

January 2, 2019

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

**Re: November 2018 Lottery Results**

Dear Governor Northam:

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

November sales totaled \$179.2 million, an increase of \$11.7 million (+7.0%) compared to the same month last year. Profits for the month totaled \$41.7 million, a decline of \$5.6 million (-11.7%) compared to last November. Profits declined in spite of higher sales because the rate at which players won prizes was significantly higher than November last year.

For the year to date, sales totaled \$591.9 million, an overall 15.7% increase compared to last year. Profits totaled \$267.5 million, an increase \$15.9 million, or 6.3%, due to higher sales compared to last year – particularly for the national jackpot games. 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 because of a variety of factors, including, most obviously, luck.

In the coming days, you may begin seeing marketing messages which marks the recent 30<sup>th</sup> anniversary of the Virginia Lottery. This Made in Virginia campaign celebrates four remarkable Virginians, each of them a product of Virginia public schools and each of whom is doing extraordinary things in their communities. Over the 30-year history of the Lottery, we are proud to have helped generate more than \$9 billion to our K-12 schools, and our 30<sup>th</sup> anniversary Made in Virginia campaign reminds our players that we aim every day to provide good fun for a great cause.

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Finally, as we prepare for this month's convening of the 2019 Session of the General Assembly, we are closely monitoring proposed legislation to expand state-sanctioned gaming in the Commonwealth. Already, legislation has been pre-filed which would task the Virginia Lottery with the licensing and oversight of sports wagering and a proposed casino enterprise. Lotteries in other states have been engaged for some time in overseeing these and other gaming operations. You have our commitment to continue working cooperatively with lawmakers and members of your 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,

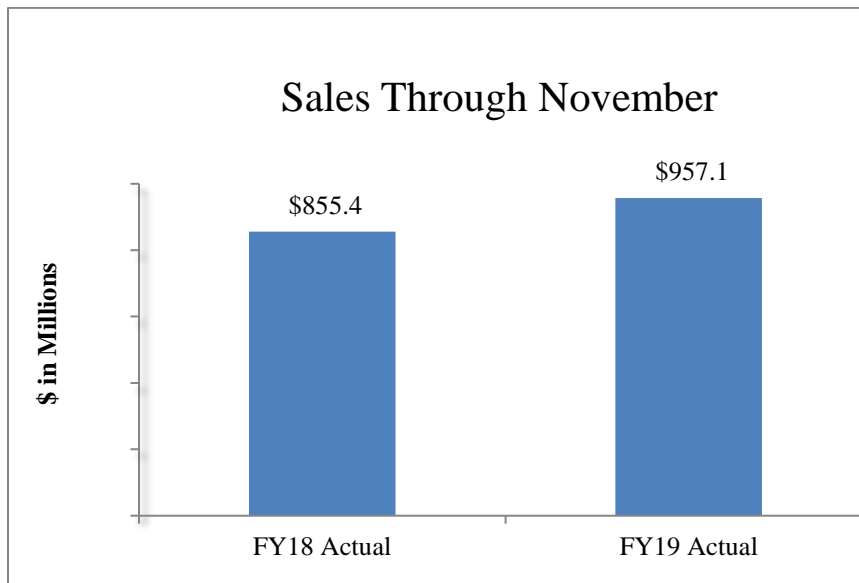
Kevin Hall

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 November 30, 2018**

Sales

Lottery sales for the fiscal year totaled \$957.1 million through November. This represents an increase of \$101.6 million (+11.9%) compared to the prior year. Scratcher sales of \$495.4 million were \$26.7 million (+5.7%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$274.9 million, up \$19.1 million (+7.5%) 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 \$167.2 million, an increase of \$54.8 million (+48.8%) 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 \$19.6 million, \$1.0 million (+6.0%) higher than last year.



Expenses

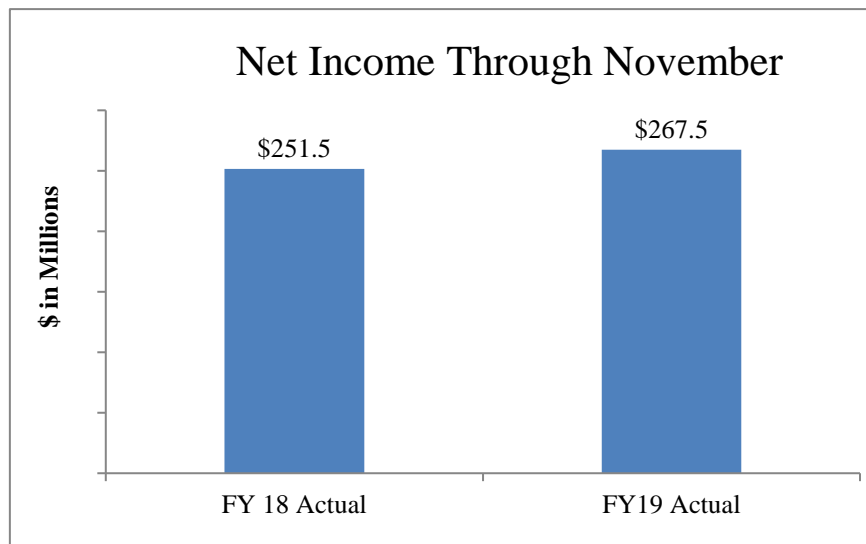
The overall prize expense rate (prizes as a percent of sales) through November was 61.8%, higher than last year's rate of 59.8%. The scratcher prize rate of 70.1% was higher than last year's rate of 69.9%. The daily games prize rate of 53.8% was higher than last year's very low rate of 43.7%, and higher than the statistically expected 50%. The jackpot games prize expense rate of 49.9% was lower than last year's rate of 53.2%, 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 \$4.6 million more than last year, for a total \$53.3 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 \$1.7 million higher than the same period last year but were still low at 4.7% of sales. Last year's rate was 5.0%.

### Net Income

The strength in sales was partially offset by a higher prize expense rate, leading to year-to-date profits of \$267.5 million, an increase of \$15.9 million (+6.3%) 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 \$728,535. Also, unclaimed prizes totaling \$4,231,886 were transferred to the Literary Fund so far this year.

### MEETINGS

The Lottery Board will conduct a regular business meeting in Richmond on January 23, 2019.