

Maryland Lottery and Gaming Control Agency

Martin O'Malley, Governor • Stephen Martino, Director



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TO: Maryland Lottery and Gaming Control Commission
Stephen Martino, Director

FROM: Gina M. Smith, Deputy Director/CFO

DIVISION: Administration, Finance and Operations

DATE: February 19, 2013

SUBJECT: Report for the February 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 199 agent plus 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 07/01/12 to 12/31/12	YTD 07/01/12 to 12/31/12	JANUARY 2013	JANUARY 2013	YTD 07/1/12 to 1/31/13	YTD 07/1/12 to 1/31/13
	Count	Amount	Count	Amount	Count	Amount
Baltimore	3,350	\$4,858,524.14	615	\$1,035,017.50	3,965	\$5,893,541.64
Lanham	808	\$3,560,952.85	175	\$827,104.00	983	\$4,388,056.85
Agent Plus	19,769	\$39,770,969.75	3,402	\$6,919,498.00	23,171	\$46,690,467.75

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 07/1/12 – 9,860 As of 1/31/2013 – 10,323

	YTD DECEMBER 2012 Count	JANUARY 2013 Count	YTD 07/1/12 to 1/31/13 Count
New Applications	547	140	848
Internet	397	77	474
Renewal	5,841	1,944	7,785

Mega Millions As of 07/1/12 –24,937 As of 1/31/2013 – 23,384

	YTD DECEMBER 2012 Count	JANUARY 2013 Count	YTD 07/1/12 to 1/31/13 Count
New Applications	2,000	477	2,477
Internet	910	269	1,179
Renewal	10,174	1,851	12,025

	YTD DECEMBER 2012 Amount	JANUARY 2013 Amount	YTD 07/1/12 to 1/31/13 Amount
Child Support	\$297,777.70	\$24,263.14	\$322,040.84
Restitution	\$1,307,291.53	\$118,986.63	\$1,426,278.16

Agent Resource

	07/01/2012	1/31/2013
# OF AGENTS	4,260	4,380
# OF AGENT TERMINALS	5,040	5,122
# AGENT PLUS LOCATIONS	193	199

II. BUDGET

- **FISCAL YEAR 2014**

Budget meetings were held with the Legislature on February 8 and 11. The only recommended reduction was for the \$366,000 i-gaming funds that were inadvertently left in the budget by the Department of Budget and Management

Our submission was as follows:

Lottery Program: \$ 56,724,000

VLT Program:

Special Funds \$ 13,405,240

General Funds \$ 84,794,000

Total Budget \$154,923,240

FY2013 deficiency requests were also included in the budget to provide funding for all of the additional positions.

- **FISCAL YEAR 2013**

The budget allowance is as follows:

Lottery Program: \$ 54,444,985

VLT Program:

Special Funds \$184,745,750

General Funds \$ 72,874,387

Total Budget \$312,065,122

Two deficiency requests were submitted with the FY2014 budget to provide funding for all of the additional positions that were received or will be received.

Refer to the last page of this report for the quarterly spending report.

- **FISCAL YEAR 2012**

Beginning the monitoring of the liquidation of encumbrances and accruals.

- **FISCAL YEAR 2011**

All encumbrances were liquidated with the exception of one totaling \$50,000. This encumbrance was carried forward into Fiscal Year 2013.

III. ACCOUNTING/FINANCE

The November 2012 financial statement is included in your package.

