

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON JUDICIARY**

**Seventy-Fourth Session
April 9, 2007**

The Committee on Judiciary was called to order by Chair Bernie Anderson at 8:40 a.m., on Monday, April 9, 2007, in Room 3138 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Bernie Anderson, Chairman
Assemblyman William Horne, Vice Chairman
Assemblywoman Francis Allen
Assemblyman John C. Carpenter
Assemblyman Ty Cobb
Assemblyman Marcus Conklin
Assemblywoman Susan Gerhardt
Assemblyman Ed Goedhart
Assemblyman Garn Mabey
Assemblyman Mark Manendo
Assemblyman Harry Mortenson
Assemblyman John Ocegüera
Assemblyman James Ohrenschall
Assemblyman Tick Segerblom

STAFF MEMBERS PRESENT:

Jennifer M. Chisel, Committee Policy Analyst
Risa Lang, Committee Counsel
Kaci Kerfeld, Committee Secretary
Matt Mowbray, Committee Assistant

Minutes ID: 819



OTHERS PRESENT:

William Bible, representing Nevada Resort Association
Dennis Neilander, Chairman, State Gaming Control Board, Nevada
Robert D. Faiss, representing Cantor Gaming, Nevada
Phil Flaherty, representing Cantor Gaming, Nevada
Michael Alonso, representing Cal Neva Casino, Nevada:
Jeff Siri, President and Chief Executive Officer, Club Cal Neva, Nevada
Keith Lee, representing Leroy's Sports Book, Nevada
Nancy Ford, Administrator, Division of Welfare and Supportive Services,
Department of Health and Human Services, Nevada
Louise Bush, Chief, Child Support Enforcement Program, Department of
Health and Human Services, Nevada

Chairman Anderson:

[Meeting called to order and roll called.]

Let us open the hearing on Assembly Bill 589.

Assembly Bill 589: Provides for continued operation of the Nevada Gaming Commission and the State Gaming Control Board during a budgetary or other fiscal crisis. (BDR 41-102)

William Bible, representing Nevada Resort Association:

Assembly Bill 589 indicates that in the event of a budgetary or other fiscal crisis which necessitates a temporary closure of the nonessential state agencies in the state of Nevada, members of the Nevada Gaming Commission, members of the State Gaming Control Board, and their agents should be deemed to be essential employees and shall continue to perform their duties. This legislation arose from an incident which occurred last year in New Jersey as a result of a budget dispute between the legislative and executive branches of government, which resulted in the closure of most state agencies in New Jersey including the Gaming Regulatory Agencies. As a result of that closure, the casinos in New Jersey were forced to close for a brief period of time in early July, resulting in a loss of jobs and an economic loss to the state in terms of revenue. The dispute lasted for several days. This bill would make it abundantly clear that in Nevada, a similar situation could not occur. Greg Ferraro is in Carson City and will distribute news articles that came out of New Jersey at that time ([Exhibit C](#)). It is unlikely that there would be a similar situation in Nevada because we do not have a requirement to have state inspectors on premises at all times while gaming is being operated, but to make our needs clear, we requested A. B. 589.

Chairman Anderson:

Is there anyone else needing to get information on the record for A. B. 589?
[There was no one.]

Let me close the hearing on A. B. 589.

ASSEMBLYWOMAN GERHARDT MOVED TO DO PASS
ASSEMBLY BILL 589.

ASSEMBLYMAN OCEGUERA SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYMAN CONKLIN WAS
ABSENT FOR THE VOTE.)

I will assign A. B. 589 to Assemblyman Ohrenschall.

Let me open the hearing on Assembly Bill 535.

Assembly Bill 535: Revises various provisions pertaining to gaming.
(BDR 41-591)

Dennis Neilander, Chairman, State Gaming Control Board, Nevada:

What you have in front of you with A.B. 535 is the State Gaming Control Board's biennial omnibus bill. It is a combination of matters that have occurred over the last two years with housekeeping measures and modernizing existing provisions that clean up the Gaming Control Act. We are conservative and cautious when we amend the Gaming Control Act, but we also need to update it to make sure it continues to be relevant in today's modern gaming world. You should have a handout with further amendments that we are going to propose this morning ([Exhibit D](#)). Some of the amendments are very technical in nature, so I will walk you through the bill first and then move on to the amendments.

Section 1 of the bill adds two different provisions to what is currently the Gaming Employee Registration program. We have a provision that captures certain employees of manufacturers and distributors who are considered to be gaming employees. This captures any gaming employee who deals with information technology and who could modify a gaming device. This bill also picks up those individuals who do not work for a manufacturer directly, but work for a licensee. The language for that is on line 11, page 3, "Employees whose responsibilities include performing duties related to the process of registration of gaming employees." That picks up individuals who perform critical functions in the regulatory process by submitting gaming employee

information to the Board. Those employees also have direct access to our Board computer to assist them in that endeavor. We did not pick them up when we amended the Gaming Employee Registration program two years ago, which was an oversight on our part.

Sections 2 through 5 eliminate the provisions that require independent agents who reside in Nevada to register as gaming employees. The current status of the law is that all independent agents must register with the Board under Nevada Gaming Commission (NGC) Regulation 25, which was authorized by the Gaming Control Act. What we have done in these sections was eliminate the requirement of registering as a gaming employee because they are otherwise covered by Regulation 25 which is a separate registration program. It is something that we are not getting a regulatory benefit from and it is burdensome on those individuals. Sections 2 through 5 accomplish that. You can see the strike-through language that occurs wherever there is an independent agent reference in that portion of the Gaming Control Act.

The next substantial portion of the bill is Section 6. Section 6 begins on page 12 of the bill. Sections 6, 7, 8, 10, and 13 all accomplish the same things. Right now a limited liability partnership or limited liability company (LLC) that is not domesticated in Nevada is not qualified to hold a state gaming license unless they seek a waiver from the Commission. There is no regulatory reason to treat limited partnerships and LLCs differently than other private companies which currently are eligible to hold a state gaming license if they are incorporated in another state. There is disparity and I think it is just how the statute is written. There is no regulatory reason for it and we do grant waivers frequently for foreign LLCs. It does not mean they get anything automatically, but it means they can apply.

Sections 9, 11, and 14 address the granting of options by using holding or intermediary companies. Any private company, limited partnership, or LLC which constitutes a holding company does not usually seek a state gaming license. By definition, it is a parent company of a subsidiary which holds a state gaming license. These sections would allow those holding companies to grant options even if they do not hold a state gaming license. The option would be requested and it could be administratively approved, but the exercise of the option could not occur without Nevada Gaming Commission approval. We are essentially including holding companies and intermediary companies in the bill and treating options the same as we have direct licensees. If someone does not get approval to exercise an option, the current language in the statute provides that in some cases the option is ineffective, and in other cases it determines that the option is void. We are making all of these sections consistent so the options are all void. From a regulatory point of view, a void transaction in the

strictest legal sense has no force or effect, whereas something that is ineffective has a little bit lesser of a stand. Those changes occur throughout that portion of the bill. Sections 12 and 15 do the same thing, but for different types of entities. They are addressing the void language, the exercise of options by the use of holding or intermediary companies.

