

**MINUTES OF THE
SENATE COMMITTEE ON LEGISLATIVE OPERATIONS AND ELECTIONS**

**Seventy-sixth Session
March 29, 2011**

The Senate Committee on Legislative Operations and Elections was called to order by Chair David R. Parks at 3:45 p.m. on Tuesday, March 29, 2011, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator David R. Parks, Chair
Senator Moises (Mo) Denis, Vice Chair
Senator Steven A. Horsford
Senator Barbara K. Cegavske
Senator James A. Settelmeyer

GUEST LEGISLATORS PRESENT:

Senator Sheila Leslie, Washoe County Senatorial District No. 1
Senator Valerie Wiener, Clark County Senatorial District No. 3

STAFF MEMBERS PRESENT:

Carol Stonefield, Policy Analyst
Eileen O'Grady, Counsel
Michelle Ené, Committee Secretary

OTHERS PRESENT:

Paula Berkley
Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada
Nancy Scott, League of Women Voters of Nevada
Lynn Chapman, Nevada Families
Janine Hansen, Nevada Eagle Forum
John Wagner, State Chairman, Independent American Party

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Dane S. Claussen, Executive Director, American Civil Liberties Union of Nevada
Daniel Waqar, Former Nevada Youth Legislator, Clark County Senatorial District No. 9

Zhan Okuda-Lim, Chair, 2010-2011 Nevada Youth Legislator, Clark County Senatorial District No. 5

Val Sharp, Las Vegas City Employees Association

Nichole Kereszt, Nevada Youth Legislator, Clark County Senatorial District No. 7

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CHAIR PARKS:

I will open the meeting with Senate Bill (S.B.) 206.

SENATE BILL 206: Requires legislative lobbyists to file reports concerning lobbying activities when the Legislature is not in session. (BDR 17-1004)

SENATOR SHEILA LESLIE (Washoe County Senatorial District No. 1):

I was asked by a number of my constituents to put in this bill. They wanted to know: (1) why lobbyists only have to report expenses on Legislators during the Legislative Session; and (2) why they do not have to report expenses year-round. I do not have a good answer. Why would we not want that level of transparency in our laws? There is not a lot of unreported gift-giving going on, but in order to encourage good government and confidence of the public in our legislative system, it is a good idea. Senate Bill 206 is an attempt to do what my constituents have asked me to do. I have heard a number of people ask what about this or that circumstance? The intent is to make it as simple as possible to require, the way the bill is written, quarterly reports. We may need to work on the lobbyists. Do we need a registered lobbyist for a two-year period? We may need to narrow the bill down. Some people object to including unpaid lobbyists. The Committee might want to consider narrowing it down to paid lobbyists. That would be all right with me. I would like to have regular reporting throughout the year from the paid lobbying core. My intent is transparency in lobbying and legislative activity.

SENATOR CEGAVSKE:

Thank you for bringing this bill forward. I know that during several sessions we have tried different reforms. This is a timely issue to bring forward. The reporting time will be kept the same during the session. Could you explain what lobbyists would do when the Legislature is not in session?

SENATOR LESLIE:

On page 3, section 5 of the bill outlines the reporting requirement. They would continue to do the reporting they do now during the Session. Subsection 1, paragraph (b) shows the reporting requirements in odd-numbered years. This year, it would be the third and fourth calendar quarter. In even-numbered years, it would be each calendar quarter.

SENATOR SETTELMAYER:

I agree with the concept of the bill. Will this bill change anything? Certain individuals routinely are at the top of the list every session for taking the most from lobbyists. These individuals get reelected anyway. How will this address the problem? Do people want more information that we are not going to utilize?

SENATOR LESLIE:

I am not suggesting that the people at the top of the list are doing anything illegal, wrong or should not be reelected. Our constituents have the right to know which lobbyists are spending money on which Legislators. It is not picking on the people at the top of the list or anyone else, it is a matter of transparency—letting the public know. I want the information to be public.

SENATOR SETTELMAYER:

Thank you. I appreciate that. It bugs me that nothing ever happens from the list.

CHAIR PARKS:

On page 3, look at lines 17 through 21, then let us go back to line 13. We might want to change "February through July" to the months of "January through June" since everything else seems to be on a calendar quarter. Once a lobbyist concludes with the Session, we rarely hear or see individuals after that time. Lobbyists tend to go back to taking up other employment since the Legislature is not in session except for interim committees. If someone were to register as a lobbyist, effective January 1 of an odd-numbered year, would they have a reporting requirement for the next 24 months even if they cease to do any active lobbying activities?

SENATOR LESLIE:

That is the way I understand it. They would file a report that said zero.

CHAIR PARKS:

Under the law, even if lobbyists stop activity during a Legislative Session, they still have these forms to fill out.

SENATOR LESLIE:

Right. It would be interesting to know how many lobbyists really stop their lobbying activity when not in Carson City. That is how I understand the bill.

CHAIR PARKS:

In the Assembly and Senate, you have individuals campaigning in the even-numbered years. If a lobbyist were to entertain a candidate, even though the person is also an incumbent, would there be a reporting requirement?

SENATOR LESLIE:

Yes. As long as the person met the definition of "Legislator" under section 1 of the proposed bill. In your example, there would be a reporting requirement.

CHAIR PARKS:

How would an expenditure be recorded if a Legislator was entertained by the firm or another member of the firm that employed the lobbyist, but not by the registered lobbyist?

