

## NGISC TESTIMONY

I would like to thank Chairman James and the Commissioners for the opportunity to address this body today regarding neighborhood gambling and "local" casinos. Once again my name is Sean Higgins, I am general counsel for E-T-T, Inc., a slot route operator licensed by the State of Nevada. In addition I serve as the President of the Nevada Retail Gaming Association. The Association is made up of the four largest slot route operators in Nevada, Anchor Gaming, E-T-T, Jackpot Enterprises and United Coin. The purpose of the Association is to provide an organization which can deal with the many issues which may have an affect on the operations of our business, from the local and state level to the national level and provide a common voice for our segment of the gaming industry to address these issues and concerns.

The first issue which I would like to discuss is what has been termed "neighborhood" or "convenience" gambling. The gambling which takes place in bars, taverns, supermarkets, convenience stores and other similar locations. I would refer to this type of gambling as "retail gaming", as opposed to "convenience gaming".

Nevada was the first jurisdiction to allow retail gaming and is still one of very few states which allow this type of gambling. Nevada operates by far the largest and most varied number of retail gaming locations in the country. I believe Nevada is unique in this regard and that Nevada has, through the Nevada Gaming Control Board and Nevada Gaming Commission, whom I jointly refer to as the Nevada

**Gaming Authorities, have implemented the most comprehensive regulation of gambling, retail or otherwise, in the country.**

**Any individual who operates a retail establishment where gambling is permitted must apply for licensure before the Nevada Gaming Authorities. All applicants undergo an extensive background check before being issued a license. In Nevada there are companies statutorily defined as "slot route operators". These companies hold non-restricted licenses, the same category of license held by all casinos in Nevada, which enables them to place fifteen or less gaming devices into the business premises owned by other persons. Each owner and all key employees of a slot route operator must also undergo personal and financial background investigations to obtain a license.**

**In addition, each retail location must be licensed by local authorities.**

**The State and local authorities also place restrictions on what type of business establishments are suitable to conduct gaming and the number of gaming devices which may be placed in the specific location. The license issued by the State and local authorities to most retail gambling establishments are categorized as "restricted".**

**The local authorities also have authority to regulate the placement of gaming devices in these locations. The locations at which most restricted retail gaming licenses are issued are locations that have liquor licenses, either for on- or off-premise consumption. There are prohibitions on locating these licenses in businesses near schools or churches and each local jurisdiction has distance requirements between taverns, some even going as far as limiting the absolute**

number of tavern licenses. The areas within the local municipalities where these business establishments may be located are decided by local zoning and planning boards. In my opinion, this is the proper forum to decide these issues, as most communities in Nevada and elsewhere adopt master plans which only allow businesses to locate in certain areas.

Once a location is licensed to operate gaming devices that location is subject to continued regulation by the Nevada Gaming Authorities, as well as, the local authorities. These agencies have field agents who randomly review locations to ensure;(i)the games are properly placed according to submitted diagrams;(ii)all games are operating properly;(iii)the locations methods of operation are satisfactory(this includes having proper supervision of the games by an individual over 21 holding a valid gaming card, having every gaming device in the supervisors line of site, either directly or through mirrors and ensuring no one under 21 years of age plays the gaming devices.).

There are three basic arrangements for operating a retail gambling location. The first is for the location owner, to apply for and receive a restricted gaming license, together with all local approvals, to own and operate his own gaming devices. In this instance the owner keeps 100% of all proceeds from the gaming devices. A second arrangement is for the location owner to apply for and receive his restricted gaming license and all other local approvals, then contract with a slot route operator to place the gaming devices at his business. In this case the parties "participate " in the proceeds from the gaming devices. The third arrangement is

where a slot route operator applies for and receives a license to operate gaming devices at another business owners location and that owner is approved as a landlord. In this case the slot route operator receives all of the proceeds from the gaming devices and pays a flat lease payment to the location owner.

In scenarios one and two the direct oversight of gambling at retail locations is the responsibility of the business operator. He is required to have personnel 21 years of age or older, who possess a valid gaming work card oversee the gaming devices at all times while they are presented for play to the general public. With regards to scenario three, depending on the circumstances surrounding the license, either the location owners employees will directly oversee the operations or the slot route operator will place a change attendant at the location, who will be responsible for the oversight.

As of June 1998 there were a total of 198,232 gaming devices(slot machines, video poker, etc.) in the State of Nevada. Of this number 17,922 were located in restricted locations. The vast majority of retail gambling establishments are restricted locations. The number of gaming devices in restricted locations totals 9.04% of all gaming devices in the State. Retail gambling is not widespread and as noted previously each local governmental authority has certain restrictions and prohibitions in place which limit additional growth, whether it be by limiting licenses, distance requirements or limiting the types of businesses which can hold restricted gaming licenses. These issues are often decided based on local zoning and land use issues rather than gaming issues.

Nevada in general, and Las Vegas, in particular are unlike any other gaming jurisdiction in the world when it comes to retail gambling. These types of operations have existed here for decades and are not only an accepted form of gaming, but are preferred by many locals. These establishments offer a different atmosphere where patrons can enjoy the entertainment of gambling. These locations are akin to the community center, coffee house or corner bar in other communities. A place where you can go to relax with your friends, where you know the employees, as well as the other customers, and vice versa. These locations offer local residents an alternative to casino gambling.