Section 16 clarifies that all licensees and affiliates are prohibited from associating with persons on the "gray list." The "gray list" is a list that we compile which contains the names of all entities and individuals who have been denied a license. Current statute prohibits individuals and companies who have been denied a gaming license from contracting with or otherwise receiving a profit from existing licensees. An argument could be made that perhaps that provision only applied to the licensee when the person was originally denied, and that it did not apply to all licensees. We have not had anyone make that argument successfully, but we are trying to cut off that path before it gets to that point. Once someone becomes a denied licensee, they cannot do business with any other licensee, not just the one they were associated with as part of the denial.

Sections 17 and 19 have to do with off-track pari-mutuel wagering. This provides that it is legal for a person in Nevada to place off-track pari-mutuel horse wagers with persons licensed in other states or places outside the United States, where such wagering is legal. This Committee already passed a similar amendment to the Gaming Control Act two years ago, but there is concern from the Attorney General's office that it needs clarification. We do not believe this is a major problem right now, but this language as proposed would make it crystal clear that this is a legal activity. The corresponding language in Section 19 also amends the criminal portions of the Act to make it clear that it is not a criminal action. The provision that now exists makes it unlawful to use counterfeit items in a gambling game. Section 18 expands that provision to include possession, sale, or manufacturing of those counterfeit items. This is going to make it easier for us to prosecute these types of crimes which are being seen on a much more frequent basis because of ticket-in/ticket-out. Most of the industry has migrated away from coins and into coinless types of systems, including ticketing systems. Persons who want to take advantage of the system have migrated away from using devices that may make it easier to cheat at gambling or to steal by using mechanical or light optic devices. Individuals are now trying to defeat ticketing systems by creating counterfeit ticketing systems. This expands the existing provisions to prosecute possession, sale, or manufacture of those types of devices. It also extends into promotional contests and activities, such as those where a patron may not actually place a wager, but there could be a phony drawing ticket or something

along those lines. This makes it clear that those things are captured under Chapter 465 of *Nevada Revised Statutes* (NRS).

Chairman Anderson:

Section 1 relists the employees. The floormen are listed in existing language but are not listed here. Why is that broken into a separate category from the hosts, keno writers, keno runners, et cetera? Are they in a different type of position?

Dennis Neilander:

No. Floormen were already required to be registered employees. We are broadening that to pick up persons who may perform information technology (IT) functions, human resources (HR), or people who work on a slot gaming system but who work for the licensee and not the manufacturer of our system.

Chairman Anderson:

Section 15 changes the status of LLCs and foreign LLCs. Is there a relationship between the Secretary of the State's office and these LLCs as entities, and is there a sharing of information if they have a corporate status here in the state of Nevada?

Dennis Neilander:

If they have a corporate status here, they have to register. For example, there is a Japanese entity currently licensed and the publicly traded company is listed on the Tokyo Stock Exchange. The entity may have a holding company or an intermediary company that is based out of Japan, and it may have a Japanese subsidiary that wants to engage in portions of the manufacturing of gaming devices.

Chairman Anderson:

Does Section 16 increase your ability to examine individuals on the "gray list" who might be in LLCs?

Dennis Neilander:

Yes. "Affiliate" is defined within the Gaming Control Act as any entity that is "under common control with or is controlled by...", so it does pick up any other entity that might be affiliated with the licensee.

Chairman Anderson:

This does not change the statutes of a corporate gaming relationship. We are not looking at all of the stockholders unless they hold over a certain percentage of stock.

Dennis Neilander:

Anyone with over 10 percent beneficial ownership would have to be in a mandatory licensing position and reporting position—above 5 percent if it is a publicly traded company. Anyone who is a shareholder is subject to discretionary license.

Chairman Anderson:

Does the Gaming Control Board monitor those stock exchanges to make sure that 10 percent is then held? I can see where there would be corporate bodies that trade and might pick up a large percentage of stock.

Dennis Neilander:

We monitor those through the Securities and Exchange Commission's Electronic Data Gathering, Analysis, and Retrieval system (EDGAR). The Gaming Control Act has made the determination that once you reach a certain threshold, there is an opportunity to exert control, which is what triggers the licensing requirements.

Chairman Anderson:

The language in Section 18 is expanded due to slugs and other counterfeit items. Do you feel that this new language is going to also help with ticket-in/ticket-out, and is that the only reason for this more elaborate language?

Dennis Neilander:

Yes, that is correct. It will make it easier for us to prosecute those cases. This is a reflection of the direction that these individuals are going in modern gaming. It is not going to allow us to catch anyone different from who we are catching now; it is just going to make it easier for us to prosecute those matters.

Assemblyman Carpenter:

How does the off-track pari-mutuel in foreign places work?

Dennis Neilander:

There is a federal law called the Interstate Horseracing Act which allows states to engage in interstate wagering in a pari-mutuel basis when it is legal in both states. There are currently 16 states that are engaged in that activity. Nevada is poised to do that right now. We have adopted regulations and this Legislature has passed a state statute which authorizes it. The Commission has just adopted regulations to govern that activity. Entities called call centers, together with the licensees, handle these wagers. The first call center was just licensed two months ago. I expect Nevada to go online shortly to accept wagers from other states at sport books in Nevada on a pari-mutuel basis. This does not address the rural live racing; it is just the pari-mutuel racing.

Assemblyman Carpenter:

Maybe we can include Elko and Winnemucca also.

Dennis Neilander:

We just awarded the race dates for Elko, Winnemucca, and Ely. Each city set records for handling of live horse racing. Elko will continue to have the Labor Day races, but we have also added an additional day so that they will have three days on the weekend before Labor Day.

Chairman Anderson:

Now let us move to the amendments.

Dennis Neilander:

These amendments dovetail into some of the amendments we have already discussed. We are suggesting adding a new Section 1. We discussed the "gray list" already and the need to make sure that it is applicable to all licensees. One of the things we came across after submitting the bill draft request is there is not a way for an individual to try to get off the "gray list." There is no statutory mechanism that would allow someone to rehabilitate and try to apply again once they have been denied a gaming license. The new section on the first page of the amendment takes the other provisions that were scattered throughout the statute and combines them into these three paragraphs. It creates a mechanism in subsection 2 for a person to apply to have his name removed from the list. It recognizes that there may be an individual who was denied a license and has been able to rehabilitate, and it may be appropriate for the Board and Commission to at least consider whether that individual should now be afforded the opportunity to once again have business relationships with the gaming industry. The strikethrough language on pages 2, 3, and 4 is what has been combined in the first section.

