

**MARYLAND STATE LOTTERY COMMISSION
MARCH MINUTES**

DATE: March 22, 2012

TIME: 10 a.m.

PLACE: Maryland Lottery Headquarters

PRESENT: Vice Chair Kimberly Robertson Pannell
Commissioner F. Vernon Boozer
Commissioner E. Randolph Marriner
Commissioner Diane L. McGraw
Commissioner W. Ray Presley
Commissioner Bruce L. Reeder
Commissioner George M. Wagner

Stephen Martino, Director
Gina Smith, Deputy Director/CFO
Robert Fontaine, Principal Counsel
John Gallagher, Chief Information Officer
Charles LaBoy, Assistant Director for Gaming
John Martin, Assistant Director for Lottery
John Mooney, Assistant Director for Enforcement
Holly Knepper, Deputy Counsel
James Butler, Director of Legislative & Policy Affairs
Marie Torosino, Executive Associate

OTHERS: Representative from Hollywood Casino/Perryville
Representative from Casino Ocean Downs
Representative from Maryland Live! Casino
Members of the Public

CALL TO ORDER

There being a quorum present, Vice Chair Robertson Pannell called the meeting of the Maryland Lottery Commission to order at 10:03 a.m. Commissioners present were F. Vernon Boozer, E. Randolph Marriner, Diane L. McGraw, W. Ray Presley, Bruce L. Reeder, and George M. Wagner. Chairman J. Kirby Fowler, Jr. was absent.

APPROVAL OF THE AGENDA

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

APPROVAL OF MINUTES

Vice Chair Robertson Pannell stated the February 23, 2012, minutes were provided to the Commissioners for review and asked if there were any corrections. There were none. Commissioner Reeder motioned that the minutes be approved, it was seconded by Commissioner McGraw, and the motion carried by unanimous vote of the Commission.

CONSENT AGENDA

Vice Chair Robertson Pannell said the Consent Agenda contains new instant ticket games (Exhibit #1) for the Commission's approval. She asked if there were any questions. Hearing none, Vice Chair Robertson Pannell requested a motion to approve the following new instant games: Game #934 *Wild Cherries*, Game #938 *World Championship Poker*, #939 *Payday Doubler*, Game #940 *\$100,000 Cash Blast*, Game #941 *Triple Win*, and Game #942 *Diamonds*. Motion made by Commissioner McGraw, seconded by Commissioner Presley, and motion carried by unanimous vote of the Commission.

The Consent Agenda contains VLT Games and Component Testing (Exhibit #2) for the Commission's approval. Following Commission discussion, Vice Chair Robertson Pannell requested a motion to approve the VLT Games and Component Testing. Motion was made by Commissioner McGraw, seconded by Commissioner Marriner, and motion carried by unanimous vote of the Commission.

OPERATOR REPORTS

Hollywood Casino Perryville

Mr. Bill Hayles, General Manager, said February was their best month since opening in 2010. Gross terminal revenue was 28% over February last year and 17% ahead of this past January. March may set another record.

The 175 foot high casino sign is being constructed should be installed within the next few weeks.

Vice Chair Robertson Pannell asked to what did Hollywood Casino attribute the \$2 million increase in revenue? Mr. Hayles responded people getting out and taking advantage of the milder winter weather. The casino had a very active market calendar in February with more midweek promotions on Wednesdays and Thursdays. The casino's customer database has increased and more promotional offers are being mailed.

Commissioner Wagner asked if there are any buses bringing customers to the casino. Mr. Hayles responded there are 10 to 15 buses each month, mostly from the New Jersey area.

Casino Ocean Downs

Mr. Joseph Cavilla, General Manager, said February's gross terminal revenue (GTR) was 12% ahead of the previous year. March's GTR is currently running at 18% over last year. With the milder weather, more people are coming to the Eastern Shore. Ocean Downs has increased their marketing activity as well. They are hoping the trend continues.

Commissioner Marriner commented that the Mayor of Ocean City was on WBAL radio and reported that hotel room taxes are up thus far for this year and he also attributed this increase to the milder weather.

Mr. Cavilla said the casino now has the ability to advertise on Ocean City transit buses and be onsite at various events in Ocean City.

Maryland Live! Casino

Mr. Robert Norton, General Manager, said 700 machines were delivered to the facility this morning. Facility construction is moving along well and phase one is expected to open in June. In the next two weeks, they will be developing their planning schedule. They have hired 150 employees and 120 are from the local area. A draft of the Internal Controls has been developed and will be provided to the external auditor for formal review this week.

