

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MARCH MINUTES

- DATE:** March 25, 2021
- TIME:** 10 a.m.
- PLACE:** Maryland Lottery and Gaming Control Agency Headquarters
(Meeting conducted via conference call audio link, livestreamed on website)
- PRESENT:** Chair E. Randolph Marriner
Vice Chair Bert Hash, Jr.
Commissioner F. Vernon Boozer
Commissioner George L. Doestch, Jr.
Commissioner Michelle Fager
Commissioner James Stakem
Commissioner Jerry E. Williams
- Gordon Medenica, Director
Jim Nielsen, Deputy Director, Chief Operating Officer
John Martin, Managing Director, Chief Revenue Officer
James Logue, Managing Director, Gaming
Leo Mamorsky, Managing Director, Chief Marketing Officer
John Mooney, Managing Director, Regulatory Oversight
Paula Yocum, Managing Director, Acting Chief Financial Officer
Carole Gentry, Managing Director, Communications
James Butler, Managing Director, Organizational Compliance
Jennifer Tosky, OAG Assistant Attorney General
Kathy Lingo, Executive Assistant
- OTHERS:** Representative from Hollywood Casino Perryville
Representative from Ocean Downs Casino
Representative from Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Representative from MGM National Harbor
Representative from International Game Technology
Representative from Pollard Banknote
Representative from Scientific Games
MLGCA Staff

E. Randolph Marriner, Chair

F. Vernon Boozer, George L. Doetsch, Jr., Michelle R. Fager, Bert J. Hash, Jr., James J. Stakem, Jerry E. Williams

ROLL CALL

Chair Marriner asked for a roll call to establish that a quorum was present. Roll was called, also on the call were: Vice Chair Bert Hash, Commissioners Vernon Boozer, George Doetsch, Michelle Fager, and James Stakem. Commissioner Jerry Williams joined the call at 10:15 a.m.

CALL TO ORDER

Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:00 a.m.

APPROVAL OF THE AGENDA

Chair Marriner reported that the Commissioners were provided with a copy of the agenda. Chair Marriner asked for a motion to approve the agenda. Commissioner Doetsch moved, Vice Chair Hash seconded, and the motion was unanimously approved by roll call.

APPROVAL OF THE MINUTES

Chair Marriner stated that the February 25, 2021, open session minutes were provided to the Commissioners for review, and asked if there were any changes. There were no changes. Commissioner Doetsch moved to approve, Commissioner Stakem seconded, and the motion was unanimously approved by roll call.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains six new instant ticket games for the Commission's approval: #535 (\$3) *Boardgame Bonus*; #536 (\$5) *Find the 9s*; and #537 (\$5) *Deluxe Crossword 6th Edition*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications for VLTs, Table Game Components, and Instant Bingo Machines (2/10/21 – 3/11/21); Consent Agreements for Regulatory Violations – Ocean Downs Casino – December 2020; and Rocky Gap Casino – December 2020; Consent Agreements for Underage Violations – Horseshoe Casino – Case No. 2020-05-002; Gaming License Applications Denials/Revocations; Horseshoe VLT Reduction Implementation Extension; and Staff Reports from James Nielsen, Deputy Director, Chief Operating Officer; John Martin, Managing Director, Chief Revenue Officer; James Logue, Managing Director, Gaming; Leo Mamorsky, Managing Director, Chief Marketing Officer; Paula Yocum, Managing Director, Acting Chief Financial Officer; Carole Gentry, Managing Director, Communications; James Butler, Managing Director, Organizational Compliance; and Holly Citko, Principal Counsel, Office of the Attorney General.

Chair Marriner asked if any Commissioners wished to remove any items from the Consent Agenda. There were no requests for removal. Chair Marriner asked for a motion to approve the consent agenda as noted above. Motion to approve was made by Commissioner Doetsch, seconded by Commissioner Stakem, and the motion was unanimously approved by roll call.

OPERATOR REPORTS

Hollywood Casino Perryville

Hollywood Casino

Mr. Matthew Heiskell, General Manager, reported that February gaming revenue was down a little more than 5%, with slot revenues down 5% and table games down 10%. Slot volumes were down 6% and table game volumes were down 18%. March will be the first month where year-over-year comparisons will be made against the period where the State's casinos were closed due to COVID-19. Mr. Heiskell said he would be reporting comparisons to 2019 for those months. He added that March revenues are showing growth compared to 2019. Mr. Heiskell said that Hollywood is working with Cecil County to use the casino's parking lot as a mobile vaccine location. Hollywood is continuing to work with Penn National on the transition of ownership, and Mr. Heiskell said the process has been smooth.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that February gaming revenue was down 2.8%. Slots were down 5.5% driven by volume, while table games were up 17.6% driven by volume and hold. Ms. Sample noted that Ocean Downs was not as heavily impacted by winter weather as the State's other casinos. March is trending well compared to 2019. The casino held events for its team for Problem Gambling Awareness Month in March. Ocean Downs is also participating in a charity effort to raise money to fight addiction.

