

October 24, 2018

The Honorable Ralph S. Northam  
Governor  
Commonwealth of Virginia  
Patrick Henry Building, 3<sup>rd</sup> floor  
Richmond, VA 23219

**Re: September 2018 Lottery Results**

Dear Governor Northam:

I am pleased to provide our report of monthly activities and financial update for the month of September 2018, as required in §58.1-4006 of the *Code of Virginia*.

September sales totaled \$172.6 million, up \$10.3 million (+6.3%) compared to the same month last year. Sales this September were strengthened by the growing Mega Millions jackpot, and continued strength in scratch ticket sales. Profits for the month totaled \$52.5 million, up \$3.1 million (+6.2%) compared to last year.

For the first quarter of the fiscal year, sales totaled \$537.5 million, an overall 3.1% increase compared to last year. Profits totaled \$150.7 million, a decline of 4.0%, or \$6.3 million, due to the higher prize payouts compared to last year. It should be noted that comparisons to prior periods are not indicative of future performance, due to the volatility of sales and profits over short periods of time because of a variety of factors, including luck.

Today, the Lottery Board reviewed the forecast of sales and profits for the current biennium, and forwarded their recommendations to you for inclusion in budget amendments. The recent unexpected but positive effects of a record-setting Mega Millions jackpot were considered in the Board's forecast recommendations. In addition, I look forward to meeting with the Senate Finance Committee at their October meeting to share information about the Lottery's record-setting FY18 and to present our business plans for FY19.

Please let me know if you have any questions or if you would like more information.

Very truly yours,

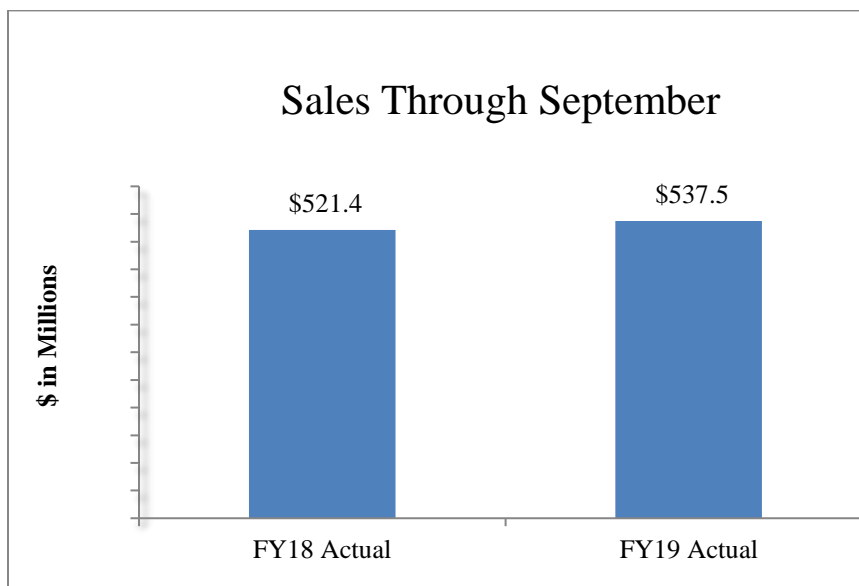
Kevin Hall

c: The Honorable Thomas K. Norment, Jr., Co-Chairman, Senate Finance Committee  
The Honorable Emmett W. Hanger, Jr., Co-Chairman, Senate Finance Committee  
The Honorable S. Chris Jones, Chairman, House Appropriations Committee  
The Honorable R. Lee Ware, Jr., Chairman, House Finance Committee  
The Honorable Clark Mercer, Chief of Staff, Office of the Governor  
The Honorable Aubrey Layne, Secretary of Finance  
Daniel S. Timberlake, Director, Department of Planning & Budget  
David A. Von Moll, State Comptroller  
April Kees, Interim Co-Director, Senate Finance Committee  
Jason Powell, Interim Co-Director, Senate Finance Committee  
Robert P. Vaughn, Staff Director, House Appropriations Committee  
Ferhan Hamid, Chairman, Virginia Lottery Board