Commissioner Reeder asked what impact SB892 will have on Maryland Live! Casino. Mr. Norton responded it will have a detrimental impact since a large percentage of players would be coming from the DC market area. They are not in favor of the bill.

There was a discussion of the recent Washington Post article regarding the costs of the VLT machines.

STAFF REPORTS

Director's Report – Stephen Martino

Mr. Martino spoke further on the Washington Post article and clarified some of the items noted in the article.

Through March 18, sales were \$37 million or 3% ahead of last year. Revenue was \$21.4 million or 6% ahead of last year. The BRE estimate is \$11.8 million ahead for this fiscal year. Mega Millions sales are down \$14 million over last year. This is jackpot related since last year we were up against a \$300 million jackpot. Powerball sales are \$18.3 million ahead of last year. The \$70 million Powerball jackpot was hit last night in New Jersey. Racetrax sales are up \$12 million or 17.5% over last year. Maryland is second highest in per capita sales for monitor games.

Commissioner Marriner asked if there is any explanation for the decline in Pick 3 sales. Mr. Martino responded people now tend to go toward the \$5,000 payout in Pick 4 as opposed to the \$500 payout in Pick 3. Players tend to keep their higher Pick 4 winnings rather than reinvesting it in more ticket purchases.

Commissioner Wagner asked for an update on the on-line sales legislation. Mr. Martino said the Senate and House could not agree on the bill. It will now go to Conference Committee for discussion.

The *Monopoly* instant ticket is doing extremely well and thus far is the best selling \$5 ticket in the history of the Lottery. It is selling so rapidly that ticket inventory will be depleted in May. This becomes a challenge since there are second chance drawings associated with this ticket scheduled for June and July. The Lottery is now requesting the Commission's approval to reprint an additional 2.4 million tickets. When the second run sells out, the state will receive an additional \$1.67 million in revenue. This is an MDI licensed product and the cost is based on the number of tickets printed. The Lottery is requesting the Commission's approval and it will be placed on the Board of Public Works agenda. The Commission was provided with all relevant documentation. Motion made by Commissioner Marriner to approve the reprinting of 2.4 million additional *Monopoly* instant tickets, it was seconded by Commissioner Wagner, and motion carried by unanimous vote of Commission.

Mr. Martino said at the April meeting he will have Maryland Live! Casino's schedule with the dates for the controlled demonstration and grand opening.

Mr. Butler will provide an update on legislative activity.

Commissioner Reeder asked if the Lottery submitted any comments to the Legislature concerning SB892. Mr. Martino responded the Lottery has taken no position on the bill. Mr. Norton said Maryland Live! Casino submitted their comments to the Legislature.

Administration Finance & Operations – Gina Smith, Deputy Director/CFO

Ms. Smith said her report was provided to the Commission and she had no additional information to provide.

Vice Chair Robertson Pannell asked about the status of the Special Purpose Financial Statements. Ms. Smith responded the Commission should receive them next month.

Mr. Butler said there are 12 days left in the legislative session. He presented the following bill updates:

HB684 would require the Lottery to verify lawful presence in the U.S. of a lottery winner before paying a cash game prize greater than \$5,000. The bill received an unfavorable report in the House Ways and Means Committee.

HB235 would prohibit dissemination of criminal history record information to persons other than criminal justice units. This bill conflicts with the VLT statute. The bill received an unfavorable report by the House Judiciary Committee.

HB385 would require VLT operators to report to the Lottery payouts made by check to players above a certain dollar amount. The bill requires the Lottery to modify its report and send it to Child Support Enforcement of the Department Human Resources to enforce child support orders.

HB329 would alter the hours for selling and consuming alcoholic beverages at the VLT facility in Anne Arundel County so that the hours match the hours of operation for a VLT facility. Bill passed by both House and Senate. There is a similar bill for Baltimore City.

HB260 would require the Lottery to conduct a certain annual lottery for the benefit of the Maryland Veterans Trust Fund. The Lottery would conduct an on-line game, an instant ticket game, or allocate money for veterans. Of the revenue received, 10% would go to the Maryland Veterans Trust Fund. Both the House and Senate Committees requested testimony. No vote was taken.

SB11 would authorize the Lottery Director to issue certain veterans organizations (VFW, American Legion, etc.) a license for a certain number of instant ticket lottery machines for the sale of lottery tickets. The machine referenced in this bill is not one that has been endorsed by the Lottery in the past. This bill will be heard next week in the House.