IV. PROCUREMENT

- During January a total of 79 new small procurements (up to \$25k) were initiated. 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.
- On-Line Gaming System Contract (#2005-11) with Scientific Games International, Inc.: Modification in the amount of \$13,510,000 for the remaining 3 years 5 months of the Contract to provide additional technical enhancements to include the development, implementation, testing and operation of a Loyalty Rewards Program, specifically "Properties Plus/Points for Prizes", which will allow players to accumulate points for Instant Tickets to use for redemption of merchandise prizes. This modification, previously approved the Commission at its January 24 meeting, was approved by the BPW at its February 6 meeting.
- Instant Ticket Games and Related Services Contract (#2006-01) with Pollard Banknote Limited Partnership (Primary Contractor) and Scientific Games International, Inc. (Secondary Contractor): This Contract expires June 30, 2013 and no further renewal options are available. RFP (#2013-01) for a new replacement contract, previously approved by the Commission at its January 24 meeting, was issued on January 29, 2013. A Pre-Proposal Conference will be held on February 12th and proposals are due by March 15, 2013.
- Advertising, Research & Public Relations Services Contract (#2007-01) for four Functional Areas ("FA") with GKV Communications, Inc. (FA#1 - Creative); Trahan, Burden & Charles, Inc. (FA#2 - Media and FA#3 - PR/Communications); and Crestwood Associates (FA#4 - Research): This Contract expires July 31, 2013 and no further renewal options are available. An RFP (#2013-02) for a new replacement contract has been prepared and will be presented to the Commission for review/approval at its February 26th meeting.
- Preventive Maintenance and Repair Services to Lottery Drawing Machines and Equipment Contract (#2010-02) for the term 4/1/2010 - 3/31/2013 in the Not to Exceed amount of \$25,000. One 3-year renewal option was available on the Contract. The single and final renewal option for the term 4/1/2013 - 3/31/2016 in the NTE amount of \$25,000 was processed on January 17, 2013.

- Regulations: Status of Regulations approved by the Commission at its meeting on:
 - 1) December 13, 2012:
 36.03 Gaming Provisions; 36.04 Video Lottery Terminals; 36.05 Table Games: All new Regulations submitted to AELR as both emergency and permanent regulations on January 7, 2013. Pending required minimum 15 day approval period by AELR, permanent regulations will then be submitted to DSD for publication in the Register. Permanent regulations approved by AELR and submitted to DSD on January 23 with anticipated publication in Register on February 22. No update has yet been received from AELR on the emergency regulations.

 36.01 General Provisions; 36.02 Lottery Provisions; 36.06 Electronic Gaming Devices; 36.07 Instant Bingo Machines in Anne Arundel and Calvert Counties: All new Regulations submitted to AELR as permanent regulations on January 10, 2013. Pending required minimum 15 day approval period by AELR, permanent regulations will then be submitted to DSD for publication in the Register. Permanent regulations approved by AELR and submitted to DSD on January 29 with anticipated publication in Register on February 22. No update has yet been received from AELR on the emergency regulations.
 - 2) January 24, 2013:
 36.05 Table Games: All new Regulations submitted to AELR as both emergency and permanent regulations on February 5, 2013. Pending required minimum 15 day approval period by AELR, permanent regulations will then be submitted to DSD for publication in the Register.
- VLT Program:
 - 1) Investigative Services for Video Lottery Terminal Licensing Contract (#2009-07) with Spectrum Gaming Group (Primary Contract) and MDB International (Secondary Contract) for the term 5/7/2009 – 5/6/2011 in the total amount of \$5million. Three 1-year renewal options were available on the Contracts. The first renewal option was previously exercised for both Contracts in the total amount of \$1 million for the term 5/7/2011 – 5/6/2012. The second renewal option was previously exercised for both Contracts in the total amount of \$1 million for the term 5/7/2012 – 5/6/2013. It is anticipated that staff will present a recommendation to the Commission at its February 26 meeting that the third and final renewal option in the total amount of \$1 million for the term 5/7/2013 – 5/6/2014 be exercised for both of these Contracts.
 - 2) RFP for "Video Lottery Operation License in Prince George's County #2013-0101": RFP to seek applications for this VLT Facility and Operation License was approved by the Video Lottery Facility Location Commission at its January 31 meeting. RFP (#2013-0101) was issued on February 6, 2013. A Pre-Proposal Conference will be held on February 27 and proposals are due by May 10, 2013.

- MBE/SBR Activities:

1) A summary of the Lottery's MBE participation including both Lottery and VLT operations will be provided to the Commission at its meeting on February 26.

