

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

**Seventy-Sixth Session
February 22, 2011**

The Committee on Judiciary was called to order by Chairman William C. Horne at 8:08 a.m. on Tuesday, February 22, 2011, 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/76th2011/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 William C. Horne, Chairman
Assemblyman Steven Brooks
Assemblyman Richard Carrillo
Assemblyman Richard (Skip) Daly
Assemblywoman Marilyn Dondero Loop
Assemblyman Jason Frierson
Assemblyman Scott Hammond
Assemblyman Ira Hansen
Assemblyman Kelly Kite
Assemblyman Richard McArthur
Assemblyman Tick Segerblom
Assemblyman Mark Sherwood

COMMITTEE MEMBERS ABSENT:

Assemblyman James Ohrenschall, Vice Chairman (excused)
Assemblywoman Olivia Diaz (excused)

GUEST LEGISLATORS PRESENT:

Assemblyman John Hambrick, Clark County Assembly District No. 2

STAFF MEMBERS PRESENT:

Dave Ziegler, Committee Policy Analyst
Nick Anthony, Committee Counsel
Jean Bennett, Committee Secretary
Michael Smith, Committee Assistant

OTHERS PRESENT:

Jon L. Sasser, Esq., representing Washoe Legal Services and Legal Aid Center of Southern Nevada
N. Samantha Sevcsik, LSW, Adoptions Supervisor, Washoe County Department of Social Services
Karen D. Hughes, Vice Section Lieutenant, Las Vegas Metropolitan Police Department
Chuck Callaway, Director of Intergovernmental Services, Las Vegas Metropolitan Police Department
Christopher Baughman, Detective-Vice Section/Pandering Investigative Team, Las Vegas Metropolitan Police Department
Tierra D. Jones, representing the Office of the Public Defender, Clark County
Orrin J. H. Johnson, Deputy Public Defender, Washoe County Public Defender's Office
Mark A. Lipparelli, Chairman, State Gaming Control Board
Frank Streshley, CPA, Chief, Tax and License Division, State Gaming Control Board

Chairman William C. Horne:

[The roll was taken. The Chair reminded Committee members, witnesses, and members of the audience of Committee rules and protocol.] Good morning, Ladies and Gentlemen. There are three matters on the agenda this morning, a presentation and two bills. We are going to hear the bills first because we have an early floor session at 10:30 a.m. today and I want to make sure we get through the bills. Then we will go through the State Gaming Control Board Presentation. We will start with Assembly Bill 111.

Assembly Bill 111: Revises provisions relating to domestic relations.
(BDR 11-197)

Jon L. Sasser, Esq., representing Washoe Legal Services and Legal Aid Center of Southern Nevada:

Good morning, Mr. Chairman, Jon Sasser, representing Washoe Legal Services and Legal Aid Center of Southern Nevada. Assembly Bill 111 came out of the

Interim Child Welfare and Juvenile Services Committee. It is an attempt to solve a problem that exists under the present statutes which is, when there is a *Nevada Revised Statutes* (NRS) Chapter 432B dependence and neglect proceeding that involves siblings, and in those proceedings there is an order for siblings to have visitation with each other, and one of the siblings becomes adopted, how is that sibling visitation order incorporated into the adoption decree? I believe it was Judge Deborah Schumacher, Second Judicial District Court, Washoe County, who brought this issue to the attention of the Committee and suggested this legislation. It is my understanding that everybody is unhappy with the way the original legislation came out leaving a problem that still needs to be solved. I signed in as neutral on this bill, because we believe the problem needs solving and are willing to work with all parties to find a solution. However, it is my understanding there are others who are unhappy with the proposed solution. That is why I came to the table.

Chairman Horne:

I appreciate it, Mr. Sasser. Will the young woman sitting to Mr. Sasser's left identify herself?

N. Samantha Sevcsik, LSW, Adoptions Supervisor, Washoe County Department of Social Services:

My name is Samantha Sevcsik. I am the Supervisor for the Adoption Unit at the Washoe County Department of Social Services. Mr. Schiller was going to be here to present this morning and thought he was second on the agenda, so I believe he is running late. I know that our Department is very much in support of the portion of the bill that addresses finalizing adoptions for Nevada's children who are placed in out-of-state placements.

Chairman Horne:

We will close the hearing on A.B. 111, until Mr. Schiller arrives. We will begin with Assembly Bill 112.

I want to admonish everyone who appears before the Judiciary Committee, or basically any committee in the Legislature, that when we set up an Agenda and there are bills listed on the Agenda, there is no rule stating the bills will be heard in the order listed on the Agenda. If the Agenda states that the Committee will start at 8 a.m., it is going to start at 8 a.m. It is the prerogative of the Chair to determine the order in which the bills will be heard and if any bill will be pulled. Therefore, it is incumbent upon you to be here when the Committee starts, especially if there is a piece of legislation in which you are interested, regardless of where that legislation sits on the Agenda. I will not put A.B. 111 on the board. We may revisit it today. We will close the hearing on A.B. 111.

We will open the hearing on A.B. 112. Good morning, Mr. Hambrick. Are you presenting A.B. 112 today on behalf of the Legislative Committee on Child Welfare and Juvenile Justice?

Assembly Bill 112: Revises provisions governing certain crimes. (BDR 15-200)

Assemblyman John Hambrick, Clark County Assembly District No. 2:

Yes. Good morning, Mr. Chairman and members of the Committee. I have the privilege of representing Clark County Assembly District No. 2. In the 75th Session of this body, this Committee started on a journey. You are continuing on that journey addressing the issues of human trafficking. This issue will not be going away. This is only the vanguard of bills that you will be seeing in this legislative session.

Human trafficking is not a crime of necessity. It is not like stealing a loaf of bread to feed your family. It is a crime of destruction. It destroys the human spirit, often of young girls 11, 12, 13, and 14. We have individuals who come into our communities that bargain to buy young girls and young boys. It is not a topic filled with niceties. It is just the opposite. It is a part of our society that no one wants to look at. Prostitution is not a victimless crime. There are some who may testify that this bill seeks to increase penalties unnecessarily. I do not agree. The members of this Committee need to look into your individual souls. What is the cost in penalties to destroy the spirit of 11-, 12-, or 13-year-old youngsters, predominantly young girls and some young boys? Men come into our communities and barter for the right to destroy and continue the destruction of the spirit of these children. How much will it take for communities to realize this practice must stop?

Mr. Chairman, I apologize ahead of time. I will be using some rather strong and harsh language. I do not mean to give offense. This is not an abstract crime. This deals with the procurement, for masturbation, oral copulation, vaginal and anal sex, of 11-, 12-, and 13-year old children. These children may be your daughters, your granddaughters, or your nieces, nephews, or cousins. Close your eyes and try to envision that. This horrendous crime and this horrendous industry must be stopped. This is the journey that you are on now. You will hear experts testify today, giving rather graphic details.

