

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



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MARYLAND LOTTERY AND GAMING CONTROL COMMISSION APRIL MINUTES

DATE: April 28, 2022

TIME: 10:00 a.m.

PLACE: Per the Meeting Notice, the meeting is being temporarily held in Maryland Department of Environment's Lobby Meeting Room 1800 Washington Boulevard, Baltimore, MD 21230 and via teleconference

PRESENT: Chair E. Randolph Marriner
Vice Chair George L. Doetsch, Jr.
Commissioner F. Vernon Boozer
Commissioner Diane M. Croghan
Commissioner Harold E. Hodges (via teleconference)
Commissioner James J. Stakem (via teleconference)

John Martin, Director
James Nielsen, Deputy Director, Chief Operating Officer
James Butler, Assistant Deputy Director, Chief of Staff
James Logue, Managing Director, Gaming
John Mooney, Managing Director, Regulatory Oversight
Solomon Ramsey, Managing Director, Sales and Marketing
Paula Yocum, Managing Director, Chief Financial Officer
Carole Gentry, Managing Director, Communications
Holly Citko, Principal Counsel, Attorney General's Office
Jennifer Tosky, Deputy Counsel, Attorney General's Office
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
MLGCA Staff

E. Randolph Marriner, Chair

F. Vernon Boozer, Diane M. Croghan, George L. Doetsch, Jr., Harold E. Hodges, James J. Stakem, Jerry E. Williams

QUORUM ESTABLISHED

Chair Marriner announced that there was a quorum present for the meeting. Also present in person were: Vice Chair George Doetsch, Commissioners Vernon Boozer, and Diane Croghan. Commissioners James Stakem and Harold Hodges were present via video conference. Jerry Williams was not present.

CALL TO ORDER

Chair Marriner called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:00 a.m., however, due to technical difficulties, the meeting paused and restarted at 10:04 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. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

APPROVAL OF THE MINUTES

Chair Marriner stated that the March 24, 2022, open session minutes were provided to the Commissioners for review, and asked if there were any changes. There were no changes. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

CONSENT AGENDA

Chair Marriner said the Consent Agenda contains six new instant ticket games for the Commission's approval: #590 (\$1) *Double Blackjack*; #592 (\$5) *Gold Bar Bingo 3rd Edition*; #594 (\$10) *\$100,000 Crossword 6th Edition*; #595 (\$10) *Money Rush*; #596 (\$20) *Million Dollar Mega Multiplier*; #597 (\$5) *Extreme Green*; EGD Games and Component Testing Certified Lab Software, Hardware and Game Certifications for VLTs, Table Game Components, and Instant Bingo Machines (3/10/22 - 4/14/22); Consent Agreements for Regulatory Violations - Hollywood Casino - November and December 2021; Horseshoe Casino - November and December 2021, and January 2022; Live! Casino - September, October and December 2021; Ocean Downs Casino - September, November and December 2021; Rocky Gap Casino - December 2021; Gaming License Application Denials/Revocations; and Staff Reports from James Butler, Assistant Deputy Director, Chief of Staff; John Mooney, Managing Director, Regulatory Oversight; Solomon Ramsey, Managing Director, Sales and Marketing; Paula Yocum, Managing Director, Chief Financial Officer; Carole Gentry, Managing Director, Communications; 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. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

OPERATOR REPORTS

Hollywood Casino

Mr. Timothy Shea, Vice President of Operations, reported that March slot machine revenue and coin-in were flat compared to last year, but table game revenue was up 21%, and the drop was up 31%, with poker tables up 20%. Hollywood's comparisons for sports wagering are against its projections as it is not yet possible to do a year-over-year comparison for sports wagering, since it launched in December 2021. Sports wagering revenue for March was 78% better than projected, with the handle beating projections by 20%. Slots revenue so far in April is down 2.8%, driven by lower hold, but table game revenue is up 15% with increased drop, led by poker tables at 23% ahead of April 2021. Sports wagering handle and hold in April are down, as baseball is not as popular as basketball, and Mr. Shea added that Hollywood is noting where the ebbs and flows of sports wagering occur. Hollywood has begun ramping up its promotional schedule coming out of the pandemic, with jackpot parties, slot tournaments and gift giveaways. The casino awarded \$20,000 in scholarship funds to the children of employees, and plans to award another \$5,000, as part of a Penn National diversity scholarship program that will award \$1 million across all Penn National properties. Community engagement activities include events with the Boys and Girls Club of Harford and Cecil counties and an event in June with Habitat for Humanity. Hollywood is planning to roll out the Penn National MyChoice Player's Club Program on May 24.