SENATOR LESLIE:

That is a good question. This is the path that I am afraid this bill will take you down, all the what-ifs. That is something you would have to consider. In my experience, in that situation, the person who is the lobbyist from the law firm is the one who calls and says would you like a ticket to this dinner? or offers something. That person would be the one who reports the expenditure. There will always be ways around reporting. As the bill is written, the loophole is there. I would defer to Legal Counsel. You should explore this issue.

CHAIR PARKS:

A public official has a requirement to report gifts. If someone were to be entertained by other members of a law firm, it would be incumbent, would it not, on the Legislator to report an amount above the certain level as a gift?

SENATOR LESLIE:

Yes. The gift threshold is \$200. If the amount of the expense has met the threshold, the Legislator is required to report that. This would not conflict.

CHAIR PARKS:
You are correct.

SENATOR SETTELMAYER:
Would you have any objection to extending it to filed candidates as well? It is equally problematic when a particular organization, entity or business decides to schmooze all the candidates.

SENATOR LESLIE:
I will leave it up to the Committee. I understand your point; it is a good point.

SENATOR DENIS:
My concern would be with the nonpaid lobbyists because we have some who register and may only be at the Legislature for a few days. To require them to fill out a paper to say zero for two years seems like a lot of work. We would have to redefine the word "lobbyist" to be "paid lobbyist."

SENATOR LESLIE:
We could make an exception. On the other hand, it is not a tremendous amount of work to electronically file a report that says zero. If that change is something the Committee would want to do, I would agree. That is not the primary target for the bill.

PAULA BERKLEY:
I am speaking on behalf of myself. As a lobbyist, I support this bill. Some of the motivation for this bill is to reveal issues with Legislators. I would rather it be revealing myself. I do not have clients who do a lot of entertaining, I have put zero for many years in a row. People do not respect lobbyists as a profession. Lobbyists have earned somewhat of a bad reputation because of a lack of transparency; any opportunity to counteract that is good in the long run.

JAN GILBERT (Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada):

I am here representing Progressive Leadership Alliance of Nevada (PLAN). We support this bill. We feel disclosure is a good way to engage the public in the process. The public feels removed from this building. They see the number of paid lobbyists, 700 to 800, and it turns them off. During the interim period, I come to the Legislature and I forget my badge because we do not have to put

them on. That is a problem. I am still representing PLAN and lobbying, but we neither have to do that by law nor disclose what we spend during that period.

There are five states with biennial legislatures: Texas, Oregon, North Dakota, Montana and Nevada. Three of those states require annual reporting, not quarterly, even when they are not in session. It is not onerous. You can report online. It is easy for nonpaid and paid lobbyists to report zero. You can e-mail your form in. It is efficient and adds to the process. Large groups during the interim throw huge parties at Lake Tahoe. The public sees this as an unfair process because they do not have to report anything. You may have to report, but they do not. It is unfair. I would urge your support of this bill. It is long overdue. We also need to tighten our lobbyist disclosure measures in general. People avoid reporting. It is a good thing to have out in the open and have it be public.

NANCY SCOTT (League of Women Voters of Nevada):

We support this bill. Its intent is in keeping with our strong position on transparency in government.

LYNN CHAPMAN (Nevada Families):

I am an unpaid citizen lobbyist. I come down here on my time, my dime and nobody gives me anything. I do not buy Legislators anything. On the off year, I do not think of you, this building or Carson City, and I forget to fill out the paperwork. It is not on my mind, it is not a high priority; I have a life. Nonpaid lobbyists should not have to file reports. I comply with filling out the paperwork while I am here during the Session. I do not see any of you other than at the Legislature.

SENATOR CEGAVSKE:

This bill is not aimed at you. This is not where the intent is. The sponsor of this bill was amenable to this: the nonpaid lobbyists would be exempt. It would not be an issue if that is one of the amendments. The vision of this bill was not aimed at the nonpays.

SENATOR SETTELMAYER:

I see a loophole. For example, Warren Buffett comes here and wants to testify on something. He comes in, gets a nonpaid lobbyist badge, and then takes Senator Denis out and buys him a car during nonsession. We still create a large loophole.

CHAIR PARKS:

If a lobbyist files a termination report—a form found online—after the end of the Legislative Session, you would not be burdened with the quarterly reports. The procedure is: when Session ends in June, a lobbyist completes a June report and files a termination report. That changes when you start lobbying again.

JANINE HANSEN (Nevada Eagle Forum):

My concern is similar to Lynn Chapman's. Thank you for answering one of my questions on whether there would be an opportunity to file a termination report. I am a paid lobbyist. I am concerned about citizen lobbyists who come to the Legislature for a day or two, want to participate in the process but do not want to get caught in doing a lot of forms. They will become discouraged. There are 45 pages of citizen lobbyists; most of them are volunteers representing themselves. It is wonderful that real people, not professional lobbyists, come to speak to the Legislature. I do not want, in any way, to discourage them or make it difficult to participate.

A form to terminate that you can sign and not have to report would be a good thing for people like me who do not lobby during the interim. There are always going to be loopholes, dishonest people and people trying to get around the law. The public is not too interested. There are regular people out there who do not look up campaign spending; they are not interested in that or what lobbyists spend. That is not to say you might not want to have this information.

Through that process or this bill you should not discourage those who sincerely want to come. I am not opposed to having reporting for paid lobbyists who are spending money in the interim. I am concerned about unpaid lobbyists who are not spending money and want to participate in the process. I want to have a termination report so people like me, who are not spending money during and after the Legislature, can file a termination report and not be required to file reports during nonsession. I do not oppose the objective of the bill. We need to recognize it is not high on the list of the public's priorities. This information may be helpful for the Legislature itself.

