

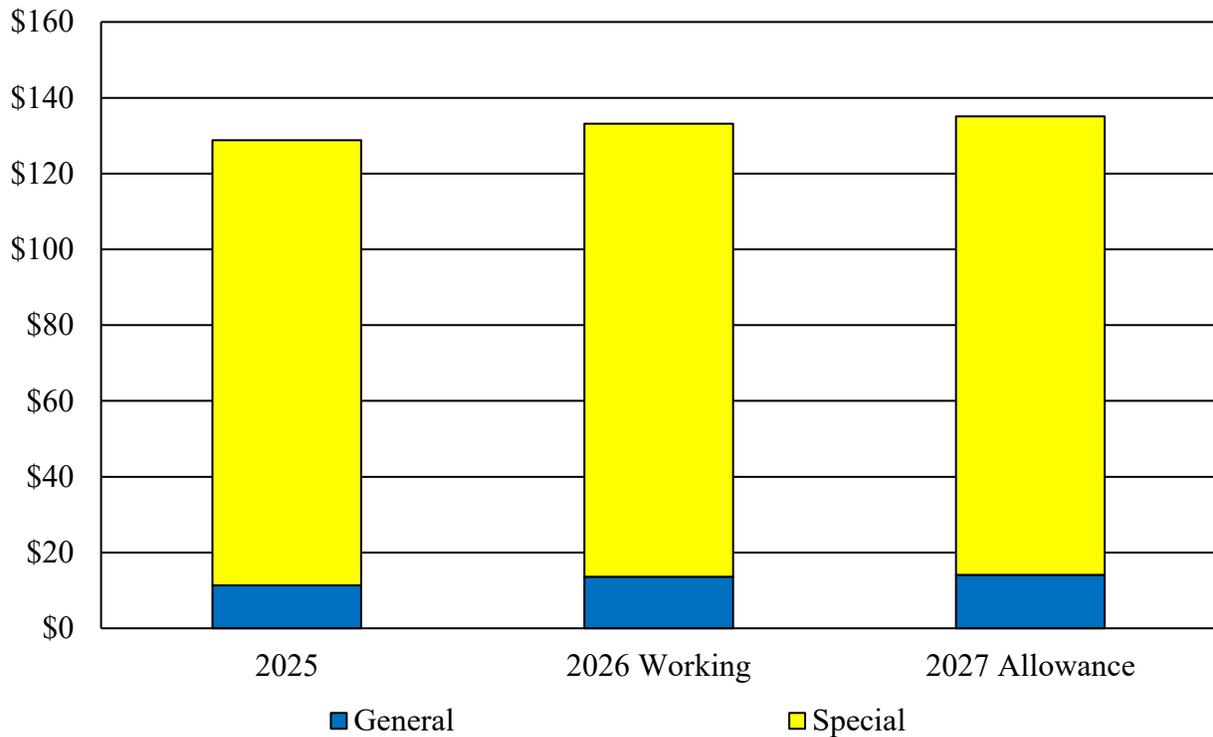
E75D
Maryland Lottery and Gaming Control Agency

Program Description

The Maryland Lottery and Gaming Control Agency (MLGCA) administers lottery games and regulates the State’s casino and sports betting programs to generate revenue for the State. The lottery currently offers a mix of instant ticket, Fast Play, and draw games. All games are sold through lottery agents, which are private businesses that receive commissions and fees in exchange for selling the games to the public. MLGCA is also responsible for the regulation of the video lottery terminal (VLT) program, including accounting for VLT revenues, managing the program’s video lottery central system, and regulating and licensing operators. MLGCA regulates the table games at the authorized VLT facilities, sports wagering, and fantasy gaming in the State.

Operating Budget Summary

**Fiscal 2027 Budget Increases \$2.0 Million, or 1.5%, to \$135.1 Million
(\$ in Millions)**



Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

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Fiscal 2026

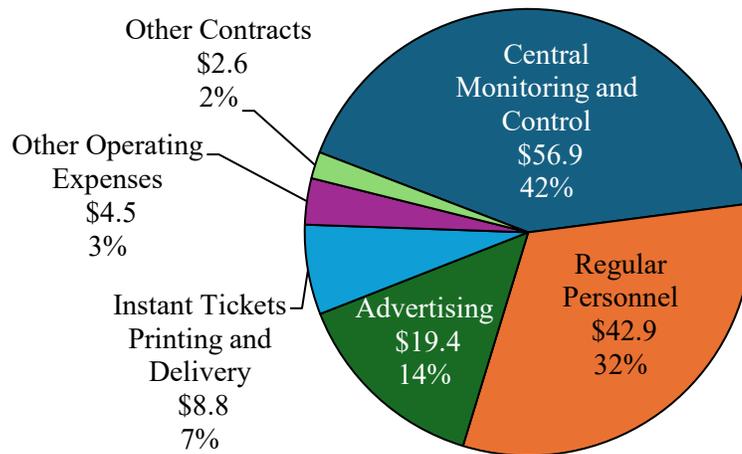
Proposed Deficiency

The budget bill includes proposed deficiency appropriations totaling about \$91,000 in general funds and \$483,000 in special funds. The proposed deficiencies support increased vendor costs for the lottery (\$779,000) and instant ticket lottery machines (\$232,000). Vendor costs are based on the amount of lottery revenues coming in, so costs increase as revenues increase. MLGCA has personnel deficiencies totaling \$436,056, which include \$91,241 in general funds in the VLT program for shortfalls related to lower than expected vacancy savings, offset by special fund decreases to align funding with current estimates.

