

# GLS

## eNewsletter

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**Gaming Law Section**

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## NEVADA GAMING SUPPLIERS WELCOME GENERATION Z

On May 8, 2019, Governor Steve Sisolak, signed Assembly Bill 221 into Nevada law. Nevada is the only state that applies the definition of “gaming employee” equally to employees at casinos and to employees of manufacturers, distributors or suppliers of gaming equipment. Prior to AB 221, with limited exceptions, one of the requirements for a gaming employee in Nevada is that the employee must be at least twenty-one (21) years old. As a result of Nevada gaming statutes casting a wide net over defining individuals who may be employed as a gaming employee, gaming manufacturers and distributors based in Nevada have been unable to hire capable workers simply because the candidate has not reached legal drinking age yet.

Commencing July 1, 2019, Nevada gaming manufacturers may hire workers who have reached the age of majority rather than the ripe old age of 21.<sup>1</sup> By opening up employment opportunities in the gaming supply and technology sector in Nevada to talented “Generation Z” workers, AB 221 benefits both suppliers and potential employees who are members of the first generation raised on the internet and data plans.<sup>2</sup> AB 221 amended NRS 463.350 by effectively adding a new Section 2, providing:

*“2. A person who is of the age of majority as provided in NRS 129.010 may be employed as a gaming employee by a licensed manufacturer or distributor at the business premises of the licensed manufacturer or*

*distributor [emphasis added] if the employee:*

- (a) Designs, develops, programs, produces or composes a control program or other software, source language or executable code of a gaming device, associated equipment or a gaming support system, subject to peer review and change management procedures adopted by the licensee;
- (b) Fabricates or assembles the components of a gaming device, associated equipment, or a gaming support system; or
- (c) Installs, modifies, repairs or maintains a gaming device, associated equipment or a gaming support system.”

It is worth noting that AB 221 does not change any existing laws or regulations prohibiting individuals under age 21 from working on the gaming floor areas of Nevada casinos.<sup>3</sup> However, by allowing gaming suppliers in Nevada to employ a new demographic, the Legislature further advanced the intent of 2015’s Senate Bill 9 encouraging manufacturers to develop and deploy gaming devices, associated equipment, and gaming support systems incorporating innovative alternative and advanced technology, albeit through the labor force rather than the latest gaming trends.

<sup>1</sup>Must be a great idea, not one “Nay” vote in either chamber.

<sup>2</sup>Yes, your teenager’s hours of Fortnite may pay off after all.

<sup>3</sup>Nor does the legislative history reflect any intent to promote early empty-nester households in Nevada.

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# MAINSTREAMING IT SERVICES IN THE GAMING INDUSTRY

On May 25, 2018, the Nevada Legislature enacted Senate Bill 46 ("SB46"), which among other things, changes the Nevada licensing regime as it relates to information technology ("IT") services used by the Nevada gaming industry.

In industries outside of gaming, IT services and outsourcing of IT services has become commonplace. Over the last forty years, business globally has become more and more IT-centric across all industries. As IT became more advanced, businesses had to devote more resources to IT functions that were not part of the core mission of the business. Many businesses realized this was taking valuable corporate resources to manage IT services and departments and taking focus away from the mission of the business. The solution for many businesses was to hire an outside specialist to provide such services. Today, companies like IBM, NTT Data, DXC Technologies, Capgemini, and HP Services provide IT services to companies in all major sectors of the global economy.

In most industries, the selection of an IT service provider is governed solely by corporate processes. In Nevada, until the enactment of SB46, IT service providers were required to obtain a Class 2 service provider's license. While some of the best IT service providers are large multi-national technology companies and are likely to be suitable for licensing, the process and long-term requirements of being licensed

by a gaming authority was often a deterrent to bidding on IT services for Nevada gaming licensees. The requirement of a license gave the perception that the IT service provider would be exposing itself to oversight by a regulator with which it was unfamiliar and that regulates an industry in which the IT service provider does not directly participate. This put the Nevada gaming industry at a perceived disadvantage compared to other businesses with no barriers to using the best IT service provider for the needs of the business.

SB46 reduces the requirements imposed upon IT service providers by requiring a registration process rather than a licensing process. In general, registration processes are viewed as more straight-forward, less cumbersome, and have fewer ongoing obligations than a licensing process. This will change the perception in the IT industry that the Nevada gaming market is less desirable than other industry markets for the provision of IT services. Ultimately, this will be good for Nevada licensees as they should find it easier to entice larger global technology companies like IBM, NTT Data, DXC Technologies, Capgemini, and HP Services, to provide IT services that will free up gaming licensees to focus on their core businesses, gaming, and hospitality. With SB46, Nevada gaming is one step closer to mainstream use of IT services to make it more competitive with other sectors of the entertainment and hospitality industry.



