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## The Professional Career Paths of Members of the Nevada State Gaming Control Board

Jason Woywod  
*University of Nevada, Las Vegas*

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**THE PROFESSIONAL CAREER PATHS OF MEMBERS  
OF THE NEVADA STATE GAMING CONTROL BOARD**

By

Jason Woywod

Bachelor of Science

University of Nevada Las Vegas

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A professional paper in partial fulfillment  
of the requirements for the

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## **ABSTRACT**

The Nevada State Gaming Control Board's main duty is to regulate Nevada's gaming industry. The gaming industry in Nevada had seen a rapid growth in gaming revenue within the last fifty years which resulted in the casino industry being taken over by large corporations and becoming very powerful. When private industries become very powerful, they can easily persuade their regulating committees to create policies that benefit the industry and not the general public. The Capture Theory, which was originated by George Stigler, explains that regulators commonly become captured by the industry which they regulate. Moreover, once the individual regulators leave their appointed position, they may financially benefit from entering into the casino industry either directly or indirectly. In this paper, I have developed an empirical research proposal that examines the extent to which previous and current members of the Nevada State Gaming Control Board have entered into the gaming industry, before and after serving out their appointed positions. The main focus of my professional paper is to analyze the professional career paths of previous and current members of the Nevada State Gaming Control Board. This type of study has never been completed before.

## **INTRODUCTION**

Members of the Nevada State Gaming Control Board “Board” and the Nevada Gaming Commission “Commission” are appointed to their positions. These members are generally well-regarded in the community they serve and also have an enthusiasm to maintain the well-being of the State’s gaming industry.

The Nevada State Gaming Control Board consists of a three full-time member body who are appointed by the Governor (Kenny Guinn current Nevada Governor). The primary responsibility of the Board is to regulate the State’s gaming commerce and to protect the industry’s stability in the course of investigations, licensing, through the enforcement of regulations and laws. In addition, the Board is in charge of the collection of gaming fees and taxes, which is a large portion of the state’s taxing revenues. “The Board implements and enforces the state laws and regulations governing gaming through seven divisions”(Nevada Gaming Commission and State Gaming Control Board Information Packet P.5).

The Nevada Gaming Commission consists of a five part-time member body which is also appointed by the Governor. The Commission’s responsibilities include reviewing the recommendations from the State Gaming Control Board, finalizing decisions involving licensing and fines, and formulating a ruling in work permit appeal cases. “The Commission is the final authority on licensing matters, having the ability to approve, restrict, limit, condition, deny, revoke, or suspend any gaming license”(Nevada Gaming Commission and State Control Board Information Packet P.5).

Both, the Nevada State Gaming Control Board and the Nevada Gaming Commission, are responsible for regulating the gaming industry in the state of Nevada.

In 1955, the Governor, Charles Hinton Russell, requested that the state legislature create a gaming control agency. During this time, there were numerous on-going investigations in the State involving corruption within the gaming industry. Due to this, the state legislature approved Governor Russell's request and created what we know of today as the Nevada State Gaming Control Board. "The conduct and regulation of gaming in Nevada are governed by chapters 462, 463, 463B, 464, 465, and 466 of the Nevada Revised Statutes; and are further clarified by the Regulations of the Nevada Gaming Commission and State Gaming Control Board"(Nevada Gaming Commission and State Gaming Control Board Information Packet P.3).

The Nevada Revised Statute (NRS) outlines the regulatory duties that encompass the Board in their daily duties as appointees of the Governor. **NRS 6.40.010** explains "*Privileged business finding-* The council hereby finds that gaming activities seriously affect the well-being of the City and its residents; that it is necessary to regulate such industry carefully in order to ensure that persons of honesty and integrity are operating such businesses and that they are operated in a manner responsible to the public and in the best interests of the gaming industry"(Nevada Revised Statute 6.40.010).

Members who are appointed to the Nevada State Gaming Control Board are not only very powerful individuals in the casino industry, but also in politics and private industry throughout the state. It is in the best interest for the high-powered, affluent casino owners and affiliates to rub shoulders with individuals who serve on the Board. Doing so, gives the casino owners an advantage when facing the Board. Similarly, members of the Board, in the past, may have had a difficult time up-holding their ethical, political positions in not accepting certain favors by the casino industry. However, with

each generation of Board members, this has become less of a problem. Nevertheless, once these appointed members of the Board have retired from their position, many of them decide to enter into the casino industry themselves.

In my professional paper, I will be looking at the professional career paths of previous and current members of the Nevada State Gaming Control Board. Also, I will be examining the members of the Board to see whether they were involved in the casino industry prior to or subsequent to being appointed. Currently, the members of the Board consist of Dennis K. Neilander (Chairman), Bobby L. Siller, and Scott Scherer. While this report was being prepared, Scott Scherer submitted his resignation and was replaced by Mark Clayton.

In addition, this professional paper will also attempt to demonstrate whether or not previous members of the Nevada State Gaming Control Board entered either directly or indirectly into the gaming industry, and if those members who did enter into gaming used contacts obtained while serving on the Board for their advantage? I mailed a survey, that I developed, to previous and current members of the Board consisting of thirty two questions. Each question is geared to find the motivations behind serving on the Board and also to get an idea of the professional career paths taken by these members. To date, there have been no studies completed on the career paths of members of the Nevada State Gaming Control Board. By completing this study, I was able to generate a better understanding of the professional career-paths of previous Board members.

## LITERATURE REVIEW

I begin with a review of relevant literature that identifies different theories and presumptions of how individuals and corporations often change roles between regulator and regulatee in the regulatory process. The majority of the literature discusses the negative implications when members of regulatory agencies enter the industry which they once regulated, even though this is not always the case.

The following authors speak about the negative externalities that can arise when members of regulatory agencies enter into the industry which they once served.

Economic theories of regulation are concerned with the idea of how regulation affects competitive markets. Regulation on markets and agencies exists to promote the “public interest.” Typically, this is the case, however when these markets or agencies over-power the regulatory committee, problems occur. Anthony N. Cabot in Casino Gaming Policy, Economics and Regulation (1996), speaks about what he calls the “Capture Theory.” The Capture Theory suggests that agencies will eventually “capture” the regulatory body, which regulates them. There are many different ways in which the “Capture Theory” is interpreted, but Anthony N. Cabot puts this theory in context with the casino industry. He says “an industry can use the regulatory machinery to 1) acquire cash subsidies, 2) limit entry, 3) gain control over complements and subsidies, and 4) help in price-fixing schemes”(Cabot P.108). Once the casino industry captures individuals on the Board, the regulatory bodies lose a major reason for existence-that is, to regulate. When this negativity occurs, policies and regulations are constructed to serve the industry and not the public.

In addition to Anthony N. Cabot, Samuel P. Huntington also touches on the issue of Capture Theory. Mr. Huntington, in his article titled “The Marasmus of the ICC,” discusses the possibility of the Environmental Protection Agency (EPA) being “Captured” by the industry they regulate. The EPA was created in 1970 and since its creation, there has been a large concern that not only might industries “Capture” the agency, but possibly the agency’s own bureaucracy could capture the agency. This example illustrates that the Nevada State Gaming Board’s internal and external bureaucracies could lead to their own agency, and / or individuals within the agency, being captured by the industry they are regulating.