**VIRGINIA LOTTERY**  
**Report to the Governor and**  
**Selected Members of**  
**the General Assembly**  
**As of September 30, 2018**

Sales

Lottery sales for the fiscal year totaled \$537.5 million through September. This represents an increase of \$16.1 million (+3.1%) compared to the prior year. Scratcher sales of \$297.6 million were \$24.8 million (+9.1%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$164.8 million, up \$9.2 million (+5.9%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$63.3 million, a decline of \$18.5 million (-22.6%) compared to last year because of the Powerball jackpot growth to over \$650 million last year in the first quarter. Sales of Print n' Play games, a category that represents about 2% of total sales, totaled \$11.8 million, \$0.6 million (+5.6%) higher than last year.



Expenses

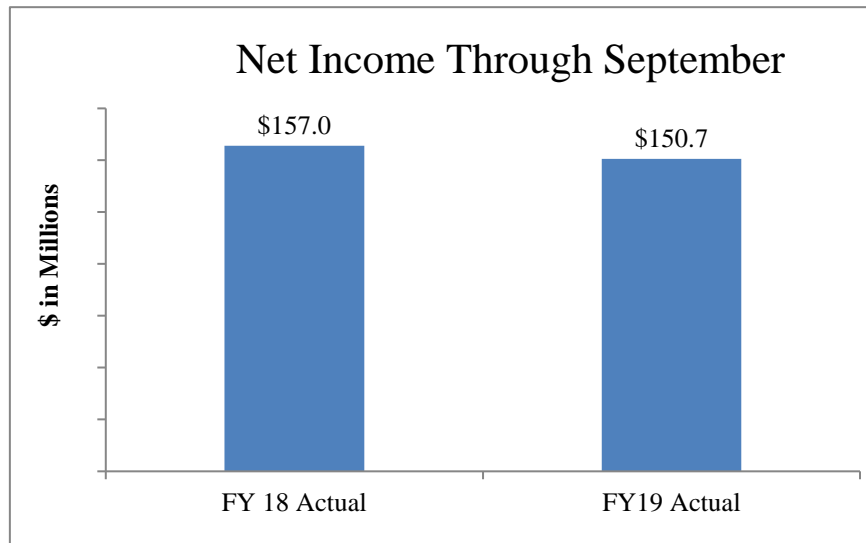
The overall prize expense rate (prizes as a percent of sales) through September was 61.6%, higher than last year's rate of 59.2%. The scratcher prize rate of 70.0% was higher than last year's rate of 69.7%. The daily games prize rate of 50.3% was higher than last year's very low rate of 43.9%, and higher than the statistically expected 50%. The jackpot games prize expense rate of 50.0% was lower than last year's rate of 52.2%, and more in line with the statistically expected rate. It is important to note that significant fluctuations in prize expense rates occur during the short term, especially for daily games that have fixed prizes; however, overall long-term prize rates reflect outcomes more in line with statistical expectations.

Retailers earned \$0.2 million more than last year, for a total \$30.3 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives, on par with the usual 5.6% earnings rate.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were \$0.3 million higher than the same period last year but were still low at 4.8% of sales. Last year's rate was 4.9%.

### Net Income

The strength in sales was offset by a higher prize expense rate, leading to year-to-date profits of \$150.7 million, a decrease of \$6.3 million (-4.0%) compared to the same period last year.



### CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2019 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$567,122. Also, unclaimed prizes totaling \$3,312,254 were transferred to the Literary Fund so far this year.

### MEETINGS

The Lottery Board held its regular business meeting in Richmond on October 24, 2018. As part of its regular business, the Board recognized the service of member Robert "Bob" Howard, with a resolution commemorating his contributions to the Lottery during his 7-year tenure. The next meeting of the Board will be January 23, 2019, in Richmond.