SENATOR CEGAVSKE:

Would you be in favor of the bill with an amendment incorporating your recommendations for citizen legislature—taking nonpaid lobbyist reporting out?

MS. HANSEN:

I am not opposed to the concept of the bill, having paid lobbyists who are spending money on Legislators report. I agree with Senator Settelmeyer, I do not know if this bill will make any difference. If you want transparency, that is fine. I am concerned about having a termination report and not requiring unpaid lobbyists to file these reports. Once an unpaid lobbyist is caught not reporting, it will discourage participation. Does this require government lobbyists to report?

CHAIR PARKS:

We will have to look into that.

JOHN WAGNER (State Chairman, Independent American Party):

I am an unpaid lobbyist. I have no money to buy anything or give a lot of money to anybody. I did go to a local function for a candidate who was running for Assembly and made a contribution. I would hope this would not have to be filed. It was a joint contribution between my wife and myself. I do not think any of you are going to sell yourself out for a luncheon or a dinner. You are honorable people. I have lobbied on issues only; I do not get involved in personalities. The person supporting you today may be opposing you tomorrow. I do not get paid for this. I enjoy doing this; hopefully, I am contributing something to the legislative process.

DANE S. CLAUSSEN (Executive Director, American Civil Liberties Union of Nevada):
We are neutral. While we support the intent of this bill, we would like to second the number of the objections or observations made by others who have testified earlier. We are concerned about the presumption that once someone is a lobbyist, always a lobbyist, at least for a couple of years. You might have a system in which paid lobbyists are assumed to continue lobbying unless they file a termination notice. Unpaid lobbyists and citizen lobbyists would be assumed to not lobby after the end of the Legislative Session unless they register as continuing to lobby.

We are concerned about whether the list of the lobbying expenses would inadvertently take into account political contributions. We would like to see a distinction. We want to make sure that political contributions do not end up being double-reported as political contributions in one place and lobby expenses in another. We suggest the Committee and the Legislature look at various distinctions between paid and unpaid lobbyists versus citizen lobbyists, so there

is not an undue burden on people to be filing paperwork every quarter or half year for a sustained period of time.

The definition of "lobbyist" is very broad. The Legislature may want to take a look at the definition of "lobbyist" itself.

CHAIR PARKS:

Nevada Revised Statute (NRS) 218H.230 says "notice required upon termination of lobbying activities; duty to file report for final reporting period." We do have the termination procedure in statute.

We will close S.B. 206 and hear Senate Joint Resolution (S.J.R.) 1.

SENATE JOINT RESOLUTION 1: Proposes to amend the Nevada Constitution to allow the Legislature to authorize the operation of a state lottery for the support of public education. (BDR C-68)

SENATOR VALERIE WIENER (Clark County Senatorial District No. 3):

The Youth Legislature is an annual leadership training and development program. Each Legislator is appointed by a State Senator with counsel from the Assembly members who share that district. This bill is the measure brought by the Youth Legislators from the 2009-2010 Youth Legislature.

They were not able to bring it to Session immediately because we are a biennial Legislature. It is before you like the measure before the committees on education. That measure from the Youth Legislature of the last year, which is already out of our House, deals with curriculum requirements for the core standards for the Department of Education.

Each Youth Legislator is required to provide a bill draft request (BDR) and an explanation or justification for consideration as a measure the Youth Legislature would bring to the Legislative Session that follows their training program. The initial BDR the 2009-2010 Youth Legislature proposed was to allow young people the option of leaving school at the age of 16. After much deliberation at the Youth Legislators' meeting, they chose not to bring that measure and have brought Senate Joint Resolution 1 before this body.

As part of their training, Youth Legislators were briefed on how to conduct a hearing, watched Legislators conduct hearings and had a mock hearing on real

bills to see the process. This particular measure was one of the ones we elected Legislators heard in our mock hearing. It was one of the measures the 2010- 2011 Youth Legislators considered during a floor session. There was a floor debate about this measure. Only three members of the Youth Legislators in the 2010-2011 group supported this measure and 15 members were in opposition.

This is an extraordinary voice: youth who wish to commit their energy to funding education. They felt this measure as a tool was an appropriate vehicle.

DANIEL WAQAR (Former Nevada Youth Legislator, Clark County Senatorial District No. 9):

From 2009 to 2010, I was a Youth Legislator appointed by Senator Denis Nolan of Clark County. I am here today to urge your support for S.J.R. 1. The establishment of a state lottery is necessary to help ensure proper funding for Nevada schools.

As a Youth Legislator, I learned about the intricacies of Nevada's government and politics. As I began to craft my bill for presentation to the Youth Legislature, I thought about the individuals who had given speeches, taught us and shaped our minds when we, as Youth Legislators, were in Carson City. I researched various ideas and arrived at the conclusion that ensuring more funding for the education that Nevada students receive was paramount to my own personal priorities and to my constituents as a Youth Legislator. At the bill's hearing in January 2010, I realized the magnitude of the lottery bill—it aroused such intense passion and rhetoric from both sides, both in favor and against.

The idea of a state lottery is neither a new nor a radical idea. In Nevada, state lotteries have been unconstitutional since Nevada gained statehood in 1864. The Nevada Legislature has considered legislation pertaining to lotteries since 1975. Pieces of lottery legislation have failed ever since. I was a sponsor of this bill when I was in the Nevada Youth Legislature and contemplated how I could respond to the argument of prior failure.