Please turn your attention toward the bottom of page 5 and the top of page 6, which amends NRS 463.335. We talked about the addition of some of the gaming employees who hold IT and HR positions. This amends that same section of the law and recognizes that the Board and Commission can grant somebody a registration with limitations or conditions. For example, an individual who had a drug problem in the past may have been granted registration. If they apply for registration and it looks like they have rehabilitated that problem but there are still some ongoing concerns, the Commission may place a limitation on them, such as drug testing. If they fail the drug test during that period, there is nothing in statute that addresses the next procedure. This would recognize as a matter of law, if someone violates a condition that the Commission has placed on their ability to work in the industry, the bill would allow the Board to object to that individual and send

them through the appeals process. A hearing examiner would hear the case and make a recommendation which would go to the full Board if it is negative, and to the full Commission if the Board finds it still negative. It sets off the due process provisions that are already in the law, but the bill recognizes that if you violate a condition that the Commission has imposed on the registration, there is an objective process.

Section 10 is the casino patron dispute section of the Gaming Control Act which is currently somewhat narrow. We are suggesting that we broaden that to include disputes which involve tournaments, contests, and drawings. When patrons enter into a drawing at a licensed location and there is a problem with the way the drawing is conducted, they expect the Board to assist in resolving that dispute. The statute currently does not capture those types of activities. We feel it is important for the protection of the patrons that we be able to resolve those disputes, even if it is not the traditional gambling dispute.

The content from the bottom of page 7 was mentioned in my earlier testimony. I think we missed the reference to intermediary companies and holding companies within NRS 463.510. The bottom of page 7 is picking those up because they were inadvertently left out in the original bill draft. Page 8 continues on the issue of picking up the intermediary companies and holding companies.

Section 22 amends NRS 463.643 which is the provision that governs publicly traded companies. It clarifies that the Board and Commission have jurisdiction over anyone who acquires direct or indirect ownership interest in a nonvoting security. Currently within the public markets, there are a number of nonvoting securities being offered. These are not your typical common shares of stock. They are shares of equity that have economic rights, but they do not come attached with voting privileges. This amendment clarifies this newer version of security. If we have some concern, we can call that person forward to examine that situation. That continues on to page 10 which is the same language about beneficial ownership of a nonvoting security.

Chairman Anderson:

Section 22 has to do with somebody who stands to gain substantially from a gaming property, but since he does not have voting rights, the concern is that he is not going to be making decisions on the property. Is this supposed to recognize his presence there? Relative to the "gray list," what is our concern?

Dennis Neilander:

The existing law requires licensing for people who hold voting stock. In today's marketplace, there are a number of securities available that do not have voting

rights but do have economic rights. Even if someone does not have a voting right but does have an economic right, he may try to influence the licensed parties. If we have a situation where someone holds a nonvoting security but he is trying to obtain influence over management because he has an economic interest in that security, we want to have the ability to bring him forward if necessary.

Chairman Anderson:

So this is merely a mechanism to be informed of who is in that particular group so that you can watch them and know the likelihood of involvement, even though they do not have the apparent structure to reach into that group?

Dennis Neilander:

Exactly. It would also allow us the ability to require they go through licensing if we feel it is necessary for the protection of the State.

Assemblyman Horne:

You made a statement about requiring them to go through licensing. How would you enforce it if they have an economic interest? If I had an economic interest, but I did not want to go through licensing, could you force me to sell my economic interest?

Dennis Neilander:

If a person has a voting interest or a nonvoting security, and we believe that he should apply for licensing, we would send him a letter that would tell him to apply for licensing within a certain amount of time, or else he would be put through procedure. We would give him an opportunity to make that decision. If he ultimately decides not to go through the process but does not want to sell his interest, we would then place him on our agenda for consideration by the Nevada Gaming Commission to call them forward and force them to file an application. If they choose not to file an application that is grounds for denial of a license in which case the commission would have the ability to simply deny him a gaming license. He then would become a denied applicant. There are other statutory provisions that would kick in at that point which would require him to sell his interest, or in some cases require the licensee to buy that interest at fair market value. There are a whole series of other remedies that kick in if someone decides at that point not to cooperate.

Robert D. Faiss, representing Cantor Gaming, Nevada:

I appear today with Phil Flaherty who is the finance business and regulatory consultant for Cantor Gaming and has a record of 25 years in the Nevada gaming industry. His career includes the position of Chief Financial Officer (CFO) and President of the Desert Inn, in which he instituted a number of

innovations and sports book operations. From what Cantor Gaming has read and heard, it supports the bill as presented by Mr. Neilander. We appear before you to request an amendment to it ([Exhibit E](#)).

The bold venture lead by this Committee in 2005 to make Nevada the first United States jurisdiction to authorize mobile gaming is proving to be well founded. Regulations were adopted by the Nevada Gaming Commission with the assistance of the Gaming Control Board. Cantor Gaming became the first company licensed for the manufacture, distribution, and operation of mobile gaming systems. Other companies have filed mobile gaming applications or have announced an interest in exploring that possibility, including world industry leaders such as International Gaming Technology (IGT). Although no mobile gaming systems have yet completed testing and approval, it is only a question of time until mobile gaming begins to make its mark in the Nevada gaming industry.

Cantor Gaming seeks the Committee's approval for an amendment that would add a new section to A. B. 535. In preparation for your consideration, I will briefly talk about the section of the law that it amends, which is NRS 463.245. That statute is essentially a gaming control measure. It was enacted to make sure that the gaming control regulatory agencies would have tight control over operations and it essentially provides that there can be only one license for gaming at a casino, so that the gaming control agencies can look to one person if there are any problems. The Legislature has found that a number of nonrestricted operations do not violate the one-license rule, because they do not create any control problems. For example, subsection 2 states that if a person has already been issued a nonrestricted gaming license, he may establish a sports pool or race book on the premises of an establishment at which he conducts another nonrestricted gaming operation after receiving permission from the Commission. Another is that if a person already holds a license to operate a sports pool and race book in another establishment owned by him, then he may establish a sports pool and race book at another establishment owned by another. The other exemption is for intercasino link systems. The next was for the operation of interactive gaming. Finally, in 2005 when this Committee inaugurated mobile gaming, it was said that it would not apply to the operation of mobile gaming on the premises of any nonrestricted licensee. This amendment would have subsection 5 provide that the one-license requirement does not apply to interactive gaming or "to a license issued to the operator of a mobile gaming system to operate a mobile gaming system, sports pool, or race book." This will in no way impact gaming control or give mobile gaming companies any advantage over other companies that operate sports pools and race books for other casinos. Mobile gaming companies that accept the request of casinos assume responsibility for race and sports. Mobile gaming

must follow the same licensing procedures, meet the same minimal operation standards, and will face higher costs of entry. This amendment is brought before you to make sure that authority is granted precisely. I find that we already have that authority under subsection 2. It says that 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. Cantor Gaming holds a nonrestricted license. *Nevada Revised Statute* 463.0177 provides a nonrestricted license and nonrestricted operation including a license for or the operation of a mobile gaming system. Under the language of subsection 2, Cantor Gaming has that responsibility and that authority. We think it would be clearer if the Committee sees fit to adopt the language so it is specific language rather than general.