Live! Casino

Mr. Bob Tedesco, Senior Vice President of Operations, reported that February total revenue was \$49.2 million, down 20.6%. Gaming revenue was \$45.2 million, down 16%, while non-gaming revenue was \$4 million, down 50%. Slot revenues were \$32 million, down 15%. Poker and table game revenue was \$13 million, down 18%. The casino began to slowly ramp up its marketing efforts with invitations to smaller events, including Valentine's Day and Lunar New Year celebrations. Live! donated \$10,000 to the Maryland Washington Minority Companies Association, and is continuing to offer its event space to Anne Arundel County for a vaccine clinic. Volumes have increased in March, and Mr. Tedesco added that the casino has maintained a focus on social distancing. The new Sports & Social venue is scheduled to be open by the middle of April, and pending the approval of sports betting, the FanDuel sportsbook will be located there.

Rocky Gap Casino

Mr. Skylar Dice, Vice President and General Manager, reported that February gaming revenue decreased 17.7%, adding that February 2020 had five Saturdays and that winter weather in Western Maryland impacted volume. Rocky Gap has held several kiosk promotions to encourage social distancing. The resort's golf course has opened and volume has been good. Occupancy restrictions were lifted in March, and as more people have been getting vaccinated, Mr. Dice said older guests are beginning to return to the casino. Slot volumes have been strong throughout March, and the casino has been working to maintain proper social distancing at its table games.

Horseshoe Casino

Mr. Randy Conroy, Vice President and General Manager, reported that February slot machine revenue was \$9.6 million, down 15%, table game revenue was \$4.7 million, down 29%, with total revenue down 20%. Winter weather and Baltimore City restrictions that limited Horseshoe's capacity to 25% impacted revenues. Capacity will be increased to 50% beginning March 26. As some COVID-19 restrictions have been lifted, marketing efforts have slowly increased, but Horseshoe's management is reminding employees to stay on top of health and safety protocols and is encouraging them to be vaccinated. The casino participated in a charitable effort to benefit a local elementary school. Team members are being encouraged to get the vaccine as they become eligible. Mr. Conroy said March revenues have shown improvement, and that the casino is eager for the start of expanded occupancy limits.

MGM National Harbor

Mr. Jorge Perez, President and Chief Operating Officer, reported that gaming revenue in February was down 7%, but it was the casino's best month since November. Winter weather and a 25% capacity limit contributed to a 17.5% decline in table game revenue, and a 15% decline in slots. Poker revenue was down 37% with additional tables being shut down. Prince George's County raised MGM's capacity limit to 50% on March 12, and March is trending toward being the best month since the casino reopened. Mr. Perez said health and safety protocols are still being closely monitored. MGM's corporate operation has partnered with Clorox to provide sanitation supplies. The casino's promotional calendar has been light, with weekends limited to Mlife customers while capacity was 25%. Construction of the outdoor gaming space is progressing and the area should be open in April. Casino staff participated in a reading program with a local elementary school to honor Black History Month in February.

VENDOR REPORTS

Scientific Games

Mr. Steve Smith, General Manager, reported that installation of Lottery self-service vending machines has been completed at 47 Walmart stores in Maryland. Scientific Games has mostly completed the implementation of debit card readers on all self-service vending machines. Fast Play sales are strong, ranking Maryland among the top states in the country in Fast Play sales. The sorting equipment in the instant ticket warehouse continues to successfully handle the volume of ticket fulfillment.

Pollard Banknote

Mr. Matt Isaac, Director of Retail Development, reported that Maryland's scratch-off ticket sales are up 14.1% year-over-year, improving upon last quarter when they were up 11%. By comparison, the D.C. Lottery's scratch-off sales were down 21.3%, New York is down 0.3%, Connecticut is up 9.1%, New Jersey is up 6.5%, and Virginia is up 8.3%. Pollard Banknote is working on 19 games this quarter.

International Game Technology

Mr. Gary Cherwinski, Account General Manager, reported that operations are doing well and IGT staff are continuing to work with the casinos and their staffs. COVID protocols are being followed in the data center. IGT is preparing for its annual audit. Recent winter storms in Texas affected some IGT locations, but did not impact operations for Maryland. IGT took proactive action to ensure that the system remained in sync and operating properly.