Ocean Downs Casino

Ms. Bobbi Sample, General Manager, reported that gaming revenue was up 2.8% in March, with slots revenue up 3%, coin-in up 1.5% and hold down slightly. Table game revenue was up 1.3% driven by volume, and the drop was up 32.8%. Ms. Sample noted that casinos were still under COVID-19 capacity restrictions in March 2021, which limited the number of slot machines that were operating and the available seats at table games. Sports wagering handle in March was \$1.2 million, revenue was \$171,000, and the hold was 13.9%, largely driven by parlay wagers. April promotions include a \$10,000 cash giveaway and Thursday blackjack tournaments. As part of Churchill Downs, the upcoming Kentucky Derby is an important day at Ocean Downs and will include a variety of festivities, including a concert. Live racing at the Ocean Downs track will begin in May, which is earlier than usual. The casino recently held its quarterly dinner to recognize top team members for their contributions. Ms. Sample noted that recruiting for open positions is a challenge, especially heading into the spring and summer months, as there are numerous job fairs in the area and many businesses in need of seasonal help. Casino employees recently helped to raise \$11,000 for Worcester County Warriors Against Opiate Addiction.

Commissioner Hodges asked where Ocean Downs' revenues are as compared to projections. Ms. Sample said slots and table game revenues are slightly over projections, adding that January was a tough month due to snow in the area. The difference was made up by a strong February. She added that sports wagering projections are a guess because there is no prior-year data upon which to project, but Ocean Downs is trending ahead of where it anticipated.

Commissioner Hodges asked if the casino is seeing changes in its personnel costs due to high turnover rates. Ms. Sample said that because the market is competitive, the casino has had to make some adjustments in its wages, particularly for food and beverage positions. As a result, payroll costs are higher than they were last year as Ocean Downs works to retain and recruit staff. For some positions that are more difficult to fill, the casino is offering sign-on bonuses. There is also an employee referral program, where staff members who refer a new staff member who stays on the job for a year can receive up to \$1,000.

Live! Casino

Mr. Robert Tedesco, Assistant General Manager, reported that Live! finished a record first quarter, with total revenue in March at \$71.8 million, up 9% compared to 2021. Gaming revenue was \$63.6 million, up 4.9%, and non-gaming revenue was \$8.2 million, up 63%. Slot revenue was \$42.8 million, up 1.2%. Tables and poker were \$19.4 million, up 5.7%. Sports wagering revenue was \$1.4 million, which is ahead of projections. Handle was \$13.3 million with good hold. Sports wagering volumes in January and February led Live! to add more kiosks, increasing from 28 to 61. Mr. Tedesco added that when there is a busy night, the kiosks are constantly in use. The hotel business is beginning to rebound and grow, with 2022 set to outpace the pre-pandemic level in 2019. Live! has returned to a more robust marketing schedule, with a variety of events, concerts, and trade shows that have increased traffic to the property. Recent community engagement activities included 20 employees volunteering at Sarah's House, a local emergency shelter for families experiencing unexpected homelessness. Live! CFO Yvonne Mhra was featured in a woman's leadership panel for the Asian American Chamber of Commerce. The casino also partnered with the Maryland Department of Health for on-site COVID-19 weekend vaccination clinics, which will continue through May. On March 28, Live! hosted the Central Maryland Chamber of Commerce Spirit of the Community awards, honoring first responders and teachers. The casino also provided meals to employees on March 4 for Employee Appreciation Day.

Rocky Gap Casino

Mr. Brian Kurtz, General Manager, reported that March gaming revenue was up 1% year-over-year, but weather impacted the overall volume. Slot revenue was up 2% with better hold than last March. Table game revenue was up 30% with more volume, drop and hold as COVID-19 capacity restrictions that were in place a year ago have been lifted. Rocky Gap hosted a variety of comedy and musical acts in March and continued kiosk promotions and gift giveaways. While hotel visitations were down, due to the weather, Mr. Kurtz said there are signs that more and more customers are becoming comfortable eating in restaurants. In March, Rocky Gap staff members participated in the Hooley Plunge to benefit the Special Olympics. Combined with a very strong April 2021, Mr. Kurtz noted that year-over-year comparisons for April may be challenging due to an unexpected snow storm that dropped six inches of snow, closing down the highway. Rocky Gap recently filled player development and security and surveillance director positions. A hotel renovation project is scheduled to be completed by Memorial Day. In response to a question from a prior meeting, Mr. Kurtz said that year-over-year security and Maryland State Police-involved incidents at the property have decreased.