That said, local casinos act in much the same fashion, offering locals the opportunity to experience the hotel-casino atmosphere and amenities without having to compete with the tourist along the Strip.

While Las Vegas is one of the premiere destination locations for tourists, both gambling and non-gambling, it is also home to numerous "local" casinos and various other "local" gambling venues, from bars and taverns to convenience stores and supermarkets. Both the local casino and "convenience" gambling markets started in Las Vegas and Las Vegas is still at the forefront of these gambling arenas.

Local casinos offer patrons almost all of the same amenities as "destination" casinos. The pit areas are the same, each offer patrons a similar variety of gaming devices to choose from, each have race and sports books, buffets, cocktail lounges, entertainment and of course hotel accommodations. The physical makeup of the

properties are indeed substantially the same. The difference between “local” casinos and “destination” casinos lies in the clientele who frequent the casinos. Local casinos are historically located either on major thoroughfares or in close proximity to residential areas. In addition, local casinos market more directly to locals through television, radio and billboard advertisement. Local casinos also have slot clubs which allow the casinos to direct mail market to the individuals who frequent their particular establishment.

Local casinos use the “local” status in their advertising “best local casino, “where locals bring their friends”, “friendliest casino in town”, the market for these casinos is primarily the person living within a ten mile radius of the location.

These casinos are a form of entertainment and recreation for locals, much as the destination casino serves this purpose for tourists. Local casinos historically have competed with other recreational activities for that local dollar. Now most local casinos have diversified and offer other amenities and forms of entertainment and recreation besides gambling. These range from movie theaters, bowling centers, world class entertainers, concerts, amusement type rides and arcades to first class restaurants and spa facilities.

One thing that must be remembered, however, is that local casinos in Las Vegas also have hotel rooms to fill and these are not filled by locals. Each of these casinos must also market to tourists to fill those rooms and gamble in their casinos and eat in their restaurants.

From my discussion thus far one could come to the conclusion that I was only discussing Las Vegas local casinos. In truth I could have been talking about almost

any jurisdiction where casino gambling is legal in the United States, from Kansas City to New Orleans to St. Louis to Chicago and so on. Each of these markets and the casinos which operate in them are "local" casinos. The majority of their clientele is locals from the specific metropolitan area in which the casino is located. In addition most Indian casinos market to the nearest population base and are in essence "local" casinos. The reality of gambling in America is that most of it is "local". Other than Las Vegas, most gaming destinations are either located in the city where they draw their customers from or they are day trip markets.

The question of what effect local casinos have on pathological gambling is a question probably best left for the health care professionals who deal with this problem on a daily basis. However, based on my understanding of addictive problems, whether that problem be gambling, alcohol, drugs or any other compulsive/addictive disorder I would offer the following:

Pathology is defined as the "abnormality of structure and function characteristic of a disease". A pathological gambler is an individual who has an abnormality which manifests itself as an uncontrollable urge to gamble. The pathological or compulsive gambler has an illness or disease and the cure for that individual is through treatment.

With regards to Las Vegas, while local casinos, due to their proximity to residential areas, may make it more convenient to gamble, in my opinion, their presence does not increase the compulsive urges of a pathological gambler. The pathological gambler will simply find another location at which to gamble.

Eliminating "local" casinos would not have a long term effect on that individuals behavior. That individual will simply seek out other venues, such as "destination" casinos, where they can satisfy their need to gamble. In my opinion, making someone drive an extra ten to fifteen minutes will not have an effect on their behavior.

Emerging jurisdictions and the local casinos located in those jurisdictions may have made it easier for pathological gamblers to gamble, but once again, the pathological gambler will find some form of gambling to satisfy his or her desire, or need to gamble, many times through illegal, unregulated gambling operations. While the gaming industry itself may not be the cause of pathological gambling we do bear some responsibility to attempt to help those individuals who are afflicted with this disorder. To this end the Nevada Retail Gaming Association implemented a program for the placement of informational brochures, as well as, stickers containing the 1-800 number for the National Council on Problem Gambling, into all of the retail locations operated by the members of the Association. The proper way to attack problem gambling is through the dissemination of information to the people who need this information.

In closing, I would like to express my opinion that retail gambling has no negative social impact on Las Vegas. I believe I am qualified to make this statement. I, along with my nine brothers and sisters were raised in Las Vegas. I was exposed to "convenience" retail gambling throughout my life, as were my siblings and my peers. If retail gambling posed a great threat to the social fiber of this community,



I believe I should be able to point to at least one incident, if not several, where retail gambling had a deleterious effect on some of those individuals. I have none. I have chosen to raise my children in this community and have no fear that they too will suffer no ill effects due to the presence of retail gambling. I believe it is every parents obligation to inform their children about the facts of gambling, just as it is our obligation to inform them about alcohol, safe sex and other adult activities. I tell my children gambling it is an adult recreation not meant for children and I will describe the problems that can come from addiction. In short I do not feel "convenience" gambling, as it is referred to by this Commission, has a negative social impact on the Las Vegas community.