



STAFF AGENDA MEMORANDUM

DATE OF MEETING: October 24, 2024

AGENDA ITEM: Scientific Games Contract – Renewal Option (Revised)

PRESENTER: James Nielsen, Deputy Director / COO

ISSUE SUMMARY: The Maryland Lottery and Gaming Control Agency (the “Agency”) entered into the Lottery Central Monitoring and Control System and Related Services Contract #2015-01 (the “Contract”) with Scientific Games International, Inc. (reorganized into Scientific Games, LLC) (“SG”) on May 10, 2017.

The Contract is for a base term of eight years, ending on Sunday May 4, 2025. The first year was considered a conversion period and provided no compensation to SG.

The Contract’s Not to Exceed (“NTE”) amount was initially \$217,126,653 for the base term. Two modifications were approved in the amounts of \$579,250 and \$910,400 allowing the Agency to sell and market two Instant Ticket Scratch-Off Games (James Bond 007™ and Willy Wonka & The Chocolate Factory™ Everlasting Million Challenge™, respectively). The NTE was increased by \$87,286,055 to \$305,902,358 in July 2023 to account for significantly higher sales than anticipated when the Request for Proposals (“RFP”) was issued. The higher sales and profits achieved resulted in higher fees paid to SG.

The Contract includes one 3-year Renewal Option that the Agency can exercise in its sole discretion. The Agency recommends a 2-year (24-month) renewal, through Sunday May 2, 2027. In order to provide funding for the renewal term, we recommend increasing the NTE by an additional \$106,000,000 for a new NTE of **\$411,902,358**. Although an increase to the NTE is required because additional sales will be processed, SG is not guaranteed to receive the additional \$106,000,000. It is also important to note the Contract costs are essentially self-funded. The fees are all paid from Lottery proceeds.

Over the past few months, SG continues to take actions to increase its Minority Business Enterprise (“MBE”) spending to meet and exceed the Contract’s 20% MBE goal. Currently, SG anticipates annual spending of 22% or more during the remaining term of the Contract and any exercised extension.

COMMISSION ACTION REQUIRED/REQUESTED: Discussion, consideration and possible action, including:

1. Exercising a 24-month Renewal; and
2. Increasing the Contract’s NTE by \$106,000,000 which will result in a Contract NTE of **\$411,902,358**.

STAFF RECOMMENDATIONS: Staff recommends approval of the 24-month Renewal and increase of \$106,000,000 to the NTE for the Lottery Monitoring and Control System and Related Services Contract #2015-01.