Problems arise with regulatory practice when the regulators do not set policies to benefit society as a whole. It is difficult to avoid integrating regulatory policies of commissions with the broad national economic policies of our nation. Marver H. Bernstein in his book Regulating Business by Independent Commission (1955), elaborates on the idea that regulatory policies can no longer only be interpreted in the frame of specific problems in explicit industries. Mr. Bernstein says, “If regulatory policy is to contribute in a maximum way to the creation of a stable and prosperous economy, operating for the public welfare, commissions must fit their regulatory policies into the general framework of national economic policy”(Bernstein P.165). This general regulatory problem can be seen in the casino industry with the Nevada State Gaming Control Board. The Board could be solely looking at the economic welfare of the Las Vegas community rather than the economic welfare of the entire nation or humanity. This is not necessarily bad for Nevada and its residents.

The following authors speak about the positive implications that can arise when members of regulatory agencies enter into the industry to which they once served.

Knowledge of careers, whether political or not, is important to understanding the political atmosphere of agencies. Joseph A. Schlesinger in his book titled Ambition and Politics: Political Careers in the United States (1966), conducted a study of his “long-standing conviction that we can learn more from the careers of political leaders than who they were and where they came from”(Preface). Mr. Schlesinger collected data from the 48 states which formed the Union in years 1914-1958. The data he compiled demonstrates that individual’s ambitions are driven by opportunity and, to the extent that experience brings order to opportunity, that opportunity will guide individual’s ambitions. This study expresses the notion that political careers are often driven by opportunity. Once members have served on the Board, they have gathered exceptional experience and opportunity to enter into the industry.

Bureaus and agencies are created in a number of different ways, however Anthony Downs writes about one specific design in his book titled Inside Bureaucracy (1967). When groups in societies benefit from the creation of a new group or bureau, those groups will work together to complete this creation. Chapter Two, in Anthony Downs book titled *The Life Cycle of Bureaus* elaborates on this issue. Mr. Downs says, “a bureau may be deliberately created almost out of nothing by one or more groups in society in order to carry out a specific function for which they perceive a need”(Downs P.5). This relates to the casino industry, more directly the Nevada State Gaming Control Board in the recruiting of former Board members into the industry which they once regulated. Recruiting knowledgeable ex-Board members into the industry lends a hand in

facilitating the industry's overall knowledge to somewhat self-regulating themselves. This cycle of events is what Mr. Downs speaks about in his idea of *The Life Cycle of Bureaus*.

There have been no studies directly addressing the issue of previous members of the Nevada State Gaming Control Board leaving their appointed positions to enter the gaming industry. However, the majority of the literature that has been written explains the negative implications that occur when regulating agencies become breeding grounds for future employees. Personally, after completing my research, I do not agree with the findings. My reasoning for this is that the negatively slanted literature currently written has not directly looked at the positive externalities of previous Board members entering the industry once they left their appointed positions

## **RESEARCH QUESTION**

The research question I am addressing is as follows: what are the professional career paths of previous and current members of the Nevada State Gaming Control Board? I am specifically looking at whether members who have served on the Board worked within the industry before and after their appointment. Again, there have been no specific theories, hypothesis, or literature addressing this topic.

When individuals within agencies become influenced by organizations that are trying to benefit themselves financially, then negative implications can arise that affect the general public. In addition, there is another side that is not as pessimistic to this notion. Regulators entering into the industry which they once served can help that industry to self-regulate. Regulators are commonly experts in their fields and when those experts enter into the industry they can provide their knowledge to that organization or business. This, in my opinion, is a very positive result.

## RESEARCH DESIGN

The design of my research is in the form of a mail survey. I located previous members of the Nevada State Gaming Control Board by contacting the Records Division in Carson City, Nevada and all available public records. Since the Board was created in 1955, several members are now deceased. In the case where previous members are deceased, I examined their obituaries to aid in my research.

For the subjects in my research design, who are either retired or still active, I mailed my survey with the hopes of receiving a good response. I decided not to employ a random sample for my mail survey. Random sampling is a sampling technique that relies on a random or chance selection to insure every element of the sampling frame has an acknowledged probability of being chosen. I felt that my sampling frame was small enough in size to where I was able to send a mail survey to all previous members of the Board who are still living. Doing this helped increase not only my response rate, but also the validity of my findings.

The first section of my mail survey consisted of a preliminary question. This question assisted in identifying individuals who have received the survey, either by mistake or inaccuracy in trying to locate the correct individuals. The preliminary question was worded as follows:

If you have *not* been appointed, in any way, to the Nevada State Gaming Control Board, please *stop now* and return this questionnaire to the address provided.

The second section of my mail survey consisted of a few brief definitions explaining the exact meaning of specific terms. This section is needed because different

terms are often translated or defined differently depending on who is translating the terms. The two main terms I wanted to make clear were “directly” and “indirectly.” Throughout my mail survey, I asked questions pertaining to employment either “directly” or “indirectly” to the casino industry. I am defining “directly” as: employed by a casino; employed by a business that provides gaming to the public; employed by a manufacturer of casino products or employed by a slot route distributor. I am defining “indirectly” as: employed or owner of a law firm that represents the casino industry; employed or owner of a CPA firm that represents the casino industry; employed or owner of a marketing firm that works with the casino industry; and employed or owner of a company that contracts in any manner with gaming establishments. These two definitions help with some of the ambiguity in the terms that I frequently used in my mail surveys.

The third section of my mail survey consists of a series of questions pertaining to the employment history before and after being appointed to the Nevada State Gaming Control Board. Determining previous employment will help assist in determining the motivation for serving on the Board. If members have previously been employed, either directly or indirectly, in the casino industry prior to being appointed, this will help demonstrate that they possibly will retire after leaving their appointed positions. On the other hand, if members have previously not been employed, either directly and or indirectly, in the casino industry, they could be using their appointed position as a “spring board” into a lucrative position within the industry. In addition, by determining employment history, after members have left the Board, it made the data collection for the mail survey less complicated. The surveys returned by members who have retired, or not entered either directly or indirectly into the casino industry, were easily analyzed.

The fourth section of my mail survey consisted of questions geared to the personal history of all previous members of the Nevada State Gaming Control Board. I felt it is important to find out key background information on the subjects in my research. In addition, I also felt the questions asked should not be too personal, which could result in a negative or low response rate on my mail survey. One of the important questions I asked is the age when members were appointed to the Board. Knowing the members age, will aid in determining their motivation for serving on the Board. For the most part, if the appointed member was fairly young when appointed, they were using the Board as a “spring board” into a more lucrative position within the casino industry. And, on the other hand, if the member was older when appointed, they were using the Board as a means for retirement or self-gratification. Personal history and background are a great way to find out if there are any alternative motives for being appointed.

