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| SENATE BILL 325 |
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| 43rd Legislature - STATE OF NEW MEXICO - SECOND SESSION, 1998 |
| INTRODUCED BY |
| JOHN ARTHUR SMITH |
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| AN ACT |
| RELATING TO GAMING; EXPANDING AUTHORIZED GAMING PURSUANT TO |
| THE GAMING CONTROL ACT; AMENDING, REPEALING AND ENACTING |
| SECTIONS OF THE NMSA 1978. |
| |
| BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO: |
| Section 1. Section 60-2E-1 NMSA 1978 (being Laws 1997, |
| Chapter 190, Section 3) is amended to read: |
| "60-2E-1. SHORT TITLE[Sections 3 through 63 of this |
| act] Chapter 60, Article 2E NMSA 1978 may be cited as the |
| "Gaming Control Act"." |
| Section 2. Section 60-2E-3 NMSA 1978 (being Laws 1997, |
| Chapter 190, Section 5) is amended to read: |
| "60-2E-3. DEFINITIONSAs used in the Gaming Control |
| Act: |
| A. "administrator" means the executive director or |

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- [A.] <u>B.</u> "affiliate" means a person who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with a specified person:
 - [B.] C. "affiliated company" means a company that:
- (1) controls, is controlled by or is under common control with a company licensee; and
- (2) is involved in gaming activities or involved in the ownership of property on which gaming is conducted;
- [C.] <u>D.</u> "applicant" means a person who has applied for a license or for approval of an act or transaction for which approval is required or allowed pursuant to the provisions of the Gaming Control Act;
- [D.] <u>E.</u> "application" means a request for the issuance of a license or for approval of an act or transaction for which approval is required or allowed pursuant to the provisions of the Gaming Control Act, but "application" does not include a supplemental form or information that may be required with the application;
- [E.] F. "associated equipment" means equipment or a mechanical, electromechanical or electronic contrivance, component or machine used in connection with gaming;
- [F.] <u>G.</u> "board" means the gaming control board; $.\,121075.\,1$

| H. "casino game" means a game, including baccarat, |
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| beat the banker, blackjack, chemin de fer, chuck-a-luck, |
| craps, dai shu, fan-tan, faro, keno, klondike, lotteries, |
| monte, pai gow, panguini, pari-mutuel wagering and |
| simulcasting, poker in any form, progressive forms of casino |
| games, red dog, roulette, seven and a half, sic bo, twenty- |
| one, wheels of fortune and any other dice, table or card game |
| that is played on associated equipment and may be simulated |
| for play on a gaming machine; |
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[G.] I. "certification" means a notice of approval by the board of a person required to be certified by the board;

[H.] J. "certified technician" means a person certified by a manufacturer licensee to repair and service gaming devices, but who is prohibited from programming gaming devices;

[H.] K. "company" means a corporation, partnership, limited partnership, trust, association, joint stock company, joint venture, limited liability company or other form of business organization that is not a natural person;

[J.] <u>L.</u> "distributor" means a person who supplies gaming devices to a gaming operator but does not manufacture gaming devices;

[K.] $\underline{\mathbf{M}}$ "equity security" means an interest in a . 121075.1

company that is evidenced by:

- (1) voting stock or similar security;
- (2) a security convertible into voting stock or similar security, with or without consideration, or a security carrying a warrant or right to subscribe to or purchase voting stock or similar security;
- (3) a warrant or right to subscribe to or purchase voting stock or similar security; or
- (4) a security having a direct or indirect participation in the profits of the issuer;
- [L.] N. "executive director" means the chief administrative officer appointed by the board pursuant to [Section 9 of the Gaming Control Act] Section 60-2E-7 NMSA 1978;
- [M-] <u>O.</u> "finding of suitability" means a certification of approval issued by the board permitting a person to be involved directly or indirectly with a licensee, relating only to the specified involvement for which it is made:
- [N.-] P. "game" means an activity in which, upon payment of consideration, a player receives a prize or other thing of value, the award of which is determined by chance even though accompanied by some skill; "game" does not include an activity played in a private residence in which no person makes money for operating the activity except through winnings

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- "gaming" means offering a game for play; [0.] **Q**.
- "gaming activity" means any endeavor [P.] R. associated with the manufacture or distribution of gaming devices or the conduct of gaming;
- [Q.] <u>S.</u> "gaming device" means associated equipment or a gaming machine and includes a system for processing information that can alter the normal criteria of random selection that affects the operation of a game or determines the outcome of a game; "gaming device" does not include a system or device that affects a game solely by stopping its operation so that the outcome remains undetermined;
- [R.] T. "gaming employee" means a person connected directly with a gaming activity; "gaming employee" does not include:
- bartenders, cocktail servers or other **(1)** persons engaged solely in preparing or serving food or beverages;
 - **(2)** secretarial or janitorial personnel;
 - stage, sound and light technicians; or (3)
 - **(4)** other nongaming personnel;
- "gaming establishment" means the premises [S.] U. on or in which gaming is conducted;
- [T.] V. "gaming machine" means a mechanical, electromechanical or electronic contrivance or machine that, . 121075. 1

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| 1 | upon insertion of a coin, token or similar object, or upon |
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| 2 | payment of any consideration, is available to play or operate |
| 3 | a game, whether the payoff is made automatically from the |
| 4 | machine or in any other manner; |
| 5 | [U.] <u>W.</u> "gaming operator" means a person who |
| 6 | conducts gaming; |
| 7 | $\left[\frac{V}{L} \right] \ \underline{X}$ "holding company" means a company that |
| 8 | directly or indirectly owns or has the power or right to |
| 9 | control a company that is an applicant or licensee, but a |
| 10 | company that does not have a beneficial ownership of more than |
| 11 | ten percent of the equity securities of a publicly traded |
| 12 | corporation is not a holding company; |
| 13 | [\frac{\text{W.}}{\text{.}}] \frac{\text{Y.}}{\text{.}} "immediate family" means natural persons |
| 14 | who are related to a specified natural person by affinity or |
| 15 | consanguinity in the first through the third degree; |