STAFF REPORTS

Director's Report – Gordon Medenica

Director Medenica reported that Lottery sales and profits remain on a record pace. February was an anomaly as reflected on the Dashboard, with profits down 3.5%. Nevertheless, Lottery has more than recovered in March, with year-over-year results beginning to be noncomparable due to the severe declines seen a year ago due to COVID. Year-to-date sales are up 17.2% and profit is up 18%. The Bureau of Revenue Estimates has again raised its forecast of the Lottery's profit for FY2021. The original figure was \$605 million, which would surpass the Lottery's all-time profit record. The figure was increased to \$634 million in December and has been raised again to \$666 million. Director Medenica said there is good potential to meet the new estimate, which would be a new record by a significant amount. Casino year-to-date revenues are down 3.7% and contributions to the State are down 3%. Year-over-year figures will not be meaningful for the next few months as comparisons are made to last year's numbers during the height of the pandemic.

Director Medenica reported that the General Assembly is considering a 10 to 15% reduction in the Lottery's advertising budget. The House proposed a \$3 million cut and the Senate proposed a \$2 million reduction. Director Medenica said the advertising reductions will cost the State \$10 million to \$15 million in profitability.

Director Medenica said the House has passed its sports betting bill, HB 940, which creates a complex structure for the State's sports betting market. The bill includes up to 23 locations for retail sports betting, but most of the activity will occur online using mobile devices. In other states, 85% to 90% of sports betting is done online, which will leave the retail locations fighting over the remaining 10 to 15%. Under HB 940, the six casinos, three sports arenas and Riverboat on the Potomac would have Class A licenses; 10 Class B licenses would be awarded through a competitive bidding process; and 15 online licenses, not necessarily connected to any of the retail locations, would also be awarded through competitive bidding. The bill creates a new Sports Wagering Application Review Commission (SWARC) that will select a consultant to determine the criteria and manage the process of competitive bids for Class B and online licenses. The Senate is now considering the bill, and Director Medenica said there are numerous technical aspects to be determined, including whether the license application fees will be refundable. The fees vary from \$50,000 for retail locations to \$500,000 for online licenses, with a similar amount to be paid again over the next five years of the license. If fees are refundable, Lottery anticipates a plethora of applications in all of these categories. Another decision that will need to be made is whether Lottery will need to do background criminal checks and financial viability reviews before selections are made for the two categories of licenses.

Last year, the Senate's sports betting bill (SB 4) had a simpler structure, and the Agency anticipated that if it had passed during last year's session, sports betting could have been up and running by Fall of 2020. A regulatory framework of approximately 150 pages has been drafted, based on the provisions of SB4. HB 940 changes the landscape dramatically, and Director Medenica said that it could take another 12 months after passage in order to see full implementation.

Chair Marriner asked about the composition of the SWARC. Director Medenica said it is a seven-member panel that would be chaired by the Chair of the Maryland Lottery and Gaming Control Commission. Other members include two appointed by the Governor, two appointed by the Senate and two appointed by the House.

Chair Marriner noted that the reduction of the Lottery's advertising budget would handcuff the ability to meet higher profit projections, adding that he would be willing to testify to the legislature against the proposal.

Regulatory Oversight – John Mooney, Managing Director

There being no questions on his monthly report, Mr. Mooney proceeded to his Commission Action Item.

Commission Action Item – Cammegh Ltd. Manufacturer License Renewal

Chair Marriner said the Commission would conduct a hearing regarding the qualifications of Cammegh Ltd. for renewal of its manufacturer license. The Chair administered an oath to the MLGCA licensing staff. There were no Cammegh representatives on the teleconference. Mr. Mooney read the summary of MLGCA staff's investigative report on Cammegh Ltd.

Mr. Mooney reported that MLGCA confirmed that Cammegh Ltd. and its principals have sufficient financial resources to be licensed and found no derogatory information regarding their qualifications. Staff determined that the company has established by clear and convincing evidence its qualifications for licensure and recommended that the Commission approve the company's license renewal. There were no questions from the Commission or public comments.

Chair Marriner asked for a motion to find the company and its principals have established their qualifications for renewal. Commissioner Doetsch so moved, Vice Chair Hash seconded, and the motion was unanimously approved by roll call.

CLOSED SESSION

There was no need for the Commission to go into a closed session.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, April 22, 2021, conducted by audio conference.

ADJOURNMENT

There being no further business for discussion, Chair Marriner adjourned the meeting at 10:39 a.m.

Respectfully submitted,


Gordon Medenica
Director