Phil Flaherty, representing Cantor Gaming, Nevada:

Cantor is currently in the process of preparing its mobile gaming product for final examination to be submitted to the Gaming Control Board laboratory. We expect to do this before the end of April and pending their approval of the system, we will hopefully be in a field trial by the end of summer at the Venetian Hotel and Casino with the great prospect for future endeavors coming behind that. Currently, the three companies who already have a mobile gaming license are Cantor, IGT, and FortuNet; I believe Sona is currently in the process of obtaining a mobile gaming license. The prospects for mobile gaming inside and outside of Nevada have proven again to be one of the leading episodes for Nevada. The rest of the world is paying a lot of attention to what is going on with mobile gaming. As casino space is extremely expensive to build, the concept of creating floor space for the patron to multitask is extremely popular. It receives recognition from the Chief Information Officer (CIO) of Harrah's, who has indicated they are looking to see how Radio Frequency Identification (RFID), which is key to the components of mobile gaming, comes down the road. From Cantor's perspective, our cost of investment at the Venetian alone will be in excess of \$12 million and each of the subsequent installs are budgeted to be somewhere between \$3.5 to \$7 million. We are slated to spend close to \$100 million over the next five years to create jobs for a minimum of 80 to 120 highly paid professionals to develop this technology as well as frontline staff to deploy, manage, and monitor these pieces of equipment. One of the things we are highly interested in from the race and sports book aspect is that as we are presenting our packages to various casinos who are potential business partners, not one of them failed to ask about our ability to provide these services through race and sports. They all recognize that with these devices in mobile gaming, the ability to receive and increase the amount of wagers held through race and sports would grow quite dramatically and be quite significant to their gaming revenue opportunities. As a point of fact, the state gaming abstract for 2006 reflected that the average win per square foot in a

race and sports book was only \$569 whereas in a poker room the average win per square foot is over \$900. It gives you the sense that there is a potential for greater profit in an area that has been relatively flat for several years. It is our belief that over the next seven to ten years we could see the race and sports book revenue, at a minimum, quadruple the gaming revenues to the state of Nevada in addition to increased job growth.

Chairman Anderson:

How are we going to enhance revenue opportunities for the State with this? Is this something that can be readily used in more casinos and gaming places than are already doing so? How do we regulate this as compared to the other established race and sports books?

Phil Flaherty:

From the standpoint of revenue enhancement, most wagering takes place before an event starts. This is not a prohibition against wagers taking place during an event, but for the inability to accept multiple wagers during an event. Recently, Progressive Gaming introduced a product called Rapid Bet Live, and they did their field trial through the Palms. They had significant success with the amount of wagers that were taking place during the gaming event itself. What we are proposing is that our mobile gaming device be utilized in a similar manner and that in-game wagering and potentially in-race wagering could take place, thereby significantly increasing the amount of handle and winning opportunity for each of the gaming events.

In terms of the opportunity to be in various properties, we are not the only player. We have competitors on the mobile gaming side and on the race and sports book side. This opportunity creates and stimulates betting environments. It would create a competitive environment with creative aspects to stimulate new marketing drives and promotions. When I ran the Desert Inn, I found it silly that we would have a Super Bowl party by putting our best customers into a ballroom and showing the game on the television, which took them away from all of the gaming opportunities. This would allow them to continue to game in multiple fashions, thereby increasing revenue opportunities.

Chairman Anderson:

If I am watching a football game and it is the third quarter and the Packers are ahead by three touchdowns, am I going to be able to wager on that game, even though they had been an underdog at the beginning of the game?

Phil Flaherty:

Yes, in-game wagering would continue in the form of a result, point spread wagering, or odd propositions in the sense of how many touchdowns or field

goals. Recently, for the second time in NFL history, there was a field goal returned for a touchdown. We could have a standing proposition of 4,000 to 1 for every field goal attempt. The number of propositions is bounded only by creativity, imagination, and the permission of the Gaming Control Board.

Chairman Anderson:

How does the Gaming Control Board maintain the legitimacy of the device so that someone is not betting after the contest is over?

Phil Flaherty:

The beauty of mobile gaming is that it is system dependent. The systems will be well tested, vetted, monitored, and audited. We then have a betting window that is less people-controlled. The devices will be signature-checked against a time clock set within the system that should be unalterable and hack-free because it is a closed environment. We provide significantly greater data and audit capability than what exists in a live book in today's environment.

Robert D. Faiss:

Mr. Flaherty has talked about the capability and potential of the system. As you understand, anything that is done would be done only after thorough testing.

Assemblyman Horne:

Mr. Faiss, you cited NRS 463.0177 and stated that you believe this gives mobile gaming the authority to conduct a sports pool and race book. Are the terms "nonrestricted license" and "nonrestricted operations" synonymous?

Robert D. Faiss:

A nonrestricted license gives you the right to conduct a nonrestricted operation.

Assemblyman Horne:

I do not recall a discussion that this was the direction that mobile gaming was going. Was that always the intention?

Robert D. Faiss:

Cantor Gaming is involved in book making in the United Kingdom (UK). They have mobile gaming services already available there where we can take a bet legally on any number of things. That was the eventual goal if the gaming control agencies found it appropriate, but there was not a specific discussion about this. In 2005, this Committee passed legislation so that this license requirement would not present a barrier to Cantor Gaming.

Assemblyman Horne:

That is one of the concerns I have. While I am familiar and comfortable with Cantor, I am not familiar with others that are licensed for mobile gaming who have experience, expertise, et cetera. There might be a difference in licensing hurdles to clear to approval, as opposed to those who are currently operating sports books. How are those protections included, or are they?

Robert D. Faiss:

No company—whether they are already licensed as a mobile gaming operator or not—is going to operate a race and sports book until that company goes through the full licensing process in which each of the concerns you have raised are looked at to make sure that the public interest is protected. It is not any easier for them to get a sports book license than anyone else.

Assemblyman Horne:

In your assessment of the amendment, this would allow mobile gaming units to enter the area of race and sports books, and you would be allowed to indirectly compete against those currently operating race and sports books, and you would be going through the same licensing steps that they currently do.

Robert D. Faiss:

That is correct. The purpose of NRS 463.245 is as a control measure. The sole question for the Committee that I would ask is, does this amendment change any threat to gaming control, and it does not. It was decided last session that the operation of mobile gaming as an additional nonrestricted gaming operation at a casino does not have an impact on NRS 463.245. It does not give permission for anybody to do anything; it just says what cannot be done. To operate race and sports books, they have to follow the same procedure as anyone opening a casino for the first time or someone who is supplying that service to another casino. There are no differences in the tests that will be applied to them as to their ability to complete, fund, and have proper compliance programs to ensure the public interest is protected.

Chairman Anderson:

The last sentence of Section 4 of NRS 463.245 says "an intercasino 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." It seems like we have already concluded that you have to have a sports book at that location. I understand that mobile gaming is to give you greater flexibility in placing wagers. Does the existing language then preclude you from being part of that?

Robert D. Faiss:

Section 4 does not apply to mobile gaming.