The fifth and final section of my mail survey was the section where I asked, in some detail, direct questions on the motives for serving on the Nevada State Gaming Control Board. It was important for me not to word these questions too boldly, otherwise their responses might not have been as truthful as I wanted them to be. An example or a crucial question that needed to be asked, but should not be worded in this manner, “Did you use contacts acquired, while serving on the Nevada State Gaming Control Board, to obtain a high-paying job, either directly or indirectly, within the casino industry.” This question would frighten the subjects of the survey. Instead, this question was worded as follows: “Recently, there has been talk about the advantages that public sector agencies have, in obtaining positions that can be used as a stepping stone into a rewarding position

within the private sector. Do you agree with this and has your previous public sector employment helped you land a position in the private sector?" These are only a few examples of questions where the wording was very crucial in my mail survey. It was extremely vital when developing my questions not to make the subjects feel uncomfortable in their responses. In addition, when subjects feel comfortable answering questions on a survey, the validity of their answers is elevated. Overall, this section of my mail survey served as the main focal point in finding out the professional career paths of my subjects, the Board members.

Non-respondents and response rate are a major problem when conducting mail surveys. It is a crucial issue when examining the data that has been gathered and should be taken into consideration. There are a number of ways the survey design can be structured to increase the response rate of the subjects. To increase the response rate on my mail survey I took into consideration my sampling frame, the elements, and employed the following steps: prior to sending out the actual survey, I sent an introductory letter in the mail to all of my subjects. The introductory letter included who I am, what I am doing, and the purpose behind my research. The last paragraph of the introductory letter informed them that they will be receiving the survey and it would be greatly appreciated if they completed and returned it expeditiously. Next, I sent out the actual survey. Included was a pre-stamped, return-addressed envelope for their convenience. The whole idea was to make the process as simple as possible for my subjects. After the survey was sent out, I sent out a brief letter to the subjects, reminding them of the importance of

completing the mail survey. Taking these necessary measures helped to increase my over-all response rate, thereby increasing the validity of my research findings.

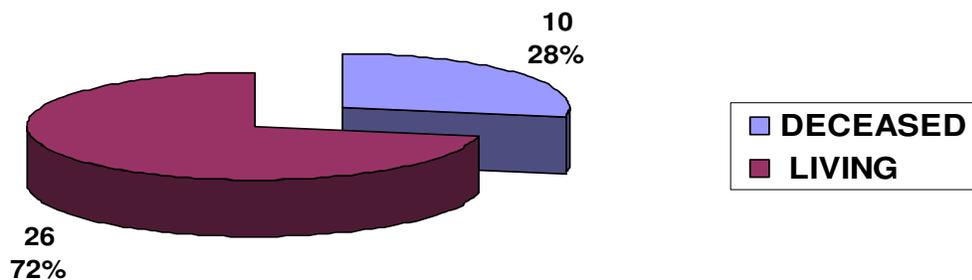
## **FINDINGS**

I was pleased with the response rate for my mail survey. I contribute this high rate due to the precautions, which were earlier explained, that I utilized.

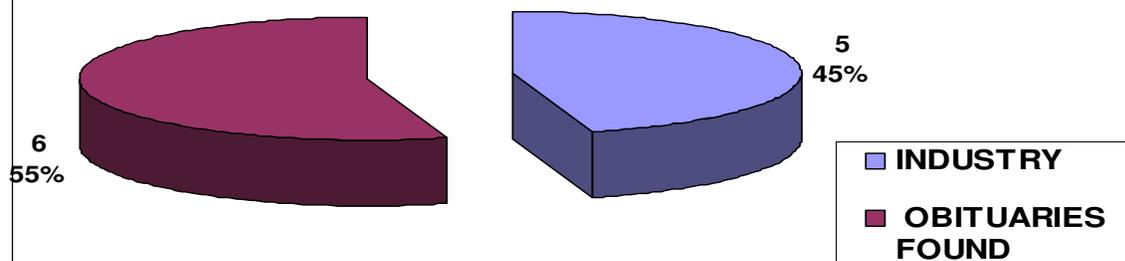
The first few charts that I developed, Figures **1.1**, **1.2**, and **1.3**, (located at the end of this chapter) are on spread sheets that show information of all members of the Nevada State Gaming Control Board. From left to right, the spread sheet shows 1. last name; 2. first name; 3. middle initial; 4. position on the board; 5. when they were appointed; 6. number of terms; 7. information on terms; 8. expiration of terms; 9. date of members who resigned; 10. remarks about resignation; 11. and decease date of deceased members. This spread sheet provides useful information of the members while they were on the Board. In addition, this spread sheet shows the members of the Board who are deceased.

In Figure **2.1**, I developed a helpful pie chart that shows the percentage ratio of Board members who are deceased versus the Board members who are still living. Of the ten members who were deceased, I was able to find the obituaries for six of them. Five out of six of those obituaries state that those members did work in the gaming industry after leaving their appointed positions with the Nevada State Gaming Control Board. Figure **2.2** gives the ratio and the pie chart explaining this.

**Fig. 2:1**  
**DECEASED vs LIVING**

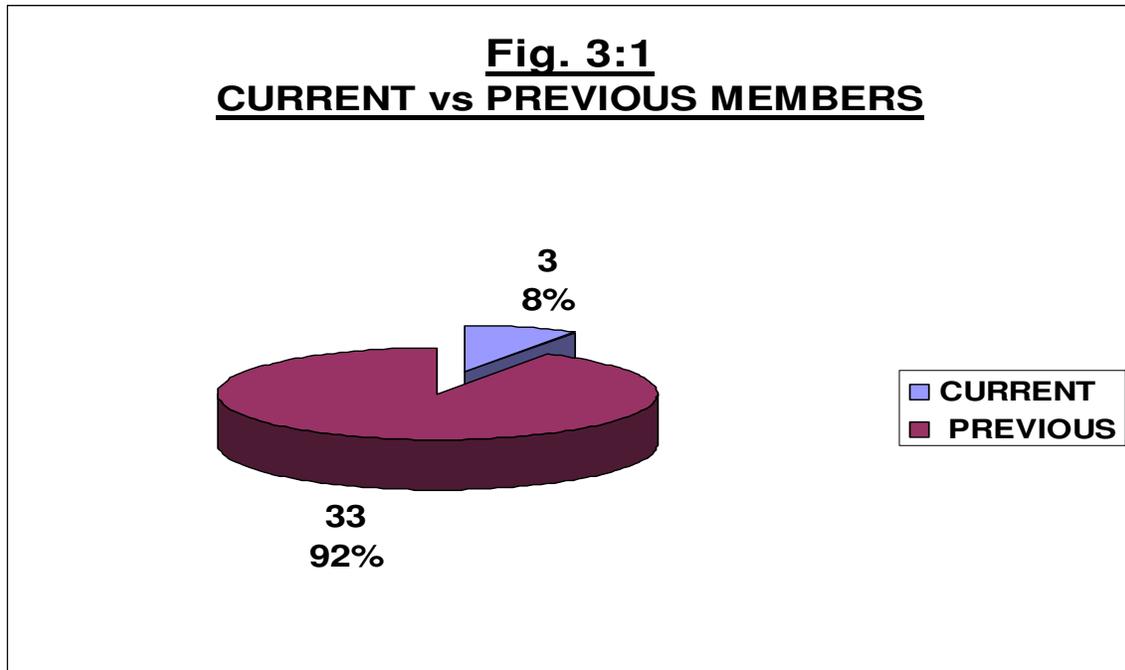


**Fig. 2:2**  
**OBITUARIES FOUND vs INDUSTRY**



The next chart I developed, which is Figure 3.1, gives the ratio of members who are currently on the Board versus members who have previously served. Ninety two