## Upcoming Events and Publications

- **August 12-15, 2019** – *12th Annual National AML Conference & Expo* at The Cosmopolitan of Las Vegas. Gaming Law Section is the Platinum Sponsor. For more information or to register go to <http://www.casinoessentials.com/events/title-31-las-vegas/>. Special rates for Gaming Law Section members.
- **September 1, 2019** – *Nevada Gaming Lawyer Magazine* is mailed. If interested in writing an article or placing an ad in 2020, please contact Robert Horne, Programs & Events Manager, State Bar of Nevada ([rhorne@nvbar.org](mailto:rhorne@nvbar.org) or 702-382-2200). Draft articles are due *no later than June 30, 2020*.
- **November 22, 2019** – *2019 Gaming Law Conference* at Red Rock Casino Resort & Spa from 8:00 a.m. to 5:00 p.m. 7 hours of CLE credit (including 4 general, 2 ethics & 1 substance abuse). Special rates for Gaming Law Section members and groups of 3 or more. Early bird discounts available through July 31st. FREE Opening Night Reception on November 21st (5:30 p.m.-7:00 p.m.) at T-Bones Chophouse by the pool (for registered attendees who RSVP online by November 1st). Register online at <https://members.nvbar.org/cvweb/cgi-bin/eventsdll.dll/EventInfo?sessionaltcd=CLE-4420-1903>.
- **October/November 2019** – Updated *Nevada Gaming Law Index* (2nd ed. 2019) to mail. Free to Gaming Law Section members.

The GLS eNewsletter will be a quarterly digital publication.

**Look for the next issue on or about October 20, 2019.**

<sup>1</sup>Interactive Gaming Service Providers will still be required to obtain an interactive gaming service provider's license.



# AB 533: CANNABIS TAKES ON GAMING

On June 12, 2019, Assembly Bill 533 (“AB 533”) was signed into law by Governor Steve Sisolak. This historic piece of legislation created the Nevada Cannabis Compliance Board, a state agency created to establish a regulatory framework for cannabis mirroring that of the gambling industry in Nevada.

The initiative began less than 20 days into Governor Sisolak’s administration when he issued Executive Order 2019-03 to establish an Advisory Panel for Creation of a Cannabis Compliance Board. The panel was tasked with reviewing various areas within the cannabis industry, ranging from advertising to employee registration to tribal impacts, to assist with legislation to create the duties and responsibilities of the new Cannabis Compliance Board.

Although not structured exactly like Nevada’s two-tiered, “gold standard” gaming regulatory system, AB 533 creates a five-member Cannabis Compliance Board (versus the three-member Gaming Control Board), a 12-member Cannabis Advisory Commission (which is more similar to the Gaming Policy Committee, than the Nevada Gaming Commission), and an Executive Director role to oversee agency functions that are similar to those found in Nevada’s gaming regulatory system.

Interestingly, this pathway to the Cannabis Compliance Board is quite similar to the trajectory followed by Nevada’s gaming agencies. The gambling industry was regulated by the Nevada Tax Commission for about ten years before the need for more robust control over gambling activities was evident. Thus, the current structure of the separate state system, the Nevada Gaming Commission and Nevada Gaming Control, was implemented. Now, with the cannabis industry, Governor Sisolak deemed it important to have greater oversight and control of the cannabis industry in line with the high standards seen in Nevada’s gambling regulatory structure.

Some key features of AB 533 that are similar to Nevada gaming control include stricter pre-licensing, audit, and disciplinary measures and exemption of the agency from the Nevada Administrative Procedures Act. In the licensing context, AB 533 offers two interesting provisions that are similar to gaming regulation: (1) a cannabis license or registration is deemed a revocable privilege and (2) there is no judicial review for denials of cannabis licenses or registrations.

This new cannabis regulatory structure pursuant to AB 522 will begin to take shape quite rapidly. In a press release issued upon signing of the bill, Governor Sisolak indicated that the Cannabis Compliance Board would be appointed “[i]n the coming weeks.” See Governor Sisolak Signs Bill Creating Cannabis Compliance Board, June 12, 2019, available at [http://gov.nv.gov/News/Press/2019/Governor\\_Sisolak\\_Signs\\_Bill\\_Creating\\_Cannabis\\_Compliance\\_Board/](http://gov.nv.gov/News/Press/2019/Governor_Sisolak_Signs_Bill_Creating_Cannabis_Compliance_Board/).

While it may take some time before the cannabis and gaming industries will intersect, the gaming regulatory structure in Nevada certainly influenced the way cannabis will be regulated in the state.

