

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: August 17, 2017

SUBJECT: Report for the August 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 349 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 07/1/16 to 06/30/2017 Count	YTD 07/1/16 to 06/30/2017 Amount	July 2017 Count	July 2017 Amount	YTD 07/01/17 to 06/30/18 Count	YTD 07/01/17 to 6/30/18 Amount
Baltimore	6,367	\$12,208,231.85	536	\$853,223.90	536	\$853,223.90
Lanham	2,420	\$10,184,086.00	168	\$671,975.10	168	\$671,975.10
XCAP	53,428	\$116,318,303.85	4,326	\$8,957,633.85	4,326	\$8,957,633.85

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 07/3/17 – 6,271 As of 07/24/2017 – 6,569

	YTD June 2017 Count	July 2017 Count	YTD 07/1/17 to 06/30/18 Count
New Applications	1,011	26	26
Internet	841	85	85
Renewal	7,938	56	56

Mega Millions As of 07/07/17- 14,176 As of 07/28/2017 – 14,501

	YTD June 2017 Count	July 2017 Count	YTD 07/1/17 to 06/30/18 Count
New Applications	2,500	204	204
Internet	1,273	155	155
Renewal	12,641	977	977

Withholdings

	YTD June 2017 Amount	July 2017 Amount	YTD 07/1/17 to 6/30/18 Amount
Child Support	\$175,122.36	\$9,480.37	\$9,480.37
CCU Debts	\$1,024,371.88	\$74,484.50	\$74,484.50

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**

- Budget is due to DBM in late September, 2017
- MFR is due to DBM on August 25, 2017

- **Promotion Fund (Unclaimed Prizes)**

- Balance as of June, 2017 \$ 7,354,937
- Estimated increase in July, 2017 \$ 2,000,000
- Estimated usage in July, 2017 \$ 200,000
- Estimated balance as of July, 2017 \$ 9,154,937

III. ACCOUNTING/FINANCE

- The May financial statements will be distributed at the August 24, 2017 meeting.
- Completed State closing efforts.
- Working on the GAAP financial statements which are due to the State on October 2, 2017.

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.

- 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 December 31, 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 RFP for a new replacement contract was issued June 1, 2017; a Pre-Proposal Conference was held June 13, 2017 which was attended by 17 individuals representing 7 organizations; Proposals were received on July 12, 2107 and are presently in the evaluation process.
- Instant Ticket Games and Related Services Contract (#2013-01) with Pollard Banknote Limited (Primary Contract) and Scientific Games International, Inc. and GTECH Corporation/IGT (both Secondary Contracts). Modification to 1) Revise Contract to authorize the unilateral right of the MLGCA to extend the Contract for three additional 1-year renewal periods, rather than one additional 3-year renewal period as originally stated in the Contract; 2) exercise the first of the three one-year renewal option periods, extending the term until August 31, 2018; and, 3) retain the unilateral right to exercise the two remaining one-year renewal options. This Modification was approved by the BPW at its July 26, 2017 meeting.
- Advertising, Digital, Web & Social Media, and Research Services Contract (#2013-02) for three Functional Areas ("FA") with GKV Communications, Inc. (FA #I – Creative and FA #III - Digital/Web) and Media Works, Ltd. (FA #II – Media). Modification/Renewal Option to: (1) continue existing services by exercising the second one-year renewal option for the term 8/1/2017 – 7/31/2018 for each Contractor in FAs I, II and III; and (2) increase the Not to Exceed amount for the renewal option period for FA I, II and III to correspond to the MLGCA's increased advertising budget for FY 2017 which is projected to continue in FY 2018. This Modification/Renewal was approved by the BPW at its June 21, 2017 meeting.
- Central Monitor and Control System for a Video Lottery Terminal Program Contract (#2009-11) with IGT Global Solutions Corporation (f/k/a GTECH Corporation) – expires September 26, 2020. Modification #3 in the amount of \$18,000 is to enhance the central system to comply with House Bill 152 by adding the General Fund as part of the distribution of slot machine proceeds.
- MBE/SBR Activities:
 - I. A summary of the MLGCA's MBE participation including both Lottery and VLT operations is attached.

V. HUMAN RESOURCES

- The Human Resources department is currently working with DBM to roll out online tutorial on onsite training for managers and employees through the HUB learning management system. These tutorials include the Governor's initiative on customer services enhancements.
- HR is currently working with Hiring Managers having existing position vacancies to recruit and hire the most suitable candidates.

VI. INFORMATION TECHNOLOGY

- Replaced the network switch located in the Agency's warehouse.
- Evaluating options and costs associated with implementing a document imaging system to be used by a few departments.
- Working with the VLT licensing division to procure replacement badge printers, which will include additional enhancements.
- Completed the Kofax application upgrade and migration onto a new server, and replaced the Kofax scanning PCs.

VII. CONVERSION

- Continuing to work with SGI to define technical requirements for back office conversion as well as day to day business requirements.