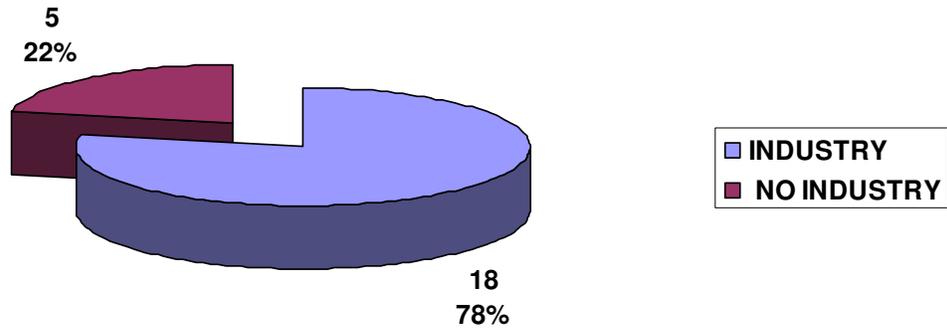
percent of the individuals in my research were members who have previously served on the board and eight percent are members who are currently serving. This chart is helpful to make obvious that the three, or eight percent, of members are still serving on the Board and therefore, I was not able to determine, thus far, whether or not those members entered into the gaming industry.



The last and final chart that I developed shows the outcome ratio of my experiment. Figure 4.1 is a pie chart that illustrates both, the number and percentages of all individuals that responded in my survey, which either did or did not enter into the gaming industry after leaving their appointed position with the Nevada State Gaming Control Board. As one can see, seventy eight percent of the members who responded to my survey did enter into the gaming industry after leaving the Board and only twenty two percent did not enter into the industry. This number shows that the majority, or seventy

eight percent, of individuals did utilize the Board as a stepping stone into a lucrative position within the gaming industry.

**Fig. 4:1**  
**INDUSTRY vs NO INDUSTRY**









## **BOARD MEMBERS PERSONAL HISTORY**

My mail survey consisted of thirty two questions of which some of the more important ones I am going to discuss in this section of my paper. The individuals who responded to my survey, I will point out the following: age of appointment, date of appointment, date of resignation, date and place of birth and position of appointment. The Nevada State Gaming Control Board, as I mentioned earlier, consists of three full-time members. In most cases, each of the three members has an expertise in either law, financial, or administration and subsequently serves in one of those three positions. In addition, one of the three Board members is appointed as the “chairman” and I will point out who these people are. Knowing the personal history behind the Nevada State Gaming Control Board members aids in helping to put together their complicated professional career paths.

Dennis L. Amerine was appointed to the Board at the age of forty nine on February 1<sup>st</sup>, 1987 and resigned from his appointed position on October 31<sup>st</sup>, 1989. Mr. Amerine was born in Las Vegas, Nevada in 1948. Due to his bachelor’s degree in accounting, Mr. Amerine served as the financial member of the three member Board. Once Mr. Amerine left the Board he held many positions within the gaming industry such as key employee for the former Sport of Kings and consultant for the gaming industry.

Dale W. Askew was appointed at the age of thirty four on December 1<sup>st</sup>, 1980 and resigned from his appointed position on January 1<sup>st</sup>, 1983. Mr. Askew was born in Great Basin, Kansas in 1946. He received his Bachelor’s degree in business administration and became a certified public accountant. Therefore, he served the position of the financial

member. After leaving the Board, Mr. Askew was appointed as the Clark County Controller and later owned his own gaming establishment Del Webb's Nevada Club.

James Avance was appointed as the chair of the Board at the age of forty four on January 3<sup>rd</sup>, 1983 and resigned December 31<sup>st</sup>, 1985. Mr. Avance was born in Phoenix, Arizona in 1939. He received his bachelor's degree and also took some additional graduate classes, but did not complete a graduate degree. The administrative position was where Mr. Avance served out his term. Mr. Avance also went into the gaming industry once he left the Board. Some of the positions he held are as follows, vice president for Jackpot enterprises, executive for Cardivan, key employee for Debbie Reynolds Hotel and Casino, and lobbyist for the slot route industry,

Patricia Becker was appointed at the age of twenty nine on the same date as James Avance, January 3<sup>rd</sup>, 1983, but resigned on September 14<sup>th</sup>, 1984. Mrs. Becker was born in Los Angeles, California in 1955. As a lawyer, Mrs. Becker served as the legal member of the three member Board. Mrs. Becker later went on to marry former Board member Steve Ducharme. After leaving the Board, Mrs. Becker obtained the position as senior executive for the Aladdin, and also owns her own gaming consulting firm.

Richard W. Bunker was first appointed to the Board at the age of thirty five on January 1<sup>st</sup>, 1979, appointed as the "chairman" on January 1<sup>st</sup>, 1980, re-appointed again as "chairman" on January 1<sup>st</sup>, 1981, and finally resigning on January 1<sup>st</sup>, 1985. He was born in Las Vegas, Nevada in 1933. His highest level of education was high school and served as the financial member of the Board. After leaving the Board, Mr. Bunker obtained key employee positions within the Circus Circus and the Aladdin Hotel and Casino.

Steve Ducharme was first appointed to the Board at the age of forty three on January 3<sup>rd</sup>, 1991, then re-appointed on January 1<sup>st</sup>, 1995 and later appointed as the “chairman” on September 19<sup>th</sup>, 1998. He completed his appointment by letting his term expire on December 31<sup>st</sup>, 2000. Mr. Ducharme was born in Lowell, Massachusetts in 1948. He completed his bachelor’s degree and currently is three classes short of his Masters in Public Administration. Due to his education and previous work experience as a police officer, Mr. Ducharme served as the legal member of the board. Once Mr. Ducharme left the Board, he began consulting for the gaming industry.

Philip P. Hannifin was first appointed as the chairman at the age of thirty six on January 1<sup>st</sup>, 1971 and was then re-appointed as “chairman” on January 1<sup>st</sup>, 1973 and finally re-appointed again as “chairman” for the last time on January 1<sup>st</sup>, 1977. He subsequently did not stay long after his last re-appointment, resigning on July 15<sup>th</sup>, 1977. Mr. Hannifin was born in Butte, Montana in 1935. He received his bachelor’s degree and also completed a few graduate classes. Mr. Hannifin served as the administrative member of the Board. He left the Board to work directly within the gaming industry as an executive director.

C. B. Harris was first appointed to the Board at the age of thirty eight on January 1<sup>st</sup>, 1993, re-appointed on January 1<sup>st</sup>, 1995 and eventually resigning on December 31<sup>st</sup>, 1998. Mr. Harris was born in San Mateo, California in 1955. Even though he held a law degree, Mr. Harris served as the financial member of the Board. When Mr. Harris left the Board he was hired as a gaming attorney for Lionel, Sawyer and Collins.

S. B. Jacka was first appointed at the age of forty eight on September 17<sup>th</sup>, 1984, re-appointed as the “chairman” on January 1<sup>st</sup>, 1985 and resigned on January 1<sup>st</sup>, 1989.

