

December 2, 2019

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

**Re: October 2019 Lottery Results**

Dear Governor Northam:

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

October profits of \$48.2 million were \$26.8 million (-36%) lower than last October. October sales totaled \$172.8 million, down \$67.6 million (-28%) compared to the same month last year. It is important to note that October 2018 sales were impacted by significant prizes offered in national jackpot games: the MegaMillions jackpot grew to more than \$1.5 billion and Powerball's top prize topped \$700 million last October. In the current fiscal year, jackpot levels in both multistate games have not grown to a significant enough level over several recent drawings to engage occasional players.

In addition to these high-profile national games, sales of scratch tickets -- which represent over half of total Lottery sales -- continue to be affected by the expansion of the unregulated "games of skill," as I have reported over several recent months. These machines continue to increase daily in both number and in the number of retail locations where they compete directly with our products.

For the fiscal year to date, Lottery sales totaled \$679.4 million, a decline of \$98.4 million (-13%) compared to last year. Profits for the year so far totaled \$192.8 million, or \$32.9 million (-15%) less than last year.

We were pleased to participate in the Governor's Advisory Council on Revenue Estimates just before the Thanksgiving holiday. In addition, we were pleased to fully participate in the comprehensive study of expanded gaming conducted by the talented staff at the Joint Legislative Audit and Review Commission. We believe the Virginia Lottery is the logical home for the oversight of expanded gaming and stand ready to work closely with state and local officials to build responsible regulatory guardrails for any new gaming opportunities which may be authorized by the Legislature.

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

Sincerely yours,

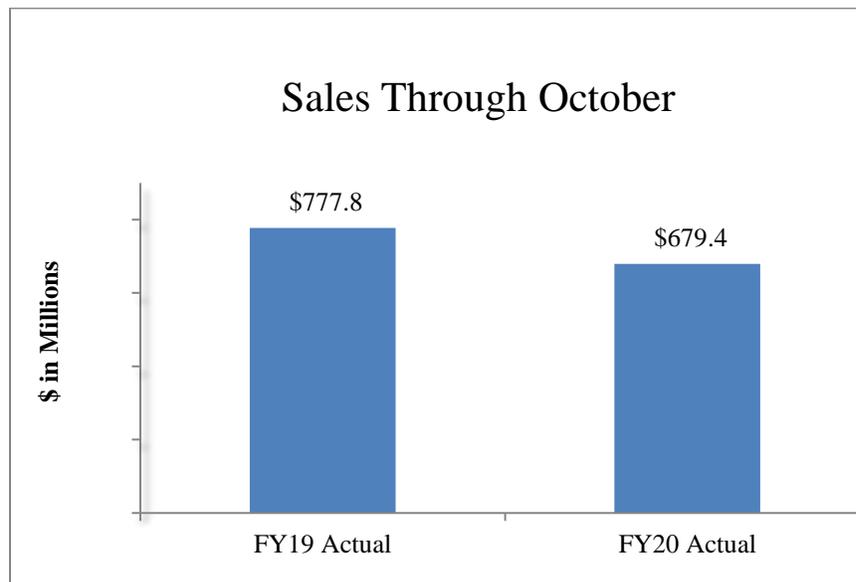
Kevin Hall

- c: The Honorable Thomas K. Norment, Co-Chairman, Senate Finance Committee
- The Honorable Emmett W. Hanger, Jr., Co-Chairman, Senate Finance Committee
- The Honorable Janet D. Howell, Incoming Chairwoman, Senate Finance Committee
- The Honorable S. Chris Jones, Chairman, House Appropriations Committee
- The Honorable Luke E. Torian, Incoming Chairman, House Appropriations Committee
- The Honorable R. Lee Ware, Jr., Chairman, House Finance Committee
- The Honorable Vivian E. Watts, Incoming Chairwoman, 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, Director, Senate Finance Committee
- Robert P. Vaughn, Staff Director, House Appropriations Committee
- Anne E. Oman, Incoming 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 October 31, 2019**

Sales

Lottery sales for the fiscal year totaled \$679.4 million through October. This represents a decline of \$98.4 million (-12.6%) compared to the prior year. Scratcher sales of \$370.8 million were \$23.6 million (-6.0%) lower than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$216.9 million, down \$1.7 million (-0.8%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$66.1 million, a decline of \$83.1 million (-55.7%) compared to last year because of lower jackpots this year. Sales of Print n' Play and e-games totaled \$25.6 million, \$10.0 million (+63.6%) higher than last year, supported by the introduction of a e-games and the new Print n' Play game style featuring a rolling jackpot prize.



Expenses

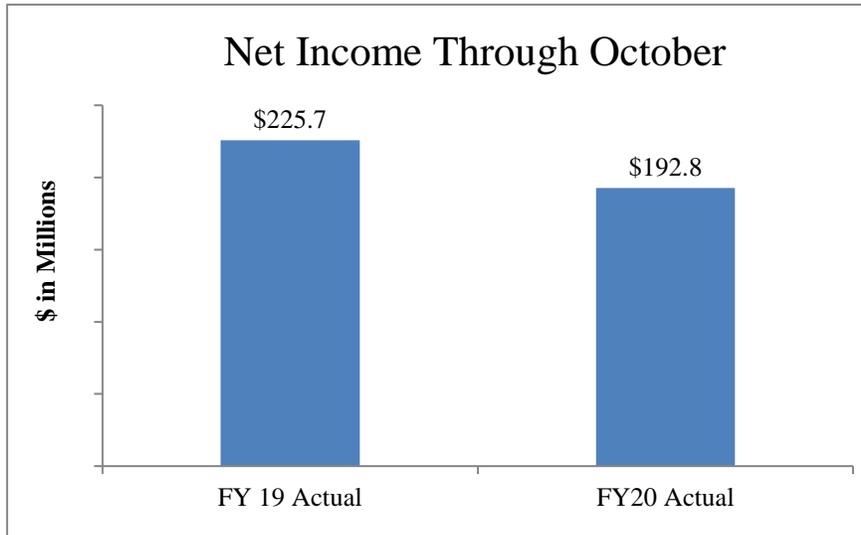
The overall prize expense rate (prizes as a percent of sales) for the year to date was 60.4%, lower than last year's rate of 60.7%. The scratcher prize rate of 70.0% was higher than last year's rate of 69.8%. The daily games prize rate of 45.3% was significantly lower than last year's rate of 50.9%, and well below the statistically expected 50%. It is important to note that significant fluctuations in prize expense rates occur during the short term, especially for games that have fixed prizes; however, overall long-term prize rates reflect outcomes more in line with statistical expectations.

With lower sales, retailers earned \$5.3 million less than last year, for a total \$38.0 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives for the year so far, in line with the usual 5.6% earnings rate.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 5.7% of sales, higher than last year's rate of 4.8%.

## Net Income

The weakness in sales was offset slightly by a lower prize expense rate, leading to profits of \$192.8 million, a decline of \$32.9 million (-14.6%) compared to last year.



## CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2020 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$708,131. Also, unclaimed prizes totaling \$2,320,490 were transferred to the Literary Fund so far this year.

## MEETINGS

The Lottery Board will hold its next regular business meeting in Richmond on January 8, 2020.