



E75D00

State Lottery and Gaming Control Agency

Fiscal Year 2026 Operating Budget

Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Senator Michael A. Jackson, Chair
February 7, 2025 - 11:30 a.m.

House Appropriations Committee
Education and Economic Development Subcommittee
Delegate Stephanie M. Smith, Chair
February 12, 2025 – 1:00 p.m.

Testimony by: John Martin, Director

Introduction

To the Chair and Members of the Subcommittee, thank you for allowing us to appear at this hearing in support of our Operating Budget request. Established by an Act of the General Assembly in 1972, the State Lottery began operations in 1973. Reorganized in October 2012 as the State Lottery and Gaming Control Agency (MLGCA), the added responsibilities of regulating casinos began in 2008, and in 2012, it was expanded to include table games and a sixth casino. Further expansion of gaming occurred after a 2020 referendum to permit sports wagering and fantasy competitions was passed, the legal framework of which was created in 2021.

The MLGCA, in conjunction with the seven-member Maryland Lottery and Gaming Control Commission (MLGCC), serves as regulator of the state's casino gaming and sports wagering programs while also operating the Maryland Lottery. The MLGCA is operated as a business enterprise within the framework of state laws and regulations. Its primary mission is to generate revenue for the state, both through the sale of traditional Lottery products and through the administration of the casino gaming and sports wagering programs.

The Lottery, casinos and sports wagering combined to contribute \$1.585 billion to support the State of Maryland's good causes during FY2024, narrowly missing the record-setting \$1.589 billion figure from FY2023. More than \$660 million in casino and sports wagering revenues were targeted for education programs, including \$600.7 million in casino contributions to the Maryland Education Trust Fund and \$60.3 million in sports wagering contributions to the Blueprint for Maryland's Future Fund (BMFF or Blueprint). Lottery and casino revenues also supported public health and safety programs; the state's horse-racing industry; the communities and jurisdictions where the state's six casinos are located; small, minority, women-owned business programs; and veterans' organizations.

Lottery

The Maryland Lottery program has operated for 51 years and enjoys broad participation as 78% of adult Marylanders report playing at least one Lottery game in the past twelve months. Since its inception in 1973, traditional Lottery sales have exceeded \$62.3 billion and have contributed more than \$20.1 billion in revenue to the state. Most of the revenue from the traditional Lottery is contributed to the State's General Fund, which supports education, public health and safety, and many other state programs and services. In addition, the MLGCA is required by statute to contribute to various other programs. Further, a portion of revenue from the Instant Ticket Lottery Machine (ITLM) program, which is exclusive to veterans' organizations, is contributed to the State Lottery Fund, of which a percentage goes to the Maryland Veterans Trust Fund.

Lotteries across the country have evolved and become more diversified, offering players a variety of choices. Today, 45 states and Washington, D.C., operate lotteries, most selling both draw games and scratch-off games. During FY2024, these lotteries generated \$100.5 billion in sales nationwide. The Maryland Lottery ranked fifth among state lotteries with per capita sales of \$442 during this period.

Lottery Revenue Components

The State Lottery Fund is a statutorily created fund into which all receipts from the sale of State lottery tickets (after payment of prizes, commissions to licensed retailers and operating expenses) are deposited.

- Lottery tickets are sold across a variety of licensed retailers that Marylanders visit every day, such as convenience stores, gas stations, liquor stores, independent drug stores, grocery stores, restaurants, bars and taverns.
- Lottery licensed retailers are private businesses that receive commissions to sell the games to the public and cash winning tickets. Lottery fuels more than 4,300 retail businesses throughout the state by driving foot traffic into their business establishments and increasing income through sales and cashing commissions. In FY2024, Maryland Lottery retailers earned \$220.3 million in sales and cashing

commissions, an increase of \$392,000 or 0.2% over FY2023. The average retailer commission was \$51,000. During the 2024 legislative session, the General Assembly enacted changes to Lottery retailer commissions that went into effect on June 1, 2024. Sales commissions were reduced from 6% to 5.75%, and cashing commissions were reduced from 3% to 2%. Total savings for FY2025 through December was \$10.7 million.