Fiscal 2027 Overview of Agency Spending

MLGCA’s largest expense is the three contracts for production and distribution of lottery tickets, equipment and monitoring for instant ticket lottery machines (ITLM), and slot machine monitoring at casinos. These are shown as central monitoring and control in **Exhibit 1** and collectively account for 42% of MLGCA’s fiscal 2027 allowance. Regular personnel costs make up 32% of the allowance, and advertising accounts for another 14%.

Exhibit 1
Overview of Agency Spending
Fiscal 2027 Allowance
(\$ in Millions)



Source: Governor’s Fiscal 2027 Budget Books

Note: The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Proposed Budget Change

Overall expenditures increase by about \$2.0 million to a total of \$135.1 million, as shown in **Exhibit 2**. Personnel costs are the largest area of increase in fiscal 2027, increasing about \$2.4 million, \$1.7 million of which is due to employee and retiree insurance costs. Advertising contracts increase by \$258,000, and rent increases by \$196,000. The fiscal 2027 allowance also includes \$157,000 for costs associated with 10 field vehicles. The largest lottery operations contracts, listed as central monitoring and control, decrease by \$696,000 after accounting for fiscal 2026 deficiency appropriations. Contracts for instant ticket printing and delivery decrease by \$66,000, and other contracts decrease by \$335,000.

Exhibit 2
Proposed Budget
Maryland Lottery and Gaming Control Agency
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Total
Fiscal 2025 Actual	\$11,328	\$117,461	\$128,790
Fiscal 2026 Working	13,575	119,555	133,130
Fiscal 2027 Allowance	14,131	120,975	135,106
Fiscal 2026-2027 \$ Change	\$556	\$1,420	\$1,976
Fiscal 2026-2027 % Change	4.1%	1.2%	1.5%
Where It Goes:			<u>Change</u>
Personnel Expenses			
Employee and retiree health insurance			\$1,712
Salary and associated fringe benefits.....			836
Deferred compensation match due to statewide change in budgeting.....			114
Turnover rate adjustment from 6.25% to 6.93%			-255
Other fringe benefits adjustments			-52
Other Changes			
Advertising contracts			258
Rent.....			196
Costs associated with replacing 10 field vehicles			157
Cost allocations.....			65
Computer and office equipment and supplies			7
Instant tickets printing and delivery			-37
Contractual personnel including a decrease of 2.15 FTE.....			-66
Other contracts.....			-335

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Where It Goes:	<u>Change</u>
Central monitoring and control.....	-696
Other	73
Total	\$1,976

FTE: full-time equivalent

Note: Numbers may not sum to total due to rounding. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

About 90% of MLGCA’s budget is in special funds, which come primarily from lottery revenues. General fund spending, which supports the sports wagering program and about 42% of the casino oversight program, increases by \$555,789. Special fund spending, which supports the lottery program and about 58% of the casino oversight program, increases by \$1.4 million.

Personnel Data

	FY 25	FY 26	FY 27	FY 26-27
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	364.10	354.75	354.75	0.00
Contractual FTEs	<u>3.05</u>	<u>7.75</u>	<u>5.60</u>	<u>-2.15</u>
Total Personnel	367.15	362.50	360.35	-2.15

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	24.57	6.93%
Positions and Percentage Vacant as of 12/31/2025	27.00	7.61%
Vacancies Above Turnover	2.43	