This bill was passed out of the Legislative Committee on Child Welfare and Juvenile Justice. I am privileged to represent Chairman Mastroluca on this bill. She asked that I step forward on this. Some might say I have a passion on this issue. You are hearing that passion right now. At some point, as we stand before our Maker, the question may be asked, "What have we done?" We may not always succeed in our lifetime quest, but we cannot stop trying to succeed.

How will history judge us as a society if we do not address these issues in a forthright and decisive manner? This is not an issue on which you can be neutral. We will all be judged on our actions, and I ask this Committee to always keep in mind that this is not a crime of desperation. We do not have someone coming in, stealing a loaf of bread, running around the corner, and feeding their families. This involves individuals negotiating the price of destruction on the streets of Las Vegas, Reno, and Wendover. This occurs over the entire state. Our society must not let this continue. Some may argue that the penalties we seek in this bill are harsh. I suggest to you just the opposite is true. The penalties are not harsh enough. What price should be paid for the destruction of human spirit?

Mr. Chairman, I thank you for your time. I know that time is short, and I will turn this over to the witnesses we have in Las Vegas who will give you some very stark statistics. I will be available for a few minutes should there be questions. I will be very happy to answer any questions the members of this Committee have for me.

Chairman Horne:

Who will walk us through the bill, section by section, and outline what the proposed changes are?

Assemblyman Hambrick:

In Las Vegas, you have Lieutenant Karen Hughes of the Metropolitan Police Department who has the unfortunate responsibility of dealing with this day to day. This is her assignment. Many times we hope to have positive assignments in our career. She drew the short straw. She has been dealing with this topic for many years, and I believe she has staff sitting next to her who can answer more specific questions.

Chairman Horne:

Thank you, Mr. Hambrick. Are there any questions for Mr. Hambrick before I recognize the witnesses in Las Vegas? [No one responded.] Good morning, Lieutenant Hughes. Good to see you.

Karen D. Hughes, Vice Section Lieutenant, Las Vegas Metropolitan Police Department:

Good morning, Mr. Chairman. Thank you for having me.

Chairman Horne:

Are you going to walk us through the bill?

Karen Hughes:

I will do the best I can, Mr. Chairman. My name is Karen Hughes and I am a member of the Las Vegas Metropolitan Police Department (Metro). I have been on the Department just about 26 years. With me today is one of the detectives who has been working the Vice Detail specifically investigating these types of cases for about the last three years. I want Detective Baughman to speak to the type of tragedy we are seeing in Las Vegas regarding these cases specifically and why we cannot continue to turn a blind eye to the penalties that these crooks, these bad guys, are getting away with. I applaud Assemblyman Hambrick for bringing these issues and continuing to bring these issues to the forefront. They are very important. They stab the heart of every mother, every sister, and every daughter out there. These are our young kids. Bad guys out there are capturing and manipulating these young kids, and drawing them into a lifestyle that is horrific. Detective Baughman will talk to you later and address some of the horrors we have seen over the past few years.

I know that legislation came forward a couple of years ago in regard to some of the pandering statutes. I was here the last session to talk about specific child pandering issues and the sexual exploitation of children. Just in the last three years we have had over 300 pandering investigations and close to 400 adults arrested for pandering. Those are not coconspirators. We have had close to 300 juvenile pandering investigations. Those are investigations where men and sometimes what we call "bottoms," or entrusted women who work within their stable, go out and recruit girls as young as 11, 12, 13, and upwards to 18 years old, to work in their stable as prostitutes on the Las Vegas Strip and other parts of the Las Vegas valley. We have made many arrests over the last few years. This particular bill will enhance the conspiracy statute.

I have taught criminal law to police recruits in my agency for many years. I remember teaching this law and always looking at the types of crimes associated with it. They are violent crimes: murder, robbery and sexual assault. I looked at the proposed language to this bill draft and find that it is appropriate to put trafficking of persons and pandering of children in the bill. As Detective Baughman will describe to you, some of the worst crimes that can be committed against a human being are committed against our kids in this particular lifestyle. I call it a lifestyle because these kids are pulled from their families and the lives that they know as young kids, and they are manipulated into a lifestyle of prostitution. The commercial sex trade exploits them through the Internet and through different venues. We police all of them in Las Vegas, and every other vice detail across this country polices them as well. With the exception of legal brothels, the situation is no different in northern Nevada. With street prostitution, kids are forced by pimps to hang out on street corners.

Pornographic images of these kids are posted on the Internet for the purpose of selling the child to men specifically looking for young children with whom to have sex. These crimes occur in a variety of different venues, such as massage parlors, bookstores, and hotels. The venues are endless. Las Vegas also has illegal brothels. There are a broad variety of places where pimps will market these girls.

The violence component of these crimes is the most important part of this bill. Violence is an element that we have started to see more and more of and is an element that is beginning to draw in gangsters. Gangsters are organized criminal elements that operate collectively for a common goal. When we can use a conspiracy law to gather up all of the gangsters, and not just the ones we might have the goods on, then the conspiracy law for pandering a child, for human trafficking, for adult prostitution, and for pandering women, is going to be a good law for us to use. I also do not believe the penalties are too strong. I agree with Assemblyman Hambrick on that. The circumstances, which we portray to the media when we can, are horrific. I want the community to understand that these are not victimless crimes. The innocence is stolen from the kids we recover in this type of crime. They are abused sexually, they are abused physically, and they are tortured. It takes a lot of people to put them back together. They are a very special population of much-damaged kids. We are fortunate in southern Nevada to have a very dedicated group of people, including Judge William Voy who hears these cases, who have passion in their hearts to try to provide resources for these kids, to get them out of that lifestyle and get them away from the manipulation that the pimps use on them. They also try to find resources to get them back into a loving household, with guardians who care about them.

I want to give Detective Baughman an opportunity to talk to you about some of the issues of trafficking in persons. Before I do that, I want to explain a little bit about our vice detail in Las Vegas. It is probably one of the largest in the country, although not as large as Los Angeles, which has a large vice detail that goes beyond prostitution.

My unit has two specific teams. One team deals exclusively with child pandering. It is a part of the Department of Justice's national initiative that is called the Innocence Lost Task Force. They investigate cases that involve the exploitation of children who have been recruited and exploited into child prostitution. That team also investigates pimps who exploit our kids into the life of prostitution. The charges that come from child pandering cases include kidnapping, sexual assault, pandering, robbery, battery, and substantial bodily harm. These cases are not just about child pandering. They are an accumulation of other crimes pimps commit against their victims.

