

Maryland Lottery and Gaming Control Commission

Larry Hogan, Governor



Montgomery Park Business Center
1800 Washington Blvd., Suite 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

MARYLAND LOTTERY AND GAMING CONTROL COMMISSION MAY MINUTES

DATE: May 28, 2015

TIME: 10 a.m.

PLACE: Maryland Lottery and Gaming Control Agency Headquarters

PRESENT: Chair Kimberly Robertson Pannell
Vice Chair Diane McGraw
Commissioner F. Vernon Boozer
Commissioner George L. Doetsch, Jr.
Commissioner Bert J. Hash, Jr.
Commissioner John Morton
Commissioner James Stakem

Gina M. Smith, Acting Director
Robert Fontaine, OAG Principal Counsel
Charles LaBoy, Assistant Director for Gaming
John Martin, Assistant Director for Lottery
John Mooney, Assistant Director for Enforcement
Holly Citko, OAG Deputy Counsel
Jaclyn Vincent, Assistant Director for Policy and Planning
Marie Torosino, Executive Associate

OTHERS: Representative from Hollywood Casino Perryville
Representative from The Casino at Ocean Downs
Representative from Maryland Live! Casino
Representative from Rocky Gap Casino Resort
Representative from Horseshoe Casino Baltimore
Members of the Public

Kimberly Robertson Pannell, Chairman

Diane L. McGraw, F. Vernon Boozer, George L. Doetsch, Jr., Bert J. Hash, Jr., John Morton, III, James J. Stakem

CALL TO ORDER

There being a quorum present, Chair Robertson Pannell called the meeting of the Maryland Lottery and Gaming Control Commission to order at 10:00 a.m. Commissioners present were: Diane McGraw, F. Vernon Boozer, George Doetsch, Bert Hash, John Morton, and James Stakem.

APPROVAL OF THE AGENDA

Chair Robertson Pannell said she would entertain a motion to approve the Amended Agenda. Motion to approve the Amended Agenda was made by Vice Chair McGraw, seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

Chair Robertson Pannell introduced the new Commissioner, George Doetsch. Commissioner Doetsch said it is a pleasure to be here today. He provided his background information.

APPROVAL OF MINUTES

Chair Robertson Pannell stated the April 23, 2015 open session minutes were provided to the Commissioners for review and she asked if there were any changes. There were no changes. Commissioner Stakem made a motion that the April 23, 2015 open session minutes be approved, it was seconded by Commissioner Hash, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Chair Robertson Pannell said the Consent Agenda contains seven new instant ticket games for the Commission's approval: Game #220 *Poker Showdown*, Game #222 *Gold Hard Cash*, Game #224 *Cash Doubler*, Game #228 *Ultimate Cash*, Game #239 *7-11-21*, Game #232 *Royal Gem 7s*, and Game #233 *Lots of Loot*. The Consent Agenda also contains VLT Games and Component Testing (4/6/15 – 5/14/15); and Gaming License Application Denials for the Commission's approval. She asked if the Commissioners wished to remove any items for discussion.

Vice Chair McGraw asked about the large number of devices on the VLT Game and Component Testing chart. Mr. LaBoy responded the long list is due to the new system upgrade.

Ms. Torosino noted that instant ticket game #239 *7-11-21* should have been listed as Game #230 *7-11-21* on the Amended Agenda.

Chair Robertson Pannell asked since the name of Game #233 was changed from *Hoot Loot* to *Lots of Loot*, will this change cause any issues with printing. Mr. Martin responded the ticket has not been printed as yet and the change was easy to make.

Chair Robertson Pannell requested a motion to approve the seven new instant ticket games noted above with ticket #239 being amended to #230, the VLT Games and Component Testing (4/6/15 – 5/14/15), and Gaming License Application Denials for the Commission's approval. Motion made by Commissioner Hash, seconded by Vice Chair McGraw, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Matthew Heiskell, General Manager, said April gaming revenue was \$7 million which is down 10% for year over year. For year over year, slot revenue was down 11% and table games were down 7%. May is looking to be a similar month in gaming revenue.