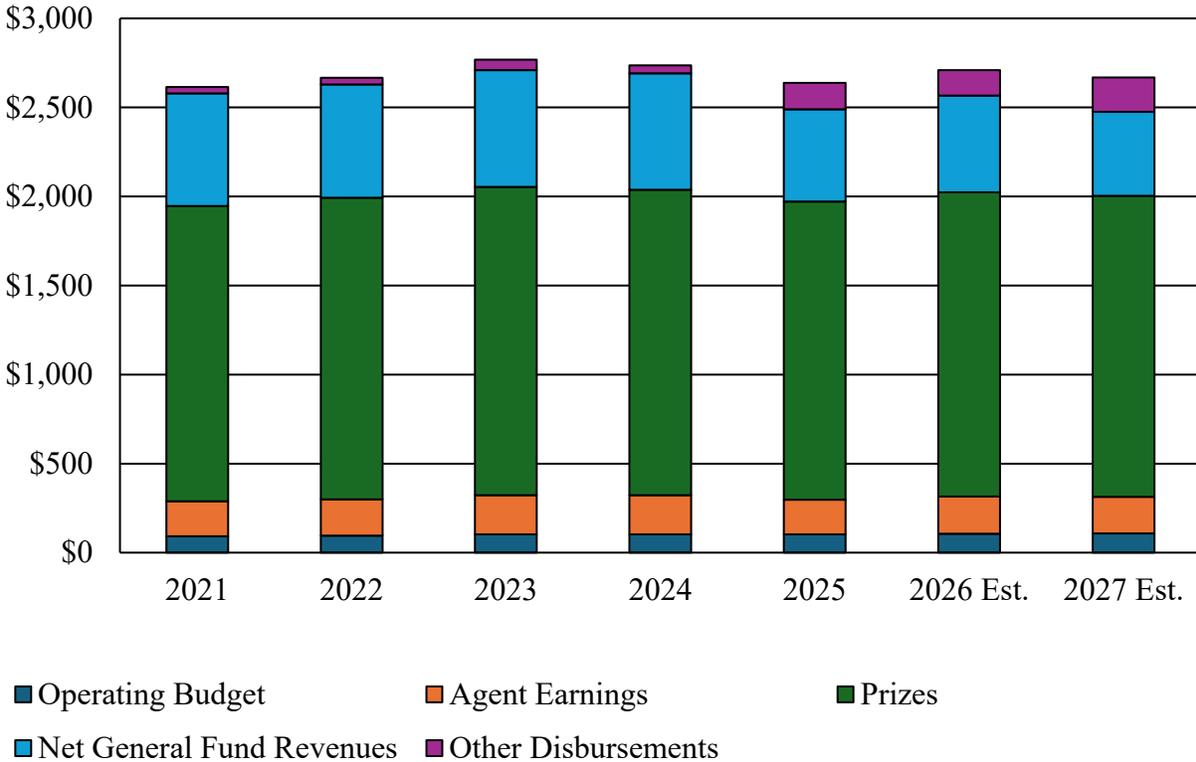
- In October 2025, the Board of Public Works approved the abolition of 502.7 positions statewide, including 170.7 vacant positions and 332.0 positions associated with the Voluntary Separation Program (VSP). In MLGCA, 10.4 positions were abolished, of which 7.4 were vacant and 3.0 were due to the VSP. The reductions included 6 in the lottery and administration program, 4 in the casino oversight program, and 1 in the sports betting program.
- MLGCA had 27 vacant positions at the end of December 2025, of which 2 positions had been vacant for more than a year.

Key Observations

1. Lottery Revenue and Distributions

Lottery sales in fiscal 2025 were \$2.6 billion, a \$99 million (4%) decrease from fiscal 2024. Proceeds from the lottery games pay for prizes, agent earnings, and all operating expenses of MLGCA for the lottery program. **Exhibit 3** shows lottery earnings and the proportions distributed for prizes, to the General Fund, and to other disbursements.

Exhibit 3
Traditional Lottery Revenue
Fiscal 2021-2027 Est.
(\$ in Millions)



Source: Board of Revenue Estimates

After accounting for prizes, lottery agent earnings, operating funds for MLGCA’s lottery program, and other disbursements required by statute, remaining lottery revenues are dedicated to the General Fund. The amount of State revenues going to the General Fund has decreased in recent

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years as other disbursements have increased. As shown in **Exhibit 4**, the General Fund received \$655 million in revenues in fiscal 2024, which decreases to an estimated \$472 million by fiscal 2027. Aside from MLGCA operating funds (\$107 million), the largest disbursements in fiscal 2027 are for supplemental stadium financing (\$87 million), the Blue Line Corridor Fund (\$27 million), and the Sports and Entertainment Facilities Fund (\$25 million).

Exhibit 4
State Funding From Lottery Revenues
Fiscal 2024-2027 Est.
(\$ in Millions)

	<u>2024</u>	<u>2025</u>	<u>2026 Est.</u>	<u>2027 Est.</u>
MLGCA Operating Budget	\$101.9	\$103.2	\$106.0	\$107.3
Other Disbursements:				
Supplemental Stadium Financing Revenue	0.0	34.7	48.2	86.6
Blue Line Corridor Fund	1.1	27.0	27.0	27.0
Sports and Entertainment Facilities Fund	0.0	12.4	12.4	25.0
Baltimore City School Construction Revenue	20.0	20.0	20.0	20.0
Bus/Rapid Transit Fund	0.0	27.0	17.0	17.0
Major Sports and Entertainment Events	8.3	7.7	6.8	10.0
Stadium Authority Revenue	14.2	13.4	11.3	3.4
Prince George’s County Local Impact Grants	0.0	3.0	3.3	3.3
Michael Erin Busch Fund	1.0	1.0	1.0	1.0
Veterans’ Organizations Revenue	0.3	0.3	0.3	0.3
McIntosh School Arts Fund	0.3	0.3	0.3	0.3
Miscellaneous Adjustments	-0.4	1.6	-4.4	0.3
Net General Fund Revenues	655.0	519.0	542.7	472.1
Total State Funds	\$801.4	\$770.4	\$791.8	\$773.5