SB864 would: authorize the operation of specified instant bingo machines; clarify that a specified handheld device is not considered a slot machines; authorize the Lottery Commission to make specified determinations regarding gaming devices; require the Commission to issue specified regulations; and amend specified admissions and amusement tax rates on electronic bingo in Calvert County. If the bill passes, the Lottery would regulate these gaming devices.

SB892 concerns the awarding of an additional video lottery operation license in Prince George's county, table games, and alters the amount paid to VLT licensees from proceeds of the slot machines. This bill was heard by both the House and Senate. No vote was taken.

Commissioner Wagner said he thought internet lottery bill was completed. Mr. Butler said it is tied up in Committee hearings and the Conference Committee will discuss it. Commissioner Wagner asked if the bill passes, will the agents receive sales commissions. Mr. Martino responded the Lottery would pay agent commissions on internet lottery sales.

Information Technology – John Gallagher, Chief Information Officer

Mr. Gallagher said his report was provided to the Commission and he had no additional information to provide. The Commission had no questions.

Gaming – Charles LaBoy, Assistant Director

Mr. LaBoy said the Commission agenda packet is now being placed on the website so it is available to the public. Feedback on the VLT information listed on the website blog has been positive. We are now gearing up for the Maryland Live! Casino opening. Inspection of the machines on the floor will begin in May and a series of tests will be run and reviewed. The controlled demonstration should be in early June, the facility is on target for the June opening. GTECH is working with the facility on central monitor control system.

Vice Chair Robertson Pannell commented that the voluntary exclusion program chart shows that a majority of the people in the program are in the 45 to 54 age bracket, and asked if this age group is being targeted. Mr. LaBoy responded this program is offered to every individual in any age group and he has no explanation as to why there is a higher rate in that category. A Maryland Alliance for Responsible Gambling meeting will be scheduled shortly.

Lottery – John A. Martin, Assistant Director

Mr. Martin said three SalesMaker program seminars were held. As a result, 66 retailers have agreed to store makeovers which will begin in April. Currently, there are 200 Player Activated Terminals (PATs) located at agent locations throughout the state. There are 80 retail candidates being reviewed for a PAT. Once approved, they will be installed over the next few months. In April, Regional Advisory Board meetings will be held with key retailers in each of the five regions.

Mr. Martin thanked the Commission for approving the request for the printing of additional *Monopoly* instant tickets.

Strike It Rich instant ticket launches on April 2. It is similar to last year's sponsorship with the Orioles. It has a second chance component with experiential prizes. Orioles opening day is April 6.

The \$2 Million Logo Hunt promotion runs until April 1. The Keno Sprinkler promotion will begin on April 2 and run through April 29.

On March 8, Communications staffed a booth at the Cosmic Cocktail Party at the American Visionary Art Museum. A live remote lottery drawing was televised from the museum. Communications will also staff a booth at Camden Yards on opening day. A Promotional Partners luncheon is scheduled for April 19 at Dave and Busters at Arundel Mills. Radio and television partners are invited to this luncheon.

Commissioner McGraw questioned the advertising expenditure on the closed *High Roller* instant game. Mr. Martin said he would check into it and get back to her.

Enforcement – Capt. John Mooney, Assistant Director

Capt. Mooney said he is in the process of recruiting Compliance Officers for the Maryland Live! Casino facility. Thus far, three employees have been hired and will be trained. The Licensing Division is currently using the new computer system.

Office of the Attorney General – Robert Fontaine, Principal Counsel

Mr. Fontaine said his report was provided to the Commission and he had no additional information to provide. There were no further questions from the Commission.

PUBLIC COMMENTS

There were no public comments made.

DATE AND TIME OF NEXT MEETING

The next Commission meeting will be at 10 a.m., Thursday, April 26.

As discussed at a previous meeting, the May and June meeting dates were changed. Due to a Commissioner's conflict with the May 17 meeting date, Ms. Torosino will contact the Commissioners regarding a possible alternate date for May.

ADJOURNMENT

There being no further business for discussion, Vice Chair Robertson Pannell said she would entertain a motion to adjourn. Motion was made by Commissioner Marriner, seconded by Commissioner Wagner and motion carried by unanimous vote of the Commission. The meeting adjourned at 11:08 a.m.

Respectfully submitted,

Stephen L. Martino