I contend, despite the stagnation of lottery legislation since 1975, today is a new day. The Clark County School District faces a \$400 million reduction to its budget for next year. Nevada faces a budget deficit of record proportions. Today, we debate the merits of a bill that allows the Nevada Legislature to

create a lottery and to regulate it with prudence and soften the blows to local and State governments when funding education. Countless studies estimate that Nevada, with its population, economic and fiscal structure, could obtain between \$40 million to \$60 million or higher. This pales in comparison to the enormous budget deficit we face. I must ask the Committee: Does every penny toward education not count? Does every penny help fund education in Nevada and help every student? Does this money allow more children to receive a better education and academic scholarships funded by the state lottery, and to see a lessening of blows to cuts which have devastated education thus far? These are questions of practical importance and the answer to all of them is yes. An increase in funding, no matter how minute, is crucially helpful at a time of dire financial straits for the State and its educational expenditures.

However, passage of this bill does not mean that Nevada becomes exempt from future fiscal crises in education. It is clear that a lottery is not a panacea for the fiscal issues facing the State. The passage of this bill does mean the Legislature can, with sensible judgment, oversee the implementation of this funding to Nevada's educational system. The benefits of the passage of S.J.R. 1 are numerous. One is increased revenues for education—a top priority for future generations in this fiscally degenerating recession—to the tune of more than \$40 million. Second, a new source of education dollars from a state lottery will shield the students in public schools from budget cuts.

I take this opportunity to refute one of the gaming industry's most voiced arguments against having a state lottery. According to an *8NewsNOW.com* article published Friday, March 25, "When asked about the lottery measure, MGM Resorts said in a statement, 'Our children's education should not be based on how many people play a lottery game each month. We need far more serious proposals to properly fund the state's real and growing needs.'" The gaming industry fails to realize State gaming taxes fund approximately a third or more of Nevada's General Fund revenue and have done so for the past several fiscal years. These State gaming taxes depend on the number of individuals who gamble. There is a direct correlation between the number of tourists visiting Nevada, gambling individuals and the amount of State gaming taxes the Nevada gambling industry pays to the State.

If, as MGM Resorts contends, our children's education should not be based on the number of individuals who choose to play the lottery, should our children's education be based on the number of individuals who choose to gamble in

Nevada casinos? This flawed logic, equating the stability of a state lottery with the detriment to our children's education, is baseless and it deserves little, if any, merit. Whatever words supporters of the state lottery attempt to speak in favor of S.J.R. 1, the gaming industry and its allies will have to respond to a great deal.

This bill is by no means a perfect bill nor was it intended to be. There are negatives, but I contend the net positives of the bill—an increase in funding to education—outweigh the negatives of this bill. I strongly urge members of the Committee to vote considering this criteria, an increase in funding toward the education of Nevada students. Since 1975, the Legislature has heard many lottery proposals; many of them die in committee.

Each and every one of you holds an immense amount of power at this very moment and has an opportunity to change the direction of funding for education. Each one of you has a chance to ensure that millions of dollars that Nevadans use to stimulate educational budgets of Arizona and California by purchasing lottery tickets stay right here in Nevada to benefit our education and students. I trust the Committee will weigh the values of truth, logic and reason in moving forward with this measure to benefit students with increased opportunity and more funding. I trust the Committee will make the best decision in support of S.J.R. 1.

SENATOR HORSFORD:

We sometimes focus on how difficult and challenging education is and the fact that the results are not what we all want. You are definitely an example of what we want every student coming out of our public education to exemplify.

SENATOR CEGAVSKE:

I echo my colleague's comments. I do not know how much research and detail you did when looking at your legislation. Did you do an analysis to estimate the amount of money that this could generate for the State?

MR. WAQAR:

Yes. The Youth Legislature in 2010 did conduct research and investigate exactly how much money the lottery measure would generate. I do have statistics from applied analysis, lottery projection and impact analysis. Our evidence estimates a lottery measure could provide between \$40 million to

\$60 million, or higher. Nevada's fiscal, economic and gaming structures are unique among the Nation.

SENATOR CEGAVSKE:

I would like to see how you come up with that amount based on a population under 3 million for Nevada. I assume you are looking at Arizona and California citizens coming to Nevada as Nevadans go to California to get their lottery tickets. Was there an analysis of what the administration would cost, and what the fees would be to establish a lottery?

MR. WAQAR:

Yes. It was considered when looking at the lottery measure. I have evidence suggesting how much a lottery would yield to the State from a conservative midpoint and a liberal standpoint, in terms of lottery sales, revenue and operational costs. In a midscenario, we would use 14 percent of our revenues on administrative costs. From a conservative or an aggressive standpoint, it is between 12 percent and 16 percent of the actual lottery revenue. The actual net resulting sales would be \$42 million or higher.

SENATOR CEGAVSKE:

Have you considered doing a Powerball instead of a lottery? Since most of Nevada casinos have Megabucks, the Powerball could be easier to put in and manage. The casinos might be willing to agree to Powerball instead of a lottery. Was there any discussion about that at all?

MR. WAQAR:

I am not sure we ever discussed implementing a Powerball measure instead of a lottery measure. We could consider it. I urge you to think about whether to consider a lottery or Powerball measure. The casinos might opt for a Powerball measure or contend that keno is similar to a state lottery. We could do a Powerball. The goal of a state lottery is to generate funds, revenue and money for Nevada education, which directly benefits the students. Whatever the method is, I am in favor of it.