Mr. Jacka was born in Beaver, Utah in 1936. He attended three years of college, however did not graduate, but did serve as the administrative member of the Board. Once Mr. Jacka left the Board, he held several positions within the gaming industry. Some of these positions were, member of the Board of Directors for Elsinore Corporation (Four Queens Casino), in charge of regulatory compliance for Bally Gaming, and as a gaming consultant.

Glen N. Mauldin was appointed at the age of forty seven on January 1<sup>st</sup>, 1980 and resigned on January 1<sup>st</sup>, 1983. He was born in 1933 in Walsh, Colorado. Mr Mauldin received his Masters Degree in Business Administration and served as the financial member of the Board. He served as the Chief of Staff for a US Senator once he left his position with the Board.

Wayne O. Pearson was appointed to the Board at the age of thirty six on January 1<sup>st</sup>, 1967 and resigned on January 1<sup>st</sup>, 1971. Mr. Pearson was born in Ely, Nevada in 1931. He received his PhD and served as the financial member of the Board. Once Mr. Pearson left the Board, he served on the Board of Directors for a local hotel and casino, was employed by the University of Nevada, Las Vegas, and owned his own gaming consulting business.

Michael D. Rumbolz was first appointed at the age of forty one on January 2<sup>nd</sup>, 1985, re-appointed on January 1<sup>st</sup>, 1987, appointed to “chairman” on May 29<sup>th</sup>, 1987 and resigned on January 1<sup>st</sup>, 1989. He was born in Biloxi, Mississippi in 1954. Mr. Rumbolz received his bachelor’s degree and served as the legal member of the Board. Once Mr. Rumbolz left the Board, he served on the Board of Directors for two local hotel/casinos.

Jeffrey A. Silver was appointed on July 1<sup>st</sup>, 1975 at the age of twenty nine and resigned on January 1<sup>st</sup> 1979. He was born in Los Angeles, California in 1946. Mr. Silver received his law degree and served as the legal member of the Board. Mr. Silver, after leaving the Board, started his own law firm specializing in gaming law.

John H. Stratton was first appointed to the Board at the age of fifty three on January 1<sup>st</sup>, 1969, re-appointed January 1<sup>st</sup>, 1971, again re-appointed January 1<sup>st</sup>, 1975, re-appointed for the last time on January 1<sup>st</sup>, 1979 and eventually resigning on January 1<sup>st</sup>, 1983. He was born in Elko, Nevada in 1916. Mr. Stratton completed 2 ½ years of college. He served as the administrative member of the Board. After leaving the Board, Mr. Stratton semi-retires, occasionally consulting in gaming related matters..

Roger S. Trounday was appointed, at the age of forty three, as the “chairman” of the Board on July 16<sup>th</sup>, 1977 and resigned on December 31<sup>st</sup>, 1979. He was born in Reno, Nevada in 1934. Mr. Trounday attended college, and obtained his masters degree. He served in the administration position on the three member Board. Mr. Trounday, once leaving the Board, entered into the gaming industry in an executive management position for a local hotel and casino.

I am now going to discuss some of the personal history that I was able to research for the members who are now deceased, however, not much information was available for these individuals.

Shannon Bybee was born in 1938 in Tropic, Utah and died at the age of sixty five. He was first appointed to the Board on January 1<sup>st</sup>, 1971 at the age of thirty three, re-appointed on January 1<sup>st</sup>, 1975 and left his appointed position in 1979. He was involved

in numerous gaming ventures including United Coin, the Golden Nugget, and instructor at the University of Nevada, Las Vegas' International Gaming Institute.

George L. Ullom was born in 1915 in Las Vegas, Nevada. He was one of the original three Nevada State Gaming Control Board Members appointed on June 30<sup>th</sup>, 1959. He was forty four. He left his appointed position on June 30<sup>th</sup>, 1963. After Mr. Ullom left the Board, he engaged himself in several public sector positions. Some of these positions included County Registrar of Voters, Las Vegas Police Department captain, City Manager, Chairman of Tax Commission, and Chairman of Public Service Commission.

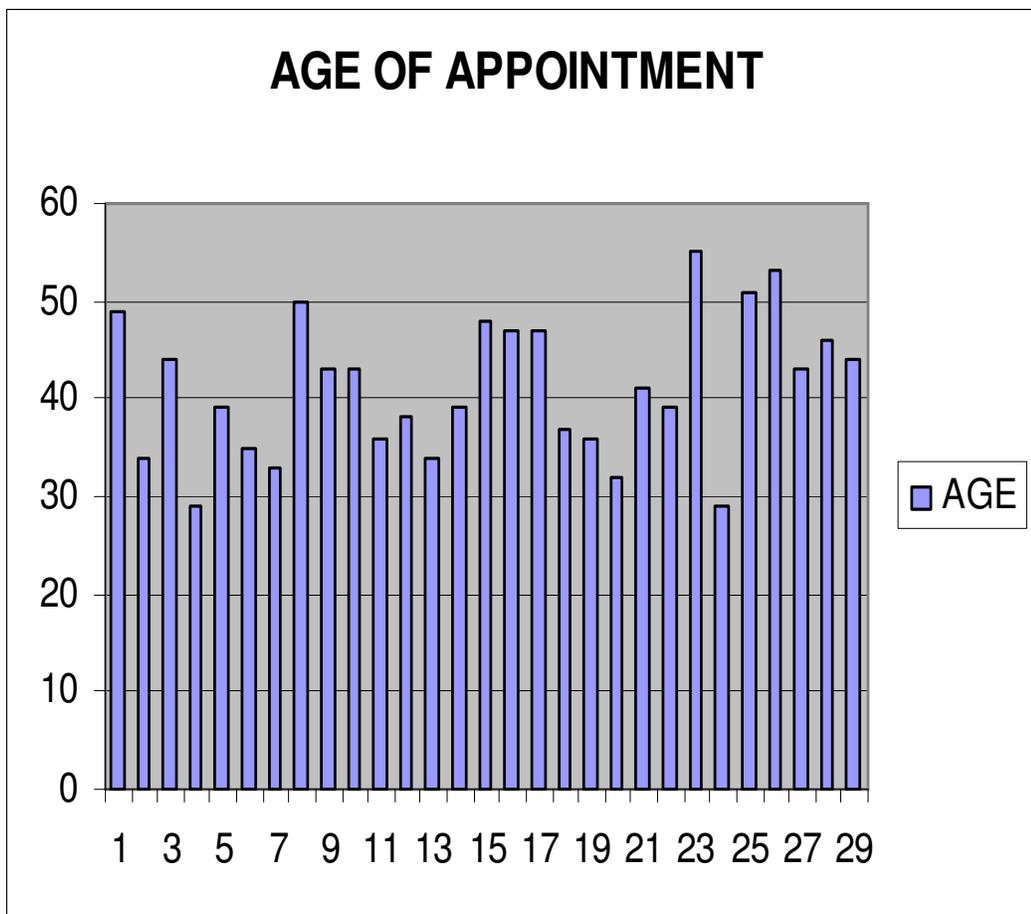
Robbins E. Cahill was born in 1905 in Ogden, Utah. He was the first chairman of the Nevada State Gaming Control Board, being appointed on July 1<sup>st</sup>, 1955 at the age of fifty and leaving on December 31<sup>st</sup>, 1959. Once Mr. Cahill left his position with the Board, he held positions both within the public sector and within the gaming industry. Some of the positions included Clark County Administrator, Director of the Las Vegas-based Nevada Resort Association, which represented southern Nevada casinos, Executive Director of the Reno-based Gaming Association of Northern Nevada.