Chairman Anderson:

So that is only for the Megabucks and other programs like that?

Robert D. Faiss:

That is my understanding, but I will refer that question to Mr. Neilander.

Dennis Neilander:

Section 4 has to do with slot machines and table games. The language that you read into the record was put in during the 2001 session. The particular game the Committee was considering at the time was "Let it Ride" which was being linked. It was a table game, so we placed that language in because we did not want the operator of the linked system placing that table game in a slots-only environment since the regulatory controls within the slots-only environment are different from that with slots plus table games. We did not want those table games being placed in a slots-only location. What we call "wagering on the fly," which is inter-game wagering and has a kind of radar approach, is already permitted. We have tested a number of stand-alone systems. In the first game we tested, you were allowed to place wagers as the game was in progress. You could wager who was going to get the next first down and if the next play was going to be a run or a pass. What the witnesses today are suggesting is taking that concept and using mobile gaming as part of it. The systems we tested were stand-alone computers within the sports book environment. The bill in front of you does not allow that; that is already allowed under existing law.

Chairman Anderson:

Do you think this creates an unusual atmosphere for regulations?

Dennis Neilander:

When the Committee first enacted the mobile gaming statute in NRS 463.0177, it provided that the operator of a mobile gaming system license is a nonrestricted gaming licensee. The investigation that the nonrestricted licensee goes through is the same whether he is an operator of a mobile gaming system, interlinked system, or of a traditional casino. The question you will hear from other witnesses is going to be whether or not you have to have a separate nonrestricted license in order to have a race and sports book under the current statutory provisions.

Chairman Anderson:

Let us say I arrive at Bubba's Bar and Grill Casino and pick up one of these new electronic devices. Now that I have it, I can go anywhere in the casino and be able to place my wager without standing in line. Is that what the effect is going to be?

Phil Flaherty:

Yes, you have a proper perception.

Chairman Anderson:

Each time I utilize the device do I engage in wagering with the house?

Phil Flaherty:

Yes, that is correct. Whether it is funds on deposit or a vehicle of credit, there has to be funding in your account on the device for activity to take place.

Assemblyman Horne:

You said that there may be a concern about those who have the license for a sports book, having a separate nongaming license to go along with that. Is that correct?

Dennis Neilander:

That is correct. There are two common scenarios. One is the Bubba's Bar and Grill that is a casino. Bubba's may apply and receive a separate race and sports book license and operate their own book. The other scenario is that you are Bubba's Bar and Grill and you do not have a race and sports book license. In this scenario, Bubba's is operating other types of gaming activities, so another race and sports book operator can come in and operate a sports book on their premises. The space is rented from Bubba's, and they have a separate race and sports book license. The company that has the separate race and sports book license also has to have a nonrestricted license under the existing law at some other location.

Assemblyman Horne:

In your scenario, Bubba's Bar and Grill does not have a sports book license, but leases a space out for it. The person who is leasing the space from Bubba's has the two licenses. Is that correct?

Dennis Neilander:

Yes. They have a race and sports book license which they use at Bubba's Bar and Grill and they also have a separate nonrestricted license somewhere else. That is called a satellite race and sports book.

Assemblyman Horne:

Would the mobile gaming units also have those two requirements?

Dennis Neilander:

I will have to defer to the witnesses as to what their intent is, but my understanding of it is that their license, which is for an operator of a mobile gaming system, is a nonrestricted license in and of itself by definition. They are arguing that even though they may not have a bricks-and-mortar location somewhere else, they do have a nonrestricted license.

Robert D. Faiss:

To answer Assemblyman Horne, the reason for the exemptions in the bill is that it was recognized that persons who have already gone through this extensive unique licensing judgment are not a danger to gaming control. If you do have a nonrestricted license, then you are not a danger to the one-license rule, and the one-license rule is not held to keep you from being involved. Section 3 does not require you to have anything except a nonrestricted license—in this case one to operate a race and sports book. The license to operate a mobile gaming system is equal in every respect to a license operating a race and sports book. There is no way to distinguish it except the title and use. The standards for qualification, the cost of extension, and the scope of investigation are the same. In the case of Cantor, which requires international investigation, it is one of the more elaborate. When you come down to it and speak about NRS 463.245, the question is, do you have a nonrestricted gaming license? If you do, then you met the standards for exemption from that statute.

Assemblyman Ohrenschall:

It was mentioned earlier that mobile gaming systems are used in the UK. Do they have a similar statutory and regulatory scheme to what is being proposed in this amendment or are they considering something similar to try to attract the mobile gaming into those jurisdictions?

Phil Flaherty:

The regulation in the UK is more liberal in the sense that these propositions are already accepted via online and also via cell phones. Their regulatory standards are not to the same depth and breadth as the state of Nevada's.

Assemblywoman Gerhardt:

I am concerned about kids getting hold of these devices. There are sometimes places where families can go in and eat. If a child gets hold of this device, is the parent responsible for debts that are incurred? Are we ever going to see these in grocery stores?

Robert D. Faiss:

They are not going to be in grocery stores. That question was asked in 2005 to make sure that would not happen.

Phil Flaherty:

The system protocol is set up in a way so that it would have to be a conscious effort by the parent to extend that opportunity to the child. Also, they would have to be out of sight of the gaming personnel to do this. The way our system is designed, we have two steps of protocol, very much similar to an Automated Teller Machine (ATM), in the sense that we have a confirming device and then a confirming pin number. That information and the secondary tier device would have to be given to the child, and the parent would almost have to conspire with the child to do that. The surveillance plus the staff of the hotel casino would be mindful and looking to make certain that minors were not involved, much as they are in today's existing gaming environment.

Assemblywoman Gerhardt:

Given those safeguards, if it happened, what is the protocol?

Phil Flaherty:

The protocol would have to be a matter of contest. We would find out what happened by surveillance or seeing that the child was in play, and then would void the transaction. On the other hand, if the parent is contesting a void, we would probably have a major argument. Even though it would have been illegal gaming, on our fiduciary side we have gone to all good and reasonable means to protect the gaming systems and structure, and the contest would probably end up being resolved by the Control Board enforcement agents.

Assemblywoman Gerhardt:

So the parent might be held responsible?

Phil Flaherty:

Yes, if that is the judgment of the Gaming Control Board.

Assemblyman Segerblom:

Right now these machines could be used in Nevada. Is that correct?

Robert D. Faiss:

Yes, they are now legal and licenses have been issued.

Assemblyman Segerblom:

If this amendment were adopted, what could we do that we do not do now?

Robert D. Faiss:

The amendment will clarify that NRS 463.245 is not a barrier because of the one-license rule.

Assemblyman Segerblom:

Are they using the machines for other games now but not for sports books?

Robert D. Faiss:

The devices and the system are legal and licensed, but they are not in operation yet. They are going through a very extensive testing procedure before they do go into operation.