MLGCA: Maryland Lottery and Gaming Control Agency

Source: Governor’s Fiscal 2027 Budget Books

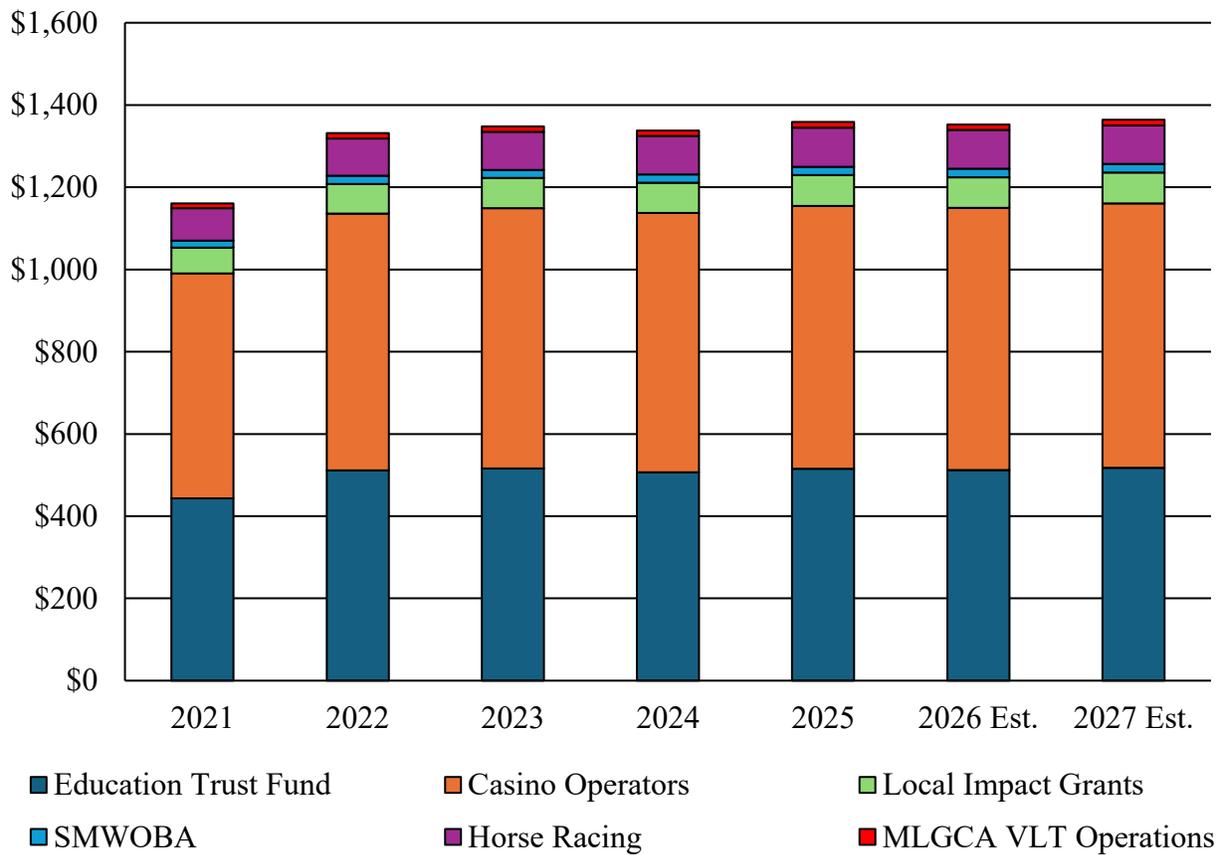
2. Casino Earnings and Distributions

Casino revenues, which include VLTs and table games, were \$2.0 billion in fiscal 2025, about the same level as the prior year, as decreases in table game revenues were offset by increases in VLT revenues. Casino revenues do not contribute to the General Fund, but portions are distributed to the Education Trust Fund (ETF), local impact grants, and other State programs.

Video Lottery Terminal Revenues

VLT revenues totaled almost \$1.4 billion in fiscal 2025, a \$20 million (1.5%) increase from the prior year. After disbursements to casino operators and other specified recipients, the ETF received \$515.3 million. **Exhibit 5** shows the disbursement of VLT revenue.