- Transactions are conducted through clerk operated terminals and touch screen vending (self-service) devices that are connected to a computerized real-time system. The average self-service transaction value has grown from approximately \$12.70 in 2021 to over \$16 today. Debit card readers were introduced on self-service terminals in early 2021. The average debit transaction in calendar 2024 was \$25.
- Maryland Lottery players won \$1.715 billion in prizes, a decrease of \$17.4 million or 1% below FY2024. Players won an average of \$4.7 million per day. Additionally, players won 1,808 prizes of \$10,000 or greater, including 33 prizes of at least \$1 million.
- A new draw game called CASH POP™ launched during the fourth quarter of FY2024. CASH POP drawings occur four times per day and are conducted by a computer-controlled random number generators (RNG) system. In each drawing, one winning number is selected from a range of 1 to 15. Players can purchase a ticket with as many numbers as they wish from that range. Prize amounts are randomly generated from a pre-set range for each game played and appear on the ticket.
- All Maryland Lottery draw games (Pick 3, Pick 4, Pick 5, Bonus Match 5, Multi-Match, Cash Pop, Keno and Racetrax) are conducted by RNGs. The computer-controlled RNG systems that operate Keno, Racetrax and Cash Pop are maintained at a secure, multi-tenant data center located in Nevada. Pick 3, Pick 4, Pick 5, Bonus Match 5 and Multi-Match drawings are conducted by Maryland Lottery staff using an RNG system housed at the Maryland Lottery's headquarters in Baltimore. Mega Millions, Powerball and Cash4Life drawings use ball machines, instead of an RNG, and are conducted in Georgia, Florida, and New Jersey, respectively.
- The Maryland Lottery continues to offer a variety of games:

Category	Description	Games
Draw Games	Players pick their numbers or utilize random computer-generated plays. Customers receive a ticket and then wait for the drawing to determine if they have won.	Pick 3, Pick 4, Pick 5, Bonus Match 5, and CASH POP™
Monitor Games	Players can purchase tickets at any Maryland Lottery retailer and watch the results at any Lottery retailer equipped with game monitors or on the Maryland Lottery mobile Keno and Racetrax app.	Keno and Racetrax
Jackpot Games	Customers receive a ticket and then wait for the drawing to determine if they have won. Jackpots are calculated as a percentage of total game revenue. If there is not a jackpot winner, the prize pool is carried forward until there is a winner. Other prize levels are based on predetermined set amounts. Cash4Life's top prize is not a progressive jackpot; it is static at \$1,000 a day for life.	Mega Millions, Powerball, Multi-Match and Cash4Life
Instant Games	Pre-printed scratch-off tickets have a latex coating that players remove to reveal gameplay and predetermined outcomes. Fast Play tickets with predetermined outcomes are printed on demand at Lottery terminals and self-serve vending machines, with play styles similar to scratch-off games, but no latex coating to scratch.	Scratch-offs and FAST PLAY
Instant Ticket Lottery Machine ("ITLM")	Available exclusively to veterans' organizations, gives players an entertaining animated display of a predetermined prize amount.	ITLM

Scratch-off games

Scratch-off games represent the largest category of sales growth, increasing by more than 24.5% since 2020.

Following various strategic initiatives and internal policy goals implemented in 2015, revenues generated from the sales of scratch-off lottery tickets have more than doubled.

- Growth in scratch-off sales is directly attributable to improved inventory management, an aggressive planning and development schedule, and increased advertising.
- Every scratch-off game available to consumers is evaluated on a monthly basis. By closing lower-performing games and replenishing inventory with the best-sellers, trial and repurchase rates have remained high, along with retailer and player interest and enthusiasm.
- Increased focus on higher price point tickets at \$20 or more and expanding into new price points (with large prizes) have also contributed to improved sales and revenues.