Chairman Anderson:

Assemblyman Segerblom, while we passed that legislation to set up mobile gaming, there have been additional companies that have come into the market who are willing to operate those types of devices. The Gaming Control Board had to set up regulations to put them into place and license them, which included extensive background technical searches of what the devices were going to do and how they were going to operate. Mr. Neilander, maybe you can help explain this.

Dennis Neilander:

The first step we took was to adopt regulations that would govern mobile gaming, including technical standards for the devices themselves. On a simultaneous track, different companies began applying for licensing and had to go through the same licensing process that anyone else would in a nonrestricted context. We have four companies that have now been licensed and two that are being investigated right now. We have systems now that have been submitted to our lab, which is the final step. We are testing the devices right now in the lab environment and they will go on a field trial to make sure they function properly in a real environment. At that point it will go live.

The thing that may be different now is that when the original bill was proposed, there was a lot of discussion about casino-style gaming. You may recall testimony about being able to take this handheld device into the restaurant or pool area and being able to play black jack or other games. Race and sports books were not a big focus, although it was certainly considered. It was decided to be allowed, and what has happened in Cantor's case is they saw an opportunity and a market so they focused on race and sports books as opposed to regular casino-style gaming.

Assemblyman Segerblom:

Without this amendment, would this device be able to interact with the sports book?

Dennis Neilander:

No, it is just a function of the type of licensing needed. It is not a function of whether or not the device itself can do that; it certainly can.

Assemblyman Segerblom:

So if this is not passed, Cantor would have to get a sports book license as well as a machine license?

Dennis Neilander:

Presently, in order to have a race and sports book, you have to have some other type of nonrestricted gaming license. This bill says that if you are an operator of a mobile gaming system, you already have a nonrestricted gaming license so you do not have to have a separate license.

Robert D. Faiss:

To clarify the answer, mobile gaming companies have to apply and be licensed to be race and sports book operators. It does not give them anything; it just prevents this statute from being a barrier to making the application.

Assemblyman Ohrenschall:

Have there been many incidents of children using these in the UK?

Phil Flaherty:

I do not know what their regulatory practices are.

Chairman Anderson:

There are no further questions.

Michael Alonso, representing Cal Neva Casino, Nevada:

We are not opposed to A.B. 535, but we are opposed to the amendment provided to you by Mr. Faiss and Cantor Gaming. Currently, Mr. Siri's company has to have a nonrestricted gaming license at an establishment which is not mobile gaming. In other words, they have to have a casino and establish a sports pool and race book at a casino. They can then get licensed before the board and the commission to run a sports book at another establishment. Mr. Faiss is correct that Cantor would have to go through licensing every time for that particular satellite, but they do not have to have the upfront investment of actually having a casino with a race and sports book that has been allowed by the Commission.

This amendment is not about mobile gaming. Casinos do not have to have any mobile gaming device in order to do what they want under this amendment. It allows casinos to do sports wagering and run a normal book with tickets and take race and sports wagering without ever having a mobile gaming device approved. If there is a mobile gaming device, they can use it in a sports book. They can use it in any casino as long as it has been approved by the Gaming Commission, even if it is sports wagering content. It can be utilized to participate in mobile gaming with a sports book. Any other casino in this State that has a sports or race book can use those mobile gaming devices. The current law is not prohibiting them from using mobile gaming in connection with a sports book. This is simply removing a barrier to allow them to run a sports book without having to go through the requirements that everybody else has gone through in the past.

Jeff Siri, President and Chief Executive Officer, Club Cal Neva, Nevada:

We had to invest a very large amount into the Club Cal Neva premises. From there, we went to the Gaming Control Board and the Gaming Commission and licensed our own race and sports book. By doing that, we gained the knowledge and expertise it takes to run a race and sports book. Sports books have risks associated with them. You have to have a knowledgeable person who sets and moves the lines. The risk of loss is present because of the maneuvering of the lines. We gained the knowledge and expertise and then stepped outside of Club Cal Neva to where we currently operate 28 satellite books. We were able to do that with the knowledge and expertise we learned at the Cal Neva. This proposed legislation would not mandate that Cantor or another individual trying to get into the race and sports book business have that initial casino operation and premises. They could operate a sports book as a satellite without having that premises. They would not have to have the knowledge or expertise. Having a casino and gaining knowledge and expertise with the large investment, is a very compelling part of the argument.

Keith Lee, representing Leroy's Sports Book, Nevada:

Leroy's has over 60 satellite locations with its hub location at Sturgeon's Casino in Lovelock. I would like to echo Mr. Alonso's and Mr. Siri's comments and follow their objection to this amendment. I do not believe that the statutory scheme that is set up in NRS 463.245 allows a presently licensed mobile gaming device operator the ability to have a sport book satellite operation. That is what we are really talking about here. Clearly, that licensed entity can apply and get a licensed sport book operation. It must have a separate bricks-and-mortar establishment as well, in order to operate the satellite.

Chairman Anderson:

If the Cal Neva decided to buy one of these mobile gaming devices, the customer could then be in and about the casino without having to sit in the sports book. Would you not be able to do that with your current license, provided that the mobile gaming device was a licensed product?

Jeff Siri:

If a mobile gaming operator came to our location and offered their mobile gaming device, we would be able to allow that mobile gaming device to be used within the boundaries of the public areas of the Cal Neva. The issue here is not the mobile gaming device itself; it is whether or not they can have the license.

Chairman Anderson:

I realize that is the issue. I wanted to make sure that there is nothing that precluded you from utilizing this type of equipment since you have a gaming license. Under the current rules and regulations, would you be able to use that device on your property?

Jeff Siri:

Yes, that is correct.

Chairman Anderson:

Would you be able to use that device on a secondary property, such as one of your satellite properties, in addition?

Jeff Siri:

Yes. We would be able to use a mobile gaming device to accept sports wagers on the premises of Hobey's.

Chairman Anderson:

Is that because you have a physical presence at Hobey's to accept wagers?

Jeff Siri:

Yes.

Chairman Anderson:

Is that is the reason you would be able to make the electronic wagers?

Jeff Siri:

Yes, we hold a nonrestricted gaming license to operate a race and sports book on the premises of Hobey's.

Chairman Anderson:

Does that qualify for Hobey's and other locations where you have a satellite desk?

Jeff Siri:

Yes.

Chairman Anderson:

How many sports books do you operate on these satellites?

Michael Alonso:

Cal Neva runs 28 satellite locations.

Chairman Anderson:

Are they all in northern Nevada?

Michael Alonso:

They are actually all over the State of Nevada.

Keith Lee:

Leroy's has 62 satellite operations throughout the State.

Chairman Anderson:

Are there any satellites other than the ones that are on the property of the casino?

Michael Alonso:

You have situations where Station Casinos, Harrah's, MGM, et cetera, run one book at the casino which is their main book, and they run satellites off that among their other locations.

Assemblyman Horne:

The argument is that the license is already present but it is not at a brick-and-mortar location. We permitted that in the 2005 Session. I have been reading the minutes from the hearing last session and I do not know if the intent was to create a virtual casino. If we were to approve this bill and allow a virtual casino and if they have to go through the same licensing, other than not having bricks-and-mortar, how is it harmful?

