

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 20, 2014

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 **205** 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 07/1/13 to 12/31/2013	YTD 07/1/13 to 12/31/2013	Jan. 2014	Jan. 2014	YTD 07/01/13 to 1/31/14	YTD 07/01/13 to 1/31/14
	Count	Amount	Count	Amount	Count	Amount
Baltimore	3,335	\$5,230,510.25	743	\$2,255,587.50	4,078	\$7,486,097.75
Lanham	831	\$3,820,006.98	186	\$792,928.00	1,017	\$4,612,934.98
Agent Plus	21,332	\$44,117,406.00	4,703	\$10,803,183.00	26,035	\$54,920,589.00

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 07/1/13 – 8,736 As of 1/31/2014– 9,348

	YTD December 2013 Count	January 2014 Count	YTD 07/1/13 to 1/31/14 Count
New Applications	621	197	818
Internet	352	57	409
Renewal	4,479	1,859	6,338

Mega Millions As of 07/01/12 24,937 As of 1/31/2014 16,595

	YTD December 2013 Count	January 2014 Count	YTD 07/1/13 to 1/31/14 Count
New Applications	4,154	755	4,909
Internet	715	254	969
Renewal	1,821	1,462	3,283

	YTD December 2013 Amount	January 2014 Amount	YTD 07/1/13 to 1/31/14 Amount
Child Support	\$80,591.15	\$12,806.04	\$93,397.19
CCU Debts	\$602,096.89	\$166,062.44	\$768,159.33

Agent Resource

	07/01/2013	1/31/14
# OF AGENTS	4,422	4,456
# OF AGENT TERMINALS	5,170	5,174
# AGENT PLUS LOCATIONS	203	205

II. BUDGET

- **FISCAL YEAR 2015**

The Fiscal Year 2015 Budget Hearings were held as follows:

January 29, 2014 – 1:00 pm House

February 3, 2014 – 1:00 pm Senate

The Department of Legislative Services recommended cutting five of our new licensing positions that we requested. This would still allow for the creation of 24 new gaming positions. We disagreed with the recommendation stating that these positions are necessary to prevent a further backlog of license investigations.

- **FISCAL YEAR 2014**

The final approved budget was as follows:

Lottery Program: \$ 55,948,446

VLT Program:

Special Funds \$ 13,462,265

General Funds \$ 86,476,648

Total Budget \$155,887,359

- **FISCAL YEAR 2013**

The majority of the encumbrances and accruals have been liquidated.

III. ACCOUNTING/FINANCE

Closing the calendar year 1099 and W2G activity.

IV. PROCUREMENT

- During January a total of 53 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.

- Veterans’ Organization Instant Ticket Lottery Machines and Related Services (#2014-02): RFP to provide Instant Ticket Lottery Machines (“ITLM”), an ITLM central monitor and control system (“ITLM Central System”), and other related services for Veterans’ Organizations specified in the Lottery Law. The award of this 5 year contract in the amount of \$57 million to Diamond Game Enterprises, which was approved by the Commission at its January 23 meeting, and was approved by the BPW at its February 19 meeting.
- On-Line Gaming System (#2005-11) with Scientific Games International, Inc.: Contract to design, develop, implement, lease, operate and maintain a Lottery On-Line Gaming System, including a Central Site System, Retailer Terminals, Software, and a satellite based Telecommunications Network to connect the Retailer Terminals to the Central Site System. Modification in the amount of \$468,160 to provide the Lottery with a license to use the Major League Baseball® and the Baltimore Orioles® baseball team marks and logos for an Instant Ticket Lottery Game and Orioles and Major League Baseball related prizes was approved by the Commission at its January 23 meeting. This modification was originally scheduled to be presented to the BPW for review/approval at its January 22 meeting, but that meeting was cancelled due to snow. This modification was therefore moved to the February 5 BPW meeting and approved at that meeting.
- Consulting Services Related to Lottery and Gaming Operations in Maryland Contract (#2014-09) with Cummings Associates: Sole Source Contract in the amount of \$49,000 for the term February 1, 2014 – April 30, 2014 to assist and advise the Lottery on various aspects of Lottery and Gaming operations in Maryland specifically to include a study to project the impact on Lottery sales from the opening of the new VLT Facility in Baltimore City scheduled for mid-2014 and Prince George’s County scheduled for mid-2016. The award of this contract, which was approved by the Commission at its January 23 meeting, was approved by DBM on February 2, 2014.
- On-Line Gaming System Contract (#2005-11) with Scientific Games International, Inc.: Modification in the amount of \$4,900,000 for the remaining 2 years 4 months of the Contract to provide additional technical enhancements - specifically the Contractor shall expand the Loyalty Rewards Program currently being provided for Instant Ticket Games to also include On-Line Games. It is anticipated that this Modification will be presented to the Commission for review/approval at its February 27 meeting and, subject to Commission approval, then to the BPW for review/approval at its March 5, 2014 meeting.
- Regulations: Status of Regulations approved by the Commission at its meeting on:
 - 1) December 13, 2012:
 36.06 Electronic Gaming Devices: All new Regulations submitted to AELR as permanent regulations on January 10, 2013; published in Register on February 22; and now eligible for submission for Final Action but is on indefinite hold due to issues raised in public comments.

