

# Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



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TO: Maryland Lottery and Gaming Control Commission  
Gordon Medenica, Director

FROM: Gina M. Smith, Deputy Director/CFO

DIVISION: Administration, Finance and Operations

DATE: January 18, 2017

SUBJECT: Report for the January Commission Meeting

## **I. CUSTOMER RESOURCE CENTER**

This is a status update of ongoing and special projects in Administration, Finance and Operations.

The Customer Resource Center is responsible for processing winner claims. The Lottery has two claim centers, one in Baltimore at the headquarters location and one in Lanham. In addition to processing winner claims, the claim centers are responsible for processing the W-2G paperwork for claims that were cashed by the agent plus locations. The Lottery has approximately 363 Expanded Cashing Authority Program (XCAP) locations that are authorized to cash up to \$5,000 in winnings. These locations, in turn submit completed claim forms to the Lottery so that the related W-2G can be processed. Data concerning the number of winners claims processed by the Lottery and the number of agent plus claim forms processed by the Lottery is noted below:

<b>Location</b>	<b>YTD 07/1/17 to 11/30/2017 Count</b>	<b>YTD 07/1/17 to 11/30/2017 Amount</b>	<b>December 2017 Count</b>	<b>December 2017 Amount</b>	<b>YTD 07/01/17 to 12/31/17 Count</b>	<b>YTD 07/01/17 to 12/31/17 Amount</b>
Baltimore	2,813	\$4,261,495.12	409	\$718,520.40	3,222	\$4,980,015.52
Lanham	826	\$3,406,264.58	157	\$724,042.10	983	\$4,130,306.68
XCAP	20,591	\$42,617,302.10	4,692	\$9,551,245.35	25,283	\$52,168,547.45

**SUBSCRIPTIONS PROCESSED:**

The Lottery's Customer Resource Center is also responsible for processing subscriptions for Multi-Match and Mega Millions. Multi-Match subscriptions can be purchased for 26, 52 or 104 weeks for one to 3 games. Mega Millions subscriptions can be purchased for 26, 52 or 104 weeks. Data concerning subscriptions processed is noted below:

**Multi-Match** As of 07/3/17 – 6,271 As of 12/25/2017 – 5,992

	<b>YTD November 2017 Count</b>	<b>December 2017 Count</b>	<b>YTD 07/1/17 to 12/31/17 Count</b>
New Applications	392	146	538
Internet Applications	350	57	407
Renewal	2,342	544	2,886

**Mega Millions** As of 07/07/17- 14,176 As of 12/29/2017 – 13,432

	<b>YTD November 2017 Count</b>	<b>December 2017 Count</b>	<b>YTD 07/1/17 to 12/31/17 Count</b>
New Applications	4,906	485	5,391
Internet Applications	197	30	227
Renewal	978	0	978

**Withholdings**

	<b>YTD November 2017 Amount</b>	<b>December 2017 Amount</b>	<b>YTD 07/1/17 to 12/31/17 Amount</b>
Child Support	\$79,374.42	\$7,032.31	\$86,406.73
CCU Debts	\$387,745.35	\$61,827.59	\$449,572.94

## II. BUDGET

- **FISCAL YEAR 2017**

- Lottery: \$67,058,207
- VLT Special Fund: \$9,569,383
- VLT General Fund: \$20,706,321

- **FISCAL YEAR 2018**

- Lottery: \$68,795,702
- VLT Special Fund: \$11,857,000
- VLT General Fund: \$20,048,221

- **FISCAL YEAR 2019**

- The budget was passed to the Legislature on January 17, 2018. Legislative budget hearings are scheduled for February 1, 2018 in the House and February 5, 2018 in the Senate.

- **Promotion Fund (Unclaimed Prizes)**

- Balance as of November, 2017 \$ 6,066,935
- Estimated increase in December, 2017 \$ 1,544,500
- Estimated usage in December, 2017 \$ 4,575,000
- Estimated balance as of December, 2017 \$ 3,036,435

## III. ACCOUNTING/FINANCE

- The September financial statements will be given out at the January 25, 2018 meeting.

