

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • John Martin, Director



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TO: Maryland Lottery and Gaming Commission
John Martin, Director

FROM: James Nielsen, Deputy Director/COO

DATE: April 19, 2022

SUBJECT: Report for the April 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			
03/31/21	4,410	03/31/22	4,389	03/31/21	6,841	03/31/22	7,060	03/31/21	405	03/31/22	435
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 1,732 full-service (PHD and PHDL) and 243 draw game-only (PEX) self-service terminals installed as of March 31.
- We launched new Fast Play games and promotions in March.
- **eLicensing system updates:**
 - The Non-Gaming application and investigative portion have been completed.

- The Temporary Gaming and full Gaming applications have been reviewed with requested corrections made. The applications will be assigned for the investigative portion of the process.
- The Temporary Principal application is being completed.
- The full Principal application has been completed with corrections being sent to MST.
- 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. PPE is also still being distributed throughout the agency to those who request it.
- New processes have been developed for ordering Electric vehicles. The State is pushing for more EV's over the next three years, but there are charging infrastructure challenges.
- The new vehicle contract was pushed back, it is still not clear when replacement vehicles may be available.
- A new forklift arrived March 31st.
- ABM has been cleaning the hard floor surfaces in the agency.
- We are still finalizing selection of a new Warehouse Supervisor.
- An agency-wide project to update our document retention policies is underway. Started working with Agent Admin and CRC to remove all old documents as well as to establish new record retention and disposal schedules.
- Awaiting identification of the winning bidder for installation of the new security wall from the DGS Lease Compliance Office.

F. INFORMATION TECHNOLOGY

- IT Staff are conducting weekly VAXCASH 2.0 Promotion Drawings with support from Communications. The final drawing, for \$1 million, is scheduled for May 3, 2022.
- MUSL's audit has been postponed until April 25 2022 due to their staffing issues.
- We are still waiting for delivery and installation of various equipment ordered to improve the audio quality of meetings in our studio when there are remote participants. Supply chain challenges continue to push this project out.
- New IT Systems Administrator started on April 6th.
- Addressing a continuing issue with the COGENT fingerprinting units at Rocky Gap & Live! casinos.
- Completed DoIT Statewide IT Security Assessment.
- Completed GuidePoint Wireless Security Assessment.
- Participated in various DocuSign and AssetWorks video conference calls.
- Finalizing details for upgrades of Microsoft products on staff equipment.

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 Contract (#2022-02) with the Baltimore Ravens Limited Partnership: New sole source contract in the amount of \$318,970 for a 2.5 year term commencing approximately 6/1/2022 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, approved by the Commission at its March 2022 meeting, has been submitted to the Department of General Services and is scheduled to appear on the BPW Agenda for its April 27, 2022 meeting.
- 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. The Renewal Options 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, approved by the Commission at its February 2022 meeting, were approved by the BPW at its March 23, 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 both Lottery and Gaming operations. This Contract expires on June 30, 2022, with a single 6-month Renewal Option remaining. The MLGCA is in the process of developing an RFP for a new replacement contract, but due to factors affecting the requirements of this RFP, such as Sports Wagering implementation and a new Random Number Generator process for Lottery Drawings, the RFP has been delayed. Exercising the 6-month renewal until December 31, 2022 will not provide sufficient time to complete the entire competitive procurement process for a new contract, and would also cause an additional complexity by moving the contract off of its required fiscal-year audit cycle. Therefore, the MLGCA intends to exercise the 6-month renewal and concurrently modify the contract for an additional 6-month term, for a total extension of 1-year in the amount of \$332,800 NTE. This Option/Modification will be submitted to the Commission for review/approval at its April 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.
- RFP for Random Number Generator (RNG) System for MLGCA (#2022-15): This RFP is for the acquisition of four (4) identical independent Random Number Generator Systems (2 live production Systems, a test System, and a disaster recovery back-up System) to be used to conduct MLGCA Lottery Drawings. The RFP requires all hardware, software, and related services necessary to develop, install, implement, certify, train Agency employees to operate, and maintain a complete state-of-the-art turnkey Random Number Generator (RNG) Systems. The MLGCA currently conducts Drawings for five of its Draw Games (Pick 3, Pick 4, Pick 5, MultiMatch, and Bonus Match 5) using ball-style machines. The new RNG System shall initially accommodate these existing MLGCA Draw Games and be capable of modifications to accommodate any new games which may be added in the future, as well as any changes to existing games. This RFP is presently pending review/approval by DGS and will be issued when that approval is obtained.

- 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 – March 2022			
# of Orders	# of Packs	YTD Orders	YTD Packs
18,402	208,086	164,068	1,880,913

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 – March 2022				
Location	Count	Amount	YTD	YTD
Baltimore	1,137	\$7,042,733	11,170	\$71,118,403
Casinos	83	\$954,955	678	\$7,036,464

XCAP PROCESSING – March 2022			
Count	Amount	YTD	YTD
7,799	\$14,727,330	71,822	\$148,810,328

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 March 2022		
Game	Active	Processed This Month
Multi-Match	1,621	374
Mega Millions	3,453	502
Powerball	2,351	410
Cash4Life	474	105
Total	7,899	1,391

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 March 2022		
TYPE	Month	YTD
Child Support	\$21,021	\$225,838
CCU Debts	\$131,377	\$1,365,553

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