

TO: Maryland Lottery and Gaming Commission
John Martin, Director

FROM: James Nielsen, Deputy Director/COO

DATE: February 15, 2022

SUBJECT: Report for the February 2022 Commission Meeting

A. GAMING

See separate report from James Logue, Managing Director

B. REGULATORY OVERSIGHT

See separate report from John Mooney, Managing Director

C. AGENT ADMINISTRATION

The following table presents retailer and terminal counts according to the Lottery's Agent Administration database.

Total Retailers				Total Retailer Terminals				XCAP Retailers (1)			
Date	Count	Date	Count	Date	Count	Date	Count	Date	Count	Date	Count
Current				Current				Current			
01/31/21	4,378	01/31/22	4,400	01/31/21	6,723	01/31/22	7,026	01/31/21	396	01/31/22	432
Quarterly Comparisons				Quarterly Comparisons				Quarterly Comparisons			
03/31/20	4,364	03/31/21	4,410	03/31/20	6,453	03/31/21	6,841	03/31/20	373	03/31/21	405
06/30/20	4,349	06/30/21	4,404	06/30/20	6,446	06/30/21	6,932	06/30/20	378	06/30/21	413
9/30/20	4,341	9/30/21	4,401	9/30/20	6,492	9/30/21	7,008	9/30/20	397	9/30/21	426
12/31/20	4,355	12/31/21	4,400	12/31/20	6,636	12/31/21	7,020	12/31/20	402	12/31/21	430

(1) Expanded Cashing Authority Program (XCAP) locations are authorized to cash prizes of up to \$5,000. W2Gs for these winners are subsequently printed and mailed by CRC staff.

D. CONTRACT MANAGEMENT

- There are 1,693 full-service (PHD and PHDL) and 237 draw game-only (PEX) self-service terminals installed as of January 31.
- Pick 5 User Acceptance Testing completed. The game launched February 7.
- Four Fast Play games were closed and four new Fast Play games were launched.
- **eLicensing system updates:**
 - Progress has resumed on the Sports Wagering employee applications.

- The eLicensing system was updated to accommodate the Experian Net Connect interface which was being implemented to increase the security of the system and better protect the data entrusted to us.
- An issue was discovered with the Principal Employee application Net Worth Statement and is being corrected.
- Non-Wagering and Temporary Wagering applications have been created and will be assigned to investigators to complete the investigations.
- MST continues to resolve any day-to-day issues that arise.

E. FACILITIES

- Facilities staff continue to fog the entire agency on a daily basis.
- Still waiting for updates on the new vehicles that we ordered. Working with Gaming to determine the number of new vehicles needed for Sports Betting.
- A new forklift scheduled for delivery has been pushed back until March.
- Carpet Cleaning to begin in two weeks, and we continue to clean-up around the agency to remove old equipment and furniture.
- Painting completed around the agency
- HR posted a new supervisor position for the warehouse.
- Statewide New vehicle contract come out in March

F. INFORMATION TECHNOLOGY

- Provided the 1099 file to the IRS for 2021 reporting.
- Completed ICS Pick 5 testing, and created an RNG for the draw machine selection process at the studio.
- Interviews for the computer operator position are scheduled for the beginning of February, and the Agency will also be recruiting for a Chief Information Officer at the end of February, early March.

G. PROCUREMENT

- Procurement works closely with all Divisions to support the MLGCA's daily operations to include, but not limited to, procurement of printing of POS materials and various information sheets/brochures to support all games; promotional items, sponsorship agreements for events; and supplies/equipment for the Lottery's internal use, as well as the processing of all payments under \$5,000 using the State P-Card and monthly reconciliation of the card statement.
- Procurement staff are working with other departments to implement tools available to modernize our procurement processes with a goal of reducing paper handling and allowing users more visibility into the status of requests. We hope to also integrate an inventory system for consumables and fixed assets.
- Licensing and Dunning Systems Additions, Enhancements and Maintenance Task Order Agreement (#2015-08) with MS Technologies Corporation. Contract for Gaming E-Licensing services with term 6/18/2015 – 6/30/2022 was previously modified by Emergency Modification #3/4 (approved by the BPW on September 15, 2021) to include \$639,000 to provide MLGCA with the necessary capabilities to implement background investigations and licensing for Sports Wagering in accordance with HB 490 (Emergency Bill). Modification #6 which will extend the contract for an additional 3-year term until

6/30/2025 at an additional cost of \$150,000, which was approved by the Commission at its January, 2022 meeting, has been forwarded to DGS for inclusion on the BPW Agenda and has been tentatively scheduled for its March 9, 2022 meeting.