2) August 22, 2013: 36.01.03 Voluntary Exclusion (General); 36.03.06 Voluntary Exclusion (Casino): Amendments submitted to AELR as Permanent regulations on October 2; Notice of Final Action published in Register on January 24, 2014 with an effective date of February 3, 2014.

36.03.10.29 Deposit of Counter Checks; 36.05.04 Table Games Rules-Blackjack; 36.05.05 Table Game Rules-Craps: Amendments submitted to AELR as both Emergency and Permanent regulations on October 2.

Notice of Final Action for Permanent Regulations published in Register on January 24, 2014 with an effective date of February 3, 2014.

Emergency regulations Published in Register on December 2, 2013, with effective date of November 7, 2013 and expiration date of April 4, 2014.

- MBE/SBR Activities:

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 27.

V. HUMAN RESOURCES - Recruitment Report

The following activities occurred regarding Personnel:

- Contractual Lottery Representative I- Closed. Offer made. Started February 12.
- Lottery Training Manager. Closed. Candidate selected. Conducting references and will be making offer the week of February 3.
- VLT- Licensing Specialist (2 contractual positions and 1 permanent). Closed. Contractual start date is January 29. Interviews will resume for perm and other contractual week of February 4.
- Office Secretary II – Closed. Offer made. Candidate to start of February 19.
- Office Secretary I - Front Desk Receptionist. Closed. Interviews were held the week of February 10. An offer is being made.
- Internal Auditor II- Travel and Ocean Downs Casino. Posting for Ocean Downs closed on February 13. Travel position, interviews were held the week of February 4. Offers are being made.

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 2014	# of packs January 2014	YTD orders 7/1/13– 1/31/14	YTD packs 7/1/13 – 1/31/14
13,097	122,500	92,978	847,146

VII. FACILITIES

- On-going monitoring of building service issues.

VIII. CONTRACT MANAGEMENT

- The list of suggestions for the new On-Line contract has been compiled and categorized and is ready for review by the Lottery management team. The next step will be to review the list and determine which items will become requirements in the RFP and which ones will become options. Following that step, we will begin developing detailed specifications for each requirement. While this process is ongoing, RFPs from other states are also being reviewed to see what they have done and if any of their requirements can be repurposed.
- The deployment of the PowerBall change to support the PowerPlay changes was deployed on January 19, 2014 without incident.
- The pilot testing of Hudson Alley's OnePlace software which runs on i-Pads and will replace the existing tablet PCs started on Wednesday January 8, 2014. Testing continues for the OnePlace software. There have been some issues with the creation and importing of the retailer instant ticket data. Hudson Alley and Scientific Games have been working to resolve these issues. The projected roll-out if March.
- Scientific Games had begun software development for the Racetrax changes scheduled to deploy in April. We will be adding an Exacta and a Superfecta wager and changing some of the graphics.
- Keyless Validation testing on Extrema terminal continues. There have been no issues encountered so far with the test games from Pollard or Scientific Games. This feature will allow instant tickets to be cashed at our self-service vending machines, the PATs.
- The requirements gathering for the development of an RFP for Document Imaging continues. This process is expected to take several months.

- Several rounds of testing have been done on the coupons that will be produced by the Bonus Crossword Instant Ticket application. This testing will continue while the refinement of the coupon progresses.
- A search has been started for a possible off the shelf software package that the MLGCA could use to replace the current paper Time and Attendance process.
- Contract Management held their semi-annual meetings with the Sales team and Scientific Games to provide the Sales team with the status of ongoing initiatives and hear from the Sales team any concerns or issues they have with Scientific Games. During this round of meetings, there were very few concerns voiced by the Sales team. Most of the concerns were centered around installations and the retailers' requests to move equipment to a location that is different than what was agreed to when the Lottery Sales Rep was onsite and worked with the retailer. We will be discussing this internally in the Lottery and advising Scientific Games how we would like them to handle these cases in the future.

IX. INFORMATION TECHNOLOGY

- E-licensing system database is scheduled to be encrypted and minimum password requirement changes will be implemented by the end of February.
- Set up and configure a Live Scan unit for the Lottery to electronically submit fingerprints to the FBI for new Lottery employees and Retailers is being worked on.
- Investigating MUSL addendum 2 changes which will allow the Lottery to implement an alternate process to ensure/verify the integrity of sales transactions. The alternate process would eliminate the need for lock downs.
- Expansion space update – all wiring is pulled, patch panels installed, wiring terminations in progress. Telephone wiring and the fiber connection between spaces is still outstanding. Project is on schedule.
- Instant Ticket Lottery Machine (ITLM) - In the process of documenting user requirements, and identifying areas where system integration is needed with the ITLM system for data exchange and reporting.
- End of year processes and IRS reporting to be completed by the end of February.
- Ordered basic telephones for the sales staff. Smart telephones are no longer required due to receiving iPads for the One Place application.