

Maryland Lottery and Gaming Control Agency

Larry Hogan, Governor • Gordon Medenica, Director



Montgomery Park Business Center
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TO: Maryland Lottery and Gaming Control Commission
Gordon Medenica, Director
Jim Nielsen, COO

FROM: Charles LaBoy, Managing Director of Gaming

DIVISION: Executive - Gaming

DATE: January 21, 2016

SUBJECT: Report for the January 28 Commission Meeting

A. Gaming Division

a. MGM National Harbor

1. Staff met with MGM on 1/19/16 to kick off the biweekly meetings that will continue through opening to ensure that all regulatory requirements are fulfilled.

b. Table Game Rules

1. As a result of feedback from the Joint Committee on Administrative, Executive, and Legislative Review (AELR Committee) on the increasingly frequent use of the emergency regulation process, staff has been reviewing our practice of including table game rules as regulations. It has been noted that there is no statutory or regulatory requirement that table game rules be processed as regulations. As the majority of emergency regulations that are processed by the Commission are table game rules, staff is looking at changing the procedure by which table game rules are processed. Staff is proposing that the table game rules be approved by the Commission and then posted on the Commission's website and not processed as regulations. The assistant attorney generals have reviewed this process and agree that this is an acceptable procedure for the implementation of table game rules pending Commission approval. This topic will be presented for discussion at the Commission meeting.

B. VLT Audit Department

| Audit Summary | | | |
|----------------------|-------------------------|---------------|------------------------|
| Location | Audit Area | Status | Periods Covered |
| Maryland Live Casino | Compliance & Operations | Completed | November |
| Rocky Gap Casino | Compliance & Operations | Completed | November |
| Ocean Downs Casino | Compliance & Operations | Completed | November |
| Hollywood Casino | Compliance & Operations | Completed | November |
| Horseshoe Casino | Compliance & Operations | Completed | November |
| Maryland Live Casino | Compliance & Operations | In Process | December – January |

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| | | | |
|--|-------------------------|------------|--------------------|
| Rocky Gap Casino | Compliance & Operations | In Process | December – January |
| Ocean Downs Casino | Compliance & Operations | In Process | December – January |
| Hollywood Casino | Compliance & Operations | In Process | December – January |
| Horseshoe Casino | Compliance & Operations | In Process | December – January |
| Laurel Elks Post #2283 | Compliance & Operations | In process | 2015 |
| Severna Park American Legion Post #175 | Compliance & Operations | In process | 2015 |
| American Legion Post #206 | Compliance & Operations | In process | 2015 |
| American Legion Post #7 | Compliance & Operations | In process | 2015 |
| Annapolis Elks Post #622 | Compliance & Operations | In process | 2015 |

- a. Staffing Update – Positions in recruitment:
 - 1. Gaming Audit Supervisor – An internal candidate was selected.
 - 2. Gaming Auditor Horseshoe – We have an internal transfer scheduled from Ocean Downs to fill this position on Feb 1.
 - 3. Gaming Auditor Ocean Downs – To be posted
 - 4. Gaming Auditor Rocky Gap – To be posted
- b. MOU with IRS & FinCEN – The MOU is being reviewed by FinCEN’s internal counsel.

C. Electronic Gaming Device Operations

| | Hollywood | Ocean Downs | MD Live | Rocky Gap | Horseshoe | Bingo Halls |
|-------------------|-----------|-------------|---------|-----------|-----------|-------------|
| VLT Installs | 5 | 0 | 0 | 0 | 11 | 0 |
| VLT Removals | 5 | 0 | 0 | 0 | 9 | 0 |
| Floor Moves | 10 | 0 | 0 | 0 | 23 | 14 |
| Game Conversions | 5 | 31 | 0 | 43 | 3 | 5 |
| Change Requests | 5 | 7 | 9 | 4 | 4 | 0 |
| Operation Reviews | 1 | 1 | 1 | 1 | 1 | 13 |

- a. The agency has received gambling device registration approval from the Department of Justice to continue to allow the agency to transport, operate and sell electronic gambling devices.
- b. Payout Percentages

Quarterly Payback Percentage (October 1 – December 31, 2015):

| Hollywood Casino Perryville | Casino at Ocean Downs | Maryland Live! Casino | Rocky Gap Casino Resort | Horseshoe Casino Baltimore |
|-----------------------------|-----------------------|-----------------------|-------------------------|----------------------------|
| 90.20% | 92.58% | 91.41% | 91.07% | 91.78% |

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Calendar Year 2015 Payback Percentage (January 1 – December 31, 2015):

| Hollywood Casino Perryville | Casino at Ocean Downs | Maryland Live! Casino | Rocky Gap Casino Resort | Horseshoe Casino Baltimore |
|-----------------------------|-----------------------|-----------------------|-------------------------|----------------------------|
| 90.24% | 92.52% | 91.96% | 91.50% | 92.20% |

- c. Quarterly Performance Benchmarking – Leased VLTs
 - 1. The 4rd quarter performance benchmarking process for Ocean Downs and Rocky Gap is under way.
- d. ITLMs
 - 1. ITLMs were installed in a new location in December, bringing the total number of locations to 66, with 267 ITLMs in operation.
 - 2. Staff continues to work with both internal and external parties on the Phase II development criteria. Phase II will incorporate the ability to award jackpots in excess of \$599 and the ability to process the corresponding W2-G and various statutory required setoffs.

D. Responsible Gambling

- a. Voluntary Exclusion Program
 - 1. 48 new participants joined the casino VEP program since the last report, bringing the total number of participants to 1,044.
 - 2. There have been 21 removals from the VEP with 34 additional requests for removal pending.
 - 3. To date, there are now 153 violations that have occurred since the casino VEP program began, with 3 violations occurring in December; all have been cited for criminal trespass and court resolution is pending.
 - 4. There are 10 additional enrollments on the lottery VEP list, bringing the total number of participants to 167.
- b. The VEP computer system RFP is being revised as a Task Order RFP under the state's CATS program and is anticipated to be released in the 1st quarter of 2016. The new system will allow the casinos to move away from printed binders and be able to access VEP information in real time through a secure online system.
- c. ML&G received Level II certification in responsible gambling practices with the World Lottery Association in late October.
- d. Staff continues to participate in the NASPL Responsible Gambling Committee conference calls and continues to serve on a subcommittee tasked with the development of a responsible gambling toolkit for NASPL members.
- e. Staff continues to work with the Office of the Courts in setting up a brief presentation to the Special Courts' Judges Sub-committee, a committee of the State Commission of Judges. Staff will present information to judges who preside over the State's Special Courts (i.e. drug/alcohol courts) regarding the VEP Program and resources available to problem gamblers.