This Saturday is their Mustang giveaway promotion. Also coming up is their semi-annual cruise giveaway promotion.

The facility is working on property improvements including improved dining and meeting spaces. The master signage agreement with Perryville has been completed for installation of a large sign on Perry Drive.

A joint Cecil and Harford Chamber of Commerce event was held at the casino that brought in 100 business leaders to the casino for an opportunity to mix and mingle. On May 27, the Maryland Alliance for Responsible Gambling (MARG) meeting was held at the casino.

Chair Robertson Pannell asked if the casino experienced any impact with the floor plan changes. Mr. Heiskell responded the new floor plan looks tremendous. Revenues have been in line with what they expected. The new are machines performing well.

There was discussion on the possibility of additional casinos being built in Delaware and the impact it could have on Hollywood Casino Perryville and The Casino at Ocean Downs.

The Casino at Ocean Downs

Mr. Joseph Cavilla, General Manager, said April gaming revenue was \$4.294 million, which is 18% ahead for year over year. May revenue is looking up with the additional game changes and new products.

Horseracing starts on June 11 and runs through September 4, four days a week. This is their 66th year of racing.

The Ocean City Air Show is coming up on June 13 and 14, and Ocean Downs will be a major sponsor. The property will hold a salute to the troops and blue angels. Navy seals and jump team will be there on June 13. Air show starts on the boardwalk on Saturday and Sunday. It is a great opportunity for the property to show tribute to the armed forces.

Women Supporting Women breast cancer fundraiser event coming up on June 5. The casino's security team will be participating in the race.

Mr. Cavilla commented on the possibility of Delaware adding more gambling facilities and the impact it may have on the casino.

Maryland Live! Casino

Mr. Robert Norton, General Manager, said April gaming revenue was \$51 million, which is down 10% for year over year. May is looking to be the best month of the year thus far. Table games are flat and a slight decrease for year over year in slots.

Batmobile giveaway promotion held on April 24. This has been the most anticipated and talked about event. A Mother's Day promotion giveaway of a Lexus 250 convertible was held and last weekend the casino had a Maid for a Year promotion. The casino is holding a Third Anniversary Home Makeover promotion with 10 winners every hour on Fridays in June from 6 p.m. to 10 p.m.

Casino opened up a newly expanded table game area near the bar.

Casino created a video showing the positive impact of gaming in the community. Casino will be the title sponsor of a golf tournament benefiting Special Olympics to be held on June 11 with Joe Flacco and Dennis Pitta.

Rocky Gap Casino Resort

Mr. Jason Bittinger, Director of Security and Compliance, said April gaming revenue was \$3.9 million, which is 8% ahead for year over year. The facility completed their energy upgrade with the placement of the new air conditioners on the roof of the casino. The slot machine upgrade was completed. Various summer programs will be held throughout the property.

Mr. Bittinger said a Honda Pioneer Side by Side UTV giveaway promotion was held on Memorial Day. A concert featuring the Oak Ridge Boys was held on May 16 and over 1,000 people attended the event.

Horseshoe Casino Baltimore

Mr. Chad Barnhill, Senior Vice President/General Manager, said April gaming revenue was on track to exceed March revenue, but with the unrest in Baltimore causing the casino to close early, there was a decline in revenue. It has been a sluggish return to normal business.

On May 8, the casino sponsored the Charm City Buy a Slice fundraiser to benefit the Kennedy Krieger Institute. A large cake display of Baltimore City landmarks was created by Duff

Goldman's Charm City Cakes for this event. There will be outdoor summer concerts on the Plaza on June 13 and 14 and June 27 and 28 featuring Sara Evans, Dru Hill and 112. On July 17 and 18 Chippendales Get Lucky Tour 2015 will be at the casino. A professional card stacker will be at the casino trying to get into Guinness Book of World Records.

In June, daily craps tournaments will be held to qualify for the \$500,000 Horseshoe Challenge. The off-track betting is performing very well.