SENATOR DENIS:

Do you know of any studies about other state lotteries for education? Have they done what they said they were going to do?

MR. WAQAR:

Yes. I have looked at statistics and figures from other states that have implemented state lotteries. New Jersey has a successful lottery which generates revenue state legislators have promised. Three other states, Mississippi, Illinois and North Carolina, have gaming establishments and lotteries as well and have seen positive effects—millions of dollars go to education. New Mexico has seen positive net benefits for education from tribal casinos. One of the advantages that I mentioned earlier in my testimony, scholarships for children, enables students to go to in-state universities at a lower cost or for free. Reduced tuition helps them. In states where gaming establishments are or are not prevalent, the net benefit is present; the people know about it, whether they like it or not or agree with the state lottery.

CHAIR PARKS:

I grew up in New Hampshire and attended college there. New Hampshire was one of the states to implement a lottery for education purposes back in the late 1950s, early 1960s.

In more recent years, lotteries have fallen out of favor. I am not sure if it is because people can participate in other gaming across the Country. In your particular research, did you come across anything that discussed the likelihood of reduced revenue generated over time?

MR. WAQAR:

Yes. There are economic impacts associated with lotteries. Lotteries may have decreased revenue due to the recession. Many states are considering lottery proposals in order to stabilize budgets or implement new sources of funding for current budgets. What other new methods of funding can Nevada implement in order to gain more funding for education? The lottery. In the present economic situation, there might be decreased revenues. We do not know how much. Countless studies have demonstrated revenue will reach between \$40 million to \$70 million or higher. We can consider different aspects to address state lotteries. We still have to travel down this road to figure out the answer to the problem.

CHAIR PARKS:

The issue of supplanting revenue has come up in the Legislature. We have seen that when a new revenue source is created, the old revenue source, which might have been simply property taxes or sales tax revenue, ends up being

diverted to other uses. What might be done to keep this from occurring so the maximum amount of funding toward education could be achieved?

MR. WAQAR:

In my research, I have not seen a state lottery supplanting other sources of revenue to such a great extent that lotteries have been overwhelmed. In any state that has a lottery, I do not believe citizens have gone back and said the lottery was a terrible idea, get rid of it.

I have seen the state lottery help and hurt other sources of revenue. It would have a host of future positive and negative economic benefits. We still have to see these impacts. As I have stated, Nevada's gaming structure is unique in the Nation. If we look at gaming establishments in New Jersey or California and compare the state lotteries side by side, you can see they may or may not have detracted from the existing gambling establishments. New Jersey has benefited from state lotteries.

In the 2005 and 2007 Legislative Sessions, the Legislature considered allowing state lottery tickets to be sold in establishments with nonrestrictive gaming licenses. The Committee should consider allowing lottery tickets in gaming establishments with nonrestrictive gaming licenses.

ZHAN OKUDA-LIM (Chair, 2010-2011 Nevada Youth Legislator, Clark County Senatorial District No. 5):

The 2009-2010 group of Nevada Youth Legislators supported the resolution before you. My colleague, Daniel Waqar, brought up some key points regarding statistics concerning a lottery that might be enacted if this resolution were to take effect.

Many fellow students and Nevadans have asked me if this bill is passed will it make a state lottery. I would like to put on the record, "This bill does not establish a state lottery." All this bill does is amend the State Constitution, Article 4, section 24 to allow the Legislature to establish a state lottery for the benefit of public education.

As Mr. Waqar mentioned earlier, this constitutional amendment process would take time. It would have to pass this Session and the 2013 Legislative Session. Then it would have to go to a general referendum of the people. Any revenues that might come in from the lottery would not help us right now.

Last school year, when the Youth Legislators were speaking about this bill, we wanted to ensure educational funding for the future. Right now, there are questions about cutting, raising revenues and extending taxes that will sunset at the end of the fiscal year. We, as Youth Legislators, wanted to provide another option. We wanted to ensure the Legislature was not bound strictly to whatever sources are already in law or provided for in the Constitution. We wanted to remove this roadblock to allow the Legislature to have a full and open discussion about a possible state lottery. Looking toward the future, a state lottery would help us.

We need to handle the issues of today, but we want to provide better options for our citizens and the State as we move forward. This is not a panacea or a cure-all to education funding. We do not want to close off additional routes to education funding. If this constitutional amendment were to be approved by two sessions of the Legislature and the voters, then the Legislature could have a discussion about having a state lottery. The Youth Legislature of the 2009-2010 school year supported this bill. When I was at the Nevada Boys' State Session this past summer, I was chairman of our commerce and labor committee. I introduced this bill and my committee supported it. The Boys' State Senate and Assembly approved of this measure. I am the student representative to the State Board of Education. I attended a State Board of Education meeting a few weeks ago. The State Board of Education, after looking through this bill, supports a lottery in concept.

The bottom line is: we are looking toward the future and want to make sure future generations of Nevadans have an additional source of revenue that will fund the public schools. We want to ensure students of tomorrow have resources to succeed. If a lottery was established in the future, it would be a part of a bigger framework of funding.

SENATOR HORSFORD:

Did your committee, or the groups who reviewed this issue, decide this is just a constitutional prohibition and something the voters should decide? Did you look at other barriers in the Constitution in other revenue? Was that part of the discussion? If so, why did you choose the lottery and not other prohibitions in the Constitution?