[X.] Z. "independent administrator" means a person who administers an annuity, who is not associated in any manner with the gaming operator licensee for which the annuity was purchased and is in no way associated with the person who will be receiving the annuity;

[\frac{\text{Y.}}{\text{]}} \frac{\text{AA.}}{\text{"institutional investor" means a state or federal government pension plan or a person that meets the requirements of a qualified institutional buyer as defined in Rule 144A of the federal Securities Act of 1933, and is:

(1) a bank as defined in Section 3(a)(6) of

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- (2) an insurance company as defined in Section 2(a)(17) of the federal Investment Company Act of 1940;
- (3) an investment company registered under Section 8 of the federal Investment Company Act of 1940;
- (4) an investment adviser registered under Section 203 of the federal Investment Advisers Act of 1940;
- (5) collective trust funds as defined in Section 3(c)(11) of the federal Investment Company Act of 1940:
- (6) an employee benefit plan or pension fund that is subject to the federal Employee Retirement Income Security Act of 1974, excluding an employee benefit plan or pension fund sponsored by a publicly traded corporation registered with the board; or
- (7) a group comprised entirely of persons specified in Paragraphs (1) through (6) of this subsection;
- $\left[\overline{Z_{\cdot \cdot}} \right]$ BB. "intermediary company" means a company that:
- is a holding company with respect to a company that is an applicant or licensee; and
- (2) is a subsidiary with respect to any holding company;
- [AA.] $\underline{\text{CC.}}$ "key executive" means an executive of a . 121075.1

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licensee or other person having the power to exercise significant influence over decisions concerning any part of the licensed operations of the licensee or whose compensation exceeds an amount established by the board in a regulation;

[BB.] DD. "license" means an authorization required by the board for engaging in gaming activities;

[CC.] EE. "licensee" means a person to whom a valid license has been issued;

FF. "liquor establishment" means a person licensed pursuant to Section 60-6A-3 NMSA 1978 to dispense alcoholic beverages whose licensed premises as defined in Section 60-3A-3 NMSA 1978 have permanent seating capacity for no fewer than thirty patrons and who serves beer, wine and spirituous liquors;

[DD.] GG. "manufacturer" means a person who manufactures, fabricates, assembles, produces, programs or makes modifications to any gaming device for use or play in New Mexico or for sale, lease or distribution outside New Mexico from any location within New Mexico;

[EE.] HH. "net take" means the total of the following, less the total of all cash paid out as losses to winning patrons and those amounts paid to purchase annuities to fund losses paid to winning patrons over several years by independent administrators:

(1) cash received from patrons for playing a . 121075. 1

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- (2) cash received in payment for credit extended by a licensee to a patron for playing a game; and
- (3) compensation received for conducting a game in which the licensee is not a party to a wager;

[FF.] II. "nonprofit organization" means:

(1) a bonafide club that is described in

Section 501 (c)(7) of the federal Internal Revenue Code of

1986 and that is exempt from federal income taxation pursuant
to Section 501(a) of that code;

[(1)] (2) a bona fide chartered or incorporated branch, lodge, order or association [in existence in New Mexico prior to January 1, 1997] of a fraternal organization that is described in Section 501(c)(8) or (10) of the federal Internal Revenue Code of 1986 and that is exempt from federal income taxation pursuant to Section 501(a) of that code; or

[(2)] (3) a bona fide chartered or incorporated post, auxiliary unit or society of, or a trust or foundation for the post or auxiliary unit [in existence in New Mexico prior to January 1, 1997] of a veterans' organization that is described in Section 501(c)(19) or (23) of the federal Internal Revenue Code of 1986 and that is exempt from federal income taxation pursuant to Section 501(a) of that code;

[GG.] <u>JJ.</u> "person" means a legal entity;

| 1 | [IIII.] <u>KK.</u> "premises" means land, together with all |
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| 2 | buildings, improvements and personal property located on the |
| 3 | l and; |
| 4 | [H.] LL. "progressive jackpot" means a prize that |
| 5 | increases over time or as gaming machines that are linked to a |
| 6 | progressive system are played and upon conditions established |
| 7 | by the board may be paid by an annuity; |
| 8 | [JJ.] <u>MM</u> "progressive system" means one or more |
| 9 | gaming machines linked to one or more common progressive |
| 10 | jackpots; |
| 11 | [KK.] <u>NN.</u> "publicly traded corporation" means a |
| 12 | corporation that: |
| 13 | (1) has one or more classes of securities |
| 14 | registered pursuant to the securities laws of the United |
| 15 | States or New Mexico; |
| 16 | (2) is an issuer subject to the securities |
| 17 | laws of the United States or New Mexico; or |
| 18 | (3) has one or more classes of securities |
| 19 | registered or is an issuer pursuant to applicable foreign laws |
| 20 | that the board finds provide protection for institutional |
| 21 | investors that is comparable to or greater than the stricter |
| 22 | of the securities laws of the United States or New Mexico; |
| 23 | 00. "qualified county" means a class B county: |
| 24 | (1) having a 1995 net taxable value of |
| 25 | property, as that term is defined in the Property Tax Code, of |
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over three hundred million dollars (\$300,000,000) and having a population as determined by the 1990 federal decennial census of not more than twenty-five thousand persons and not less than twenty thousand persons;

(2) having a 1995 net taxable value of property, as that term is defined in the Property Tax Code, of over three hundred million dollars (\$300,000,000) and having a population as determined by the 1990 federal decennial census of not more than twelve thousand five hundred persons and not less than twelve thousand persons; or