Exhibit 5
VLT Revenue Disbursements
 Fiscal 2021-2027 Est.
 (\$ in Millions)



MLGCA: Maryland Lottery and Gaming Control Agency
 SMWOBA: Small, Minority, and Women-owned Businesses Account
 VLT: video lottery terminal

Note: The horse racing category includes the Purse Dedication and Racetrack Facility Renewal accounts.

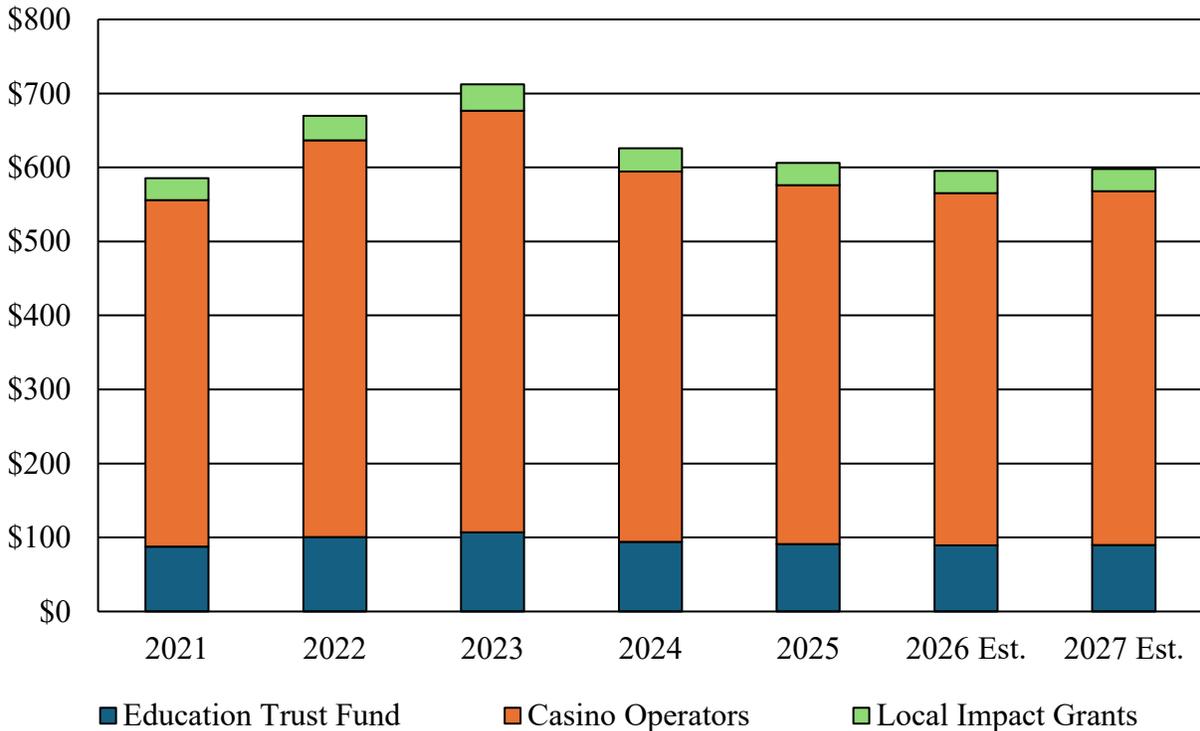
Source: Board of Revenue Estimates

SB 176/HB 289 are departmental bills that would require VLT operators to intercept prize money in certain cases where the winner owes outstanding debt to the State. Current statute only provides for such recoveries from lottery winnings. An audit of MLGCA released in May 2025 by the Office of Legislative Audits (OLA), which is summarized in **Appendix 2**, recommended that the Administration pursue legislation allowing State debts to be recovered from VLT prize winnings.

Table Game Revenues

Gross revenues from table games were \$606.4 million in fiscal 2025, a \$19 million (3%) decrease from fiscal 2024. Gross revenues from table games are currently distributed to facility operators (80%), the ETF (15%), and the casino’s local jurisdiction (5%). **Exhibit 6** shows disbursements from table game revenues.

Exhibit 6
Table Game Revenue Disbursements
 Fiscal 2021-2027 Est.
 (\$ in Millions)