The other team that I created in my unit about three years ago, as a result of the violence that we were seeing in southern Nevada, is called the PIT Team, or Pandering Investigation Team. The focus of the PIT Team is on adult prostitutes. It is easy for us to turn a blind eye to these young women who age out, who become 18 and are no longer minors or juveniles, per se. However, they are still somebody's kid. So, I have a dedicated team. Detective Baughman is part of PIT. His team investigates the adult women involved in prostitution who have taken one too many beatings. In the beginning of their involvement, the women believe they are getting into a loving relationship with a pimp, who then manipulates them. Some of the women have been tortured, some have been burned, and some are burned to where they are maimed. Their skin has been burned off to the point where you cannot recognize the color of their skin. Some of them have been cut, battered, and beaten with baseball bats. The type of torture to which these young women fall prey is horrific.

These two teams work exclusively towards the goal of putting pimps in jail, and this particular bill is going to help us achieve that goal. Pimps are not doing this by themselves. They use other people within their network to recruit women. They use other prostitutes within their stables to recruit women. They use other pimps across the country to exchange women. This is a law we can use to strengthen and enhance punishment of these people for the types of crime they are committing against these girls and women.

If there are no questions for me right now, I would like to turn this over to Detective Baughman, and he can share with you just a little bit about some of the cases that we have worked. If you have any questions regarding that, we will be happy to answer them.

Chairman Horne:

Thank you, Lieutenant Hughes. Before we turn to Detective Baughman, I do appreciate your testimony. I appreciate Assemblyman Hambrick's testimony. However, we also need somebody here to present the bill, walk through the bill section by section, and give testimony as to what the bill proposes to do. We have yet to have that for this bill. I see Detective Callaway here. Are you here to do that?

Chuck Callaway, Director of Intergovernmental Services, Las Vegas Metropolitan Police Department:

Mr. Chairman, I will take on that role. Although we wholeheartedly support this bill, it is Assemblyman Hambrick's bill, not a Metro bill. However, I would be happy to take the Committee through the bill and explain what the different

sections of the bill do. I realize that we have been working backwards here. So, with your permission I will do that now.

Chairman Horne:

Thank you.

Chuck Callaway:

Mr. Chairman, members of the Committee, for the record my name is Chuck Callaway. I am the Director of Intergovernmental Services for the Las Vegas Metropolitan Police Department (Metro). This bill basically does two things. Section 1 of the bill amends *Nevada Revised Statutes* (NRS) 199.480, and it includes in the NRS what constitutes a conspiracy, to include trafficking in a person, pandering of a child, and soliciting a child for prostitution. Section 2 of the bill increases the penalties for living off of the earnings of a prostitute. For an adult it is a category C felony if force is used. For anyone who lives off earnings from pandering a child, it makes it a category D felony regardless of whether physical force is used. Hopefully, that explains what the bill does.

[Chairman Horne left the room and Assemblyman Frierson assumed the Chair.]

Acting Chairman Frierson:

Thank you, Mr. Callaway. Mr. Callaway, before you leave the dais I have one question. Is the intention of Sections 1 and 1(a) of the bill to treat someone who knowingly goes out looking for a child prostitute the same as somebody who finds a prostitute who happens to be 17 years old? Is the intention of the bill to treat those two individuals the same?

Chuck Callaway:

Without attempting to speak for Assemblyman Hambrick, since he is the sponsor of this bill, I surmise, based on the language, that the intent is that where traditionally you might be able to arrest only the one individual who is the kingpin or mastermind of an operation involved in human trafficking, you would now be able to charge the crime of conspiracy. In addition, other people who are involved in that same human trafficking could be charged with conspiracy, even though they are not the primary role players. That is my understanding of the language.

Acting Chairman Frierson:

Thank you, sir. I do not want to put you in an uncomfortable position. This may be more appropriate for Assemblyman Hambrick. In your experience in law enforcement, in this kind of investigation, has there been a difference in the

individuals you ultimately arrest who are looking for child prostitutes versus those who pick up a prostitute who happens to be under the age of 18?

Chuck Callaway:

Mr. Chairman, I would defer that question to Lieutenant Hughes since her units are the experts in that area.

Acting Chairman Frierson:

Thank you. Go ahead Ms. Hughes.

Karen Hughes:

When we locate someone who is engaging in sex with a minor or child prostitute, normally we do not have the mechanism in place to go backwards to find out how he procured that juvenile. Many times it is by his own means. Depending on the circumstances, he may have found her through the Internet. Many times the pimps are setting up these dates, or encounter a tourist in the tourist corridor and solicit those clients for these young women. So, in that case, we would be able to use the particular individual who solicited that child prostitute, gain his cooperation in order to backtrack, and get the pimp who procured that child for him. That would be a conspiracy charge along with a pandering charge. I do believe that was the intent of Assemblyman Hambrick's language in the law.

Acting Chairman Frierson:

Thank you. You referred to the conspiracy portion of the statute. I applaud your efforts and the efforts of my colleague from Assembly District No. 2, in taking on this trafficking issue. The commitment has been impressive and I think the attention is well warranted. I want to follow up on this statute away from the conspiracy, and that is the soliciting portion. I want to verify that the intention is to treat the individuals involved similarly. For example, a person goes to a bar and picks up a prostitute who turns out to be underage. Is the intention of the bill to treat that person the same as somebody who intentionally tries to find somebody they know to be under 18 years old?

Karen Hughes:

I cannot answer that. I assume, based on the language, that was the intent. However, Assemblyman Hambrick would have to answer that.

Acting Chairman Frierson:

Mr. Hansen, did you have a question?

Assemblyman Hansen:

Thank you. My question has been answered.

Assemblywoman Dondero Loop:

Good morning Lieutenant Hughes. Thank you very much for your testimony. Where are the parents involved in this? Should the parents know this is going on, or is it always the case that they do not know? I know that many times these kids come from dysfunctional homes, but there still might be a parent who has some information. Can you address that, please?

Karen Hughes:

I will have Detective Baughman touch on that as well. While many of these young ladies come from other jurisdictions, the vast majority of them, or approximately 60 percent, do come from Nevada. Many of them come from out of state and are considered runaways and those are entered into the National Crime Information Center (NCIC). We pick them up as runaways. Some run away from foster homes or from group homes. Many of them do come from dysfunctional families.

We have started a program in Las Vegas called the High Risk Runaways. We are trying to understand why these kids run away from home. Is it because they come from abusive or sexually abusive families? When we do encounter them, the first thing we do is engage the parents. Many times the parents are not aware of it. If they are aware of it, they are disinterested. Sometimes these kids come from the same background in which they are engaged. This is a generational issue with some families. Some of these kids are born into the lifestyle of prostitution. Their mother might have prior arrests for soliciting or have been a former prostitute. A father may have been involved in pandering. There are a variety of issues. There are also the average, good kids that just get sucked into believing that this is the best thing they have ever seen, it is the newest father figure. They get picked up in restaurants, in the malls, or recruited in the oddest places. These are functional kids, from functional families, who fall in love with somebody that offers them a pay pack that the kids think will be perfect for the rest of their life. There are many different scenarios that we encounter, but the vast majority of the kids we deal with are coming from dysfunctional families and are runaways with parents who are disengaged with their kids.