Strategic Initiatives

The Maryland Lottery undertakes various strategic initiatives that help in managing the operations of the Agency while trying to meet our primary mission. Initiatives such as:

- Maintaining a constant advertising presence to remain top-of-mind with consumers. Multiple media channels are utilized with an increasing focus on digital, streaming, social media and “on-demand” tactics, all designed to reach consumers when and how they consume content. The Maryland Lottery’s communications and advertising materials have won numerous awards from the Baltimore Chapter of the American Advertising Federation.
- Expansion of touchscreen vending (self-service terminals) — more than 2,000 devices are now deployed statewide.
- Outside signage and digital signage used to display messaging at every retail location, which brings customer attention to promotions and product information.
- Accessibility to redeem winning tickets valued up to \$600 at any of the 4,300 retailers. Expanded Cashing Authority Program (XCAP), offering 430 retailers authorized to redeem winning tickets valued between \$600 and \$5,000. Maryland’s six casinos can redeem winning Lottery tickets valued up to \$25,000.
- Increase in corporate retailers such as Walmart and Giant.
- Relationships with Maryland’s professional sports teams, the Baltimore Orioles and the Baltimore Ravens, enhance the recognition of the Lottery.
- Launching of new games/products:
 - Maryland’s third \$50 scratch-off ticket will launch in February 2025.
 - The Maryland Lottery plans to leverage the familiarity of licensed brands in numerous scratch-off games and second-chance promotions slated to launch during the remainder of FY2025. A family of Monopoly-themed scratch-off games at six different price points ranging from \$1 to \$30 went on sale in December 2024 and January 2025, and will be connected with a second-chance promotion that features a rolling cash jackpot prize.
 - In March, the Lottery will celebrate the 40th anniversary of the iconic film *Back To The Future* with a \$2 scratch-off game and second-chance promotion. April will bring two gameshow-themed tickets, the \$5 *Let’s Make A Deal*, which will include a second-chance promotion, and the \$3 *Press Your Luck*.
 - In April, Maryland will join lotteries from 46 other jurisdictions in launching a new version of the national jackpot game Mega Millions. These changes include a larger starting jackpot amount and larger prizes at all levels, along with a price increase from \$2 to \$5. This includes a built-in megaplier on every play, automatically improving every non-jackpot win. The minimum prize amount in the game’s new format will be \$10, as opposed to the \$2 minimum prize currently.

Casino Gaming

The mission of the casino gaming program is to generate revenue for the State of Maryland and to create good-paying jobs while maintaining integrity, security, transparency and fair play. After year-over-year decreases in gaming revenue and contributions to the state in FY2024, the early stages of FY2025 have trended in a positive direction. Through the first six months of this fiscal year, gaming revenue was up 1.2% compared to the same period in FY2024, while contributions to the state were down by less than 1%. The casinos remain conscientious about fine-tuning their mix of gaming, entertainment and dining options as they operate in an increasingly competitive regional market, with Pennsylvania having 17 casinos and Virginia's third casino, located in Danville, having opened in December 2024. Closer to Maryland, Rose Gaming Resort, housing more than 1,600 historical horse racing terminals, which are similar to slot machines, opened in Dumfries, Va., in November 2024.

From the opening of Maryland's first casino in September 2010 through the end of FY2024, slot machine and table game revenues generated by the six casinos totaled more than \$17.8 billion. Casino gaming contributions to the state through FY2024 totaled more than \$7.8 billion. The distribution of casino gaming revenue is directed by statute. The casinos generated nearly \$2.0 billion in gaming revenue from slot machines and table games during FY2024, a 4.7% decrease from FY2023. The \$824.0 million in contributions to the state went to the following beneficiaries:

- Education Trust Fund: \$600.7 million
- Local Aid: \$105.0 million (including local impact grants and local jurisdiction contributions)
- Maryland's Horse Racing Industry: \$93.8 million (including contributions to the Racetrack Facility Renewal Account and the Horse Racing Purse Dedication Account)
- Maryland's Small, Minority and Women-Owned Business Fund: \$20.1 million
- Responsible Gaming Programs: \$4.5 million