(3) having a 1995 net taxable value of property, as that term is defined in the Property Tax Code, of under three hundred million dollars (\$300,000,000) and having a population as determined by the 1990 federal decennial census of not more than thirteen thousand persons and not less than twelve thousand five hundred persons;

PP. "resort" means a facility for public lodging with at least one hundred fifty guest rooms that has on its premises a permanent affiliated restaurant with banquet or restaurant facilities to accommodate at least one hundred persons simultaneously and is located in a qualified county;

[LL.] QQ. "registration" means a board action that authorizes a company to be a holding company with respect to a company that holds or applies for a license or that relates to other persons required to be registered pursuant to the Gaming

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RR. "security director" means the chief security officer appointed by the board pursuant to Section 60-2E-7

NMSA 1978;

[MM-] SS. "subsidiary" means a company, all or a part of whose outstanding equity securities are owned, subject to a power or right of control or held, with power to vote, by a holding company or intermediary company; and

[NN.] TT. "work permit" means a card, certificate or permit issued by the board, whether denominated as a work permit, registration card or otherwise, authorizing the employment of the holder as a gaming employee."

Section 3. Section 60-2E-5 NMSA 1978 (being Laws 1997, Chapter 190, Section 7) is amended to read:

"60-2E-5. GAMING CONTROL BOARD CREATED. --

A. The "gaming control board" is created and consists of five members [Three members are] appointed by the governor with the advice and consent of the senate [and two members are ex officio: the chairman of the state racing commission and the chairman of the board of the New Mexico lottery authority]. All members of the board shall be residents of New Mexico and citizens of the United States. At least one [appointed] member of the board shall have a minimum of five years of previous employment in a supervisory and administrative position in a law enforcement agency; at least

one [appointed] member of the board shall be a certified public accountant in New Mexico who has had at least five years of experience in public accountancy; [and] at least one [appointed] member of the board shall be an attorney who has been admitted to practice before the supreme court of New Mexico; and at least one member of the board shall have had at least five years of previous employment in a top-level supervisory and administrative position in a governmental gaming regulatory agency.

- B. The [appointed] members of the board shall be appointed for terms of five years, except, of the members who are first appointed, the member with [law enforcement] government gaming regulation experience shall be appointed for a term of five years; the member with law enforcement experience shall be appointed for a term of four years; the member who is a certified public accountant shall be appointed for a term of four years; [and] the member who is an attorney shall be appointed for a term of three years; and the remaining member shall be appointed for a term of two years. Thereafter, all members shall be appointed for terms of five years. No person shall serve as a board member for more than two consecutive terms or ten years total.
- C. No person appointed to the board may be employed in any other capacity or shall in any manner receive compensation for services rendered to any person or entity

other than the board while a member of the board.

- D. A vacancy on the board [of an appointed member] shall be filled within thirty days by appointment by the governor with the advice and consent of the senate for the unexpired portion of the term in which the vacancy occurs. A person appointed to fill a vacancy shall meet all qualification requirements of the office established in this section.
- E. The governor shall choose a chairman annually from the board's [appointed] membership.
- F. No more than three members of the board shall be from the same political party.
- G. The [appointed] members of the board shall be full-time state officials and shall receive a salary set by the governor of no less than sixty thousand dollars (\$60,000) annually.
- H. The department of public safety shall conduct background investigations of all members of the board prior to confirmation by the senate. To assist the department in the background investigation, a prospective board member shall furnish a disclosure statement to the department on a form provided by the department containing that information deemed by the department as necessary for completion of a detailed and thorough background investigation. The required information shall include at least:

| | (1) | 1 | a full | set | of | fing | erpri | nts | made | by | a | law |
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| enforcement | agency | on | forms | supp | ol i e | d by | the d | depa | rtmen | ıt; | | |

- (2) complete information and details with respect to the prospective board member's antecedents, habits, immediate family, character, criminal record, business activities, financial affairs and business associates covering at least a ten-year period immediately preceding the date of submitting the disclosure statement;
- (3) complete disclosure of any equity interest held by the prospective board member or a member of his immediate family in a company that is an applicant or licensee or an affiliate, affiliated company, intermediary company or holding company in respect to an applicant or licensee; and
- (4) the names and addresses of members of the immediate family of the prospective board member.
- I. No person may be appointed or confirmed as a member of the board if that person or member of his immediate family holds an equity interest in a company that is an applicant or licensee or an affiliate, affiliated company, intermediary company or holding company in respect to an applicant or licensee.
- J. A prospective board member shall provide assistance and information requested by the department of public safety or the governor and shall cooperate in any .121075.1

inquiry or investigation of the prospective board member's fitness or qualifications to hold the office to which he is appointed. The senate shall not confirm a prospective board member if it has reasonable cause to believe that the prospective board member has:

(1) knowingly misrepresented or omitted a

- (1) knowingly misrepresented or omitted a material fact required in a disclosure statement;
- (2) been convicted of a felony, a gaming related offense or a crime involving fraud, theft or moral turpitude within ten years immediately preceding the date of submitting a disclosure statement required pursuant to the provisions of Subsection H of this section;
- (3) exhibited a history of willful disregard for the gaming laws of this or any other state or the United States: or
- (4) had a permit or license issued pursuant to the gaming laws of this or any other state or the United States permanently suspended or revoked for cause.
- K. At the time of taking office, each board member shall file with the secretary of state a sworn statement that he is not disqualified under the provisions of Subsection I of this section."
- Section 4. Section 60-2E-7 NMSA 1978 (being Laws 1997, Chapter 190, Section 9) is amended to read:

"60-2E-7. BOARD'S POWERS AND DUTIES. --

A. The board shall implement the state's policy on gaming consistent with the provisions of the Gaming Control Act. It has the duty to fulfill all responsibilities assigned to it pursuant to that act, and it has all authority necessary to carry out those responsibilities. It may delegate authority to the executive director, but it retains accountability. The board is an adjunct agency.