Michael Alonso:

The playing field would not be level because they have had to go through that investment. They do not need this amendment to allow mobile gaming to happen in a sports book. They can contract with any one of our clients or any

of the other casinos that qualify, with 100 machines being the minimum qualification. Beyond that, they can go in and contract with, provide, distribute, and participate in mobile gaming, whether it is sports book or non-sports book. They can do that under the current law and regulations. This amendment is about being able to run a sports book and is not tied to mobile gaming. If it has no tie into mobile gaming, then why can they not use the existing law and do what our clients do, which is be in the sports book business. From a policy standpoint, we do not even know if mobile gaming is going to work in this State. Casinos are getting licensed, but it may be a flop and mobile gaming may not work. We have a licensing scheme that allows a mobile gaming operator to run a sports book, even though it has nothing to do with mobile gaming.

Assemblyman Segerblom:

If Harrah's has a general license, can they run a sports book without having to be licensed as a sports book?

Michael Alonso:

Harrah's can run the sports book in their casino with permission from the Gaming Commission. If they want to run the book at the Rio from Harrah's Las Vegas, they would have to get another license from the Board.

Assemblyman Segerblom:

If you have an unlimited license, even if it is for mobile gaming, should you be allowed to have a sports book too?

Michael Alonso:

What we are saying is that you have to have the building and infrastructure. The Cal Neva and Leroy's had to actually own a casino, along with everything else that goes with running a casino, in order to use it as a hub for other satellite books. They had a nonrestricted gaming license, but they were not allowed to use outside satellites without having the initial bricks-and-mortar nonrestricted gaming license to run and operate a casino with a book at it.

Assemblyman Segerblom:

Is it a question of the casinos having to share their revenue with someone like your clients as opposed to being able to get 100 percent of the revenue?

Michael Alonso:

I do not think it is a question of sharing the revenues; they can do that now. If they want to run a mobile gaming system in conjunction with an existing sports book, they can share the revenues.

Assemblyman Segerblom:

I was thinking that they may not want to share.

Michael Alonso:

Then they would need to get a casino.

Assemblyman Ohrenschall:

There has been a lot of discussion about a level playing field. Mr. Flaherty talked about the \$12 million investment they are putting in at the Venetian. Is that not on par with the investment to open a sports pool or book?

Michael Alonso:

I assume the investment is for mobile gaming in general. I do not know if it is just for their sports book. Mobile gaming is going to encompass a lot of different things and they are making a significant investment in getting mobile gaming approved, pursuant to what the law allows them to do now.

Chairman Anderson:

Part of the discussion on this bill when we heard it in 2005 rested with Cantor Fitzgerald's desire to go into partnership with other entities. We anticipated that they would be regulated and would have to meet all of the requirements in terms of the Gaming Control Board and not harm the reputation to the State, its regulatory responsibilities, and equal opportunity laws. We were under the impression that mobile gaming would be offered to the brick-and-mortar places and would operate in the same way other kinds of gaming devices do, such as slot machines. Is this a departure from that commitment or is this a nuance? How is this different from the statement they made in trying to make it possible to walk around their casino with their games?

Robert D. Faiss:

It is not a departure whatsoever. Mobile gaming was authorized to enhance wagering at casinos. What they have found is that because of the intertwining of mobile gaming with sports and race wagering, it makes sense to have them combined. It is the request of the casinos which has advanced this amendment. The casinos are looking to Cantor for that enhancement, not just through mobile gaming, but also through operation of the race and sports book.

Assemblyman Horne:

What we actually did in 2005 and what we thought we had done is my concern. I have been reading the minutes from that hearing and it seems to me that the intention Mr. Asher had was to offer regulated mobile gaming in Nevada in partnership with hotel casinos. The minutes say if this bill is enacted, we will have to prove ourselves to many people: the Gaming Commission, the

Gaming Control Board, and the gaming public. To date, we do not even have the devices operating. If nothing else, it seems like this bill is premature in expanding that. In 2005, we were given another tool for the gaming public to use at a casino property. It now seems as if we have created a virtual gaming facility by allowing a mobile to be licensed and not requiring the bricks-and-mortar. Everyone knows Cantor, but the concern is beyond Cantor; it is the overall policy of it.

Robert D. Faiss:

The process of mobile gaming is new to the industry. The Gaming Control Board is taking deliberate steps to make sure that public interest is protected. The end results may be just what you envisioned and what the Committee has always stood for, to look to advances in technology that enhance the gaming industry without in any way compromising gaming control and this does that. We talk about a level playing field which is measured by investment. The first investment they are talking about, as Assemblyman Ohrenschall pointed out, dwarfs investment in a small casino that could be the basis of a hub. If you are talking about level playing fields, the money invested has advanced the state of Nevada. Every new idea has advances that allow the future to partake, and that is the same with mobile gaming.

Dennis Neilander:

The amendment to NRS 463.245 does not create any regulatory problems for the Board. The question of a level playing field is one for this Committee to consider. The Board does not have any problem with the NRS 463.245 amendment. However, because this is the Board's bill, I would suggest that if the Committee cannot be comfortable with that particular amendment, perhaps the proponents can find another bill to put this language in because this bill already has too many issues attached to it.

Chairman Anderson:

Let me close the hearing on A.B. 535. I am going to suggest that we move the bill with the suggested amendment from Mr. Neilander and the State Gaming Control Board, dated April 9, 2007 ([Exhibit D](#)).

ASSEMBLYMAN HORNE MOVED TO AMEND AND DO PASS AS
AMENDED ASSEMBLY BILL 535.

ASSEMBLYMAN MANENDO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Let us open the hearing on Assembly Bill 596.

Assembly Bill 596: Makes certain changes to provisions concerning obligations of support for a child. (BDR 11-1411)

**Nancy Ford, Administrator, Division of Welfare and Supportive Services,
Department of Health and Human Services, Nevada:**

I have given you my written testimony that I will not read for sake of time ([Exhibit F](#)). The last page of the testimony contains our proposed amendments. This bill does a couple of things. It amends a statute to remedy what we consider a defect as a result of a ruling from the Nevada Supreme Court. We also have amendments to comply with the Deficit Reduction Act of 2005, which was passed by Congress. Section 1 is designed to amend the statute due to a ruling in *Mason v Cuisenaire* [122 Nev. Adv. Op. 6 (February 2006)]. This statute currently says that every child whose parents have separated has the ability to get child support. The Nevada Supreme Court defined separated as "pending divorce." We believe the intent of this statute was to cover the situation where parents were not residing together so that parents could get a child support order. We wanted to amend the statute to say that. The amendment says "when the parents of a child do not reside together," rather than using the term "separated," which may have a legal connotation to remedy the Nevada Supreme Court decision.