Sports Wagering and Fantasy Competitions

A U.S. Supreme Court decision in 2018 paved the way for states to legalize sports wagering. Maryland joined a growing list of states to implement sports wagering when voters approved a referendum in November 2020. The state's first five retail sportsbooks opened in December 2021, and the first seven mobile/online sportsbooks launched in November 2022. During FY2024, there were 13 retail sportsbook facilities and 12 mobile/online sportsbooks operating in Maryland. Each sportsbook contributes 15% of its taxable win to the Blueprint, which supports public education programs. Maryland's sports wagering market is expected to continue to grow. A handful of operators have established themselves as leaders. Through the first six months of FY2025, sports wagering contributions to the Blueprint were almost \$46.6 million, an increase of nearly 90% compared to the same period in FY2024. Contributions to the Blueprint in November 2024 set a single-month record of nearly \$11.8 million. Sports wagering handle (the amount of money wagered) through the first six months of FY2025 was more than \$3.1 billion, up 22.2% year-over-year, indicating that the market continues to generate increased volume. Players have won nearly \$2.8 billion in prizes through the first half of this fiscal year. Maryland Lottery and Gaming staff continue to diligently oversee the program and work with licensees and operators who are entering or exiting the market, or are changing partners.

FY2024 was the first-time mobile sports wagering was active for a full fiscal year. In FY2024, sports wagering contributions totaled nearly \$60.3 million. Expired sports wagering prizes go to the Problem Gambling Fund, and those contributions totaled more than \$985,000 during FY2024.

The operators of fantasy competitions (including daily fantasy sports) also contribute 15% of their revenue to the BMFF. In FY2024, these contributions totaled more than \$983,000.

Responsible Gambling

MLGCA maintains its organization-wide commitment to emphasizing the importance of responsible play. In January 2025, the Maryland Lottery submitted its application for the Responsible Gambling Verification Program, which is jointly operated by the North American Association of State and Provincial Lotteries (NASPL) and the National Council on Problem Gambling (NCPG). The program helps lotteries plan and implement effective responsible gaming procedures in all aspects of their operations. The program has three levels (Planning, Implementation and Sustaining) which encourage lotteries to progressively strengthen their commitment to responsible gambling. A team of employees from across the Agency spent much of 2024 compiling the submission for the NASPL-NCPG program, documenting responsible gambling efforts across all aspects of operations, including employee and retailer training, marketing and advertising, research, product development and player education.

The Maryland Lottery is currently recognized at the Sustaining level of the NASPL-NCPG program by virtue of its World Lottery Association (WLA) Level 4 certification, which was achieved in 2022. The WLA is a separate, international responsible gaming program with four levels of certification, and the NASPL-NCPG program gives parallel recognition to lotteries that have been certified by the WLA. The Maryland Lottery is now submitting its application directly to the NASPL-NCPG program for the first time.

MLGCA supports Problem Gambling Awareness Month in March with a paid advertising campaign and conducts messaging efforts during Responsible Gaming Education Month in September. The Lottery is also a participant in NCPG's Gift Responsibly campaign, which reinforces the message that lottery tickets are not an appropriate gift for anyone under the age of 18. Maryland Lottery and Gaming maintains its leadership role in the Maryland Alliance for Responsible Gambling (MARG), which brings together the state's gambling stakeholders and the problem gambling treatment community in a collaborative forum to enhance and develop resources. Maryland Lottery and Gaming staff have also continued to collaborate with the Maryland Center of Excellence on Problem Gambling, with regular meetings between MLGCA and Center of Excellence staff for training opportunities.

The analysis conducted by Department of Legislative Services' Elizabeth Waibel is comprehensive and thorough. We thank her for the work performed, as well as that of the Department of Budget and Management and our Agency's OBA Analyst, Shane Benz.

DLS Recommendation

The Maryland Lottery and Gaming Control Agency concurs with the DLS recommendation and requests approval of the Governor's FY2026 budget for E75D00, the State Lottery and Gaming Control Agency, as submitted.