

Maryland Lottery and Gaming Control Agency

Wes Moore, Governor • John Martin, Director



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TO: Maryland Lottery and Gaming Control Commission
John Martin, Director

FROM: James Butler, Assistant Deputy Director, Chief of Staff

DEPARTMENTS: Government Relations, Human Resources, and Procurement

DATE: April 27, 2023

SUBJECT: Report for the April 2023 Commission Meeting

Following is the status update of ongoing topics in Government Relations, Human Resources, and Procurement for April.

I. GOVERNMENT RELATIONS MATTERS

1. Legislative Update

The 2023 legislative session in Maryland concluded at midnight on Monday April 10th. Below are five (5) bills of interest from the over fifty (50) bills that our Director of Legislation and Policy Development, Sean Ford, tracked during the 2023 session. In addition, the Department of Legislative Services (DLS) requested that the Agency respond to twenty-eight (28) bills in an effort to determine the fiscal and operational impact on the Agency or Commission, and to assist DLS in preparing its fiscal and policy note on the proposed legislation.

A. SB267 - Internet Gaming - Authorization and Implementation (*Senators Watson and King*) – This bill would have authorized the Commission to issue iGaming licenses to video lottery operators to conduct or participate in Internet gaming operations in the State. In addition, the bill would have authorized the Governor, on recommendation of the Commission, to enter into multijurisdictional Internet gaming agreements with certain other jurisdictions and submit this Act to a referendum of the qualified voters of the State. The Senate Budget and Taxation Committee Chair announced that this bill would be tabled for this year and a workgroup would be established to further discuss the potential implementation of this bill. Although this bill did not pass, the General Assembly amended the FY24 budget to require MLGCA to compile a report on iGaming. See Budget Hearings for additional details.

B. SB537 - Video Lottery Operation License – Renewal (*Senator King*) - This bill requires at least 2 years before the expiration of a video lottery operation license that the licensee file a notice of intent to file for renewal with the Commission, and requires a video lottery operation licensee, within 1 year after filing notice, to file an application to renew the license and pay a license renewal fee of 0.75% of average annual proceeds from the prior three years. The annual renewal fee must be paid in equal installments for each 5-year period of the 15-year term beginning on the effective date of the renewed license. Additionally, the bill requires the Commission to renew the license for a 15-year term unless the Commission finds the licensee is not qualified to hold the license. This enrolled bill passed both chambers and now awaits the Governor's signature.

C. **SB621 - Gaming - Sports Wagering - Independent Evaluation of Sports Wagering Content** (*Senators Zucker and Hettleman*) – This bill requires the Commission to license independent evaluators to evaluate sports wagering content provided by sports wagering experts, sports wagering influencers, and content partners. In addition, the bill requires the Commission to promulgate regulations for the licensure of independent evaluators, and allows sports wagering licensees and sports wagering operators to contract with independent evaluators for certain purposes. Our office worked with the bill sponsor on amendments that were added to the enrolled bill before it passed both chambers, and now the bill awaits the Governor’s signature.

D. **HB802 - Institutions of Higher Education – Sports Wagering Contracts – Prohibition** (*Delegates Wilkins, Atterbeary, Buckel, Charles, Ebersole, Fair, Feldmark, Griffith, Grossman, Hartman, Hornberger, R. Long, Miller, Patterson, Wells, and Wu*) – This bill prohibits an institution of higher education from entering into a contract with a regulated gaming entity if, under the terms of the contract, the institution of higher education receives a commission, a bonus, or any other incentive payment based on the success of securing student participation in sports wagering or online sports wagering. However, an existing obligation or contract right may not be impaired in any way by the bill. This enrolled bill passed both chambers and now awaits the Governor’s signature.

E. **HB1288 - Video Lottery Employee Licenses - Crimes of Moral Turpitude - Alterations** (*Delegate Charles*) – This bill exempts an applicant for a video lottery employee license from disqualification due to the applicant’s conviction, active parole, or probation within the prior seven years or current prosecution for any crimes involving moral turpitude under the laws of the United States or of any state, if the conviction, active parole, probation, or prosecution involves a nonviolent misdemeanor offense, other than a crime involving gambling, for which the applicant participated in and completed a problem-solving court program. Problem-solving courts are those under the Office of Problem-Solving Courts, such as Veteran’s court or Drug court, or a comparable program from another court system. Our office worked with the bill sponsor on amendments that were added to the enrolled bill before it passed both chambers, and the bill now awaits the Governor’s signature.