Assemblyman Brooks:

I am reading Section 1, line 8, "... soliciting a child for prostitution. . ." as though that would fall in line with a pimp of some sort. I think this bill is basically addressing the pimp that is soliciting the child to a tourist or to whomever.

[Chairman Horne reassumes the Chair.]

Chairman Horne:

Thank you, Mr. Brooks. If there is a witness who wants to address this, you can certainly let me know. It is my understanding that pandering is dealing with the pimp, so to speak, and soliciting is dealing with the person attempting to pay someone for sex.

Chuck Callaway:

Mr. Chairman, I believe that is correct. The language, as I read it in section 1, would include both the person who is the pimp, so to speak, who is trying to sell the child and also the person who is trying to find the underage prostitute and purchase the child.

Assemblyman Brooks:

If that is the purpose of the language then I guess he was right. So, if a person is asking those types of questions to get to that particular point, is that how you would determine if they are guilty of this crime, as opposed to somebody who picked up a prostitute who just happened to be under the age of 18? How would you prosecute that person?

Chuck Callaway:

Lieutenant Hughes can correct me if I am wrong, but in most cases that we see, there is a difference between the scenario the Chairman gave where a man goes into a bar, encounters a prostitute who looks like she is over 21 but in fact is 16, and a person who is actively pursuing an underage girl. That pursuit could take the form of trying to set up a meeting on the Internet or going out and finding a pimp and telling the pimp, "I want a girl who is 13 or 14 years old." That is the distinction.

Assemblyman Brooks:

If someone is on the Internet and knows full well that they are fooling around with somebody who is underage, is that how you would make a case against them, through the emails and so forth?

Chuck Callaway:

Yes. I believe there is an active criminal element who seeks underage prostitutes, in addition to those people who are just seeking a prostitute and happen to encounter one who is underage.

[Chairman Horne left the room and Assemblyman Frierson assumed the Chair.]

Acting Chairman Frierson:

I presume that with our significant list of witnesses today this will be clarified. It is my belief that solicitation is a general intent crime, meaning there is no

knowledge required that the subject is underage. Under the statute, the person who is seeking and the person who happens to encounter, fall in the same category.

Assemblyman Daly:

The act of going out to find a prostitute, knowing it involves engaging in an illegal act, but the person does not necessarily know the age of the prostitute, is illegal under a separate statute already on the books. Is that correct? It is my understanding that this bill will allow you to charge conspiracy in addition to the existing illegal act. The conspiracy would have to be proven the same as any other crime. However, if the conspiracy charge could be proven, it would be an additional charge under this provision. Is that correct?

[Chairman Horne reenters the room.]

Chuck Callaway:

That is my understanding.

Chairman Horne:

Are there any further questions for Mr. Callaway? [No one responded.] Detective Baughman has testimony in Las Vegas.

**Christopher Baughman, Detective-Vice Section/Pandering Investigative Team,
Las Vegas Metropolitan Police Department:**

I would like to speak to the trafficking and conspiracy trends we are seeing and why conspiracy is important for our state. When we say the word "pimp," the men are not the stereotype that most people think of. They are calculating, intelligent and, in many instances that we see, they are very wealthy. These people are able to afford some of the best attorneys that money can buy in this state. Lately, we have seen that there are women being trafficked through our state who come from other states as well as women who come from Nevada.

I am citing an actual case now. In this instance the victim has met another girl, and that girl knows a woman in Reno. The woman in Reno recommended that the victim go to Las Vegas to meet a friend of hers for the weekend. The victim was told that the man in Las Vegas would show her the town and show her ways to make money. Perhaps that is all the woman in Reno told the victim. The woman in Reno then had the victim sent down to Las Vegas where she was met by an individual who had her beaten and forced into prostitution.

Another way these people work their crimes is through an arrangement like an escort service. It may be by using Internet postings and ads to make the dates. In order to find the date, the client calls a phone number which rings through to

Reno. The woman in Reno, who talked the victim into coming to Las Vegas for the pimp, would accept the telephone call, say that she was "Judy," and arrange the date. Judy would then call the pimp in Las Vegas and tell him that there is a date set up at the MGM Casino for 7 o'clock, with a guy named William. That is one example of how these people are working these conspiracies. It is not as simple as two people seeing a girl, figuring out a way to talk to her, and opening the way for the girl to become a prostitute. It goes as deep as two people working in separate areas for one common goal, which is to get the girl on the street, get her away from her family, and get her making money for them.

In another instance, we had a girl who was working as a dancer as far away as Buffalo, New York. Another person who worked at the club in New York told the dancer there was much more money to be made in Las Vegas, told her she would set the dancer up with a friend of hers, and gave the dancer the name and phone number of a man in Las Vegas. The two people, the dancer in Buffalo and the pimp in Las Vegas, spoke. The man told her he had a wonderful home in a very nice community, and that she could come out and stay with him and see how things worked in Las Vegas. He also said she would not be disappointed when she got there because the clubs are so much better and that she could make much more money in Las Vegas. After the conversation with the man in Las Vegas, the dancer flew to Las Vegas, and once she got to there she was beaten, sexually assaulted, and forced to go out and work as a prostitute. She was able to make a 911 call and let the Las Vegas police know where she was so that we could come and get her. So, when we talk in terms of conspiracy, we have to look at the broader picture, which consists of all of the other individuals and the roles they play in the crimes of pandering or human trafficking.

Someone asked whether these kids are all coming from broken homes, from parents who are disinterested, or parents who do not care. Times are changing, and the criminals are getting smarter. They understand that they can get into serious trouble if they go out and find a girl who is 17 years old and convince her to become a prostitute. We are now seeing men recruit girls as young as 17 years old that are in high school and begin to groom them and entice them with money and with fake shows of affection. The pimps are waiting for the girls to turn 18 years old when they begin pitting them against their families who, in many instances, are good families who do care. As soon as the girl turns 18 years of age, they tell the girl to make a decision: either you choose me, we can have a great life together, I love you; or, you can stay with your parents who want to control your life. At 17 or 18 years old, most of these girls are trying to find themselves, trying to figure out who they want to be, and looking for independence. The pimps know and understand this. So the

decision is really no decision at all. By the time the families wake up and realize their daughter is gone, they often call our lieutenant and she will call us to deal with the aftermath.