B. The board shall:

- (1) employ the [executive director] administrators;
- (2) make the final decision on issuance, denial, suspension and revocation of all licenses pursuant to and consistent with the provisions of the Gaming Control Act;
- (3) develop, adopt and promulgate all regulations necessary to implement and administer the provisions of the Gaming Control Act;
- (4) conduct itself, or employ a hearing officer to conduct, all hearings required by the provisions of the Gaming Control Act and other hearings it deems appropriate to fulfill its responsibilities;
 - (5) meet at least once each month; and
- (6) prepare and submit an annual report in December of each year to the governor and the legislature, covering activities of the board in the most recently completed fiscal year, a summary of gaming activities in the

state and any recommended changes in or additions to the laws relating to gaming in the state.

C. The board may:

- (1) impose civil fines not to exceed twenty-five thousand dollars (\$25,000) for the first violation and fifty thousand dollars (\$50,000) for subsequent violations of any prohibitory provision of the Gaming Control Act or any prohibitory provision of a regulation adopted pursuant to that act;
 - (2) conduct investigations;
- (3) subpoena persons and documents to compel access to or the production of documents and records, including books and memoranda, in the custody or control of any licensee and enforce compliance with the subpoena by district court action;
- (4) compel by subpoena the appearance of employees of a licensee or other persons for the purpose of ascertaining compliance with provisions of the Gaming Control Act or a regulation adopted pursuant to its provisions and enforce compliance with the subpoena by district court action;
- (5) administer oaths and take depositions to the same extent and subject to the same limitations as would apply if the deposition were pursuant to discovery rules in a civil action in the district court;

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(6) sue and be sued subject to the

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- (7) contract for the provision of goods and services necessary to carry out its responsibilities;
- (8) conduct audits of applicants, licensees and persons affiliated with licensees;
- (9) inspect, examine, photocopy and audit all documents and records of an applicant or licensee relevant to his gaming activities in the presence of the applicant or licensee or his agent;
- (10) require verification of income and all other matters pertinent to the gaming activities of an applicant or licensee affecting the enforcement of any provision of the Gaming Control Act;
- (11) inspect all places where gaming activities are conducted and inspect all property connected with gaming in those places;
- (12) summarily seize, remove and impound from places inspected any gaming devices, property connected with gaming, documents or records for the purpose of examination or inspection;
- (13) inspect, examine, photocopy and audit all documents and records of any affiliate of an applicant or licensee [who] that the board knows or reasonably suspects is involved in the financing, operation or management of the applicant or licensee. The inspection, examination,

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photocopying and audit shall be in the presence of a representative of the affiliate or its agent when practicable; and

- (14) except for the powers specified in Paragraphs (1), (3) and (4) of this subsection, carry out all or part of the foregoing powers and activities through the executive director.
- D. The board shall monitor all activity authorized in an Indian Gaming Compact between the state and an Indian nation, tribe or pueblo. The board shall appoint the state gaming representative for the purposes of the compact."
- Section 5. Section 60-2E-9 NMSA 1978 (being Laws 1997, Chapter 190, Section 11) is amended to read:
- "60-2E-9. [EXECUTIVE DIRECTOR] ADMINISTRATORS--EMPLOYMENT--QUALIFICATIONS.--
- A. [The] Two administrators, an executive director and a security director shall be employed by, report directly to and serve at the pleasure of the board.
- B. The executive director shall have had at least [five] four years of responsible supervisory administrative experience in [a governmental gaming regulatory agency] public or business administration.
- [C. The executive director shall receive an annual salary to be set by the board, but not to exceed eighty-five thousand dollars (\$85,000) per year.]

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| 1 | C. The security director shall have had at least |
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| 2 | five years of responsible supervisory administrative |
| 3 | experience in a law enforcement agency, have graduated from a |
| 4 | law enforcement academy with a minimum of four hundred hours |
| 5 | of basic police training and have at least a bachelor's degree |
| 6 | from an accredited post-secondary educational institution." |
| 7 | Section 6. Section 60-2E-10 NMSA 1978 (being Laws 1997, |
| 8 | Chapter 190, Section 12) is repealed and a new Section |
| 9 | 60-2E-10 NMSA 1978 is enacted to read: |
| 10 | "60-2E-10. [NEW MATERIAL] EXECUTIVE DIRECTORDUTIES |
| | |

- A. The executive director shall:
- (1) implement the policies of the board that are not assigned to the security director;
- (2) employ all personnel of the board, except security personnel, who shall be covered employees pursuant to the provisions of the Personnel Act;
- (3) take administrative action by issuing orders and instructions consistent with the Gaming Control Act and regulations of the board to ensure implementation of and compliance with the provisions of that act and those regulations;
- (4) prepare an annual budget for the board for divisions under his direction and submit it to the board;
- (5) coordinate and cooperate with the security director at all times to the extent possible in . 121075.1

| matters | affecting | activities | of | the | board | and | its | personne | :1; |
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| and | | | | | | | | | |

(6) make recommendations to the board of proposed regulations and any legislative changes needed to provide better administration of the Gaming Control Act and fair and efficient regulation of gaming activities in the state.