Commissioner Hodges asked if the 1% growth Mr. Kurtz mentioned was specific to one line of business, or the entire business. Mr. Kurtz said that year-over-year gaming revenue for the month of March was up 1%, with the majority of the increase coming from table games. He added that while March hotel occupancy was down slightly, the health of the resort in 2022 has been good, showing year-over-year growth. There are positive signs in the market and in the travel industry, and Rocky Gap is receiving inquiries from people who are looking to return to the resort.

Commissioner Hodges asked if Mr. Kurtz expects to see a revenue bump this summer because more people are looking to get out and travel. Mr. Kurtz said Rocky Gap benefitted from that trend last year, adding that he is optimistic that the resort will see a lift beyond last year's level especially in light of increased gas prices and people looking to travel closer to home.

Horseshoe Casino

Mr. Randy Conroy, Vice President and General Manager, reported that March slot machine revenue was \$12.5 million, down 9%, and table game revenue was \$6.4 million, up 8%. Sports betting for the month delivered a \$570,000 taxable win. Mr. Conroy said the sports wagering numbers have been in line with expectations, and hold has been strong due to a lot of parlay wagers that typically have higher hold. March Madness business in the sportsbook was strong, and Mr. Conroy said betting on NBA games has continued that trend. March was the first full month that the Brew Brothers sportsbook/restaurant was open, and its revenue has increased each week. Horseshoe surveys customer sentiment regarding its restaurants, and the Gordon Ramsay Steakhouse has always been one of its top performers. Mr. Conroy said Brew Brothers is posting higher guest sentiment results than the Gordon Ramsay Steakhouse. Recent promotional efforts have included gift card giveaways and additional entertainment options. Horseshoe recently held a weekend free play promotion for its top-tier customers. As the weather warms up, the casino will add table games to the slot machines in its outdoor gaming area. Horseshoe recently provided grants to the Red Devils Breast Cancer Charity Organization and a Baltimore youth development group. The casino also provided financial support to the African American Firefighters Historical Society and the Signal 13 Foundation, which benefits the families of Baltimore City Police officers. Service training for all team members is 55% complete. Horseshoe is also planning to hold its Founders Award event, during which it will recognize its employee of the year and other team members.

MGM National Harbor

Mr. Jeffrey Shrader, Vice President and Legal Counsel, reported that March gaming revenue was up 2% compared to 2021. Slot revenue was up 8%, table game revenue was up 7% and poker was up 18%. March performance was bolstered by a heavy marketing calendar that included numerous comedy and musical performances in MGM's theater, a series of gift giveaways and a \$50,000 slot tournament. Community engagement included events with the Junior Achievement of Greater Washington, where employees mentored high school students and facilitated competitions related to business skills. Casino staff also contributed to the efforts of the Goodwill of Greater Washington and My Girlfriend's House Inc., a Prince George's County nonprofit that assists high school girls with college and career readiness. Other community engagement included volunteering with the Capital Area Food Bank and a cleanup and restoration project in Oxon Hill.

STAFF REPORTS

Director's Report — John Martin, Director

Director Martin noted that the end of March marks the three-quarter mark of the fiscal year and is traditionally a strong month for both the Lottery and the casinos. Year-to-date casino gaming revenue is up 19.2% year-over-year, and casino contributions to the state are up 20.7%. The Lottery had strong sales in March 2021 and is at a break-even point for the month in year-over-year profit comparisons. The growing Powerball jackpot helped to fuel March numbers and will do so in April as well, though a \$454 million jackpot was hit in Arizona in the April 27 drawing. The in-state Multi-Match jackpot has risen to \$4.65 million, which is the second-largest in the game's history, trailing only a \$4.8 million jackpot won in September 2009. Pick 5 and Keno promotions have also contributed to a strong April.

With sports wagering having launched in December 2021, it's not possible to make year-over-year comparisons yet, but March Madness provided a strong indicator of activity levels. Total handle for the five sportsbooks that were operating was \$31 million, and contributions to the State were

more than \$577,000. Fiscal year-to-date sports wagering contributions to the Blueprint for Maryland's Future Fund are more than \$1.8 million.

The VaxCash 2.0 Promotion will wrap up with its final drawing for a \$1 million prize on May 3.