So, when we talk in terms of conspiracy, the pimps understand the laws we have put into place and conspire all the time to figure out new ways to recruit women and to get around those laws. In terms of what is at risk for us, Las Vegas and Reno are where human traffickers and pimps from all over the country are bringing women. They are bringing women from Florida, from Milwaukee, from Minnesota, and from Hawaii. We do need to make a stand, because by the time the girls get here it is almost too late for some of them. As for the crimes, and the punishment for those crimes, these individuals understand what the risk is.

As Lieutenant Hughes stated earlier, we are beginning to see gangsters move over from selling drugs and running guns to pushing women. Why would they do that? Because of the money involved. One girl, who can be as young as 15 years or as old as 25, 30, or 40 years, may have to make \$1,000 per night for one pimp or trafficker before she can return home. The pimp works that same woman every day, so that is \$7,000 earned in one week, times four is \$28,000 a month, or around \$365,000 a year. If that same pimp has two women, the same rules apply: \$2,000 a day, \$14,000 a week. This will give you an understanding of the kind of money these men are making. If gangsters sell drugs, they are facing 10 to 20 years in prison. If their business is selling women or kids, the current maximum jail time, even if force is used, is a 5-year term. They know that and are willing to take that risk. That is 5 years if we can prove that they beat a girl. We know that is the rule, based on our investigations. Violence against women is a staple in our culture. We see it in television shows every day, even on the Disney channel, where cartoons say "pimp my car" or "pimp my ride." You hear it in music and over radio stations, like 98.5, or whatever your local radio station is. You hear these words, these philosophies. If there are any questions, I would be happy to answer them.

Chairman Horne:

Are there any questions for Detective Baughman? [No one responded.] Thank you very much, Detective. I appreciate your testimony and the work you do in Clark County. Is there anyone else in Carson City signed in to testify in favor of A.B. 112? [No one responded.] Is there anyone in Las Vegas wishing to testify in favor of A.B. 112? [No one responded.] We will move to the opposition. Ms. Tierra Jones, Clark County Public Defender's Office is here. Good morning, Ms. Jones.

Tierra D. Jones, representing the Office of the Public Defender, Clark County:

Good morning, Mr. Chairman. The first thing I would like to say is that our office understands the purpose of the bill that Assemblyman Hambrick has put forth as well as the work of the Committee. Our office also understands the seriousness of the charges. However, there are some things I want to point out and the reasons why we oppose this.

Section 1 of this bill seeks to make conspiracy to traffic a child, conspiracy to pander a child, and conspiracy to solicit a child for prostitution, category B felonies punishable by 1 to 6 years in prison. The way the law currently stands, when someone is charged with the offense of pandering, or with the offense of trafficking, or with the offense of soliciting a child for the purposes of prostitution, the district attorney has different theories of liability under which they can proceed. Conspiracy is one of those theories of liability. If district attorneys proceed against someone under the conspiracy theory of liability, they can charge them as the principal. This means that person would be charged with trafficking a person for financial gain, as well as conspiracy. Under *Nevada Revised Statutes* (NRS) 200.467, trafficking a person for financial gain is already a category B felony that carries a penalty of 1 to 10 years. The way the sentencing guidelines are structured, that means if a judge is highly offended by this, someone could receive a 4- to 10-year sentence, with a 4-year sentence on the bottom. If they are charged as a principal with trafficking a person for illegal purposes under a conspiracy theory, that is also a category B felony, which carries a 1- to 20-year sentence. Therefore, someone could be charged as a principal and receive an 8- to 20-year sentence. The charge of pandering a child with force, under NRS 201.300, is also a 2- to 20-year sentence. If there is no force involved, that is a 1- to 10-year sentence. Furnishing transportation with force is a category B felony, under NRS 201.340, which carries a 2- to 20-year sentence, with no force is a 1- to 10-year sentence.

Soliciting a child for prostitution is currently a category E felony. However, district attorneys already have the ability to charge someone with these offenses as the principal under a conspiracy theory. We believe that adding these enhanced penalties will expose a person to being charged with two category B felonies, when there is already a possibility they can receive an 8-year sentence on the bottom, with the district attorney charging the alternate theories of liability.

We oppose the changes in section 2, where a person is living off the earnings of a prostitute, because this seeks to raise the penalty to a 2- to 20-year sentence. A 2- to 20-year sentence is the current penalty for attempted murder. While we understand that these are very serious offenses, and that these children are

falling victim to this, we do not believe the penalties should be the same as the penalty for attempting to take the life of another person. Our office does have a policy that, in most of these cases, if there is a child victim, we get appointed on the child's case so that we have the ability to get some type of help for the child, and we already attempt to receive services for the child. The person who is accused of this crime is being charged in a separate court. For those reasons we do oppose A.B. 112.

Chairman Horne:

Thank you, Ms. Jones. So that I understand, the crux of your testimony today is that there are already statutes in place to address this type of illegal conduct, and that the penalties in those statutes are sufficiently severe to do that. However, you compared the 2- to 20-year sentence in this instance with the penalty for attempted murder. How do you answer those who say that forcing children into this kind of life is a form of taking their lives? In many cases, that ends up being the end result. It may be a slower method than a knife, or a gun, or by bludgeoning, but many times the lives of these young people have been taken.

Tierra Jones:

I do agree with that statement, Mr. Chairman. I do agree that they have caused great harm to these young women. I believe there is still opportunity for these young women to be able to seek help, and that with the help of the detectives from Metro as these crimes are discovered and prosecuted, hopefully they will be able to resume a normal life. Whereas, somebody who has been shot or somebody who has been stabbed, there may be a possibility that person may never be able to resume their normal life if the consequences are severe enough.

Assemblyman Hammond:

I wanted to echo the Chairman's statement that we look at these children after they have been forced into years of prostitution and their lives are gone. They have a difficult time recovering from that trauma in their lives. I believe the detective is basically saying that it is made so easy, first of all with gangs and song lyrics, and whatever else they use to sensationalize that lifestyle, to force girls into that sort of role. I have a hard time imagining my own daughter being forced into something like that, and I believe that child is being robbed of a life. I am wondering if that penalty should not be increased.

Chairman Horne:

Thank you, Mr. Hammond. Are there any other questions for Ms. Jones?

Assemblyman Hansen:

Ms. Jones, if I understand your testimony correctly, you acknowledge that there are already statutes in place that a district attorney can use to prosecute people based on conspiracy by pimps?

Tierra Jones:

Yes.

Assemblyman Hansen:

Then you should not object to adding more backbone to that philosophy by making this a law, correct?