V. HUMAN RESOURCES - Recruitment Report

The following activity occurred regarding Personnel:

- Accountant Advanced – Closed. Interviews are scheduled for week of February 11.
- Supply Officer III – Contractual. Closed. Candidate hired. Started January 23.
- Fiscal Accountant Clerk II- Closed. Candidate selected. Start date is February 20.
- VLT Compliance Officers – New PINS. Open and continuous. Hiring as needed.
- Contractual Lottery Representative I – Closed. Candidate selected. Started February 6.
- Lottery Representative I – Closed. 2 Candidates selected. Start dates are February 6 and 20.
- Internal Auditor II- Recruitment Closed. Reviewing applicants. Interviews are scheduled the week of February 18.
- Internal Auditor Supervisor. Recruitment Underway. Closes on February 22.
- Sr. Merchandising Coordinator. Internal Recruitment closes February 22.
- VLT Licensing Specialist- Financial. Recruitment will begin week of February 25.

VI. WAREHOUSE

The instant ticket warehouse is responsible for packing all of the instant tickets that are shipped to lottery retailers. Orders are placed through our Tel Sell operation which is run by our on-line vendor. Once the order is placed, it is sent to the warehouse for fulfillment. Once fulfilled, the orders are shipped out through UPS for overnight delivery to the agent locations. In addition to fulfilling the orders, the warehouse is responsible for monitoring UPS to ensure proper billing and delivery. Instant ticket shipping activity is as follows:

# of orders January 2013	# of packs January 2013	YTD orders 7/1/12– 1/31/13	YTD packs 7/1/12 – 1/31/13
16,508	143,231	92,922	881,099

VII. FACILITIES

- Daily departmental support.
- VLT temporary space setup completed.
- Continuing to work with building management to obtain acceptable space for the Gaming employees.

VIII. LEGISLATIVE UPDATE

Below is a listing of newly filed bills as of February 12, 2013. To date, the Lottery has been requested by the Department of Legislative Services (DLS) to respond to thirty four (34) bills in an effort to determine the fiscal and operational impact on the agency and to assist DLS in preparing its fiscal and policy note for the proposed legislation.

HB139 - *Training for Public Open Meetings Act.* Requires the State Open Meetings Law Compliance Board to develop and offer an online training program on the requirements of the open meetings law to employees, officers, or members of a public body; requires a public body to designate employees, officers, or members of the public body to receive the online training; and requires the designated individuals to complete the training within 30 days of being designated. Also, this bill was introduced in the 2011 Regular Session as [HB47](#).

HB175 - *Frederick County - Slot Machines for Nonprofit Organizations.* Adds Frederick County to the list of counties in which specified nonprofit fraternal, religious, and war veterans' organizations may own and operate not more than five slot machines under specified circumstances. Also, this bill was introduced in the 2012 Regular Session as [HB151](#).

HB253 - *Washington County - Amusement Devices.* Alters the definition of "amusement device" as it relates to the operation and regulation of amusement devices in Washington County to include a game activated by an object or another consideration of value. Also, this bill was introduced in the 2012 Regular Session as [HB461](#).

HB310 - *Carroll County – Gaming.* Authorizes specified organizations in Carroll County to conduct a card game, card tournament, or casino night under specified circumstances; requires an organization to obtain a permit from the Board of License Commissioners of Carroll County before conducting a card game, card tournament, or casino night; requires an organization that seeks a permit to meet specified requirements; and specifies that a card game, card tournament, or casino night may be managed and organized by specified organizations. Also, this bill was introduced in the 2012 Regular Session as [HB133](#).

HB446 - *Gaming - Video Lottery Operation License - Baltimore-Washington International Thurgood Marshall Airport.* Alters the number of video lottery operation licenses and video lottery terminals that may be awarded by the Video Lottery Facility Location Commission to provide for the award of a license at Baltimore-Washington International Thurgood Marshall Airport under specified conditions; authorizes up to 2,500

video lottery terminals at the airport; and submits the Act to a referendum of the qualified voters of the State. Also, this bill was introduced in the 2012 Regular Session as [HB711](#).

HB454 - Howard County - Casino Events - Authorized Ho. Co. 8-13. Authorizes organizations to hold casino events that include a card game or roulette in Howard County; requires an organization to obtain a permit from the Howard County Department of Inspections, Licenses, and Permits before operating a casino event; requires the county to establish the amount of the permit fee; specifies the types of organizations eligible to conduct a casino event; limits the amount of specified money prizes; and requires a permit holder to ensure that specified standards are met. Also, this bill was introduced the 2012 Regular Session as [HB1125](#).