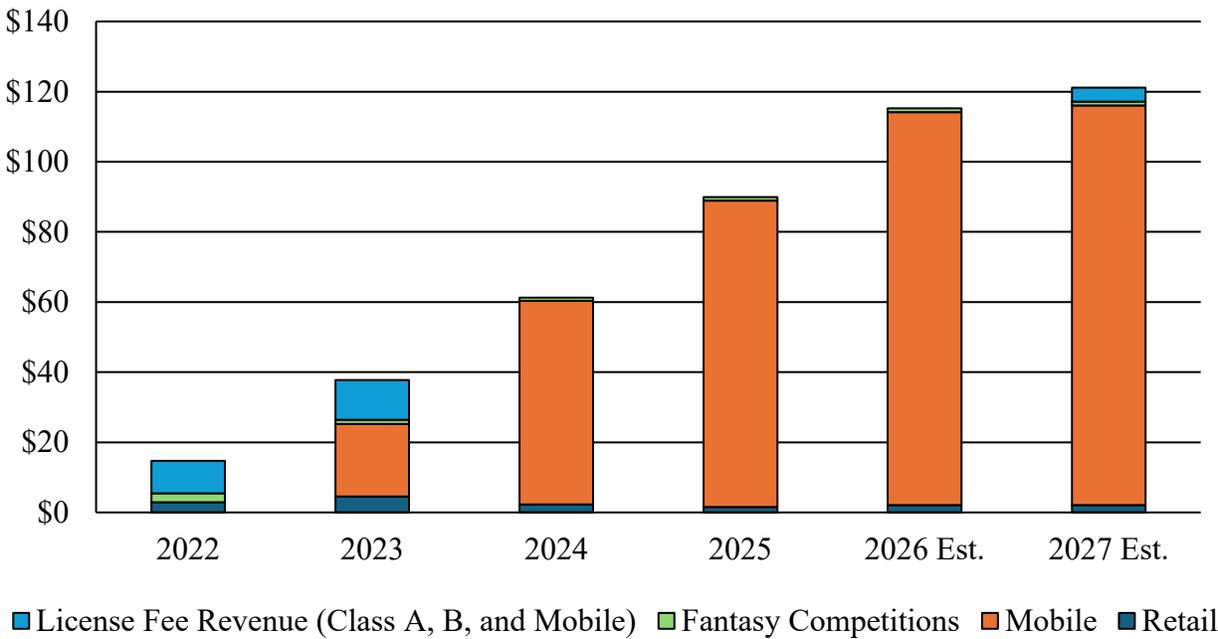


Source: Board of Revenue Estimates

3. Sports Wagering Revenues

Sports betting companies reported handling more than \$6.2 billion in wagers in fiscal 2025, about \$6.1 billion of which were through mobile betting platforms. While lottery and casino revenues have been relatively stable in the past few years, sports betting revenues continue to increase, driven by increases in mobile sports betting. **Exhibit 7** shows the increase in State revenues from sports betting following legalization and the licensing of the first sports wagering platforms in fiscal 2022.

Exhibit 7
Sports Wagering and Fantasy Competition Revenues
Fiscal 2022-2027 Est.
(\$ in Millions)