Tierra Jones:

It is our position that what this bill basically would do is to open someone up to being exposed to two category B felonies that have a maximum tail of 20 years for the exact same offense. Right now, if two people are engaged in the act of pandering and they both know about it, a district attorney can prosecute both of them under the pandering statute as principals under the conspiracy liability. We are objecting based on the fact that this now allows a district attorney to charge them with two separate category B felonies, with 20-year tails, for the exact same offense.

Assemblyman Hansen:

I do not totally understand. Is that something you already use in plea bargains? Are there many cases already where people are charged with additional counts?

Tierra Jones:

That is true. However, if they are being charged with two separate felonies for one act, what you end up with is the equivalent of a person pleading guilty to the "sheet" which means that is the only thing they have done. Everyone thinks they are pleading straight up, so there is no benefit to them if that was used in some type of plea bargain. Basically, it allows a district attorney to overcharge crime so that they can facilitate negotiations.

Chairman Horne:

So, both would be 2 to 20 years, theoretically, for one act. For example, the solicitation charge and the conspiracy charge run consecutively. You would be looking at 40 years on the tail minimum, if it runs consecutively.

Tierra Jones:

That is correct, Mr. Chairman. If someone were to be "maxed out" on those sentences, you would be looking at 16 to 40 years for one act.

Chairman Horne:

Are there any further questions for Ms. Jones?

Assemblyman Brooks:

Under the language of this bill, will the person committing the solicitation be responsible for conspiracy as well, and could he receive the category B felony?

Tierra Jones:

In order to be a conspiracy, there has to be some kind of agreement between more than one individual. If there are two individuals, they can both be charged with the conspiracy. Under the conspiracy liability, they can be charged with the soliciting as well.

Assemblyman Brooks:

I am referring to the person who is paying the prostitute or paying the pimp for the service. Is that person also on the hook for the same amount of jail time?

Tierra Jones:

Yes. It is possible, if the district attorney would charge them with that.

Assemblyman Brooks:

One final question, please. Is that person also on the hook for 16 to 40 years?

Tierra Jones:

That person would be on the hook for a maximum penalty of 8- to 20-years for only the conspiracy portion.

Assemblyman Hammond:

If A.B. 112 is passed, you might have the option of having two category B felonies with a maximum of 2 to 20 years. Is it mandatory that they both be applied, or does the judge have discretion at sentencing?

Tierra Jones:

I apologize, Mr. Hammond, but is your question that would it be mandatory they be charged with both or that the 8- to 20 year sentencing be mandatory?

Assemblyman Hammond:

Would the sentencing be mandatory?

Tierra Jones:

The way it works is that on a 2- to 20-year sentence the judge has a 40-percent rule. The minimum sentence that could be received is 2 to 5 years.

The maximum sentence that could be received is 8- to 20-years and anything that is in between that range.

Assemblyman Hammond:

Would they have to be charged with both of those category B felonies?

Tierra Jones:

It is prosecutorial discretion what they are charged with. That would be left up to the district attorney's office. However, following up on what Chairman Horne said, it is the judge's discretion whether they run concurrently, which means both sentences run at the same time, or they run consecutively.

Assemblyman Hammond:

So the judge does have discretion?

Chairman Horne:

Ms. Jones, when you mention 2 to 20 years, to what statute are you referring? I am looking at section 1, paragraph (a), line 18, and it shows 1 to 6 for the conspiracy charge.

Tierra Jones:

Under A.B. 112, the conspiracy would be 1 to 6 years, but it would be a category B felony. But the pandering of a child with force would be a category B felony, with a sentence of 2 to 20 years, as it currently stands. The furnishing of transportation of a child with force is also a category B felony, 2 to 20 years.

Chairman Horne:

Are there any other questions for Ms. Jones? [No one responded.] Thank you very much. Is there anyone else who wishes to testify in opposition? Good morning, Mr. Johnson.

Orrin J. H. Johnson, Deputy Public Defender, Washoe County Public Defender's Office:

Good morning, Mr. Chairman. We echo what Ms. Jones had to say. I would like to note something that I think a lot of people do not understand, or something that is easy to misconstrue. Criminal law is very fact specific in every case, and every case is different. The elements of the offense may appear to be the same, and the common conception is "having a stable of young girls," and "kidnapping across state lines." Under current law, kidnapping is a federal crime, involuntary servitude is a crime in Nevada, and those criminals are already facing lifetime liability with an aggressive prosecutor. That is a fact. What we are concerned with is that with 17- and 18-year-olds,

who are addicted to drugs, are sharing an apartment and maybe she is paying the rent and he is living off of the proceeds from prostitution. He is not in the same category as the people living in the huge house with the huge stable of women and beating them up. That is our concern. The lesser crimes will be wrapped up in an attempt to aggressively pursue the truly evil people who are trafficking in young women.

We believe that in addressing both issues, current law is sufficient and that A.B. 112 would up the penalties unjustly, and expensively, for people who do not necessarily deserve to be charged with those crimes, and that it will not deter the people who are already involved with these crimes. Please keep in mind that trafficking level 3 already carries a sentence of life in prison, and still we see no shortage of trafficking level 3 crimes. The money is so much that people risk those crimes. If you are the kind of person who is going to traffic in young women, you are probably not the kind of person who cares about the rules. That is our concern. We do not have any beef with the intent behind this. We are concerned with others who could get wrapped up in this and would face multiple years in prison when a term in the county jail is much more appropriate.

Assemblyman Hammond:

Mr. Johnson, I have been listening to your testimony and the testimony of both detectives in Las Vegas. It seems to me that the detectives believe that having this law on the books will help to deter some of these evil criminals from committing these acts. I think that is a great idea. If the judge has the flexibility of not throwing the book at somebody, what is wrong with this particular bill?

Orrin Johnson:

There is a reason we have different sentencing guidelines for everything. It is important that both prosecutors and judges have discretion. However, if we give everyone broad discretion, we can just say that all felonies are anywhere from one year in prison to life in prison, and leave it to the judge to sort it out. That is not the way we do it. We understand that we want the public to speak through the Legislature that certain crimes should be punishable within a certain range. When the Legislature speaks in a way such as this, all of a sudden that lower level offender is wrapped up in that from the police or from an aggressive young district attorney or an elected district attorney, then other factors are involved. In the cold light of day, and, for instance, if someone has a lot of tattoos or someone might offend the judge in some other way, it is important that we keep the current laws in place that already allow discretion. I respect the work the detectives do down south, but I disagree with them that this will deter these high-level, very organized criminal gangs who are trafficking in

multiple women. This is just not a deterrent. They are already facing lifetime liability in prison. If that is not enough to deter them, I do not know what is. What often happens with all of the best of intentions is that you pick up lower-level offenders who wind up spending many more years in prison when a term in county jail or even a fine is much more appropriate.