B. The executive director may:

- (1) establish subdivisions of the board as he determines are appropriate to administer the provisions of the Gaming Control Act;
- (2) delegate authority to subordinates as he deems necessary and appropriate, clearly delineating the delegated authority and the limitations on it, if any;
- (3) conduct research and studies that will improve the operations of the board and the provision of services to the citizens of the state; and
- (4) provide courses of instruction and practical training for employees of the board and other persons involved in the activities regulated by the board with the objectives of improving operations of the board and achieving compliance with the law and regulations."
- Section 7. A new Section 60-2E-10.1 NMSA 1978 is enacted to read:
- "60-2E-10. 1. [<u>NEW MATERIAL</u>] SECURITY DIRECTOR--DUTIES. -. 121075. 1

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| A. The security director shall | A. | The | securi tv | di rector | shal l |
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- **(1)** implement all policies of the board assigned to him by the board;
- **(2)** employ all security personnel, some of whom shall be designated as New Mexico peace officers subject to proper certification pursuant to the Law Enforcement Training Act and all of whom shall be covered employees pursuant to the provisions of the Personnel Act;
- **(3)** conduct background investigations of employees of the board and applicants, their affiliates and employees as required by the board;
- **(4)** prepare an annual budget for the security operations of the board and submit it to the board for approval;
- conduct internal investigations of the **(5)** board or contract with the attorney general to conduct investigations of the board after consultation with and approval by a majority of the board members;
- conduct investigations of gaming **(6)** activities and licensees necessary to provide for the secure operation of gaming activities in the state and the enforcement of the provisions of the Gaming Control Act and its regulations;
- **(7)** take administrative action by issuing orders and instructions required for the security of the board . 121075. 1

consistent with the Gaming Control Act and regulations of the board to ensure implementation of and compliance with the provisions of that act and those regulations;

- (8) coordinate and cooperate with the executive director at all times to the extent possible in security matters affecting activities of the board and its personnel; and
- (9) make recommendations to the board of proposed regulations and any legislative changes needed to make the activities of licensees more secure and to provide more effective and efficient security of the board or the activities licensed pursuant to the provisions of the Gaming Control Act.

B. The security director may:

- (1) establish units to fulfill his security responsibilities as he determines are appropriate for the secure operation of the board, the investigation of gaming activities and licensees and the enforcement of the provisions of the Gaming Control Act and its regulations;
- (2) delegate authority to subordinates as he deems necessary and appropriate, clearly delineating the delegated authority and the limitations on it, if any; and
- (3) provide courses of instruction and practical training for employees of the security division and for the security personnel of licensees with the objective of

providing effective, efficient and secure operation of the board and gaming activities in the state."

Section 8. Section 60-2E-11 NMSA 1978 (being Laws 1997, Chapter 190, Section 13) is amended to read:

"60-2E-11. INVESTIGATION OF [EXECUTIVE DIRECTOR] ADMINISTRATOR CANDIDATES AND EMPLOYEES. --

A. A person who is under consideration in the final selection process for appointment as [the executive director] an administrator shall file a disclosure statement pursuant to the requirements of this section, and the board shall not make an appointment of a person as [executive director] an administrator until a background investigation is completed by the department of public safety and a report is made to the board.

- B. A person who has reached the final selection process for employment by [the executive director] an administrator shall file a disclosure statement pursuant to the requirements of this section if the [executive director] administrator or the board has directed the person do so. The person shall not be further considered for employment until a background investigation is completed by the department of public safety and a report is made to the [executive director] administrator proposing his employment.
- C. Forms for the disclosure statements required by this section shall be developed by the board in cooperation . 121075.1

with the department of public safety. At least the following information shall be required of a person submitting a statement:

- (1) a full set of fingerprints made by a law enforcement agency on forms supplied by the board;
- (2) complete information and details with respect to the person's antecedents, habits, immediate family, character, criminal record, business activities and business associates, covering at least a ten-year period immediately preceding the date of submitting the disclosure statement; and
- (3) a complete description of any equity interest held in a business connected with the gaming industry.
- D. In preparing an investigative report, the department of public safety may request and receive criminal history information from the federal bureau of investigation or any other law enforcement agency or organization. The department of public safety shall maintain confidentiality regarding information received from a law enforcement agency that may be imposed by the agency as a condition for providing the information to the department.
- E. A person required to file a disclosure statement shall provide any assistance or information requested by the department of public safety or the board and shall cooperate in any inquiry or investigation.

- F. If information required to be included in a disclosure statement changes or if information is added after the statement is filed, the person required to file it shall provide that information in writing to the person requesting the investigation. The supplemental information shall be provided within thirty days after the change or addition.
- G. The board shall not appoint a person as

 [executive director] an administrator, and [the executive director] an administrator shall not employ a person, if the board or the [executive director] administrator has reasonable cause to believe that the person has:
- (1) knowingly misrepresented or omitted a material fact required in a disclosure statement;
- (2) been convicted of a felony, a gaming related offense or a crime involving fraud, theft or moral turpitude within ten years immediately preceding the date of submitting a disclosure statement required pursuant to this section;
- (3) exhibited a history of willful disregard for the gaming laws of this or any other state or the United States; or
- (4) had a permit or license issued pursuant to the gaming laws of this or any other state or the United States permanently suspended or revoked for cause.
- H. Both the board and the [executive director may . 121075.1

exercise administrators have absolute discretion in
exercising their respective appointing and employing powers."

Section 9. Section 60-2E-12 NMSA 1978 (being Laws 1997, Chapter 190, Section 14) is amended to read:

"60-2E-12. CONFLICTS OF INTEREST--BOARD--[EXECUTIVE DIRECTOR] ADMINISTRATOR.--

A. In addition to all other provisions of New Mexico law regarding conflicts of interest of state officials and employees, a member of the board, [the executive director] an administrator or a person in the immediate family of or residing in the household of any of the foregoing persons shall not:

- (1) directly or indirectly, as a proprietor or as a member, stockholder, director or officer of a company, have an interest in a business engaged in gaming activities in this or another jurisdiction; or
- (2) accept or agree to accept any economic opportunity, gift, loan, gratuity, special discount, favor, hospitality or service having an aggregate value of one hundred dollars (\$100) or more in any calendar year from a licensee or applicant.
- B. If a member of the board, [the executive director] an administrator or a person in the immediate family of or residing in the household of [a member of the board or the executive director] any of the foregoing persons violates

a provision of this section, the member of the board or [executive director] administrator shall be removed from office. A board member shall be removed by the governor, and [the executive director] an administrator shall be removed from his position by the board."