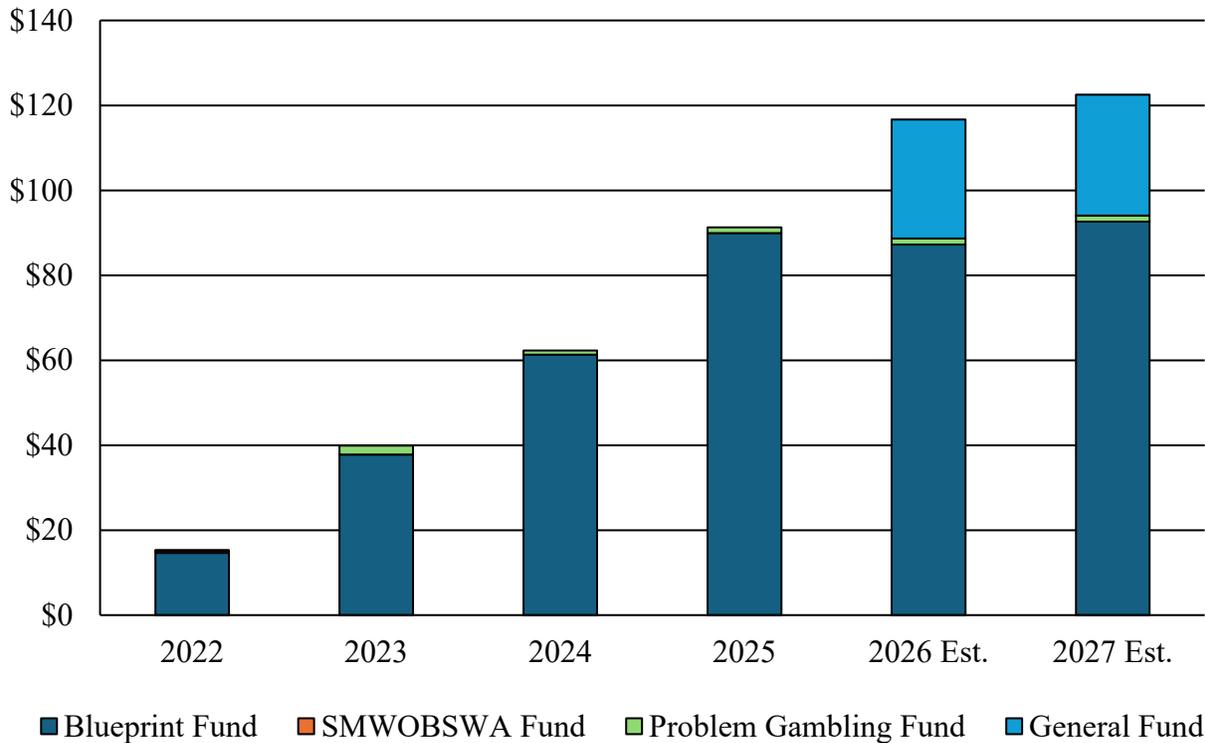
Source: Board of Revenue Estimates

MLGCA is responsible for issuing licenses to sports betting operators after approval by the Sports Wagering Application Review Commission. There was no revenue from licensing fees in fiscal 2024 or 2025, but a temporary increase in fee revenue is expected in fiscal 2027, when most of the licenses that have been issued will become due for renewal. The Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance Fund in the Department of Commerce receives 5% of retail licensing fee revenues, MLGCA receives enough to cover the costs of issuing

licenses (\$1.7 million in fiscal 2022), and the remainder goes to the Blueprint for Maryland’s Future (Blueprint) Fund.

Through May 2025, State revenues from sports wagering and fantasy competitions were dedicated to the Blueprint Fund. The Budget Reconciliation and Financing Act of 2025 increased the mobile sports wagering tax rate from 15% to 20%, effective in June 2025, and directed the increase (5% of taxable revenues) to the General Fund beginning in fiscal 2026. The General Fund is projected to receive \$28.0 million, and the Blueprint Fund is projected to receive \$87.3 million from sports wagering in fiscal 2026. Unclaimed winnings, which totaled \$1.3 million in fiscal 2025, revert to the Problem Gambling Fund. The breakdown of State revenue distributions is shown in **Exhibit 8**.

Exhibit 8
Sports Wagering and Fantasy Competitions Revenue Disbursements
Fiscal 2022-2027 Est.
(\$ in Millions)



SMWOBSWA: Small, Minority-Owned, and Women-Owned Business Sports Wagering Assistance

Source: Board of Revenue Estimates

Illegal Online Gaming and Sporting Event Contracts

Mobile sports betting and online sports fantasy games are the only legal types of online gambling in Maryland, and the Maryland Lottery and Gaming Control Commission regularly sends cease-and-desist letters to companies operating online gaming platforms without State licenses. These include prediction markets or designated contract markets, which allow people to buy, sell, and trade contracts predicting the outcome of future events, including sports events. The commission has determined that these amount to sports wagering under State law, and markets offering these contracts without a sports wagering license are operating illegally. MLGCA maintains a list of licensed online and mobile sports betting operators on its website. The Office of the Attorney General (OAG) is currently representing the State in two cases of litigation regarding sporting events contracts offered by prediction markets. The 2025 *Joint Chairmen’s Report* (JCR) requested that MLGCA produce a report on illicit gaming in Maryland; that report is summarized in **Appendix 1**.

SB 112/HB 295 are departmental bills that would define illegal online gaming and authorize penalties for operating illegal online gaming platforms. MLGCA could implement the provisions of the bills using existing resources.

4. Survey Finds Increase in Sports Gambling Prevalence

The Maryland Center of Excellence on Problem Gambling published the results of a calendar 2024 survey of more than 3,600 Maryland adults. This is the fifth in a series of similar surveys conducted by the center since calendar 2010 and the first since Maryland legalized online sports betting. The survey asked about lifetime and past-year participation in various forms of gambling, attitudes toward gambling, awareness of gambling addiction resources, and behaviors that could indicate problem gambling.

Among Maryland adults, 26.0% reported gambling on sports at some point, and 16.8% reported gambling on sports in the past year. The prevalence of online or mobile sports betting increased from 3.4% in 2022 to 11.5% in 2024. Despite the increases in sports betting, lottery and casinos were the most common types of gambling.

Most survey participants, 89.8%, have gambled at some point in their lives, similar to rates found in previous surveys. **Exhibit 9** shows the estimated lifetime prevalence of gambling and at-risk and disordered gambling behaviors among Maryland adults.

