

January 31, 2019

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

**Re: December 2018 Lottery Results**

Dear Governor Northam:

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

December sales totaled \$205.4 million, an increase of \$10.5 million (+5.4%) compared to the same month last year. Profits for the month totaled \$54.0 million, an increase of \$5.1 million (+10.5%) compared to last December. Profits increased at a higher rate than sales, because of a higher overall prize expense rate last year.

For the year to date, sales totaled \$1.16 billion, an overall 10.7% increase compared to last year. Profits totaled \$321.4 million, an increase of \$21.1 million, or 7.0%, due to higher sales compared to last year – particularly for the national jackpot games. Sales and profits are tracking well to the revised forecast, up \$7.5 million (+2.4%) compared to forecast profits through December. As always, I would note that comparisons to prior periods are not indicative of future performance due to the volatility of sales and profits over short periods of time.

As the 2019 General Assembly considers a number of legislative proposals which could affect gaming in Virginia, you have our commitment to continue working cooperatively with lawmakers and staff and members of the Administration to fully assess each of these proposals.

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

Sincerely yours,

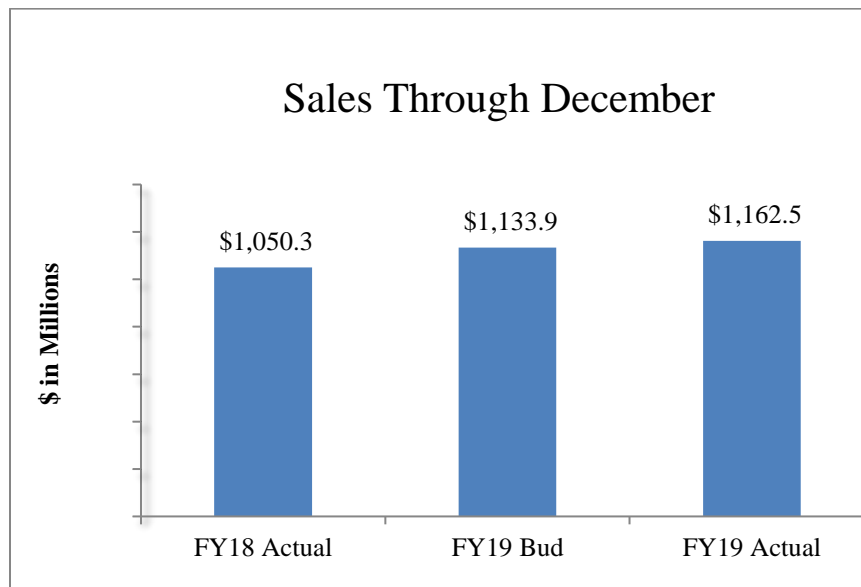
Kevin Hall

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, Co-Director, Senate Finance Committee  
Jason Powell, 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 December 31, 2018**

Sales

Lottery sales for the fiscal year totaled \$1,162.5 million through December. This represents an increase of \$112.1 million (+10.7%) compared to the prior year. Scratcher sales of \$608.2 million were \$30.0 million (+5.2%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$341.8 million, up \$30.2 million (+9.7%) from last year, bolstered by higher than statistically expected prize expenses due to the random luck of the draw. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$188.7 million, an increase of \$50.7 million (+36.7%) compared to last year because of the record Mega Millions jackpot growth to over \$1.5 billion, and the Powerball jackpot growth to over \$687 million in October. Sales of Print n' Play games, a category that represents about 2% of total sales, totaled \$23.7 million, \$1.2 million (+5.5%) higher than last year. Overall, sales are \$28.6 million (+2.5%) ahead of the revised forecast for the first half of the fiscal year.



Expenses

The overall prize expense rate (prizes as a percent of sales) through December was 62.1%, higher than last year's rate of 60.6%. The scratcher prize rate of 70.3% was higher than last year's rate of 70.0%. The daily games prize rate of 53.7% was higher than last year's very low rate of 45.6%, and higher than the statistically expected 50%. The jackpot games prize expense rate of 50.1% was lower than last year's rate of 53.5%, 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. Compared to the revised forecast, the 62.1% prize expense rate is 0.6% higher than the expected 61.5% rate through the first half of the year.

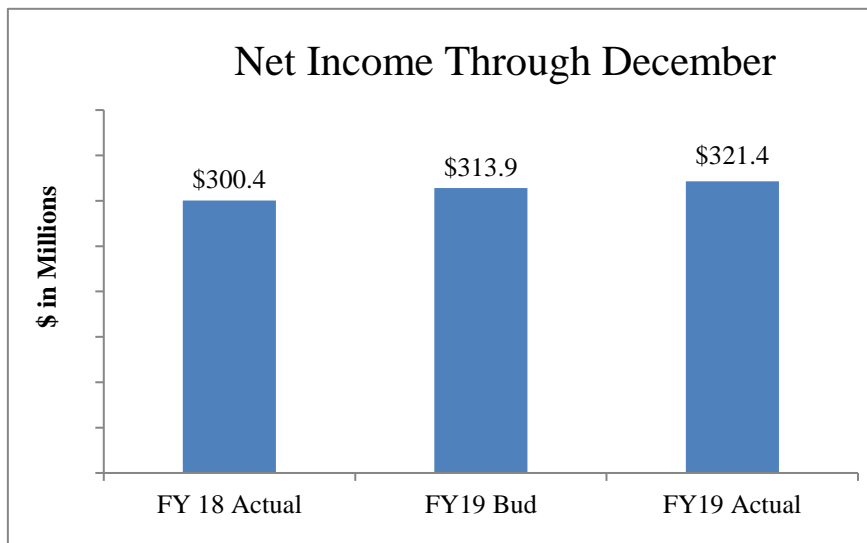
Retailers earned \$5.2 million more than last year, for a total \$65.4 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives, on par with the usual 5.6% earnings rate.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were \$1.2 million higher than the same period last year but were still low at 4.8% of sales. Last year's rate was 5.1%.

### Net Income

The strength in sales was partially offset by a higher prize expense rate, leading to year-to-date profits of \$321.4 million, an increase of \$21.1 million (+7.0%) compared to the same period last year.

Profits through December are \$7.5 million (+2.4%) higher than the forecast.



### 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 \$1,115,249. Also, unclaimed prizes totaling \$4,231,886 were transferred to the Literary Fund so far this year.

### MEETINGS

The Lottery Board held a regular business meeting in Richmond on January 23, 2019, and elected Ferhan Hamid to continue as Board Chairman for the 2019 calendar year. The next meeting of the Board is scheduled for April 24, 2019, in Richmond.