Section 10. Section 60-2E-13 NMSA 1978 (being Laws 1997, Chapter 190, Section 15) is amended to read:

"60-2E-13. ACTIVITIES REQUIRING LICENSING. --

- A. A person shall not conduct gaming unless he is licensed as a gaming operator.
- B. A person shall not sell, supply or distribute any gaming device or associated equipment for use or play in this state or for use or play outside of this state from a location within this state unless he is licensed as a distributor or manufacturer, but a gaming operator licensee may sell or trade in a gaming device or associated equipment to a gaming operator licensee, distributor licensee or manufacturer licensee.
- C. A person shall not manufacture, fabricate, assemble, program or make modifications to a gaming device or associated equipment for use or play in this state or for use or play outside of this state from any location within this state unless he is a manufacturer licensee. A manufacturer licensee may sell, supply or distribute only the gaming devices or associated equipment that he manufactures,

fabricates, assembles, programs or modifies.

- D. A gaming operator licensee or a person other than a manufacturer licensee or distributor licensee shall not possess or control a place where there is an unlicenced gaming machine. Any unlicenced gaming machine, except one in the possession of a licensee while awaiting transfer to a gaming operator licensee for licensure of the machine, is subject to forfeiture and confiscation by any law enforcement agency or peace officer.
- E. A person shall not service or repair a gaming device or associated equipment unless he is licensed as a manufacturer, is employed by a manufacturer licensee or is a certified technician [certified by a manufacturer] and employed by a distributor licensee or a gaming operator licensee.
- F. A person shall not engage in any activity for which the board requires a license or permit without obtaining the license or permit.
- G. Except as provided in Subsection B of this section, a person shall not purchase, lease or acquire possession of a gaming device or associated equipment except from a licensed distributor or manufacturer.
- [H. A distributor licensee may receive a percentage of the amount wagered, the net take or other measure related to the operation of a gaming machine as a . 121075.1

| 1 | payment pursuant to a lease or other arrangement for |
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| 2 | furnishing a gaming machine, but the board shall adopt a |
| 3 | regulation setting the maximum allowable percentage.]" |
| 4 | Section 11. Section 60-2E-15 NMSA 1978 (being Laws 1997, |
| 5 | Chapter 190, Section 17) is amended to read: |
| 6 | "60-2E-15. LICENSECERTIFICATION [AND]WORK PERMIT |
| 7 | FEES |
| 8 | A. License and other fees shall be established by |
| 9 | board regulation but shall not exceed the following amounts: |
| 10 | (1) manufacturer's license, twenty thousand |
| 11 | dollars (\$20,000) for the initial license and five thousand |
| 12 | dollars (\$5,000) for annual renewal; |
| 13 | (2) distributor's license, ten thousand |
| 14 | dollars (\$10,000) for the initial license and one thousand |
| 15 | dollars (\$1,000) for annual renewal; |
| 16 | (3) gaming operator's license for a |
| 17 | racetrack, fifty thousand dollars (\$50,000) for the initial |
| 18 | license and ten thousand dollars (\$10,000) for annual renewal; |
| 19 | (4) gaming operator's license for a nonprofit |
| 20 | organization, one thousand dollars (\$1,000) for the initial |
| 21 | license and two hundred dollars (\$200) for annual renewal; |
| 22 | (5) gaming operator's license for a liquor |
| 23 | establishment, one thousand dollars (\$1,000) for the initial |
| 24 | license and five hundred dollars (\$500) for annual renewal; |
| 25 | (6) gaming operator's license for a resort, |
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fifty thousand dollars (\$50,000) for the initial license and twenty thousand dollars (\$20,000) for annual renewal;

[(5)] (7) for each separate gaming machine licensed to a person holding an operator's license, five hundred dollars (\$500) for the initial license and one hundred dollars (\$100) for annual renewal; and

 $\left[\frac{(6)}{(8)}\right]$ work permit, one hundred dollars (\$100) annually.

- B. The board shall establish the fee for certifications or other actions by regulation, but no fee established by the board shall exceed one thousand dollars (\$1,000), except for fees established pursuant to Paragraph (18) of Subsection C of Section [10 of the Gaming Control Act] 60-2E-8 NMSA 1978.
- C. All license, certification or work permit fees shall be paid to the board at the time and in the manner established by regulations of the board."

Section 12. Section 60-2E-26 NMSA 1978 (being Laws 1997, Chapter 190, Section 28) is amended to read:

"60-2E-26. GAMING OPERATOR LICENSEES--GENERAL

PROVISIONS--BUSINESS PLAN--PLAYER AGE LIMIT--RESTRICTIONS.--

A. An applicant for licensure as a gaming operator shall submit with the application a plan for assisting in the prevention, education and treatment of compulsive gambling.

The plan shall include regular educational training sessions

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| B. An applicant for licensure as a gaming operator shall submit with the application a proposed business plan. The plan shall include at least: | | | | |
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| shall submit with the application a proposed business plan. | | | | |
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| The plan shall include at least: | | | | |
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| (1) a floor plan of the area to be used for | | | | |
| gaming [machine] operations; | | | | |
| (2) an advertising and marketing plan; | | | | |
| (3) the proposed placement and number of | | | | |
| gaming machines and other games for those persons applying for | | | | |
| a gaming operator's license for a resort; | | | | |
| (4) a financial control plan; | | | | |
| (5) a security plan; | | | | |
| (6) a staffing plan for gaming [machine] | | | | |
| operations; and | | | | |
| (7) details of any proposed progressive | | | | |
| systems. | | | | |
| C. A gaming operator licensee shall be granted a | | | | |
| license to operate a specific number of machines at a gaming | | | | |
| establishment identified in the license application and shall | | | | |
| be granted a license for each gaming machine. | | | | |
| D. A gaming operator licensee who desires to | | | | |
| change the number of machines in operation at a gaming | | | | |
| establishment shall apply to the board for an amendment to his | | | | |
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for employees. Plan approval is a condition of issuance of

license authorizing a change in the number of machines.