Keith J. Campbell was born in Columbus, Nebraska on May 14<sup>th</sup>, 1924 and died at the age of seventy one. He was appointed to the Board on January 1<sup>st</sup>, 1967 at the age of forty three and permanently retired on January 1<sup>st</sup>, 1971.

W.E. Leypoldt was born in Omaha, Nebraska in 1914 and died at the age of seventy seven. He was first appointed to the Board on March 1<sup>st</sup>, 1961, re-appointed January 1<sup>st</sup>, 1963 and left the Board on January 1<sup>st</sup> 1967. Prior to his appointment to the

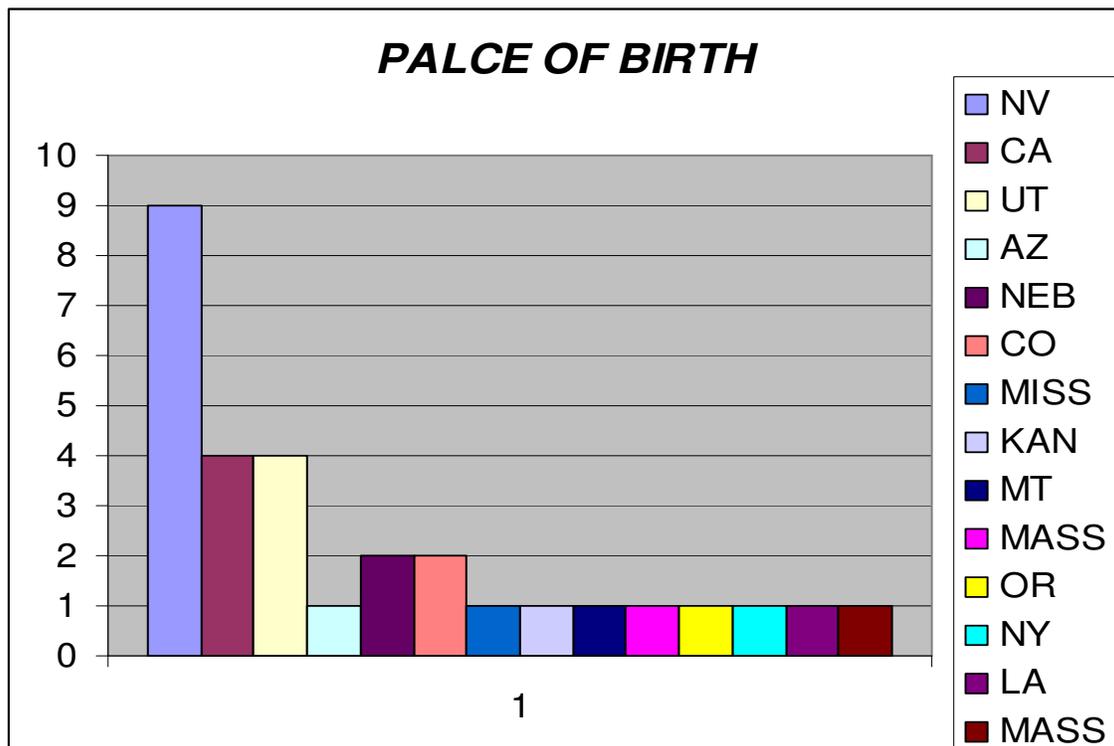
Board, Mr. Leypoldt served as Sheriff of Clark County. After leaving the Board, he retired permanently.

The ages of when members of the Nevada State Gaming Control Board were appointed to their positions varies. Out of the thirty six previous individuals who served, I was able to find out the age of appointment for twenty nine of them. The youngest member to be appointed was Patricia Becker, appointed at the age of twenty nine and the oldest being a current member, Bobby Siller, appointed at the age of fifty five. The *average* age of all appointed members is 41. The following bar chart illustrates the ages for all twenty nine of the members.



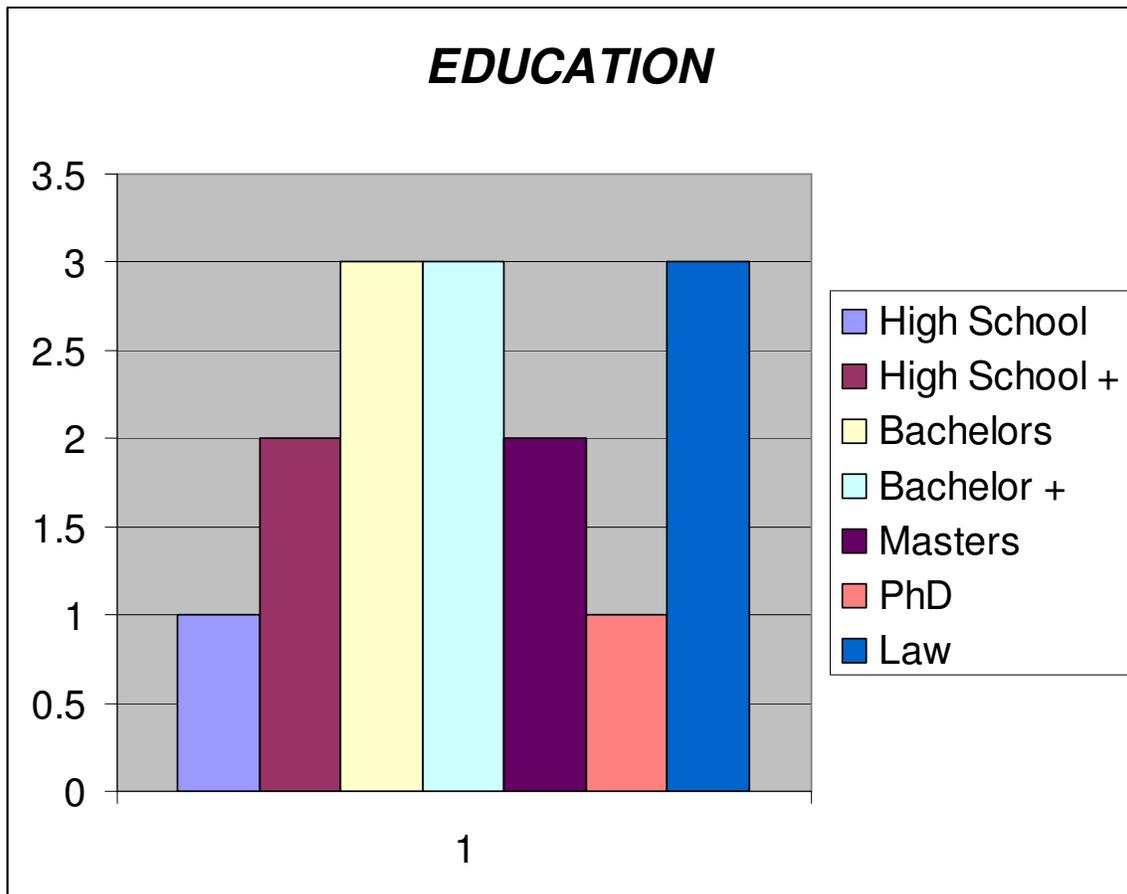
In summary, the personal history of members of the Nevada State Gaming Control Board helps to demonstrate the professional career paths for these individuals. In the following, I am going to group together some personal characteristics of the above Board members. As far as place their place of birth, there were only six of the above members who were born in Nevada. This was a bit surprising due to the fraternizing nature of the state's gaming industry. The next most common state for the above Board members to be born in was a tie between California and Utah. Both states had three of the above members born there. Following Utah and California, was Nebraska with two members. The following states all had only one of the above Board members born there: Arizona, Colorado, Mississippi, Kansas, Montana, and Massachusetts.