Pursuant to the Deficit Reduction Act of 2005, we are required to amend our statutes regarding medical support. It says you can get medical support from either or both parents. It is not limited to health coverage, so we do have a proposed amendment. Medical support can be actual financial support for medical support such as paying co-payments or deductibles, or it could be providing health coverage. We have a proposed amendment to Section 2 to make it clear that it applies to medical support beyond just health care coverage.

Section 3 is the major section of the Deficit Reduction Act which requires every child support enforcement agency to charge a \$25 annual fee when the individual on behalf of whom you are collecting child support has never received public assistance. This bill proposed to deduct \$25 from the next collection after \$500 has been collected in cases where there has never been public assistance paid on behalf of who the support is being collected. We do have a proposed amendment to that section because the statute reads "who has physical custody of the child." The Deficit Reduction Act requires "for whom the collection is made," and never received Temporary Assistance for Needy Families (TANF). In the child support enforcement program, we enforce child support where the child might have received public assistance through the TANF program, and we also enforce spousal support once in conjunction with

child support. If the spouse has received public assistance, there would also be another \$25 fee in that case.

Chairman Anderson:

This also changes the date of the act.

Nancy Ford:

The effective date of the act is on passage and approval, so we have time to get our system changes in place.

Chairman Anderson:

This is troubling for me because the \$25 comes out of the pocket of the person who should be receiving money and would be dollars short trying to make ends meet. We are going to be taking \$25 from somebody's pocket for whom we are not even providing any service?

Nancy Ford:

The child support enforcement program is providing free services to families who have never received public assistance. These are people who have never been on the TANF program. The \$25 fee is to offset some of the costs. We have to share this fee with the federal government; 66 percent of it goes to the federal government and we keep 34 percent. It does not matter if we collect it or not, the federal government is going to sweep our account for these fees annually, which totals about \$775,000 per year. The other thing you should be aware of is that the custodial parent is currently paying between \$60 and \$120 per year or more towards having child support collected. There is a \$2 fee for each income withholding that comes to the State and there is a \$3 fee for income withholding that the employer can charge. The noncustodial parent is already paying \$60 to \$120 for the pleasure of paying child support through the child support enforcement program. There are four ways in which we can collect child support: withhold it from the custodial parent, bill the custodial parent, have the noncustodial parent pay it, or have the State pay it. In most circumstances, the State is going to end up footing the bill unless we withhold it from the next following payment.

Chairman Anderson:

Is the mother is going to lose \$25 annually?

Nancy Ford:

Yes, the custodial parent will pay \$25 annually towards having all of their child support collected which includes all of the different mechanisms we have in place including IRS intercept, garnishment, locate, establishment, paternity,

et cetera. It only hits once the \$500 has been collected. It is not an upfront fee.

Chairman Anderson:

Five hundred dollars is a low threshold.

Assemblyman Carpenter:

It seems like we are taking the money away from the child and making someone pay this fee that has never gotten any assistance from the State.

Nancy Ford:

I think it is a legislative decision how you would like to have this fee paid. It is mandated by the federal agency and we do not have any discretion in this particular area. We proposed deducting it from the next payment because administratively it is easier and more cost effective for us to collect it that way. If you decide you want us to add it onto the bill to the noncustodial parent, we can do that too. Our proposal was to have it deducted from the next \$500 for ease in administration.

Assemblywoman Gerhardt:

I share the concerns of Chairman Anderson and Assemblyman Carpenter. We cannot control what the federal government mandates, but the entire \$25 is not mandated by the federal government. You mentioned the 66 percent would be taken and the rest is going directly to you. Is that correct?

Nancy Ford:

The federal government requires us to charge a \$25 fee. The \$25 becomes a program income and the federal government gets to withhold 66 percent of that fee. Thirty-four percent is retained with the state agency. We basically end up whole and do not face a financial loss once we rematch that 34 percent. They are going to reduce our federal reimbursement by 66 percent of the \$25 fee in every case that never received public assistance.

Assemblywoman Gerhardt:

I have a problem with it.

Nancy Ford:

Every state that has considered this is taking it as a deduction from the custodial parent in the next payment of child support.

Assemblywoman Gerhardt:

How many states are doing that?

Louise Bush, Chief, Child Support Enforcement Program, Department of Health and Human Services, Nevada:

I do not know the specific states. Whenever I have attended conferences and conference calls, discussions have taken place and the majority of the states, and I would venture to say around 48 of the states are withholding the funds from the custodial parent. I remember one, maybe two, charging the noncustodial parent and a couple that are opting to have the state pay. Florida opted to allow the state to pay until such time they had everything passed through the legislature as to which way they wanted to go.

Chairman Anderson:

Ms. Bush, would you please provide to Ms. Chisel the names of the states that have already statutorily taken it? Also provide a separate list of those states that are currently considering it.

To draw the correct conclusion, the penalty would be imposed by the federal government on each and every instance of child support.

Louise Bush:

That is correct. The State will be liable for paying the \$25 regardless of whether we collect it from a custodial parent or a noncustodial parent.

Assemblywoman Gerhardt:

I would like to see how other states are doing this and how they rank on the list of collections. My biggest concern is the fact that we do so poorly in this State on collections and now we are going to take money away from custodial parents and children.

Chairman Anderson:

Assemblywoman Gerhardt is asking for a larger document than I had indicated. If you could provide her with information as to where we stand in terms of collections, assessments, and fees as compared to other states and how many of those are mandated by the federal government and individual states. We would also like a comparison of what we are paying as compared to the other states and why we are doing so poorly in collections.

Assemblyman Carpenter:

Does this apply to each child that is getting \$500 or more, or a total? If you have three children who are each getting \$600, are you going to take out \$75 or \$25?

Louise Bush:

The fee is for each child.

Assemblyman Carpenter:

If three children are getting \$501, you are going to take away \$75 from them?

Louise Bush:

No, it is \$500 for each child. If you collect \$500 for a child, \$25 is taken. In reference to a household with three children, you are looking at \$1,500 being collected and \$75 being charged as a fee. I do not think that any of the states are fond of this, but it is something that we are required to comply with.

Nancy Ford:

I would like to echo those comments; we are not happy about having to do this but it is in the Deficit Reduction Act and it is a congressional mandate. We do not have a lot of choices.

Chairman Anderson:

Let us close the hearing on A.B. 596.

[Meeting adjourned at 11:00 a.m.].

RESPECTFULLY SUBMITTED:

Kaci Kerfeld
Committee Secretary

APPROVED BY:

Assemblyman Bernie Anderson, Chairman

DATE: _____

EXHIBITS

Committee Name: Committee on Judiciary

Date: April 9, 2007

Time of Meeting: 8:30 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 589	C	William Bible, Nevada Resort Association	"Holiday session doesn't end N.J. budget crisis"
A.B. 535	D	Dennis Neilander, Chairman, State Gaming Control Board	Amendment to A.B. 535
A.B. 535	E	Robert D. Faiss, representing Cantor Gaming	Proposed amendment to A.B. 535
A.B. 596	F	Nancy Ford, Admin., Div. of Welfare and Supportive Services, Dept. of Health and Human Services	Prepared testimony and proposed amendments