HB486 - Criminal Law - Gaming - Home Games. Allows a person to conduct a home game, which is a game of chance or skill involving wagering that is conducted in a person's home and allows a player to compete directly against one or more players; prohibits a home game from involving a player's use of an electronic device that connects to the Internet; and prohibits a person from benefiting financially in any way, directly or indirectly, other than from the winnings accrued by participating as a player in a home game.

HB487 - Crimes - Gaming and Lottery Devices and Slot Machines – Penalties. Increases specified penalties for violations relating to gaming devices, lottery devices, lotteries, and slot machines to imprisonment not exceeding 3 years, a fine not exceeding \$3,000, or both.

HB535 - Washington County - Amusement Devices - Tip Jars. Alters the definition of "amusement device" as it relates to the operation and regulation of amusement devices in Washington County to include a game activated by an object or another consideration of value. Also, this bill was introduced in the 2012 Regular Session as [SB622](#).

HB538 - Video Lottery Facility - Credit Extensions to Patrons – Limitation. Requires the State Lottery Commission to adopt regulations prohibiting a video lottery operation licensee from extending more than \$500 in credit to a patron of a video lottery facility within a 24-hour period.

HB567 - Video Lottery Operation Licenses - Expansion to Alcoholic Beverages Licensed Establishments. Authorizes the State to issue video lottery operation licenses to holders of specified alcoholic beverages licenses; alters the number of video lottery terminals that may be authorized in the State; requires the State Lottery and Gaming Control Agency to supervise, administer, and license the operation of specified video lottery terminals; and submits the amendment to the qualified voters of the State for their adoption or rejection. Also, this bill was introduced in the 2011 Regular Session as HB1010.

HB579 - Veterans' Organizations - Instant Ticket Lottery Machines - Use of Proceeds. Alters the allocation of proceeds from instant ticket lottery machines operated by veterans' organizations in specified counties; requires that at least one-half of the net after-payout proceeds be used to benefit a charity and the remainder of the proceeds to further the purposes of the veterans' organization; and repeals a prohibition against using receipts from the sale of tickets from instant ticket lottery machines for a specified purpose under specified circumstances.

HB646 - Gaming - Instant Ticket Lottery Machines - Veterans' Organizations (MC 5-13). Removes Montgomery County from a specified list of exempted counties so as to allow specified veterans' organizations in the county to be licensed to sell specified lottery machine tickets under specified circumstances; and authorizes veterans' organizations in Montgomery County to be licensed to operate not more than a specified number of instant ticket lottery machines.

HB662 - Video Lottery Operation Licensees - Information on Payouts. Requires that regulations adopted by the State Lottery and Gaming Control Commission include provisions that require specified gaming payouts to be reported to the State Lottery and Gaming Control Agency in a report that contains specified information; and requires the State Lottery and Gaming Control Agency to forward the report to the Department of Human Resources Child Support Enforcement Administration for the purpose of enforcing specified child support orders.

HB673 - Prince George's County - Video Lottery Operation License - Awarded to Highest Bidder. Requires the Video Lottery Facility Location Commission to award a video lottery operation license in Prince George's County to the applicant whose application represents the highest prospective total revenues to be derived by the State.

HB752 - Video Lottery Gaming - Term of License. Alters the term of specified licenses required for video lottery gaming from 3 to 5 years.

HB840 - Joint Committee on Gaming Oversight – Membership. Expands the membership of the Joint Committee on Gaming Oversight; specifies that the Director of the State Lottery and Gaming Control Agency, the Special Secretary of the Governor's Office of Minority Affairs, and the Governor appoint as members individuals who represent specified entities or who have expertise in specified areas.

