

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: April 13, 2017

SUBJECT: Report for the April 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 342 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:

Location	YTD 07/1/15 to 02/28/2017 Count	YTD 07/1/15 to 02/28/2017 Amount	March 2017 Count	March 2017 Amount	YTD 07/01/16 to 03/31/17 Count	YTD 07/01/16 to 03/31/17 Amount
Baltimore	4,411	\$8,420,210.30	437	\$736,181.05	4,848	\$9,156,391.35
Lanham	1,646	\$7,036,625.80	183	\$700,063.90	1,829	\$7,736,689.70
XCAP	34,269	\$74,755,411.30	3,747	\$7,176,814.45	38,016	\$81,932,225.75

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 for \$1 or \$2 per game. Data concerning subscriptions processed is noted below:

Multi-Match As of 07/4/16 – 7,657 As of 03/27/2017 –6,992

	YTD February 2017 Count	March 2017 Count	YTD 07/1/16 to 03/31/17 Count
New Applications	676	107	783
Internet	607	60	667
Renewal	5,640	555	6,195

Mega Millions As of 07/01/16- 16,438 As of 03/31/2017 – 15,120

	YTD February 2017 Count	March 2017 Count	YTD 07/1/16 to 03/31/17 Count
New Applications	1,774	210	1,984
Internet	981	95	1,076
Renewal	8,350	969	9,319

Withholdings

	YTD February 2017 Amount	March 2017 Amount	YTD 07/1/16 to 3/31/17 Amount
Child Support	\$107,860.76	\$19,425.72	\$127,286.48
CCU Debts	\$700,372.15	\$73,680.72	\$774,052.87

II. BUDGET

- **FISCAL YEAR 2016** – We continue to reverse encumbrances and accruals.
- **FISCAL YEAR 2017**
 - Lottery: \$68,320,140
 - VLT Special Fund: \$9,132,860
 - VLT General Fund: \$21,770,000

 - We are starting to prepare for year-end close out.
- **FISCAL YEAR 2018**
 - Our fiscal year 2018 budget was passed with no cuts.
- **Promotion Fund (Unclaimed Prizes)**
 - Balance as of February, 2017 \$ 7,866,488
 - Estimated increase in March, 2017 \$ 1,602,100
 - Estimated usage in March, 2017 \$ 2,229,440
 - Estimated balance as of March, 2017 \$ 7,239,148

III. ACCOUNTING/FINANCE

- The January financial statements will be distributed at the April 20, 2017 meeting.

IV. PROCUREMENT

- Procurement works closely with all Divisions to support the Lottery'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.
- Televised Drawings of the Lottery's On-Line Games and Related Services (#2010-07)" with Hearst Television, Inc. dba WBAL-TV 11 expires on June 30, 2017. Renewal Option for up to six months July 1, 2017 – December 31, 2017 in the amount of \$826,500 is being exercised in order to facilitate the procurement and transition process for a new replacement contract. An RFP for a new replacement contract is in preparation (see item below). This renewal will be submitted to the Commission for review/approval at its April meeting and then, subject to Commission approval, to DBM for inclusion on the April 26, 2017 BPW Agenda.

- The MLGCA's existing Contract for "Televised Drawings of the Lottery's On-Line Games and Related Services (#2010-07)" with Hearst Television, Inc. dba WBAL-TV 11 expires on June 30, 2017. This contract provides for 1) The production and live television broadcast of the Drawings of the MLGCA's Draw Games and related services in the Baltimore area and beyond; 2) Promotes the televised Drawings, winning numbers, upcoming jackpots, recent Lottery winners, and other related MLGCA products and promotions; and 3) performs all other promotion and transmission activities. The MLGCA is working to finalize an RFP for a new replacement contract which will be presented to the Commission in the near future.
- Licensing Contract (#2017-01) with the Baltimore Ravens Limited Partnership: New sole source contract in the NTE amount of \$353,600 for the 2.5 year term May 26, 2017 – November 30, 2019 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 is similar to the Raven's Contracts done for the past eight years. This contract will be submitted to the Commission for review/approval at its April meeting and then, subject to Commission approval, to DBM for inclusion on the April 26, 2017 BPW Agenda.
- On-Line Gaming System Contract (#2005-11) with Scientific Games International, Inc.: Contract presently expires June 26, 2017. Modification in the amount of \$18,500,000 to extend the Contract term for an additional period of up to ten months until May 4, 2018 in order to facilitate the conversion process for a new Lottery Central Monitoring and Control System. This Modification, approved by the Commission at its March meeting, was submitted to DBM to appear on the April 26, 2017 Agenda.
- Lottery Central Monitoring and Control System/#2015-01; award recommendation to Scientific Games International, Inc. Contract to provide the MLGCA with a Lottery Central Monitoring and Control System ("LCMCS") and additional lottery services to include system implementation, operation and maintenance of the LCMCS and related systems, sales, marketing, instant ticket inventory and distribution, accounting, Terminals, Software, and Telecommunications Network that shall connect the Retailers to the Primary and Back-up Data Centers and all other locations required for the operation of the LCMCS. Base contract term 4/7/2017 – 4/4/2025; one 3-year renewal option and one 12-month option for transition for total eleven year potential. It is anticipated that this contract will appear on the May 10, 2017 BPW Agenda.
- 2017 Maryland State Fair - Sponsorship Agreement (#2017-04) with the Maryland State Fair & Agricultural Society, Inc.: New sole source contract in the amount of \$46,500 for the term August 24, 2017 – September 4, 2017 for the MLGCA's rental of space and other sponsorship amenities for the 2017 Maryland State Fair. Also contains a renewal option for the 2018 State Fair August 23, 2018 – September 3, 2018 in amount of \$46,500. This contract is very similar to the contracts done over the past several years for prior State Fair events, except it is with the Maryland State

Fair & Agricultural Society directly and not through Sponsorsource, Inc. as in prior years. This Contract will be submitted to the Commission for review/approval at its April meeting and then, subject to Commission approval, to DBM for its review/approval.

- MBE/SBR Activities:

- I. A summary of the Lottery's MBE participation including both Lottery and VLT operations is attached.

V. HUMAN RESOURCES

- HR is coordinating with the State Wellness Program's campaign efforts to educate employees with health tips. These efforts include participating in a Wellness fair at the work site to increase employee awareness of available wellness services, program participation incentives, and health tips.
- HR is assisting with the State Personnel System implementation of health benefits enrollment through the Workday system during this fall's open enrollment period. This implementation will allow active State employees and retirees to enroll and make benefit changes electronically within this system.

VI. INFORMATION TECHNOLOGY

- IT review of the Drawings RFP for feedback related to security and technology.
- Scheduled the IT annual Risk and Vulnerability assessment; there are three phases that will occur between April and June.
- Additional IT hardware was procured to expand and upgrade portions of our production and standby (DR) server environment. The equipment will arrive and be placed into operation in April.
- Continued effort on the replacement of the Agency's fixed asset system. The acquisition of the necessary software and hardware is actively being procured, and the statement of work for implementation services has been finalized. The new system is planned to be in place by the end of the fiscal year.
- The Agency's voicemail system was upgraded to the latest version of software.