Chairman Horne:

I will state, as a prerogative of the Chair, while we give our judges discretion in sentencing, the point is that we have this penalty framework in place. The policy question we would ask would be in the scenario Ms. Jones painted. If 8 to 40 years were the worst a person could get for this, and if the judge threw the book at them, you have to ask the question: would that be an appropriate sentence for this crime? We can only give the judge so much discretion. Ms. Jones has a good point. In other words, the law can state that all crimes carry a 1 year to life sentence and let the judge decide what sentence would be appropriate for any type of felony. So as policymakers, we pick a range and give the judge the range we feel is appropriate for those crimes. That is why some crimes carry a 2- to 10-year sentence and some carry a 10 to life sentence, et cetera.

Are there any further questions for Mr. Johnson? [No one responded.] Is there anyone else in opposition to A.B. 112? Is there anyone in Las Vegas that has any questions for Mr. Johnson? [No one responded.] Is there anyone in Carson City or in Las Vegas who is neutral on this issue? [No one responded.] The hearing is closed on Assembly Bill 112. It is now 9:15 a.m. For those who are waiting on A.B. 111, I cannot guarantee that we will hear that today. Time is running short, and I do not want to penalize Chairman Lipparelli for something that is beyond his control. We are now going to the presentation by Chairman Lipparelli. Welcome, Mr. Chairman.

Mark A. Lipparelli, Chairman, State Gaming Control Board:

Good morning, Mr. Chairman, Mark Lipparelli, with the State Gaming Control Board. I am joined today by Frank Streshley, the Chief of our Tax and License Division. I will be referring to the presentation ([Exhibit C](#)), dated February 22, 2011, to the Assembly Judiciary Committee. The purpose of the meeting today is to give an overview of the State Gaming Control Board and its functions. In the presentation before you, we will touch on the organization of the Board, the history, and the fiscal impact on the state, and leave ourselves open to any questions that you might have.

If I can refer you to page 2, the gaming regulation in Nevada exceeds all other United States jurisdictions by probably 35 years. We have been at it since the mid-1950s. The origin of the Gaming Control Board function in Nevada started

with the Tax Commission and evolved into our current system today, which is a two-tiered system. The Gaming Control Board itself is a full-time body comprising three members, me and two colleagues. In addition to that, we have six divisions that function under the Board. For those of you familiar with the Board, we used to have seven, but we recently consolidated our corporate securities division into our investigations division. If that looks like it is a little strange to you, corporate securities did not go away, it is now part of our investigations function. Going back to the two-tiered system, our Gaming Commission is a five-member lay body that reviews the decisions of the Gaming Control Board. We meet on a monthly basis. We entertain applications from all sorts of different kinds of applicants, ranging from full operators of casinos, manufacturers, distributors, transfers of interest, and other kinds of matters, both on a nonrestricted and restricted basis. A nonrestricted casino, for those of you who do not know the system well, is a larger casino. Any casino with more than 15 machines, or any casino that has some form of live gaming, is nonrestricted. Any location with 15 machines and fewer is considered a restricted location.

Page 3 gives a work chart of what I just discussed, the Gaming Commission, the Gaming Control Board, and a Gaming Policy Committee that is called on from time to time to deal with various policy issues that might come before the Board. The mission is fairly straightforward. We are charged with protecting the industry in all facets, whether that is licensing, enforcement matters, or disciplinary actions. It is really aimed at protecting the state's ability to collect on taxes and to protect the patrons who frequent the state to enjoy the gaming in Nevada.

Page 5 gives you a real-world distribution of our employees on a statewide basis. We are currently at about 436 individuals, primarily located in our Las Vegas and Carson City offices, but also spread out into Reno and the rural areas, as well. You see the distribution in the chart of where we are on an individual departmental basis, with enforcement, investigations, and audit reflecting the largest number of employees. In the interest of time, I will not go through pages 6, 7, 8, and 9. Those are the individual descriptions of the departments. If there is a particular area that you are wondering about, such as the function of a given division, I am happy to cover those if anyone has a question about any one particular division. I would point out that the largest growth in our employee base has really occurred only in the technology division. Several years ago, this body added resources to our technology division in response to some requirements and demands from industry, but generally speaking, the size of our agencies remains fairly constant over time. There is a slide that I will talk about later that will reflect that.

We decided to present page 10 in this format, primarily as a result of work that was requested of us in the last session regarding how we are funded. If you look at the General Fund appropriation versus what we call Other Funds, it gives a distribution of how our operation is funded statewide. Beginning in fiscal year (FY) 2006, just greater than 25 percent of the Board's budget came from sources other than the General Fund appropriation. Over the ensuing years, up to this FY 2011, we will be about 40 percent funded by direct fees paid by industry. That is anticipated to continue as a result of some changes made in the last few legislative sessions, in response to the budget challenges that we faced.

We gave you the Regulatory Capacity chart ([Exhibit C](#), page 11) to show that, generally speaking, our agency has been fairly conservative with staffing. We have expanded as an industry dramatically, but have been able to maintain a tight control over head count, and to maintain the ability to be responsive to that industry. This also reflects the amount of reduction we have made in the past few legislative sessions, to give you some perspective.

As seen on page 12, obviously the gaming industry contributes a great deal to the state in terms of fiscal impact. Through the last fiscal year, \$830 million was generated through all sources of collections where we generate fees. Clark County represents a huge portion of that, 85 percent for the last fiscal year. If we drill down one level beyond that \$830 million, the table on page 13 will give you a sense of where those fees come from. Primarily, percentage fees, live entertainment tax, and the annual slot tax when combined are a large portion of the total collections. The remainder of those items comes from various taxes that inflate for a long period of time. This will give you a snapshot of how those fees are broken down. Percentage fees represent the most prominent of our collections. Percentage fees are essentially a gaming revenue tax. It is taxed at a tiered rate.

I added slide 14 for those who have seen our presentation previously. I felt there was not a context to that \$830 million, and over time I have made comments to previous committees where we peaked in FY 2007 at better than \$1 billion in tax collections. I felt the Committee would benefit from knowing from where we have come and how we have seen that number decline over the past ten years. While the state enjoyed a nice uptick in collections dating back to 2000 and before, we have seen a fairly steep decline in those collections for the last two fiscal sessions. In that chart, you can see again the relative importance of the annual percentage fees and context of the other taxes, so it will give you an idea of the relative contribution of the revenue tax. Again, back to the detail of what the percentage fees are, we essentially tax out at a top rate of 6.75 percent for all revenues on a monthly basis in excess of \$134,000.

So, in practice, just so you are aware, we send out the NGC-31 form each month. It is required to be filed by all of our nonrestricted licensees to pay their taxes on a monthly basis.

