot machine is replaced by another, the replacement is not considered a different slot machine for the purpose of imposing this tax.

2. The commission shall:

(a) Collect the tax annually on or before June 20, as a condition precedent to the issuance of a state gaming license to operate any slot machine for the ensuing fiscal year beginning July 1, from a licensee whose operation is continuing.

(b) Collect the tax in advance from a licensee who begins operation or puts additional slot machines into play during the fiscal year, prorated monthly after July 31.

(c) Include the proceeds of the tax in its reports of state gaming taxes collected.

3. *Any other person, including, without limitation, an operator of an inter-casino linked system, who is authorized to receive a share of the revenue from any slot machine that is operated on the premises of a licensee is liable to the licensee for that person's proportionate share of the license fees paid by the licensee pursuant to this section and shall remit or credit the full proportionate share to the licensee on or before the dates set forth in subsection 2. A licensee is not liable to any other person authorized to receive a share of the licensee's revenue from any slot machine that is operated on the premises of a licensee for that person's proportionate share of the license fees to be remitted or credited to the licensee by that person pursuant to this section.*

4. The commission shall pay over the tax as collected to the state treasurer to be deposited to the credit of the state distributive school account in the state general fund, and the capital construction fund for higher education and the special capital construction fund for higher education, which are hereby created in the state treasury as special revenue funds, in the amounts and to be expended only for the purposes specified in this section.

~~[4.]~~ 5. During each fiscal year the state treasurer shall deposit the tax paid over to him by the commission as follows:

(a) The first \$5,000,000 of the tax in the capital construction fund for higher education;

(b) Twenty percent of the tax in the special capital construction fund for higher education; and

(c) The remainder of the tax in the state distributive school account in the state general fund.

~~[5.]~~ 6. There is hereby appropriated from the balance in the special capital construction fund for higher education on July 31 of each year the amount necessary to pay the principal and interest due in that fiscal year on the bonds issued pursuant to section 5 of chapter 679, Statutes of Nevada 1979, as amended by chapter 585, Statutes of Nevada 1981, at page 1251, the bonds authorized to be issued by section 2 of chapter 643, Statutes of Nevada 1987, *at page 1503*, the bonds authorized to be issued by section 2 of chapter 614, Statutes of Nevada 1989, *at page 1377*, the bonds authorized to be issued by section 2 of chapter 718, Statutes of Nevada 1991, *at page 2382*, and the bonds authorized to be issued by section 2 of chapter 629, Statutes of Nevada 1997 ~~H.~~, *at page 3106*. If in any year the balance in that fund is not sufficient for this purpose, the remainder necessary is hereby appropriated on July 31 from the capital construction fund for higher education. The balance remaining unappropriated in the capital construction fund for higher education on August 1 of each year and

all amounts received thereafter during the fiscal year must be transferred to the state general fund for the support of higher education. If bonds described in this subsection are refunded and if the amount required to pay the principal of and interest on the refunding bonds in any fiscal year during the term of the bonds is less than the amount that would have been required in the same fiscal year to pay the principal of and the interest on the original bonds if they had not been refunded, there is appropriated to the University and Community College System of Nevada an amount sufficient to pay the principal of and interest on the original bonds, as if they had not been refunded. The amount required to pay the principal of and interest on the refunding bonds must be used for that purpose from the amount appropriated. The amount equal to the saving realized in that fiscal year from the refunding must be used by the University and Community College System of Nevada to defray, in whole or in part, the expenses of operation and maintenance of the facilities acquired in part with the proceeds of the original bonds.

~~16.1~~ **7.** After the requirements of subsection ~~15.1~~ **6** have been met for each fiscal year, when specific projects are authorized by the legislature, money in the capital construction fund for higher education and the special capital construction fund for higher education must be transferred by the state controller and the state treasurer to the state public works board for the construction of capital improvement projects for the University and Community College System of Nevada, including, but not limited to, capital improvement projects for the community colleges of the University and Community College System of Nevada. As used in this subsection, “construction” includes, but is not limited to, planning, designing, acquiring and developing a site, construction, reconstruction, furnishing, equipping, replacing, repairing, rehabilitating, expanding and remodeling. Any money remaining in either fund at the end of a fiscal year does not revert to the state general fund but remains in those funds for authorized expenditure.

~~17.1~~ **8.** The money deposited in the state distributive school account in the state general fund under this section must be apportioned as provided in NRS 387.030 among the several school districts of the state at the times and in the manner provided by law.

~~18.1~~ **9.** The board of regents of the University of Nevada may use any money in the capital construction fund for higher education and the special capital construction fund for higher education for the payment of interest and amortization of principal on bonds and other securities, whether issued before, on or after July 1, 1979, to defray in whole or in part the costs of any capital project authorized by the legislature.

Sec. 12. An inter-casino linked system that is being operated on the effective date of this act may continue to be operated in accordance with the provisions of this act until the earlier of July 1, 2000, or the date on which the inter-casino linked system is separately approved by the commission pursuant to regulations adopted by the commission. No inter-casino linked system may be operated or exposed for play after July 1,

2000, unless all licenses and approvals have been obtained by the operator of the inter-casino linked system in accordance with the provisions of this act and the regulations adopted by the commission pursuant thereto.

Sec. 13. This act becomes effective upon passage and approval.

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