

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • John Martin, Director



Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

TO: Maryland Lottery and Gaming Commission
John Martin, Director

FROM: James Nielsen, Deputy Director/COO

DATE: May 12, 2022

SUBJECT: Report for the May 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			
04/30/21	4,403	04/30/22	4,385	04/30/21	6,874	04/30/22	7,055	04/30/21	411	04/30/22	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 1,736 full-service (PHD and PHDL) and 242 draw game-only (PEX) self-service terminals installed as of April 30.
- On 4/15 a new terminal release was implemented with improvements and enhancement to terminal screens.
- We launched four new Fast Play games and two new promotions in April.
- Participated in a MUSL (Powerball) compliance review/audit.

- **eLicensing system updates:**
 - MST is handling day-to-day issues as they arise.
 - The modifications / testing of the Sports Wagering applications are continuing with the Non-Gaming, Gaming and Principal applications completed.
 - It is anticipated that the Temporary Gaming and Temporary Principal will be completed later this month.

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 vehicle orders were permitted for a short period. We were able to order seven (7) 2023 Chevy Traverse, 6 for sports betting and 1 replacing a vehicle being taken off the road.
- One of our newer vehicles, with only 1,600 miles, is in the shop having the engine replaced to address constant overheating.
- We are currently working on the FY22 inventory and preparing for the new inventory system roll out.
- Construction for the Security Wall began on May 9, 2021 with a targeted completion date of June 30th.
- Continue with agency clean-up of surplus property and shredding of old documents from Agent Admin, Finance, and CRC.
- Continue to work on document retention and attending training for records management.
- Forklift driver training and safety classes will be given to all warehouse staff in June.

F. INFORMATION TECHNOLOGY

- The CIO position has now been filled. The new CIO, Rebecca Byrd, started on May 4, 2022.
- The final weekly VAXCASH 2.0 Promotion Drawing for \$1 million that IT Staff were conducting in conjunction with Communications occurred on May 3, 2022.
- MUSL's audit is near completion. A conference call has been scheduled for May 17th to finalize the remaining audit questions.
- We are continuing to work with the vendor to receive and install equipment to improve the audio quality of meetings in our studio when there are remote participants. Supply chain challenges continue to push this project out.
- Working with DoIT to kick-off Phase 3 of the DoIT Statewide IT Security Assessment which includes a penetration test of the front-end web applications.
- Working to review and implement the recommendations from the GuidePoint Wireless Security Assessment.
- Continuing to work with various departments on the DocuSign and AssetWorks projects.
- Completed the renewal of the Microsoft agreement.

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 was approved by the BPW at its April 27, 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. 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. Therefore, the MLGCA intends to modify the contract for an extension of 1-year in the NTE amount of \$332,800. This Modification has been submitted to the Department of General Services for inclusion on the next available BPW Agenda and is now scheduled to be presented to the BPW at its June 8, 2022 meeting.
- 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. This RFP has completed DoIT review and is presently pending review/approval by DGS. It will be issued when that approval is obtained which is anticipated to be in May.
- RFP for Auditing and Accounting Services for MLGCA (#2022-10): This RFP is to obtain 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. Due to various factors including changes to the requirements of this RFP to accommodate Sports Wagering implementation and a new Random Number Generator process for Lottery Drawings, the RFP was delayed but has now completed internal review and is anticipated to be submitted to DGS-Office of State Procurement for review in May.
- 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 – April 2022			
# of Orders	# of Packs	YTD Orders	YTD Packs
17,947	221,689	182,015	2,102,602

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 – April 2022				
Location	Count	Amount	YTD	YTD
Baltimore	1,185	\$9,325,680	12,355	\$80,444,083
Casinos	94	\$1,099,406	772	\$8,135,870

XCAP PROCESSING – April 2022			
Count	Amount	YTD	YTD
8,079	\$15,854,763	79,901	\$164,665,091

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 April 2022		
Game	Active	Processed This Month
Multi-Match	1,631	268
Mega Millions	3,223	376
Powerball	2,225	285
Cash4Life	440	87
Total	7,519	1,016

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 April 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

K. REGULATION CHANGES

Approved Non-Substantive Change to Online Fantasy Competition Regulation COMAR 36.09.01.02B.(3)(b) – Removal of Approved Non-Substantive Change for Submission to AELR and Publication in the Maryland Register.

At the April 28, 2022 Commission Meeting, the Commission approved certain non-substantive changes to the Voluntary Exclusion and Responsible Gaming and Online Fantasy Competition Regulations. The Commission also authorized Staff to make non-substantive changes to the changes it approved, as may be necessary for publication in the *Maryland Register*. One of the non-substantive changes the Commission approved was that a fantasy competition could be between “two” or more players instead of “one” or more players (COMAR 36.09.01.02B.(3)(b)). The reason for this non-substantive change was to correct an internal inconsistency with the existing emergency provision that “fantasy competition players compete against other fantasy competition players and not the fantasy competition operator” in COMAR 36.09.01.02B.(3)(e).

While preparing the approved non-substantive changes for submission to AELR and publication in the *Maryland Register*, Staff realized that what had been perceived as an internal inconsistency that needed to be changed in COMAR 36.09.01.02B.(3)(b) (“one or more players”) was, in fact, not an internal inconsistency, because a legal fantasy sports competition could actually be offered where only a single player participates, and does not compete against the operator. Because Staff realized this was not an internal inconsistency after all, and did not need to be changed as approved on April 28, Staff did not include it as a Commission-approved, non-substantive change, in the submission to AELR for publication in the *Maryland Register*. Staff’s removal of this non-substantive change was a proper exercise of its authority to make non-substantive changes necessary for publication. Accordingly, there is no need for further Commission approval before publication; however, in an abundance of caution and in the interest of transparency, we report it here.