The live entertainment tax is a complex set of taxes that we administer relating to the live entertainment within the body of casinos. Our colleagues over at the Department of Taxation administer this tax on behalf of nongaming licensees. This is a tax rate of 10 percent on all amounts paid for food and beverage, merchandise, and commissions in casino entertainment venues with seating of less than 7500, and there is a separate tax that you will see for those nonrestricted licensees who have seating capacity over 7500. A large portion of these revenues comes from admissions in live entertainment taxes. So, as you look at this, there is a lot of granular taxing that goes on in small venues within casinos that we are responsible to collect, but a large portion of the revenue is derived from the live entertainment tax coming from the major shows that you see up and down the Las Vegas Strip. The rest of these are bullet points with details of the quarterly nonrestricted fees and restricted fees. There is a difference between nonrestricted and restricted, for those of you new to the Committee. Restricted locations within Nevada do not pay a revenue tax. The intention I believe with the higher rate on the restricted slot tax was meant to capture that notion, without subjecting restricted locations to a full audit function and full revenue taxes. That is why there is a difference between the quarterly for nonrestricted licensees and the quarterly for restricted licensees.

[Chairman Horne left the room and Assemblyman Frierson assumed the Chair.]

Pages 18, 19, and 20 ([Exhibit C](#)), show basic fees paid for various licensing categories. Feel free to follow up if there is a question on any of those. Moving to page 21, the annual slot tax, another major component of our tax collection, is one of the taxes that has a dedicated destination for those monies. In FY 2010, for example, the annual slot tax was \$48.4 million. One dynamic in the industry has been a shrinking of capacity, generally in two forms. One is the many location closures, and the other is where larger casinos have now moved toward a view that a greater number of slot machines is not the only answer, it is the distribution of those slot machines and the selection of those slot machines. Therefore, we have seen some former locations where the numbers of slot machines actually shrink and casinos redesign their floors with a lower capacity of machines available. That is partly due to technology and the ability for manufacturers to provide machines that have multiple games within the box itself. So it is no longer necessary to have a full distribution of product on a one-to-one basis, because now they can offer many games within the same cabinet. Again, as these fees are collected, they are distributed to the areas you see on the slide, which are the Capital Construction Fund, the

Capital Construction Fund for Higher Education, and the State Distributive Fund. The gaming fees are directed to counties and split equally. This is not a significant portion of our total collections but for those of you who are not that knowledgeable about our fees, this is a games fee. When we refer to games, we are talking about live table games such as blackjack, roulette, and those types of games.

That is the quick overview. I moved through that quickly and will be happy to answer any questions or delve into any area that the Committee wishes.

Acting Chairman Frierson:

Thank you, Chairman Lipparelli. I have one question. I notice that the annual games fee is down as well as the slot fees, and you reflected this as somewhat of an issue of the reduced number of machines. Is that in any way reflecting a decrease in people actually gambling or using the slot machines and the other gaming machines, or is it simply reorganization and reduction of machines?

Mark A. Lipparelli:

Mr. Chairman, generally speaking the capacity of a slot floor is much greater than the demand for those slots. You will see people refer to occupancy on a given slot floor. On a heavy weekend day in a very busy casino, you will still have a great deal of capacity available for patrons. The main dynamic that has changed is the actual technology itself, the ability to offer a number of different products within the same cabinet. Generally speaking, there has always been plenty of capacity on the slot floor. One of the ways that the casinos would address availability of given titles of machines is to get a broad enough distribution of games so you could have as many offerings on the floor at one time. It might be the denominations, whether someone is a nickel player, a quarter player, or a dollar player. That can now be controlled within the same cabinet, so a player can approach a game, choose their denomination, and choose their game. So the need for as many slot machines is just not necessary.

[Chairman Horne returned to the room.]

Assemblyman Hansen:

On slide 14, the Gaming Collections for FY 2000-2010, has this been adjusted for inflation or is straight dollars from FY 2000-2010?

Mark Lipparelli:

These are straight dollars.

Assemblyman Hansen:

However, even though we are in a recession, basically we are still collecting more than we did in the year 2000. Is that accurate?

Mark Lipparelli:

That is accurate.

Assemblyman Hansen:

I would like to see that multiplied by the Consumer Price Index and figure out if, dollar for dollar, we are basically in the same place we were ten years ago in Nevada, as far as tax revenues from gaming?

Mark Lipparelli:

We can certainly make that adjustment and get that chart revised to reflect the Consumer Price Index.

Assemblyman Segerblom:

Is there a way to correlate what a nonrestricted licensee pays on a slot machine? Do they pay by how much revenue is generated by the slot machine? Can we compare that with restricted gaming? Do they pay a flat fee every year?

Mark Lipparelli:

I will defer to Frank Streshley on that if I understand your question. I think he might have a better grasp of that than I.

Frank Streshley, CPA, Chief, Tax and License Division, State Gaming Control Board:

For the record, I am Frank Streshley, Chief of the Tax and License Division for the State Gaming Control Board. On the restricted side, we do not tax the gross gaming revenue. We do not have the revenue calculation to apply to what is actually being paid in taxes and derive a tax rate.

Assemblyman Segerblom:

So, they pay \$250 or something like that, a year?

Frank Streshley:

On the restricted side, the average cost per machine is about \$110 per quarter, plus \$250 for the annual fee. On the nonrestricted side, it is \$80 for the quarterly fee and also the \$250. Again, they are paying less in slot fees on the nonrestricted side.

Assemblyman Segerblom:

Do they have to pay based on what they make on the machines?

Frank Streshley:

On the nonrestricted side, that is correct.

Assemblyman Segerblom:

You do not have an average to show what a nonrestricted machine will generate in tax over a year versus what the restricted pays, correct?

Frank Streshley:

No. We do not have that calculation.

Chairman Horne:

Are there any other questions? [No one responded.] Thank you very much for your patience today. Members of the Committee, you will be hearing gaming regulation bills this session and this is the gentleman who heads that. Now you have a general idea of what Chairman Lipparelli and his crew do. Thank you, very much.

I have had discussions with Chairwoman Mastroluca concerning Assembly Bill 111, and with Mr. Sasser and others, and we decided not to have that hearing today. There are other issues with that bill, so we will give them an opportunity to clean it up and get it back to us, and we will reschedule that bill. It will get a hearing. For the Democratic members we have a caucus promptly at 10:15 a.m., so please be there. Is there any other business to come before the Committee? [No one responded.] We are adjourned [at 9:36 a.m.].

RESPECTFULLY SUBMITTED:

Jean Bennett
Committee Secretary

APPROVED BY:

Assemblyman William C. Horne, Chairman

DATE: _____

EXHIBITS

Committee Name: Committee on Judiciary

Date: February 22, 2011

Time of Meeting: 8:08 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Mark A. Lipparelli, Chairman, Nevada Gaming Control Board	Agency and Revenue Overview