The casino committed \$50,000 to the Baltimore Business Fund that was established to help in rebuilding the 350 businesses affected by the unrest in Baltimore.

There was discussion on the impact the unrest had on the casino and the challenge the casino faces in getting business back.

STAFF REPORTS

Director's Report – Gina Smith

Ms. Smith said the updated sales and revenue sheet for the week ending May 24 was provided to the Commission. Sales are up \$59 million for year over year. Instant tickets show sales up \$61 million for year over year. Mega Millions and Powerball sales continue to decline. There are large jackpots running now with Powerball at \$171 million and Mega Millions at \$233 million. Multi-Match jackpot is \$3.3 million and sales are \$6 million ahead for year over year. Racetrax and Keno sales continue to be down for year over year.

The Agency is working on its FY2016 strategic plan. Changes to the Powerball matrix will occur the first week in October. A Keno rebranding campaign is being developed. Consumer research will continue next fiscal year. New Racetrax graphics will launch in June. During this year's State Fair, a Racetrax Doubler promotion will run. She will continue to provide the Commission with further updates.

Revenue is ahead over last year by \$4.3 million. The Agency is on target to meet the Bureau of Revenue Estimates goal. The Agency has been averaging \$10 million per week in sales. To meet the fiscal year goal, the Agency will need to average \$8 million per week in sales. The Agency has surpassed the sales goal it set for FY2015.

As an Agency, we pulled together quickly as a result of the unrest in Baltimore. The Security and Enforcement Divisions were proactive in working with affected agents to reconstruct instant ticket game books in order to block any stolen tickets from being cashed.

The Agency held an open house in May for those retailers affected by the unrest. Members of our Sales and Accounting teams as well as our vendors were available to talk to the retailers about what happened at their businesses and the plans to help them to get back up and running. The Agency will continue to do that. We heard from a majority of retailers that were affected.

The Agency is partnering with Baltimore City's Summer Youthworks Program. Baltimore City youths 18 years or older will be brought in for the summer to do meaningful jobs at the Lottery. This year we are expanding the program to 12 individuals. They will be trained and work in personnel, accounting and the warehouse. The Agency had a lot of success over the past few years and will continue to participate.

Ms. Smith said the Agency is working on the close-out of the FY2015 budget. Once the year is closed out, the GAAP will be prepared. FY2016 budget funds have been allocated to the Agency divisions. We are in the process of preparing the FY2017 budget.

Chair Robertson Pannell asked how many retailers were affected by the unrest. Ms. Smith responded 40 retailers were affected with some businesses destroyed or burned down. Chair Robertson Pannell asked if there were any alternate plans to recover lost sales from these businesses. Ms. Smith responded the Agency will work with the retailers concerning any money owed to the Lottery. There are other Lottery retailers in the general area. We need to determine what equipment was lost and how to get the retailers back up and running. SGI is responsible for all the equipment. Some instant ticket vending machines owned by the Lottery were damaged, and there is insurance through the State Treasurer's Office.

Ms. Smith gave an explanation as to how the Unclaimed Prize Fund was used for promotions.

Gaming – **Charles LaBoy, Assistant Director**

Mr. LaBoy said his report contains updates on the audit work schedule. The next Commission Audit Committee meeting is June 12.

Staff is working on the 2015 regulatory review process. Fifty suggested regulation changes were submitted by the industry. Staff will review and meet with the casinos to obtain any additional information. The goal is to submit these to the Commission at the July meeting for their review and approval.

The 436 state-owned VLT machines were auctioned on May 12, raising \$800,000 in proceeds, which is \$300,000 more than expected. All devices should be out of the warehouse by May 29. This concludes the long process tied in with Maryland Live and Hollywood Casino Perryville to transition from State-owned devices. This transition involved the relocation of 4,000 machines throughout the State and the sale of 1,900 devices generating in over \$8 million in proceeds. He extended his thanks to the staff for a job well done. Overall, it was a successful transition.