- E. Gaming machines, <u>and other games in a resort</u> gaming establishment, may be available for play only in an area restricted to persons twenty-one years of age or older.
- F. A gaming operator licensee shall erect a permanent physical barrier to allow for multiple uses of the premises by persons of all ages. For purposes of this subsection, "permanent physical barrier" means a floor-to-ceiling wall separating the general areas from the restricted areas. The entrance to the area where gaming machines, or other games in a resort establishment, are located shall display a sign that the premises are restricted to persons twenty-one years of age or older. Persons under the age of twenty-one shall not enter the area where gaming machines, or other games in a resort establishment, are located.
- G. A gaming operator licensee shall not have automated teller machines in the area restricted pursuant to Subsection F of this section.
- H. A gaming operator licensee shall not provide, allow, contract or arrange to provide alcohol or food for no charge or at reduced prices as an incentive or enticement for patrons to game.
- I. Only a <u>liquor establishment</u>, a racetrack licensed by the state racing commission, <u>a resort in a</u>

 <u>qualified county</u> or a nonprofit organization may apply for or be issued a gaming operator's license. No other persons are

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qualified to apply for or be issued a gaming operator's license pursuant to the Gaming Control Act."

Section 13. A new Section 60-2E-28.1 NMSA 1978 is enacted to read:

"60-2E-28. 1. [NEW MATERIAL] GAMING OPERATOR

LICENSEES--SPECIAL CONDITIONS FOR RESORTS--NUMBER OF GAMING

MACHINES--CASINO GAMING PERMITTED--DAYS AND HOURS OF

OPERATION. --

A. One resort located within each qualified county in which the majority of the qualified registered electors voting in a local option election pursuant to the Gaming Control Act on whether casino gaming should be permitted at a resort within that county has voted to permit casino gaming at a resort may be issued a gaming operator's license to offer licensed gaming machines and casino gaming on its premises.

- B. A resort licensee may offer for play a number of gaming machines to be determined by the board.
- C. The board shall place no restrictions on the hours or days during which gaming machines or casino games may be played at a resort."

Section 14. A new Section 60-2E-28.2 NMSA 1978 is enacted to read:

"60-2E-28.2. [NEW MATERIAL] GAMING OPERATOR
LICENSEES--SPECIAL CONDITIONS FOR LIQUOR
ESTABLISHMENTS--NUMBER OF GAMING MACHINES--DAYS AND HOURS OF
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- A. A liquor establishment may be issued a gaming operator's license to operate licensed gaming machines on its premises.
- B. A liquor establishment gaming operator licensee may offer for play a maximum of three gaming machines on its premises.
- C. Gaming machines may be played on the premises of a liquor establishment gaming operator licensee during the days and hours that alcoholic beverages may be sold, served or delivered pursuant to the Liquor Control Act."

Section 15. A new Section 60-2E-28.3 NMSA 1978 is enacted to read:

"60-2E-28.3. [NEW MATERIAL] LOCAL OPTION

ELECTION--RESORTS--PROCEDURE--RESUBMISSION OF LOCAL OPTION

QUESTION.--

- A. A county is a local option district if it is a qualified county and if the option of permitting casino gaming on the premises of resorts in that county is adopted by the qualified registered electors of that county.
- B. Based on the content of the petition, a local governing body of a proposed local option district shall place the following question on the ballot:

"Shall casino gaming be permitted on the premises of a resort in (name of proposed local option district), effective . 121075.1

| July 1,?YESNO |
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- C. The procedures for adopting the local option provision for casino gaming are:
- (1) the qualified registered electors of any proposed local option district may petition the governing body by filing one or more petitions in the appropriate office to hold a referendum to determine whether the proposed local option district shall adopt the local option provision of the Gaming Control Act. Each petition shall state the question that will be presented on the ballot. If the aggregate of the signatures of the qualified registered electors on all the petitions equals or exceeds five percent of the number of qualified registered electors of the proposed local option district at the time of the last general election, the governing body shall call an election within ninety days of the verification of the petition. The latest date for filing a petition shall be three months after the date on which the first signature was obtained;
- (2) except as otherwise provided in this section, the election shall be called and conducted and votes shall be counted and canvassed substantially in the manner provided by law for general elections within the county for a county referendum;
- (3) except as otherwise provided in this section, contests, recounts and rechecks shall be permitted . 121075.1

for a county referendum as provided for in the case of candidates for county offices in general elections.

Applications for contests, recounts or rechecks may be filed by any person who voted in the election, and service shall be made upon the county clerk. The payment of the costs and expenses of the contest, recount or recheck shall be assessed for a county referendum in the manner provided by the Election Code for contests in a general election of candidates for county offices;

- (4) if a majority of all the votes cast in a referendum election seeking to permit casino gaming on the premises of a resort is in favor of the local option provision to permit casino gaming in the proposed local option district, the chairman of the governing body shall declare by order entered upon the records of the county that it has adopted the local option provision of the Gaming Control Act permitting casino gaming at a resort and shall notify the board of the results; and
- (5) no election shall be held pursuant to this section within forty-two days of any primary, general, municipal or school district election unless the election is held on the day of any primary, general, municipal or school district election.
- D. In a qualified county in which the local option provision of the Gaming Control Act has been rejected by the .121075.1

voters, it is permissible after the expiration of three years from the date of the election at which the local option provision was rejected to have another local option election in the county by following the procedure provided for in this section.

E. In a local option district in which the local option provision of this section has been accepted by the voters, it is permissible after the expiration of twelve years from the date of election at which the local option provision was accepted to have another local option election that may allow voters to reject the local option provision previously adopted in the county."