Out of the thirty six *total* Nevada State Gaming Control Board members, alive or deceased, I was able to locate thirty of their places of birth. In the following, I have developed a pie chart that shows the places of birth of the thirty Board members for the corresponding states.



In today's competitive society, education plays a large role in obtaining both a public and private sector position. Many of the Nevada State Gaming Control Board members are highly educated, yet many of them only received their high school degrees. In the 1950's, when the Board was created, higher education was not as common as it is today. Due to this, some of the Board members who were appointed in the earlier dates, did not obtain the education levels as some of the more recent members. The following chart illustrates the education levels for fifteen Board members. I was only able to obtain the level of education for fifteen members due to survey responses and lack of information on obituaries. Unfortunately, the obituaries for the deceased members did not state their levels of education. Due to this, these individuals will be excluded from the following chart.

In the following chart, the first column from the left signifies the completion of a high school degree. The second column signifies the completion of a high school degree and some college credits, but did not graduate with a four year bachelor's degree. The third column from the left signifies the completion of a four year bachelor's degree. The fourth column signifies the completion of a bachelor's degree and some master's credits, however did not graduate. The fifth column from the left signifies the completion of a master's degree. The sixth column signifies the completion of a PhD. And finally the last column, from left to right, signifies the completion of a law degree.



## **POLITICAL CONFLICT OF INTEREST**

The gaming industry, by far, is not the only industry in the State of Nevada that has possible corruption occurring. There has been recent talk about the notion of “conflict of interest” in the political arena. Certain elected and appointed officials may have alternative agendas, some positive and some negative, while serving. “Despite disclosure forms, good intentions, the legislative system is never completely free of questionable influences” (Las Vegas Review Journal March 13, 2005). It is extremely difficult to spot these individuals prior to their appointment. Unfortunately, due to the nature of people, often politicians and appointed officials can be influenced by monetary gains.

We have seen perfect examples of this right here in the State of Nevada within the past couple of years. The most notable of the so-called conflict of interest or political corruption came about during the investigation of Michael Galardi’s gentleman’s club, Cheetahs. There were many actors involved in this political scandal, but a few of the most popular names were commissioners Dario Herrera and Lance Malone. Michael Galardi, the owner of Cheetahs Gentleman’s Club was giving “kick backs” to certain politicians who had an influence on decisions affecting the cash flow of his businesses. Dario Herrera and Lance Malone accepted Mr. Galardi’s “kick backs” in return for favorable legislation toward Mr. Galardi’s gentleman’s clubs.

There are many political actors who are serving on Boards which may be considered a conflict on interest. Three individuals in the Nevada political arena, who I believe, are part of a conflict of interest issue are Pete Goicoechea, Joe Hardy, and Dean Rhods. Mr. Goiciechea is a Republican who serves in District 35, Eureka and currently

owns a cattle ranch. The conflict of interest issue that arises here is that Mr. Goiciechea also serves on the Import Grazing Board. The decisions made by this law maker could have an alternative agenda to better his cattle ranch rather than bettering the public and community. Next, Joe Hardy is a Republican in District 20, Boulder City and is a practicing physician. Mr. Hardy is also Boulder City's appointee to the Clark County Health District which again can be a potential for a conflict of interest issue. Lastly, is Dean Rhodes who is a Republican in Northern Nevada District, Tuscarora. Mr. Rhodes owns a large cattle ranch and also sits on the Board of Directors for Public Lands. Once again, the decisions he makes, while sitting on the Board of Directors for Public Lands, could have alternative motives that will potentially only benefit his own cattle ranch.

These examples relate to the gaming industry by means of members of the Nevada State Gaming Control Board entering into the industry after their appointment. Accepting "kick backs", while on the Board, in the form of future high-paying, executive level positions within the industry, in return for favorable decisions, is a potential for conflict of interest. This problem of conflict of interest or corruption within the Nevada State Gaming Control Board came about when the gaming industry developed into a very wealthy and influential industry in Nevada. When industries become extremely powerful they can easily use that power to achieve certain outcomes such as favorable decisions by the Board, rewarded later on with high-paying, executive-level positions within the industry. Another example of how this idea relates to the gaming industry is when contracts are given to companies that are owned by relatives of Board members.

There is no "quick fix" for this type of problem nor will the problem ever be completely eliminated. However, the "main" goal should be to eliminate corruption

within the regulatory agency and the gaming industry. This will never be an easy task and can only be accomplished by taking small steps in the right direction as opposed to tackling the problem all at once. Also, one cannot put a time limit on how long it will take for this goal to be attained. In addition, these goals can only be accomplished in stages. One must be very careful when setting goals and objectives due to the practical issues dealing with those goals and objectives.

To help prevent any form of corruption from occurring in the State of Nevada, the Nevada law-makers have implemented a “One-Year Cooling Off Period.” This cooling off policy states that once members leave their appointed positions on the Board, they must wait three hundred and sixty-five days (one year) before they begin their employment within the Nevada gaming industry. The one-year cooling off period is relatively new and has come under criticism, some saying it is unfair, others saying it is not long enough to be effective. The cooling off period concerns only those members who wish to enter into the gaming industry, in the State of Nevada, after leaving their appointed positions.

Overall, the one-year cooling off policy is an excellent tool for deterring corruption, but there are still some negative implications that arise. Of course, one could implement a two-year cooling off policy, which would definitely reduce the amount of corruption, however this would not be fair to the Board members. Not earning an income for one year is difficult enough and two years would be too much of a penalty and would deter many competent individuals from serving on such a Board. Also, one could establish a policy which would state that once members leave the Nevada State Gaming Control Board, they are totally forbidden to work in the Nevada gaming industry, but this

again is not realistic. Most Board members have strong gaming expertise and forbidding them to work in the industry would punish them for doing an important public service for Nevada. Also, it is important to remember that these ex-gaming regulators have expertise that is needed by private industry.

The only realistic way to reduce this form of corruption from occurring is to keep a close eye on the decisions that members are making while serving on the Board. If members continually make controversial decisions that favor certain establishments, a red flag should go up. Obviously, if Board members know their decisions are being closely monitored for patterns of favoritism, this will help reduce the amount of corruption from occurring. The gaming community in the State of Nevada is still relatively small so corrupt decisions will quickly be recognized. Making Board members accountable for their decisions, and when these decisions are controversial, having the media and other concerned parties demand explanations for these decisions, will help ensure the integrity of the decision-making process.