MR. OKUDA-LIM:

At the Youth Legislator 2009-2010 hearing, Mr. Waqar brought up the bill draft request to amend the State Constitution. I do not recall any other discussion on any other measures in our State Constitution with reference to revenue or funding for the State. We focused on the BDR and the actual bill which is before the Committee. We did not look at other parts of the Constitution. We focused on Article 4, section 24 of the State Constitution.

I introduced the exact language of this bill to Nevada Boys' State. I do not know if any of my fellow Boys' State citizens introduced other constitutional amendments, such as mining or other areas of revenue in the State Constitution.

VAL SHARP (Las Vegas City Employees Association):

I am in support of this resolution. It is important because it is another avenue of revenue to the State enjoyed by many other states in our Country. Recently, there was a \$319 million lottery, and the lines to purchase tickets were all the way across the border of Nevada as people were going into the convenience store to buy tickets. A state lottery would be a moneymaker for the State. Removing a constitutional obstacle makes sense. There is no need to earmark this for education. The money needs to go to the General Fund, where education comes from. The burden needs to be upon the Legislature to make sure education is properly funded.

It is a two-year process. If it is successful this year, you have to wait two years to put it through again and then bring it to the proper process to remove it from the Constitution. It is not an immediate remedy to the financial concerns of the State. The other obstacle is gaming. Gaming sees a lottery as a competitor because it says state lottery. I support the concept of a state lottery. The committee suggested in the resolution will figure out the best fit for the State to run a lottery.

People from California, Oregon, Idaho, Utah and Arizona will come here and buy lottery tickets like they do in other areas of the Country. The amount of money that will be raised is unknown. I will agree with the figure of \$40 million. Would you be happy if a business came to you and said, "If you pass this law that is favorable to me, I will come and build a business in your State that will generate \$40 million"? I am sure you would support it. You would support a business that wanted to spend \$10 million a year.

Remove the obstacle from the Constitution and let the Legislature come up with the vehicle that works best for the State. We know gaming will not appreciate a state lottery.

Gaming—with its strong influence in the Legislature through legal means, contributions to politicians and other things lawful—has a large footprint with the Legislature. That is why it only pays 6.75 percent in gaming tax. Gaming in Mississippi, South Dakota and New Jersey, the next three lowest states, pays 8 percent. We should look at a gaming tax in the 10 percent range. That would still be less than all the other gaming states, which start at 15 percent and go up from there.

The Las Vegas Sands Corporation is building a \$5 billion project in Macau, China, and is considering a \$5 billion project in Spain, according to the local paper. The Sands is getting money from Las Vegas because it does not have to pay high taxes in Nevada. That is the benefit. The money saved in not paying an 8 percent, 10 percent or a 15 percent tax is exported from this State, where it is earned, and shipped out throughout the United States and other parts of the world to build competing facilities that work against us. It is important to show we care more about how our State is funded than how much money gaming saves on its gaming taxes.

Gaming and mining are the two biggest industries in Nevada. Fair is fair. If they pay a fair amount of tax in Nevada, there would not be the present budget deficit. This should be another tool in the State's box to generate additional revenue. It would be an incentive because people will just bet on lotteries and not in casinos. People might think the lottery is fairer because it is run by the State. I would encourage you to pass this resolution. It is essential and should have been done years ago. Nevada can do this without jeopardizing one single gaming job. I see it increasing employment due to convenience store sales of lottery tickets, especially if it is structured correctly. The lottery prize will start to get larger.

NICHOLE KERESZT (Nevada Youth Legislator, Clark County Senatorial District No. 7):

I urge the Committee's support for this bill because it is important to help our education system. In our education system, supplies are low, there is a shortage of teachers and the class sizes are large. This bill will provide another means of funding for our education system. It allows to change the Nevada Constitution

in order to have a state lottery. This bill will help us get out of our budget deficit, reduce class sizes and increase scholarships, extracurricular activities and teachers. My smallest class size is 43 students in the higher classes. Regular classes are much larger. Next year, we are projected to lose ten teachers at my school, which will increase the size of classes. Due to the decrease in teachers, students are neither getting as good a quality education as they should nor the attention they need to learn effectively. This bill will provide funding to lower the budget deficit in the first years and, we hope, help close the budget gap in years to come.

Anything we can do to help our education system should be done. We have not exhausted all of our options until we have tried bills such as this to help increase revenue. Without this bill or other means of raising revenue, we will continue to hurt Nevada's education system. That is why I urge your support for this bill.

SENATOR HORSFORD:

What is your view of the fact that Nevada is only one of five states that does not have a corporate income tax? There is not a truly broad-based revenue structure that allows multiple sectors to contribute. How does that impact the adequacy of funding for education?

MS. KERESZT:

The way our education funding is set up is not fair to different businesses. We should have other forms of taxes. This bill will provide funding since there is opposition to new taxes in Nevada.

I have written testimony explaining additional reasons why I am supporting S.J.R. 1 ([Exhibit C](#)).

AUTUMN TAMPA:

I work for the Clark County School District (CCSD). I have been in Clark County schools for almost 13 years as a regular substitute teacher and in a pilot program as a support staff substitute teacher and permanent substitute teacher. I have worked in over 100 schools. Right now, I am a specialized programs teacher assistant in a visually impaired classroom. I would like to give you the perspective education support professionals are feeling right now. They feel hopeless, afraid, wondering if they are going to have to go on welfare or lose their homes. The CCSD is considering laying off 2,500 to 5,000 people. In the

last round of budget cuts, my salary was cut 21 percent, and it is to be cut again anywhere from 5 percent to 10 percent.