Deputy Director/Chief Operating Officer — James Nielsen

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

Commission Action Item — Auditing and Accounting Services Contract (#2015-04) with Stout, Causey & Horning, PA – Modification #5

Mr. Nielsen said that the current contract with Stout, Causey & Horning expires on June 30, 2022. The Agency is in the process of finalizing a request for proposals for a new auditing and accounting services contract. Changes in the Agency's work with the additions of sports wagering and online fantasy competitions delayed completion of the RFP, which is currently under required reviews prior to being issued. In the meantime, the Agency is seeking to extend the current contract with Stout, Causey & Horning. The contract has one six-month extension remaining, and the Agency is recommending that the extension cover a full year. An extension of six months would mean that the audit review would end mid-year. From an accounting perspective, it is necessary to extend the contract so that it covers a full fiscal year. Mr. Nielsen said Agency staff are seeking approval of a 12-month extension with a not-to-exceed value of \$332,800. With the Commission's approval, the contract modification will be submitted to the Department of General Services for inclusion on the next available Board of Public Works agenda.

Chair Marriner asked if there was any discussion. There being none, the Chair asked for a motion to approve the renewal option for a one-year period until June 30, 2023. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

Commission Action Item — Proposed Non-Substantive Changes to Voluntary Exclusion and Responsible Gaming and Online Fantasy Competition Regulations

Mr. Nielsen said Agency staff are recommending non-substantive changes to the proposed amended voluntary exclusion and responsible gaming regulations and online fantasy competition regulations. The changes are to proposed amended regulations that the Commission approved in November. The Agency received feedback during a public comment period that ran from January 28, 2022 to February 28, 2022. Some of the comments received were incorporated, and some were not. There was also language added by staff to ensure that the regulations are as clear as possible. There were five separate actions on the regulations. Agency staff recommends approval. Mr. Nielsen read separately the five motions requested for the changes.

Chair Marriner asked if there was any discussion. There being none, the Chair asked for a motion to approve Staff's proposed non-substantive changes to the regulations on Voluntary Exclusion and Responsible Gaming found in COMAR Title 36, Subtitle 01, Chapter 03. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to approve Staff's proposed non-substantive changes to the regulations on Online Fantasy Competitions found in COMAR Title 36, Subtitle 09. Vice Chair

Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to approve for final adoption COMAR Title 36, Subtitle 01, Chapter 03 as approved to include the non-substantive changes. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to approve for final adoption COMAR Title 36, Subtitle 09 as approved to include the non-substantive changes. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

Chair Marriner asked for a motion to delegate to Staff the authority to make any further non-substantive changes to the regulations found in COMAR Title 36, Subtitle 01, Chapter 03 and Title 36, Subtitle 09, that may be necessary for publication in the *Maryland Register* for final adoption. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

Gaming — James Logue, Managing Director

Due to additional information included this month in his report, Mr. Logue asked for a motion to approve his Director's Report. Chair Marriner asked if there were any questions on the report. There being none, the Chair asked for a motion to approve Mr. Logue's Director's Report. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved. Mr. Logue then proceeded to his Commission Action Item.

Commission Action Item — 2021 Promotional Play Report

Mr. Logue reported that in accordance with COMAR 36.03.10.36(G), each facility operator is required to submit a report of its use of free promotional play during the prior fiscal year and recommend any adjustment to the limitation on free promotional play established in regulation. Current regulation COMAR 36.03.10.36(F) states that each facility operator may exclude from taxable proceeds an amount that equates to 20% of proceeds the facility generated in the prior full fiscal year. The Commission may direct staff to adjust in regulation the amount of free promotional play that is excluded from taxable proceeds or take no action and leave the rate at 20%. Mr. Logue noted that none of the six casinos requested any change in the rate and added that Agency staff recommend that the Commission make no change to the rate, leaving it at 20%.

Chair Marriner asked if there was any discussion. There being none, Chair Marriner asked for a motion to take no action and leave the rate at 20%. Vice Chair Doetsch motioned to approve, Commissioner Boozer seconded, and the motion was unanimously approved.

CLOSED SESSION

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

DATE AND TIME OF NEXT MEETING

The next Commission meeting will be held at 10:00 a.m. on Thursday May 26, 2022, in person and via teleconference at Montgomery Business Park, 1800 Washington Boulevard, room to be determined.

We may schedule an additional meeting to conduct a qualification hearing on a sports wagering - related license applicant in between regularly scheduled meetings.

ADJOURNMENT

There being no further business, Chair Marriner adjourned the meeting at 10:51 a.m.

Respectfully submitted,



John Martin
Director