## **ANALYSIS**

There are large volumes of literature explaining the negative implications that can occur when regulators enter into the industry which they once regulated. I agree with this literature to an extent. There is the possibility that negativity can arise from ex-regulators entering the industry, however through my research, I have found positive implications that can also come about from this occurrence. Problems commonly arise when industries work in conjunction with the regulatory bodies that ultimately regulate them. As an industry, businesses will often lobby, not only to benefit their own agenda, but also to benefit the industry as a whole. When these businesses join together, for a common goal, they become extremely powerful. Powerful entities become very influential when striving for a common good that will assist the industry in monetary advantages. When this occurs, the regulatory committee no longer has the power of enforcement or the ability to create policy. In the following, I will demonstrate the negative implications of this occurring in the casino industry with a few brief examples.

The casino industry relates to this organizational issue in terms of their regulatory committees, the Nevada State Gaming Control Board and its power to regulate the industry. Especially in the State of Nevada, with gaming being legal in almost the entire state, the industry, as a whole, will benefit if the regulatory committee is on the side of gaming. However, when individuals within agencies become influenced by organizations that are trying to benefit themselves financially, then negative implications arise that affect the general public. In the private sector, specifically the casino industry, the main goals are revenue and market share. If the industry will benefit from the control of

regulations affecting revenues and market share, then that industry will adopt the measures needed to acquire this control.

The casino industry, as a group, has lobbied to reduce different forms of taxation such as slot machine taxation, table games taxation, and payroll taxation. The casino industry is taxed on each individual slot machine, individual table, and individual employee. This is a considerable amount of money when the average slot revenue from casinos on the strip is well over a billion dollars and the average number of employees per casino on the strip is in the thousands. It is no coincidence that the tax rate inflation on the casino industry, as a whole, has not kept up with the inflation rate or other tax rates such as property and sales tax for the general public. Each taxable entity should increase at the same rate so the burden is distributed evenly among all taxable sectors. The increases in taxes have been disproportionate and have favored the gaming industry. This trend is not beneficial to the community as a whole, yet is supported by the Nevada State Gaming Control Board. This taxing issue is an example of a negative implication that has occurred when the regulatory agency's purpose is no longer benefiting the community and instead is benefiting the industry itself.

As I stated above, the majority of the literature is pessimistic toward regulators entering the industry which they once regulated. However, through my research, I have found positive events that can occur when regulators enter into the industry that they once regulated.

Members of the Nevada State Gaming Control Board are very knowledgeable about regulations concerning gaming establishments. Commonly, regulators have an expertise in law, administration, or accounting prior to being appointed to the Board.

Once these individuals are appointed, they use their vast knowledge to regulate the industry. The gaming industry strives to abide by all regulations that are enacted by gaming regulators and there is no better way to do this than to have former regulators on the “pay-roll.” By doing this, it helps not only the industry as a whole, but also the individual gaming enterprise to self-regulate. Self-regulation has existed and has been sustained in society as one of a number of ways to regulate. One must realize, however, self-regulation cannot stand-alone. Self-regulation has co-existed with command and control state regulation, with moral codes, and with religious and other social controls of behavior. Self-regulation should only be used to help complete the regulation process and if implemented in a correct and moral manner can better society as a whole.

In addition to self-regulation, another positive episode that can transpire from regulators entering into the industry which they once regulated is what I call the “career pay-off.” Commonly, regulators with the Nevada State Gaming Control Board sacrifice monetary gains when they decide to serve out their appointed positions. In order to be considered for an appointment by the Governor, prospective members must be capable of bringing a vast knowledge of not only the gaming industry, but also a specific skill necessary round out the board’s expertise. All members who contain this level of knowledge have worked extremely hard to acquire it. When serving on the Board, and providing their services to the public, these members are not paid anywhere near the amount they could potentially earn in the private sector. However, while the members complete their terms, they obtain vital contacts that enable them to potentially acquire a high-paying, lucrative position within the industry. This is what I consider the “career pay-off.” Members gave their time by serving the public and now are rewarded by the

industry with the opportunity to be employed by a multi-million or billion dollar company. I feel that these examples exemplify that previous members of the Nevada State Gaming Control Board who enter into the gaming industry have the capabilities that can positively affect both the industry and the public as a whole.

## **CONCLUSION**

Because of developing and distributing my mail surveys, I now have a better understanding of the professional career paths of previous and current Members of the Nevada State Gaming Control Board. And, more specifically, I was able to illustrate some positive outcomes that can arise from members of the Board entering into the industry which they once regulated. Of course, the common practice of members of the Board entering into the gaming industry after serving out their appointed terms has the potential to lead to questionable decision-making by Board members.

How can the Las Vegas community prevent corruption from occurring because of members of the Nevada State Gaming Control Board entering into the industry? This is not an easy question to answer. It is impossible to stop individual corporations, or even entire industries, from becoming powerful entities within the community, however measures can be taken to avoid those corporations or industries from capturing the agencies that regulate them. Currently, there is no available literature providing any specific outline on how to prevent the occurrence of agencies from being captured. Nevertheless, the Las Vegas community has taken steps to reduce the amount of negative implications on the decisions handed down by the Board. The most effective regulation, in my opinion, is the so-called “cooling off period,” the policy that prohibits ex-board members from working in the gaming industry for at least one year.

Las Vegas is no longer a one-industry town. The community’s authorities are not as dependent on the casino industry as they once were, with over five thousand people per month moving to Las Vegas. Also, Las Vegas has adopted successful measures to diversify its economy. There is no longer a reliance solely on the casino industry for

community funds. Because of this, the casino industry does not have the power they once had. A recent example of this deals with the very powerful and successful owner of the Venetian Hotel and Casino, Sheldon Adelson. Mr. Adelson is planning to build a 1.5 billion dollar mega-resort on the corner of Las Vegas Boulevard and Spring Mountain. Due to this construction, the Board noticed there would be insufficient parking for customers and employees. They ordered the construction of the mega-resort to be postponed until additional parking garages were added. This upset Mr. Adelson, who fought unsuccessfully for the reversal of this decision. In the past, the Board would have respectfully conformed to the request of powerful casino owners, however this is no longer the case. This example specifically demonstrates how the Las Vegas community no longer automatically abides to the wishes of the casino industry, and therefore, the Board is able to hand down decision that will benefit the public.

The idea of regulatory agencies being captured by the industries which they regulate has become a serious issue nationwide. George Stigler, who developed the idea of the Capture Theory, understood the complications and future problems that could occur if this issue was not recognized. For specific industries, it is in their best interest to control the decisions of their regulatory committees, however this is not generally beneficial for the public as a whole.

There are still many unanswered questions to the complete prevention of regulatory committees being over-powered by industries. Even though various means have been adopted to reduce the amount of monetary reliance placed upon the casino industry, I personally believe this issue will continue to be fought over for years to come. The data collected from my research shows that many previous Nevada State Gaming

Control Board members do enter into the gaming industry, however this does not necessarily lead to the notion of “Capture Theory.” In addition, the data from my research shows another side to the “Capture Theory”- that positive outcomes can also arise when regulators enter into the industry which they once regulated.

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