Section 16. Section 30-19-6 NMSA 1978 (being Laws 1963, Chapter 303, Section 19-6, as amended) is amended to read:

"30-19-6. [PERMISSIVE LOTTERY] CHARITABLE LOTTERIES--PERMITTED GAMBLING--CONDITIONS.--

A. Nothing in [Article 19] Chapter 30, Article 19

NMSA 1978 [shall be construed to apply to any] prohibits a sale or drawing of [any] a prize at [any] a fair held in this state for the benefit of [any] a church, public library or religious society [situate or being] located in this state, or for charitable purposes when all the proceeds of [such] the fair [shall be] are expended in this state for the benefit of [such] the church, public library, religious society or charitable purposes. A [lottery shall be operated] sale or

drawing conducted pursuant to this subsection is for the benefit of the organization or charitable purpose only [when] if the entire proceeds of the [lottery] sale or drawing go to the organization or charitable purpose and no part of such proceeds go to any individual member or employee [thereof] of the organization.

- B. Nothing in [Article 19] Chapter 30, Article 19

 NMSA 1978 [shall be held to prohibit any] prohibits a bona

 fide motion picture [theatre] theater from offering prizes of cash or merchandise for advertising purposes, in connection with [such] the business of the theater or for the purpose of stimulating business, whether or not [any] consideration other than a monetary consideration in excess of the regular price of admission is [exacted] charged for participation in drawings for prizes.
- C. Nothing in [Article 19] Chapter 30, Article 19

 NMSA 1978 [shall be held to apply to any] prohibits a bona

 fide county fair, including [fairs] a fair for more than one

 county [which shall have been] that has been held annually at

 the same location for at least two years, [and which shall

 offer] from offering prizes of livestock or poultry in

 connection with [such] the fair when the proceeds of [such]

 the drawings [shall be] are used for the benefit of [said] the

 fair.

[D. Nothing in Article 19, Chapter 30 NMSA 1978. 121075. 1

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shall be construed to apply to any lottery operated by an organization exempt from the state income tax pursuant to Subsection C of Section 7-2-4 NMSA 1978 and not subject to the provisions of Subsection A of this section; provided that:

- (1) no more than two lotteries shall be operated in any year by such an organization;
- (2) all the gross proceeds less the reasonable cost of prizes of any lottery operated by such an organization shall be expended in the state for the benefit of the organization or public purposes; and
- (3) no part of the proceeds of any lottery shall go to any individual member or employee of any organization except as payment for the purchase of prizes at no more than the reasonable retail price.
- D. Nothing in Chapter 30, Article 19 NMSA 1978

 prohibits an organization that is exempt from state income tax

 pursuant to Section 7-2-4 NMSA 1978 from conducting bingo

 games, raffles, lotteries or table games, including poker,

 craps, blackjack, roulette and the like, at a fundraising

 event if:
- (1) the fundraising event is conducted no more than twice in a calendar year by the organization;
- (2) the only persons authorized to participate in the operation or management of the fundraising event are:

| 1 | (a) bona fide members of the | | | | |
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| 2 | organization who are not paid for their services in the | | | | |
| 3 | operation or management of the event; or | | | | |
| 4 | (b) persons who provide goods or | | | | |
| 5 | services for the fundraising event for a flat fee or an hourly | | | | |
| 6 | fee pursuant to a written contract with the organization; | | | | |
| 7 | (3) no person receives any part of the | | | | |
| 8 | proceeds of the fundraising event except: | | | | |
| 9 | (a) as payment for prizes purchased at | | | | |
| 10 | no more than the reasonable retail prices for the prizes; or | | | | |
| 11 | (b) pursuant to a contract described in | | | | |
| 12 | Subparagraph (b) of Paragraph (2) of this subsection; | | | | |
| 13 | (4) the net proceeds of the fundraising event | | | | |
| 14 | are expended in the state for the benefit of the organization | | | | |
| 15 | or purposes for which it was formed; | | | | |
| 16 | (5) gross revenue, expenses, prizes paid and | | | | |
| 17 | the date, time and location of the fundraising event are | | | | |
| 18 | reported to the alcohol and gaming division of the regulation | | | | |
| 19 | and licensing department within thirty days after the event; | | | | |
| 20 | (6) the organization conducting the | | | | |
| 21 | fundraising event maintains records for a period of one year | | | | |
| 22 | after the date of the event that accurately show the gross | | | | |
| 23 | revenue generated by the event, details of the expenses of | | | | |
| 24 | conducting the event and details of how the gross revenue is | | | | |
| 25 | used, and the organization makes the records available for | | | | |
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| review by the director of the alcohol and gaming division of | |
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| the regulation and licensing department or the attorney | |
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| general, or both, at their request; | |

operated during the fundraising event, two of which may be video gaming machines or slot machines and shall be played with tokens or chips, but not United States coins or currency, provided by the organization;

(8) no person less than the age of twenty-one
is allowed to participate in the operation or management of
the fundraising event or to play any game at the event; and

(9) the fundraising event is conducted

pursuant to regulations and a permit issued by the alcohol and

gaming division of the regulation and licensing department.

E. The provisions of the Gaming Control Act, the
Bingo and Raffle Act and the New Mexico Lottery Act do not
apply to the activities described in Subsection D of this
section. "

Section 17. EFFECTIVE DATE. -- The effective date of the provisions of this act is July 1, 1998.

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FORTY-THIRD LEGISLATURE SECOND SESSION, 1998

February 5, 1998

Mr. President:

Your **COMMITTEES' COMMITTEE**, to whom has been referred

SENATE BILL 325

has had it under consideration and finds same to be **GERMANE**, in accordance with constitutional provisions, and thence referred to the **INDIAN & CULTURAL AFFAIRS COMMITTEE**.

Respectfully submitted,

Manny M Aragon, Chairman

underscored material = new
[bracketed naterial] = delete

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