2. Budget Hearings

The Agency appeared before the following subcommittees to discuss our FY24 budget submission: House Appropriations Subcommittee on Transportation and the Environment (T&E) on March 2; and the Senate Budget and Taxation Subcommittee on Public Safety, Transportation, and Environment (PST&E) on March 3, respectively. The House T&E Subcommittee voted to delete budgeted funds of \$1.2 million from our Agency’s budget for the televised lottery drawings because the Agency ceased airing televised drawings and went to a random number generator drawing system. The Senate PST&E Subcommittee concurred with the House recommendation and additionally requested that the Agency submit a report by August 1, 2023, on iGaming. The Conference Committee met and further amended Budget Bill (HB200), which now states that the Agency will receive \$100,000 in general funds for the purpose of funding a contract with a third party to assist with the study of iGaming, and that the report now will be due on November 15, 2023. The Agency report must include information on:

- (1) the estimated size and revenue potential of a legal iGaming market in Maryland;
- (2) the size of and revenue generated by iGaming in other states;
- (3) the estimated impact of iGaming on revenue generated by Maryland’s brick-and-mortar casinos, other gaming venues, and the State lottery;

- (4) the impact of iGaming on revenue generated by brick-and-mortar casinos, other gaming venues, and the lottery in other states;
- (5) the experience of other states in implementing iGaming;
- (6) the potential impacts on brick-and-mortar casinos and gaming venues through partnerships with iGaming operators;
- (7) the potential usage of multi-jurisdictional gaming agreements;
- (8) the estimated size of the existing illegal iGaming market in Maryland and methods to transition individuals from the illegal market to a legal market;
- (9) the consumer protections available for users of legal iGaming, including the verification process for transactions and the ability to limit and monitor those transactions to ensure responsible gaming; and
- (10) the impact of iGaming on problem gambling and methods to encourage responsible gaming and combat the growth of problem gambling.

3. SWARC Update

The Sports Wagering Application Review Commission (SWARC) decided not to meet on March 15; instead, SWARC will hold its next virtual monthly meeting at 9:00 a.m. on Wednesday, April 19. At this meeting, SWARC's consultants - Taft Stettinius & Hollister LLP and Spectrum Gaming Group - will make a presentation to the SWARC about one applicant for a mobile sports wagering license and one applicant for sports wagering facility license, that have both been found qualified by the MLGCA. After each presentation, the Commissioners will vote on whether to award a mobile or facility sports wagering license to the applicant and transmit the Decision Statement to the MLGCC. SWARC also will make some determinations on whether to accept diversity plan submissions from some recently awarded applicants. See <https://swarc.org/> for more details.

II. HUMAN RESOURCES MATTERS

The Human Resources (HR) Department is preparing the Department of Budget and Management's (DBM) Employee-to-Employee Audit submission. In addition, HR will resume Ethics Training to ensure compliance with this State Ethics Commission training requirement, and to ensure that designated employees electronically file their annual financial disclosure statements by the April 30 deadline. HR welcomes Adrienne Felton as the new HR Manager, who will be overseeing the day-to-day operations of the department. HR continues to focus on recruiting for sports wagering positions and backfilling other positions as they become available.

III. PROCUREMENT MATTERS

The Procurement Department works closely with all Divisions to support the Agency'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 \$5,000.00 using the State P-Cards and monthly reconciliation of bank statements.

The Procurement Department is reviewing some small procurements to include an existing Lexis Nexis contract with the Agency. The purpose of this business relationship is for the MLGCA to use the Lexis Nexis database to provide accurate background checks and information for vendors, winners, and for the licensing of new business partners for the MLGCA. In addition, the department is reviewing the terms and conditions of the Maryland State Fair Contract so that the Agency can

continue to be a participating vendor at this event where the Agency can have a booth for players to play their favorite games and spin the lottery prize wheel to win giveaways. The Procurement Department is reviewing all small procurements for compliance, as these procurements are an integral to the operational success of the Agency.