HB1020 - Baltimore City - Video Lottery Terminal Proceeds - Local Impact Grants. Alters the manner in which specified local impact grants provided from proceeds of video lottery terminals are to be distributed in Baltimore City; authorizes a specified portion of the grants to be distributed to maintain and improve public facilities and places; and specifies that a specified portion of the grants to a neighborhood in the Northwest Community Planning Forum Strategic Neighborhood Action Plan be distributed in a manner that is consistent with that plan or to maintain and improve public facilities and places.

HB1024 - Employees' Pension System - Elected or Appointed Officials - Optional Membership. Provides that specified elected or appointed officials whose employers are participating employers of the State Retirement and Pension System may elect to join or may elect to cease membership in the Employees' Pension System within a specified period of time; and requires specified elected or appointed officials who make an election to join or an election to cease membership to complete a specified form and file it with the Board of Trustees for the State Retirement and Pension System.

HB1053 - Video Lottery Facilities - Employee Licenses - Crimes of Moral Turpitude or Gambling. Limits the requirement that the State Lottery Commission deny a video lottery

employee license to an applicant convicted for a crime involving moral turpitude or gambling to those applicants convicted, paroled, or on probation for the crime within the prior 5 years; and makes the Act an emergency measure.

HB1059 - Video Lottery Operation Licensees - Employee Data Collection. Requires a video lottery operation licensee to compile specified data concerning its employees and submit the data to the State Lottery and Gaming Control Commission on or before a specified date; and requires the Commission to submit a specified report to the General Assembly and specified other persons within a specified time.

HB1083 - Prince George's County - Gaming - Charity Chips (PG 312-13). Authorizes in Prince George's County specified volunteer fire departments and organizations that promote the arts and preserve the culture to hold events in which the public may play poker card games; limits the number of poker events that may be held to one a month; requires that a permit be obtained from the Prince George's County Department of Environmental Resources before a poker event may be held; specifies requirements to qualify for a permit; and specifies the contents of an application for a permit. Also, this bill was introduced in the 2012 Regular Session as [HB0811](#).

SB200 - State Government - Departments and Units of Executive Branch - Heads and Officers – Qualifications. Requires that a head of a principal department, a head of a unit in the Executive Branch of the State government, or an officer in the Executive Branch of the State government be a resident of the State.

SB272 - State Lottery Agency - Tickets - Electronic Devices Connected to the Internet. Prohibits the Director of the State Lottery Agency, unless authorized by the General Assembly, from adopting regulations that would allow a person to purchase a State lottery ticket through an electronic device that connects to the Internet.

SB282 - Video Lottery Facilities - Employee Licenses - Crimes of Moral Turpitude or Gambling. Limits the requirement that the State Lottery Commission deny a video lottery employee license to an applicant convicted for a crime involving moral turpitude or gambling to those applicants convicted, paroled, or on probation for the crime within the prior 7 years.

SB315 - Frederick County - Gaming Permits. Repeals in Frederick County a specified limitation on the number of specified raffles that may be held on a single day; and authorizes the Board of County Commissioners of Frederick County to determine the number of permits to conduct a raffle that specified organizations in the county may receive in a calendar year.

SB379 - Regulations - Prohibition on Proposal and Adoption - Substantially Same Content as Failed Bill. Prohibits a unit in the Executive Branch of State government from proposing or adopting a regulation if the regulation has substantially the same content as a bill that failed to pass either house of the General Assembly.

SB629 - Alcoholic Beverages - Allegany County - Video Lottery Facility Sales and Consumption. Creates in Allegany County a Class BWL-VLF (video lottery facility) beer, wine and liquor license and a Class BWL-VLC (concessionaire) beer, wine and liquor license; specifies that the Board of License Commissioners may issue a specified license

for a video lottery facility that contains one or more food services facilities, bars, or lounges; specifying that a video lottery facility license may be issued to an individual or entity that meets specified requirements; and specifying hours for the sale of specified alcoholic beverages.

SB674 - *Employees' Pension System - Elected or Appointed Officials - Optional Membership*. Provides that specified elected or appointed officials whose employers are participating employers of the State Retirement and Pension System may elect to join or may elect to cease membership in the Employees' Pension System within a specified period of time; and requires specified elected or appointed officials who make an election to join or an election to cease membership to complete a specified form and file it with the Board of Trustees for the State Retirement and Pension System.