

April 25, 2019

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

**Re: March 2019 Lottery Results**

Dear Governor Northam:

I am pleased to provide this report of monthly activities and financial update for the month of March 2019, as required in §58.1-4006 of the *Code of Virginia*.

March sales totaled \$221.4 million, an increase of \$11.8 million (+5.6%) compared to the same month last year. March sales set a record for monthly scratcher ticket sales and represents the third highest sales month in the Lottery's 30-year history. Profits for the month totaled \$66.7 million, an increase of \$4.6 million (+7.5%) compared to last March. Profits increased at a higher rate than the increase in sales, because of a lower overall prize expense rate during the month.

For the year to date, sales totaled \$1.75 billion, an overall 8.6% increase compared to last year. Profits totaled \$491.6 million, an increase of \$27.9 million, or 6.0%, due to higher sales in all categories compared to last year – but particularly for the national jackpot games and daily draw games. Sales and profits are tracking well to the revised forecast, up \$23.0 million (+4.9%) compared to forecast profits through March. 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.

Yesterday, the Virginia Lottery Board heard updates on the Lottery's financial performance and an update on the successful pilot launch of MobilePlay. This new digital platform allows players to purchase draw games and new e-games through our smartphone app while they are physically located on the premises of a licensed Virginia Lottery retailer. MobilePlay products are securely delivered to registered player accounts, users are verified for age, identity and location, and players also have access to responsible gaming tools within the app which allows them to track and self-limit their play. In addition to traditional retail outlets, MobilePlay allows us to license nontraditional businesses, such as restaurants and arcades. MobilePlay will be enabled statewide early next month, and we anticipate this ultimately will strengthen our financial contributions to K-12 education.

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The Board also received an update on the Lottery's continued support for public school teachers, anchored around National Teacher Appreciation Week, May 6-10. We have selected three student winners at the elementary, middle and high school levels in our annual Thank a Teacher art contest. Their winning artwork will be featured on thousands of thank you cards, distributed through local PTAs and other education partners, in support of Teacher Appreciation Week. We especially want to thank First Lady Pamela Northam and Secretary of Education Atif Qarni for their strong support of this program, which is another relevant and meaningful way that we remind Virginians that all Lottery profits support local public schools.

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

Sincerely yours,

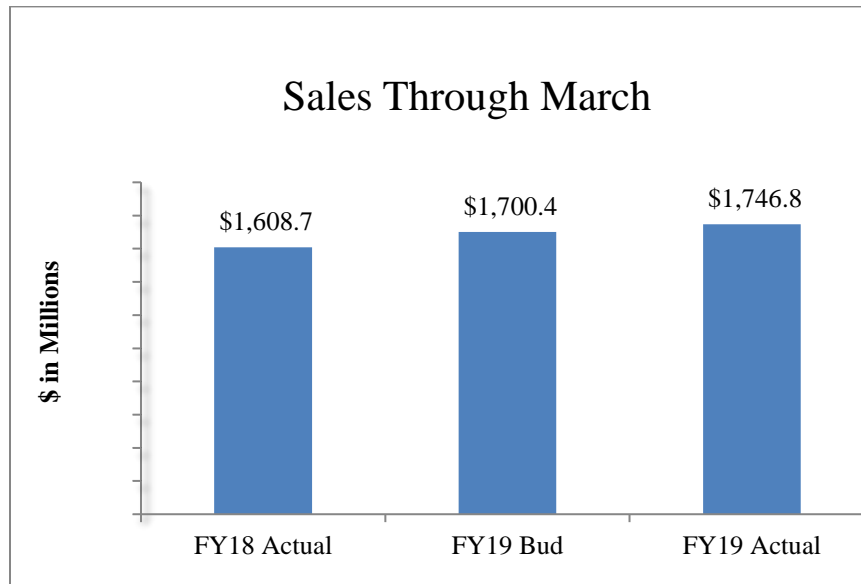
Kevin Hall

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 March 31, 2019**

Sales

Lottery sales for the fiscal year totaled \$1,746.8 million through March. This represents an increase of \$138.1 million (+8.6%) compared to the prior year. Scratcher sales of \$922.3 million were \$39.5 million (+4.5%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$518.5 million, up \$51.1 million (+10.9%) from last year, strongly 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 \$262.2 million, an increase of \$44.9 million (+20.6%) compared to last year because of the record Mega Millions jackpot growth to over \$1.5 billion, and two strong Powerball jackpot rolls this year. Sales of Print n' Play games, a category that represents about 2% of total sales, totaled \$36.3 million, \$2.6 million (+7.7%) higher than last year. Overall, sales are \$46.4 million (+2.7%) ahead of the forecast for the fiscal year.



Expenses

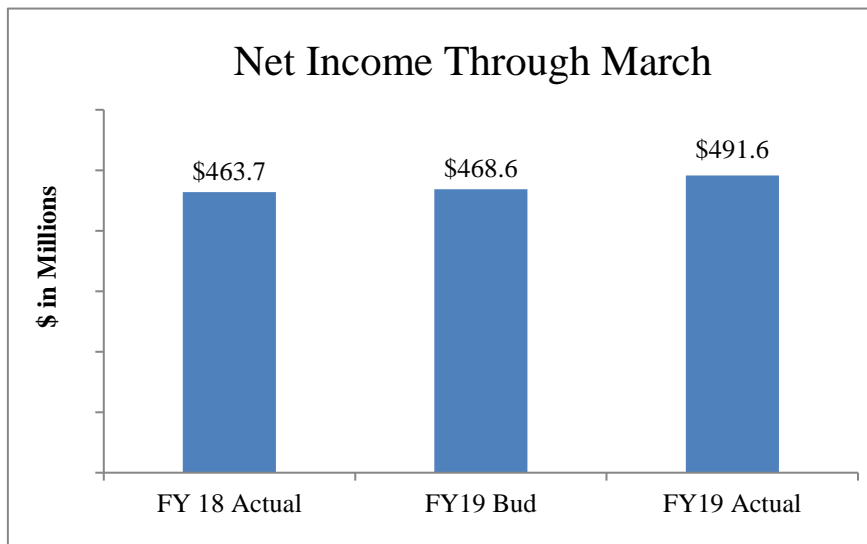
The overall prize expense rate (prizes as a percent of sales) through March was 61.6%, higher than last year's rate of 60.6%. The scratcher prize rate of 70.4% was higher than last year's rate of 70.3%. The daily games prize rate of 51.8% was higher than last year's very low rate of 45.4%, and higher than the statistically expected 50%. The jackpot games prize expense rate of 49.6% was lower than last year's rate of 53.4%, 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 61.6% prize expense rate is 0.1% higher than the expected 61.7% rate for the year so far.

Retailers earned \$6.6 million more than last year, for a total \$97.7 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 \$4.1 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 partially offset by a higher prize expense rate, leading to year-to-date profits of \$491.6 million, an increase of \$27.9 million (+6.0%) compared to the same period last year. Profits through March are \$23.0 million (+4.9%) 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 \$1,880,802. Also, unclaimed prizes totaling \$5,546,313 were transferred to the Literary Fund so far this year.

### MEETINGS

The next meeting of the Board is scheduled for July 17, 2019, in Richmond.