RFP for Auditing and Accounting Services for MLGCA (#2022-10): The primary responsibilities for this Contractor will be to audit, on a monthly basis, the Agency's special-purpose financial statements as well as to audit the Agency's year-end financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Potential offerors submitted proposals in response to the subject RFP, and the RFP Evaluation Committee reviewed the proposals and made a recommendation of the Contract award to SC&H Group, Inc, ("SC&H"), of Sparks, MD. On March 23, the Agency received approval of the Contract from the Commission, and the Contract will be submitted to the Department of General Services (DGS) for inclusion on the next available Board of Public Works (BPW) Agenda. There are MBE opportunities under this contract. See <https://www.mdgaming.com/wp-content/uploads/2023/03/Agenda-Item-Commission-Recommendation-Final.pdf> UPDATE: The Agency is in DGS' queue for contract review and inclusion on the BPW agenda.

Sole Source Contract with Baltimore Ravens Limited Partnership (#2023-02): This is a sole source Licensing Contract where the Agency desires to use the Baltimore Ravens NFL football team marks and logos for two Instant Ticket Lottery Games and one Terminal Instant Win Game known as Fast Play, as well as use supporting marketing and advertising materials at Lottery retailer locations to support the promotional campaign for the tickets. Further, the Agency plans to purchase several game ticket and experiential packages to be used as player prizes in conjunction with the promotional campaign. This Licensing Contract is necessary in order to obtain the rights to use these marks and logos as well as to purchase the exclusive prizes. On March 23, the Agency received approval of the Contract from the Commission, and the Contract will be submitted to DGS for inclusion on the next available BPW Agenda. Because this is a Sole Source Contract, there are no MBE or VSBE opportunities under this Licensing Contract. See <https://www.mdgaming.com/wp-content/uploads/2023/03/Ravens-2023-02-Staff-Agenda-Memo-Final.pdf> UPDATE: The Agency's Procurement Director received confirmation that the MBE goal for this contract has been approved, and that we are in DGS' queue for contract review and inclusion on the BPW agenda.

RFP for Veterans' Organizations Instant Ticket Lottery Machines (ITLMs) and Related Services: The ITLM program launched in September 2014, and the current contract expires in February 2024. ITLMs are lottery devices that use animation to display pre-determined play results that generate revenue for the benefit of the Veterans' Organizations and the State of Maryland. The Procurement Director and ITLM Program Manager have met to discuss the existing contract and expectations for a new contract. The Procurement Director had drafted a new RFP, and the initial draft is being internally reviewed and will be circulated amongst other internal stakeholders once completed. Currently, 91 Veterans' Posts in Maryland have ITLMs installed in their locations. There were MBE opportunities under this existing contract, and the Procurement Review Group ("PRG") is scheduled to meet to determine if there will be any changes to the existing MBE / VSBE goals.

RFP for Advertising, Digital, Web and Social Media Services: The current contract started in May 2019 and was set to expire on June 30, 2022, but the Agency exercised the one available two-year option, which will expire on June 30, 2024. This RFP is in the initial drafting stages and will encompass three Functional Areas, including creative development and production of advertising and marketing materials, media planning and buying, media post-buy analysis and reconciliation, creation and production of internet web, digital and social media advertising, and other related services. The PRG is scheduled to meet to determine if there will be any changes to the existing MBE / VSBE goals.

REP for Consulting Services Related to iGaming Operations in Maryland and Other Licensed States (#2023-XX). As noted in the budget language above, the Maryland General Assembly's FY24 Budget requires the MLGCA to submit a report on iGaming and authorizes MLGCA to contract with a third party to assist in the completing on of a study on iGaming. The report on iGaming will be submitted to the Budget Committees of the General Assembly no later than November, 15,2023.

The General Assembly is generally interested in a better understanding of the current regulatory landscape for iGaming, as well as the estimated market in Maryland; the potential economic impact of legal regulated iGaming on Maryland's brick-and mortar casinos, other gaming venues, and the State Lottery; the experience of other States; methods to transition individuals from the current illegal iGaming market to a legal market in Maryland, and the impact on problem gambling. The Procurement Director is in the process of drafting an RFP, which is being internally reviewed and circulated amongst other internal stakeholders once completed. The Agency does not anticipate there will any MBE opportunities under this contract.

MBE/VSBE/SBR Activities: A summary of MLGCA's MBE/VSBE participation is attached.