## IV. 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 \$5,000.00 using the State P-Card and monthly reconciliation of bank statement.
- Advertising, Digital, Web & Social Media, and Research Services Contract (#2013-02) for three Functional Areas ("FA"): GKV Communications, Inc. (FA #I – Creative/Research and FA #III - Digital/Web) and Media Works, Ltd. (FA #II – Media). This Contract expires on July 31, 2018 with no renewal options remaining.

The MLGCA has a continuing need for these services and has initiated the development of an RFP for a new replacement contract. The RFP is included as part of this report.

- Instant Ticket Games and Related Services Contract (#2013-01P) with Pollard Banknote Limited (Primary Contract): Modification to the Contract to (1) obtain a License Agreement to allow the use of the Marilyn Monroe word and character Marks for an Instant Ticket Game; and (2) increase the Not to Exceed amount for the contract by \$128,800. Approved by BPW at its January 3, 2018 meeting.
- Powerball Power Cruise Licensing Contract (#2018-03) with Alchemy3, LLC: New sole source contract in the NTE amount of \$200,377 for the term 2/1/2018 – 8/5/2019 to provide (1) a license to use the Royal Caribbean International® cruise line marks and logos as part of a Powerball promotion; and (2) twenty-five exclusive Royal Caribbean cruise packages to be used as player prizes in conjunction with the promotional campaign. Approved by BPW at its January 3, 2018 meeting.
- Instant Ticket Vending Machines (“ITVMs”) and Related Services Contract (#2008-26) with IGT (formerly GTECH): Contract to provide, distribute, install, maintain and relocate up to 1,000 new ITVMs to be located at Retailer locations throughout the State. Exercise the final 1-year Renewal Option #5 with the term 3/1/2018 – 2/28/2019 in the amount of \$1,685,000. All 1,000 ITVMs have already been purchased so this renewal option is for the continuing maintenance and repair of those ITVMs only. These ITVMs will be phased out over the term of this renewal option and replacement equipment will be provided under the MLGCA’s new Lottery Central Monitoring and Control System Contract #2015-01 which is scheduled to commence live operation on May 11, 2018. Approved by BPW at its January 3, 2018 meeting.
- Willy Wonka & The Chocolate Factory™ Licensing Contract (#2018-04) with MDI Entertainment, LLC: New sole source contract in the NTE amount of \$681,800 for the term 3/1/2018 – 12/31/2019 to provide a license to use the Willy Wonka & The Chocolate Factory™, Willy Wonka Golden Ticket™, and Billion Dollar Challenge™ imagery, marks and logos for an Instant Ticket Lottery Game and accompanying second-chance contest, supporting marketing materials at Retailer locations selling the Tickets and various advertising materials to support the promotional campaign for the Ticket, as well as to purchase six experiential trip packages to be used as player prizes in conjunction with the second-chance contest, Billion Dollar Challenge™. This Licensing Contract is necessary in order to obtain the rights to use these marks and logos, marketing, advertising and digital materials, as well as to purchase the exclusive prizes. This contract will be presented to the Commission at its January meeting and, subject to Commission approval, submitted to DBM for inclusion on the February 7, 2018 BPW Agenda.

- MBE/SBR Activities:

A summary of the MLGCA's MBE participation is attached.

## V. HUMAN RESOURCES

- The Human Resources department will be working closely with managers to fill existing vacancies throughout the agency.

## VI. INFORMATION TECHNOLOGY

- End of year processing is in progress; State and IRS reporting.
- Working with HR on the recruitment process to hire a network administrator.
- Installed new firewall at HQ, and installed new network equipment at Ocean Downs as part of their expansion.
- Preparing to move computer equipment to our backup datacenter in Virginia.

## VII. CONVERSION

- Continuing to work with SGI to define technical requirements for back office conversion as well as day to day business requirements. Continuing to provide SGI with back office data for conversion purposes.
- Starting to develop test cases for User Acceptance Testing.