I am excited about this bill. It gives me hope that we are going to make positive changes in the State Constitution, in presenting bills to the Legislature or in whatever we need to do. The people out there are feeling hopeless and desperate. That is passed down into the environment of the students. The students wonder: Is my school going to be closed down? Is my teacher going to be laid off? Is the program that I want to apply for in high school going to be open? Those are the issues students and employees are wondering about. When I went into education, I did not go into education to make a lot of money, but I thought I would be able to eat and provide a roof over my head. I am feeling a little overwhelmed by everything.

The people who spoke before me articulated all the pros of this bill. I did not hear too many negatives. People from Nevada go over to California or Arizona and buy lottery tickets. I do not gamble in the casinos, but I buy lottery tickets. It is not a conflicting source of revenue. Nevada needs to make a positive change so education can be sustained. These are not just my words and ideas. Many of my coworkers and colleagues are feeling the same way as myself, but feel they will not make a difference by coming to speak. Others are afraid to speak.

I have also provided written testimony explaining the need for [S.J.R. 1 \(Exhibit D\)](#).

SENATOR HORSFORD:

I want to thank you, as a teacher, for your service in the classroom. I would urge you to encourage your colleagues to feel completely at ease in coming and participating in the legislative process. We are elected to represent you. The process may seem intimidating, but the only reason any one of us is here is because people put us here. I urge you to express your concerns to whomever your elected official is at the Assembly and at the Senate and to know you are always welcome to have your voice heard. Make sure your colleagues know they should always have their voice heard. This is your government. We are willing to listen to the people who elected us.

OTISTINE BROWN:

I am a retired schoolteacher from the Clark County School District. It is very important for us to have funding to help our schools. Our children and schools are in a bad situation. I am pleading with you to do something to help our children.

MR. WAQAR:

I realize that the Legislature and this Committee will act with prudence and good judgment. Once this bill progresses out of Committee and into the full Legislature, it will hit lots of different targets. There will be opposition from the gaming industry. There will be lots of different roadblocks.

Some of the criticisms targeted at lottery are: (1) it is a regressive tax; (2) it affects poor people more than it does the rich; and (3) it unfairly harms business. These are nonunique arguments. Those also apply to slot machines in grocery stores and any sort of gaming establishment in Nevada. Having a lottery is similar to have a gaming establishment. These criticisms should not be considered.

With regard to corporate tax and broad-based revenue structure in Nevada, if low taxes were the answer to all our problems—education, fiscal—then Nevada would be Silicon Valley. We would have the lowest unemployment rate and plenty of education spending. If higher taxes were the answer, we would have more jobs and more economic and educational prosperity. Higher or lower taxes are not the answer. The answer is variety. We need variety in our revenue structure. With the proposed bill, we have a variety—funding to our State budget with a state lottery.

MR. WAGNER:

I have some questions. How much will it really raise? How much is going to go to the schools? We have 3 million people in our State. I heard the number \$40 to \$60 million for the schools. That is a lot of money for 3 million people to generate. I also heard that people are going to flock from other States, come over our borders and buy our tickets. If I was going to buy a lottery ticket, I would go to California where it is a bigger payoff than what we could probably supply with only 3 million people. Every other state has a lottery, so why come here for a lottery? Californians can easily come here, but Arizona is quite a way from the nearest population center. Same thing with Salt Lake City, it is a long way to come to Nevada. I do not see people from Oregon or Idaho coming here.

I have a problem with a lottery. Our No. 1 industry is gaming. The State should not be in business and should not be competing with our No. 1 business, gaming. I am against this bill.

CHAIR PARKS:

If we have 2.7 million residents in the State, and if every one of them were to spend \$20 on lottery tickets in one year, it would generate \$54 million. You would have to subtract administrative-type costs. Not everyone is going to buy a lottery ticket, but some individuals might spend more than \$20 a year.

MR. WAGNER:

That is true, but a lot of people do not gamble at all. I have been in Nevada for 11 years and have yet to put my first nickel in a slot machine. I used to gamble when I lived in California. Even if it did generate that much money, you have to set aside money for winnings. People are not going to gamble if they do not stand to win anything. They are not going to gamble just so they can put money into the schools' coffers.

CHAIR PARKS:

I agree. It would take a certain amount of time to build those reserves for payouts.

MS. CHAPMAN:

I would like to talk about lotteries and whether they short-change schools. The news team at CBS investigated how much education money actually goes to the school. According to the report, Americans gamble over \$54 billion on lotteries, but most lottery sales never make it to the classrooms. My father has lived in California for 65 years and says less than 1 percent of the lottery money actually gets to the schools. He says schools are always floating bonds and asking for more money every time there is an election. Obviously, schools are not being covered by the lotteries.

Illinois receives one-tenth of its education money from the lotteries; the Florida lottery provides one-twentieth of State education spending; New Jersey is one-thirtieth; and Texas is one-fiftieth. Michael Johnson, Executive Director of the Illinois Association of School Boards, said, "The general public—they were fooled by this. The belief that that's additional money, above and beyond what we would normally get, that's the part that's not true." Former Illinois State Senator Dawn Netsch said, "It's certainly one of the worst votes I have ever

made." She helped pass the Illinois lottery in the 1970s. She says that the lottery money simply replaces tax dollars Legislators might spend on education but instead spend on other projects.