Vice Chair McGraw commented that there were numerous violations in April for the Casino Voluntary Exclusion Program. Mr. LaBoy responded there was a spike in activity. The MARG meeting was held at Hollywood Casino Perryville and 21 individuals attended. Issues discussed were the rise in violations and workloads on the industry and the Lottery spending time in court. We are looking for better and more effective ways to achieve the goals of the Lottery and the casinos.

Request for Change to Hours of Operations

Abner's Crab House & Restaurant Instant Bingo Machines Facility is seeking approval to change its hours of operations. The facility's current hours of operation are Monday through Thursday from 11 a.m. until 2 a.m. and Friday through Sunday from 11 a.m. until 5 a.m. The facility's proposed new hours of operations are Monday through Wednesday from 10 a.m. until 2 a.m. and Thursday through Sunday from 10 a.m. until 5 a.m. Staff recommends approval.

Chair Robertson Pannell asked if there were any questions. Hearing none, the Chair said she would entertain a motion to approve the request for the change in hours of operation at Abner's Crab House and Restaurant Instant Bingo Machines Facility as noted above. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Proposed New Regulations

At the March Commission meeting, the Agency was directed by the Commission to work with the industry to come up with recommendations on the Electronic Gaming Device (EGD) regulations. It has been over three years since the initial work was begun on these regulations, and many multiple versions have been drafted. Based on the recommendations received from the Maryland Amusement Game Advisory Committee, staff has prepared a revised set of regulations incorporating the following items:

- Not classify skills-based amusement devices as gaming devices.
- Not include skills-based amusement devices that only award free play.
- Allow merchandiser device difficulty level to be adjusted.
- Not require the filing of detailed information of all skills-based amusement devices.
- Not require quarterly notice of the movement of skills-based amusement devices.
- Not require a certification sticker to be placed on each skills-based amusement device.
- Not require that skills-based amusement devices that pay out non-cash prizes that do not exceed a wholesale value of \$30 to register with the MLGCA.

Mr. LaBoy said he is requesting that the Commission withdraw EGD COMAR 36.06.01 through 36.06.06, approve the new EGD COMAR 36.06.01 through 36.06.06, and approve new skills-based amusement devices COMAR 36.08.01 through 36.08.03.

Chair Robertson Pannell commended Mr. LaBoy and the industry for coming up with these revised regulations, and having something that both sides are able to work with. Governor's Deputy Chief of Staff Mike Richard was aware of what was going on with these regulations. Also, letters were sent to Delegate Hixson and Senator Kasemeyer regarding their concerns and if there were any issues with the proposed regulations. Neither one had any further issues.

There was discussion on the number of devices, breakdown between skilled and non-skilled devices, compliance, oversight of the devices, and timeframe for implementation of the regulations.

Chair Robertson Pannell asked if there were any comments from the industry.

Mr. Larry Bershtein, President, Maryland Amusement & Music Operators Association (MAMOA), said these regulations are a good compromise, and he thanked the Chair and the Agency for everything they have done to get to this point.

Chair Robertson Pannell asked if there were any further questions. Hearing none, the Chair said she would entertain a motion to withdraw current Electronic Gaming Device COMAR 36.06.01 through 36.06.06. Motion made by Commissioner Stakem, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to approve new Electronic Gaming Device COMAR 36.06.01 through 36.06.06. Motion made by Commissioner Morton, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to approve new Skills-Based Amusement Device COMAR 36.08.01 through 36.08.03. Motion made by Commissioner Morton, seconded by Vice Chair McGraw, and motion carried by unanimous vote of Commission.

Lottery – John A. Martin, Assistant Director

Mr. Martin said “50,000 Reasons to Play” all games promotion was introduced on May 25 and runs through June 21. Drawing for \$50,000 and 50,000 “My Lottery Reward” points will be on June 22.

On May 22, the Neon Family of instant tickets with \$1, \$2, \$5 and \$10 price points and the \$3 Bingo series instant ticket launched.