- Auditing and Accounting Services Contract (#2015-04) with Stout, Causey & Horning, P.A.: Contract with a Certified Public Accounting firm to provide auditing, accounting, and management services to include technical advice and assistance on various aspects of operations for both Lottery games and the Gaming program. Modification #4 to add accounting and auditing requirements to cover recently expanded MLGCA business areas: a) Sports Wagering, b) Fantasy Competitions, c) Double Play®, and d) Pick 5 at an additional cost of \$40,700, which was approved by the Commission at its January, 2022 meeting, has been submitted to and approved by DoIT. It has now been forwarded to DGS for inclusion on the BPW Agenda and has been tentatively scheduled for its March 9, 2022 meeting.
- Licensing Contract (#2022-02) with the Baltimore Ravens Limited Partnership: New sole source contract in the NTE amount of approximately \$300,000 for a 2.5 year term to provide 1) a license to use the Ravens NFL team marks and logos for two Instant Ticket Lottery Games and 2) Ravens and NFL football related prizes. This Contract is similar to the Raven's Contracts done for the past 13 years. It is anticipated that this contract will be submitted to the Commission for review/approval at its March 2022 meeting and then, subject to Commission approval, will be submitted to the Department of General Services for inclusion on the next available BPW Agenda.
- Contract for Advertising, Marketing, Media and Related Services (#2018-07): Functional Area I – Creative Development and Production Services with Gray, Kirk/VanSant Advertising, Inc. in the amount of \$15,624,000; and Functional Area II - Media Planning and Buying Services with 9Rooftops (formerly MARC USA, LLC) in the amount of \$47,364,000. These amounts are for the 3-year base term 5/1/2019 - 6/30/2022 for both Contracts, with a single 2-year Renewal Option available for each. Both Contractors have been doing a very good job and the MLGCA recommends that the Renewal Options be exercised for the period 7/1/2022 -6/30/2024 at the same terms and rates, for a total of \$10,416,000 for GKV and \$31,576,000 for 9Rooftops. These Renewal Options will be submitted to the Commission for review/approval at this meeting and then, subject to Commission approval, will be submitted to the Department of General Services for inclusion on the next available BPW Agenda.
- MBE/VSBE/SBR Activities: A summary of the MLGCA's MBE/VSBE participation is attached.

H. WAREHOUSE

The instant ticket warehouse is responsible for packing all of the instant tickets shipped to lottery retailers. Orders are placed through the Tel Sell operation, which is operated by our central system vendor. Once an order is placed, it is sent to the warehouse for fulfillment. Additionally, as each new instant game is launched, the majority of retailers receive an initial allocation of the new games to assure the tickets are available across the State. Fulfilled orders are shipped via UPS for next day delivery to retailer locations. In addition to filling the orders, the warehouse is responsible for monitoring UPS to ensure proper billing and timely delivery.

Warehouse Orders – January 2022			
# of Orders	# of Packs	YTD Orders	YTD Packs

17,259	199,369	127,041	1,439,579
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I. CUSTOMER RESOURCE CENTER

Out of concern for player and employee safety during the pandemic, the Customer Resource Center was closed to the public on 3/30/20 and reopened by appointment only on 6/24/20. Customers continue to make appointments to claim prizes using the scheduling page on mdlottery.com. Lottery winners without Internet access can schedule appointments by phone. The appointment-only process continues to be effective and efficient. All Lottery retailers are authorized to cash winning tickets up to \$600; Expanded Cashing Authority Program (XCAP) retailers can cash tickets up to \$5,000; Winning tickets up to \$25,000 can be cashed without appointments at all Maryland casinos.

Data concerning the number and amount of winners' claims processed by the Lottery, the casinos and XCAP retailers are noted below:

CLAIMS PROCESSED BY LOTTERY AND CASINOS – January 2022				
Location	Count	Amount	YTD	YTD
Baltimore	1,265	\$13,371,670	9,025	\$57,328,078
Casinos	75	\$702,477	512	\$5,131,934

XCAP PROCESSING – January 2022			
Count	Amount	YTD	YTD
6,766	\$13,711,013	56,853	\$120,242,999

SUBSCRIPTIONS

The Lottery's Customer Resource Center is also responsible for processing subscriptions. Multi-Match, Mega Millions, Powerball and Cash4Life subscriptions can be purchased for 13, 26 or 52 weeks. Data concerning subscriptions processed is noted below:

Subscriptions as of January 2022		
Game	Active	Processed This Month
Multi-Match	1,387	335
Mega Millions	3,468	765
Powerball	2,386	680
Cash4Life	479	150
Total	7,720	1,930

PRIZE INTERCEPTIONS

The Lottery is required by statute to withhold any Child Support or CCU debts that winners of prizes over \$600 claim. Data concerning collections is noted below:

Intercepts as of January 2022		
TYPE	Month	YTD
Child Support	\$17,778	\$187,703
CCU Debts	\$105,511	\$1,135,816

J. EXERCISE OF DELEGATION OF AUTHORITY

Report on Staff’s exercise of delegated authority to qualify an applicant, determine whether an applicant meets requirements for a sports wagering license, and issue a sports wagering license.

By unanimous vote on November 18, 2021, the Commission delegated to Staff the authority, under certain chapters of the sports wagering regulations, to:

- determine that an applicant for a sports wagering license is qualified;
- determine that an applicant meets all applicable requirements for issuance of a sports wagering licenses, and
- issue a sports wagering license.

https://www.mdgaming.com/wp-content/uploads/2021/11/Staff-agenda-memo-delegation_11-15-21-final.pdf

This Delegation included a requirement that Staff report to the Commission its exercise of authority under the Delegation. Accordingly, Staff is reporting that it has exercised the authority of the Delegation to:

None this month