Exhibit 9
Lifetime Gambling Behavior in Maryland

<u>Behavior</u>	<u>Percentage</u>
Non-gambling	10.1%
Low-risk Gambling	74.4%
At-risk Gambling	9.8%
Disordered Gambling	5.7%

Source: Maryland Center of Excellence on Problem Gambling

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

- ***Procurement Exemption Report:*** Statute exempts MLGCA from certain aspects of State procurement law for procurements related to private-sector cooperative marketing projects under certain conditions. In November 2025, OLA published a Review of State Units Exempt from State Procurement Laws and Regulations, which found that MLGCA does not have a written policy governing exempt procurements as required by State law. MLGCA states that it does not have a policy because the agency has only a very narrow exemption for no-cost contracts that has not been used in about 23 years. MLGCA reports that it does not intend to use this exemption in the future and will request that the exemption be terminated.
- ***Instant Ticket Lottery Machines at Veterans’ and Fraternal Organizations:*** Chapter 4 of the 2025 special session authorized MLGCA to issue licenses for ITLMs at veterans’ and fraternal organizations and altered the distribution of proceeds. After the deduction of prizes, veterans’ organizations receive 50% of net proceeds, MLGCA receives a portion for administrative fees and ITLM purchase or lease, the Maryland Veterans’ Trust Fund (MVTF) receives 5%, and the remainder goes to the ETF. For ITLMs at fraternal organizations, the organization retains 25% of net proceeds to be used for scholarships, capital improvements, community outreach, or other purposes. The Homelessness Solutions Program in the Department of Housing and Community Development receives 20% of the proceeds, MLGCA receives a portion needed for administration and ITLM purchase or lease, 5% goes to the MVTF, and the remainder goes to the ETF.

Appendix 1
2025 Joint Chairmen’s Report Responses from Agency

The 2025 JCR requested that MLGCA prepare one report. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Illicit Gaming:*** Multiple types of illegal gaming exist in Maryland, including in-person and online venues. When lottery retailers operate illegal gaming machines on their premises, MLGCA contacts and notifies them to remove the machines. MLGCA and OAG have sent cease-and-desist notices to illegal online gaming operators. OAG is representing the State in litigation regarding prediction markets offering “sporting event contracts.” OAG and MLGCA also attempt to get advertisements for illegal online gaming entities removed from Facebook and news websites. MLGCA is pursuing departmental legislation to better define illegal gaming in statute. Recommendations include identifying and funding a unit of law enforcement to which MLGCA can refer illegal gaming for criminal investigation; considering increased penalties for gaming licensees that violate the law; and authorizing the agency to take civil enforcement against legal gaming licensees that affiliate with illegal gaming companies.

**Appendix 2
Audit Findings**

Audit Period for Last Audit	October 16, 2020 – January 31, 2024
Issue Date	May 2025
Number of Findings	4
Number of Repeat Findings	1
% of Repeat Findings	25%
Rating: (if applicable)	n/a

Finding 1: Casinos do not intercept prize money for outstanding amounts due to the State because State law only provides for such recoveries from lottery winnings. OLA recommended that MLGCA consider pursuing legislation to enable casinos to intercept prize money for amounts due to the State. A departmental bill in line with this recommendation has been introduced and is covered further in Key Observation 2.

Finding 2: **MLGCA was not able to provide certain critical procurement documentations for two procurements out of four contracts reviewed and did not publish contract solicitations and awards on eMaryland Marketplace Advantage as required.**

Finding 3: Redacted cybersecurity-related finding.

Finding 4: Redacted cybersecurity-related finding.

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 3
Object/Fund Difference Report
Maryland Lottery and Gaming Control Agency

<u>Object/Fund</u>	<u>FY 25 Actual</u>	<u>FY 26 Work Approp.</u>	<u>FY 27 Allowance</u>	<u>FY 26 - 27 \$ Change</u>	<u>% Change</u>
Positions					
01 Regular	364.10	354.75	354.75	0.00	0.0%
02 Contractual	3.05	7.75	5.60	-2.15	-27.7%
Total Positions	367.15	362.50	360.35	-2.15	-0.6%
Objects					
01 Salaries, Wages, and Fringe Benefits	\$40,534,535	\$40,573,460	\$42,927,809	\$2,354,349	5.8%
02 Technical and Special Fees	202,690	330,452	264,139	-66,313	-20.1%
03 Communications	220,686	228,645	238,080	9,435	4.1%
04 Travel	101,437	135,091	133,252	-1,839	-1.4%
06 Fuel and Utilities	127,399	113,123	130,000	16,877	14.9%
07 Motor Vehicle Operation and Maintenance	318,378	420,758	555,942	135,184	32.1%
08 Contractual Services	84,794,160	88,368,277	87,648,404	-719,873	-0.8%
09 Supplies and Materials	126,185	218,500	195,774	-22,726	-10.4%
10 Equipment – Replacement	205,727	420,703	586,000	165,297	39.3%
11 Equipment – Additional	154,845	185,957	50,000	-135,957	-73.1%
13 Fixed Charges	2,003,490	2,135,227	2,376,479	241,252	11.3%
Total Objects	\$128,789,532	\$133,130,193	\$135,105,879	\$1,975,686	1.5%
Funds					
01 General Funds	\$11,328,251	\$13,575,099	\$14,130,888	\$555,789	4.1%
03 Special Funds	117,461,281	119,555,094	120,974,991	1,419,897	1.2%
Total Funds	\$128,789,532	\$133,130,193	\$135,105,879	\$1,975,686	1.5%

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.