On May 19, an update to the Keno and Racetrax website will launch. This will help improve how players interact with the games. Keno mobile app is scheduled to be available in early June. The Agency will be doing consumer surveys to test various Keno creative concepts.

The unrest in Baltimore affected 40 retailers who took advantage of the Lottery’s open house to address the needs of the retailers affected by the civil unrest.

Lottery Communications Division will be on site tonight at the Frederick Keys Game in Frederick, on May 29 at the 20th Annual Western Maryland Blues Fest in Hagerstown with a remote drawing, on June 5, 6, and 7 at Capital Jazz Festival in Columbia, and on June 13 and 14 at the Hon Fest in Hampden.

Enforcement – John Mooney, Assistant Director

Mr. Mooney said over 7,500 non-gaming and gaming applicants work at the casinos in Maryland. There are currently three vacancies—two in Compliance and one in Security.

Proposed Amended Regulations

Proposed amendments to COMAR 36.03.02.01, 36.03.02.02 and 36.03.02.12 – Investigation and Licensing.

Effective July 1, 2015, a new law will authorize the Commission to issue a temporary video lottery employee license, which will replace the sponsored license. Like a sponsored license, a temporary license will allow an individual to start work after an abbreviated background investigation is completed, while the Licensing staff completes the full background investigation. The new temporary license law specifically authorizes the Commission to terminate, without a hearing, a temporary license if the temporary licensee fails to cooperate with the staff's efforts to complete the background investigation. The amendments to Regulation 36.03.02.01A and 36.03.02.12J implement this new law.

Additionally, Amendment to COMAR 36.03.02.01C clarifies that any license applicant, except for an operation license, may request to withdraw an application under certain circumstances. Amendment to COMAR 36.03.02.02B(8) clarifies the applicants' fingerprint requirements. Amendment to COMAR 36.03.02.12C(9) requires employers of non-gaming applicants to provide certain information with the application, as the Commission does not issue sponsored or temporary non-gaming licenses. The background information in COMAR 36.03.02.12C is sufficient for full non-gaming licensure. Amendment to COMAR 36.03.02.12G clarifies that contractor or manufacturer employees, such as VLT techs, cannot game at a facility to which they are currently assigned.

Staff recommends approval of the proposed amended regulations on an emergency basis.

Chair Robertson Pannell asked if there were any questions. Hearing none, Chair said she would entertain a motion to approve proposed amended COMAR 36.03.02.01, 36.03.02.02 and 36.03.02.12. Motion made by Commissioner Stakem, seconded by Commissioner Hash, and motion carried by unanimous vote of Commission.

Chair Robertson Pannell said she would entertain a motion to approve on an emergency basis COMAR 36.03.02.01, 36.03.02.02 and 36.03.02.12. approved today by the Commission. Motion made by Vice Chair McGraw, seconded by Commissioner Hash, and motion carried by unanimous vote of the Commission.

Policy and Planning – Jaelyn Vincent, Assistant Director

Ms. Vincent said work is being done on the legislative the bills that passed during the session to insure the regulations are ready for implementation. She is working with Lottery staff and vendors on the FY2016 Strategic Plan. She will keep the Commission updated.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said he had nothing to add to his report. He introduced the law clerk currently working with them in the OAGs Office.

PUBLIC COMMENTS

Chair Robertson Pannell asked if there were any further comments.

Mr. Norton said the new giant jackpot slots program started today. This progressive slots program guarantees jackpot wins from \$50,000 up to \$100,000.

DATE AND TIME OF NEXT MEETING

The next monthly Commission meeting is scheduled for 10 a.m. on Thursday, June 18. The July meeting may not take place unless any significant issues arise.

ADJOURNMENT

There being no further business for discussion, Chair Robertson Pannell said she would entertain a motion to adjourn the meeting. Motion made by Commissioner Stakem, seconded by Commissioner Hash and the motion passed by unanimous vote of the Commission. The meeting was adjourned at 11:27 a.m.

Respectfully submitted,



Gina M. Smith