In Florida, where lottery proceeds are in the billions of dollars a year, spending per pupil has dropped from thirty-seventh to forty-sixth in the Nation since voters approved a lottery 20 years ago. In the past five years, Wisconsin reports gambling helpline calls have increased by 43 percent, another problem. The GTECH Corporation, the world's largest supplier of lottery products and services, with over 94 percent of the instant ticket sales in the United States, had problems with its national sales manager. He was orchestrating a kickback scheme and was caught. Litigation is underway. There is an embezzling problem.

Does anyone realize there is a Teen Gamblers Anonymous? Our children are gambling at an increased rate and becoming addicted. McGill University in Montreal, Quebec, Canada, does a lot of research for high-risk adolescents and reports most adult problem gamblers start as children; their parents purchase lottery tickets or take them to play bingo. Some of them began gambling at age 10 through 19 years old. Problem gambling among adolescents has been linked with increased delinquency and criminal behavior as well as disruption in family and peer relationships. School and work performance is affected.

Money is not the only reason why children gamble. Adolescents with serious gambling problems report that nothing else matters to them and gambling helps them forget their problems. The highest per capita spending on the lotteries is among those who have not completed high school. High school dropouts are spending almost four times as much on gambling annually as college graduates. What is the drop-out rate in Nevada?

The cost to families is high. One study shows that one-quarter to one-half of spouses and at least one in ten children of compulsive gamblers have been victims of abuse. Divorce rates are much higher as well. Are we to help some children by destroying other children's families? What is the cost to bring lotteries here? I hope you think about the cost to families and, especially, our children.

CHAIR PARKS:

Did you find any reports that would distinguish between gambling in casinos versus gambling on lotteries or Internet-type gambling? Did you find any research that differentiates one from another and the negative effects?

MS. CHAPMAN:

I mainly found that children start gambling at lotteries. They are starting at younger and younger ages. That was my focus. It will be harder to go into a casino at ten years old and get away with gambling. I focused on the impact on children and families and where the children started gambling.

SENATOR DENIS:

You mentioned the types of individuals who buy lottery tickets. Is that in a report that shows income of those who play the lottery? You referenced lottery tickets being purchased in higher amounts by people who have dropped out of school.

MS. CHAPMAN:

Yes. I obtained information from McGill University, which does a lot of research on high-risk adolescents.

MS. HANSEN:

Studies show among those who become compulsive gamblers, 5 percent are adults. Thirteen percent of teenagers become involved in gambling. There is a much higher percent of teenage gamblers, which brings them into adulthood as compulsive gamblers. One study showed playing cards as one of the contributing factors of youth gambling, followed by betting on games of skill, sporting activities, dice and lottery games. These activities are more available to young people. Young people can go to the convenience store with their parents, who are buying lottery tickets, and become involved in the purchase of lottery tickets. The highest per capita spending is among high school dropouts, who spend four times the amount on lotteries as do college graduates. That is significant. It shows this is a heavier weight on those who can least afford it. This is a poor tax. There are other answers to the issues we face in education, including choice in education and true educational reform.

Someone earlier mentioned feeling hopeless and desperate. That is how people feel who are dealing with someone in their family who is addicted to gambling. You often feel hopeless and desperate. I know from personal experience. Your

family's savings are soon gone or nonexistent. You are deeply in debt because of the addictive behavior of someone in your family. You have no more trust. Sometimes you do not know how to pay your bills or what to do. I am concerned about this issue of addiction to gambling. When you are an adult, you can make decisions yourself. We will make it easier for our young people to become addicted to gambling. They bring sorrow to their family. They may steal from their employer and may ultimately end up in jail and cost society a great deal of money.

The ultimate social costs of addiction to gambling by our young adolescents, who we want to have a bright future in the world, are something we need to consider when we think about this alternative. It may seem like easy money, but for the families who are dealing with compulsive gamblers, nothing is easy. We do not want our young people to have a greater opportunity to be placed in that most desperate of situations.

MR. WAQAR:

Senate Joint Resolution 1 is not perfect, not in any sense of the word. If we look at S.J.R. 1 on page 2, subsection 2, paragraph (b), subparagraph (3), lines 28 through 30, this joint resolution seeks to "establish a committee to oversee the operation of the lottery and the distribution of the proceeds generated by the lottery." The committee would look at the mistakes that other states have made, such as advertising and not providing higher payouts while implementing their lottery programs. It would look to see how Nevada can best progress forward with its lottery program. The committee, with prudence, would oversee the operation and ensure the lottery program is helpful and beneficial.

Compulsive gambling is a terrible problem for those who decided to gamble, the gambling industry and the State. Teen gambling and gambling addiction is a nonunique argument. It is not as if teen gambling or compulsive gambling will immediately skyrocket with a lottery in Nevada. Compulsive gambling exists, with or without a state lottery. The State has one of the best compulsive gambling treatment programs in the Nation. We will address the problem as it progresses. It is ironic to vote against a joint resolution that benefits children and the education they seek because of teen gambling, to vote against a bill that benefits children because other children are doing something wrong. I urge you to consider the amount of money that will be brought forth from the state lottery bill; we have estimated it to be \$47 million.

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The committee overseeing the operation of the lottery will ensure the lottery is operating to the best of its abilities.

CHAIR PARKS:

There being no further business, we are adjourned at 5:41 p.m.

RESPECTFULLY SUBMITTED:

Michelle Ené,
Committee Secretary

APPROVED BY:

Senator David R. Parks, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.J.R. 1	C	Nichole Kereszt	Written Testimony
S.J.R. 1	D	Autumn Tampa	Written Testimony