

September 30, 2020

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

**Re: August 2020 Lottery Results**

Dear Governor Northam:

I am pleased to provide our report of monthly activities and financial update for the month of August 2020, as required in §58.1-4006 of the *Code of Virginia*.

August sales totaled \$232.0 million, up \$59.1 million (+34.2%) compared to the same month last year. Profits for the month totaled \$53.1 million, up \$4.2 million (+8.6%) from August 2019. The strong sales and profits were supported by the introduction of online lottery play in Virginia on July 1, the first day iLottery was legally permitted under legislation approved by the 2020 General Assembly. In addition, August sales were strengthened by the introduction of a new keno-style product at retail. It is significant to note that year-over-year comparisons are somewhat skewed by the underperformance of lottery sales and profits in August 2019.

In addition, I am pleased to inform you that the Lottery continues to make significant progress in its new statutory responsibilities to implement regulatory oversight of legalized sports betting in Virginia. The Lottery Board approved the regulatory framework by the September 15 deadline specified in the statute. We currently are working with potential applicants seeking guidance in navigating the application process, which is scheduled to open on October 15, 2020. We continue to anticipate the first sports betting licenses could be issued in early 2021. With the sports betting program moving forward, we have begun drafting initial regulations for the oversight of casino gaming, which is dependent upon the outcome of the local voter referenda in the November 2020 general election. The statute requires the Lottery and its Board to complete work on initial casino regulations by early April 2021.

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Finally, the Virginia Lottery celebrated its 32<sup>nd</sup> anniversary on September 20<sup>th</sup>. In the years since the first scratch ticket was legally sold in Virginia in 1988, the Lottery has sold over \$42 billion in lottery products. Since 1999, when a Constitutional amendment required all Virginia Lottery profits to be directed to public education, the Lottery is proud to have transferred more than \$10 billion to Virginia's K-12 public schools through the Lottery Proceeds Fund.

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

Very truly yours,



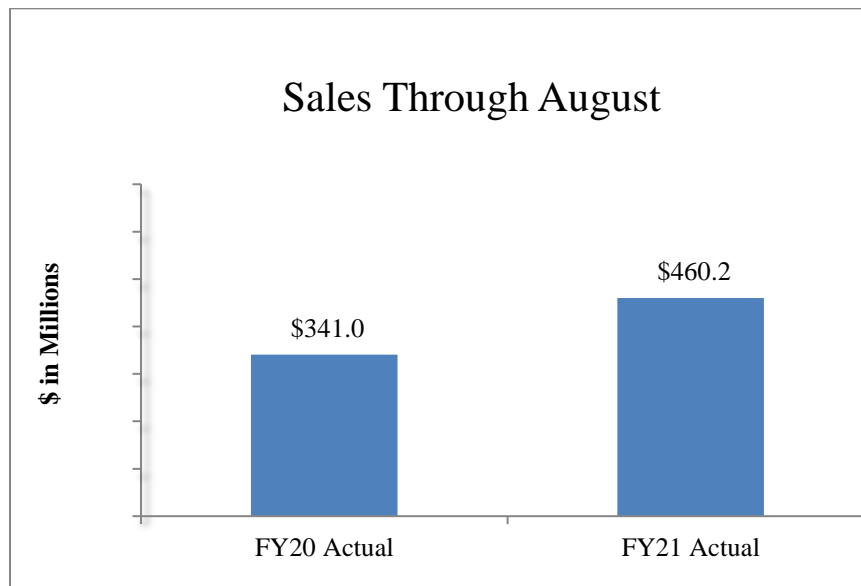
Kevin Hall

- c: The Honorable Janet D. Howell, Chairwoman, Senate Finance & Appropriations Committee  
The Honorable Luke E. Torian, Chairman, House Appropriations Committee  
The Honorable Vivian E. Watts, 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 & Appropriations Committee  
Anne E. Oman, 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 August 31, 2020**

Sales

Lottery sales for the fiscal year totaled \$460.2 million through August. This represents an increase of \$119.2 million (+34.9%) compared to the prior year. Scratcher sales of \$203.8 million were \$17.0 million (+9.1%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$136.0 million, up \$27.2 million (+25.0%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$32.2 million, a decline of \$2.1 million (-6.1%) compared to last year. Sales of Print n' Play totaled \$12.1 million, \$1.2 million (+11.6%) higher than last year. Two new offerings, Instants (digital instant-win games offered to registered adults online) and Keno, totaled \$76.1 million through August.



Expenses

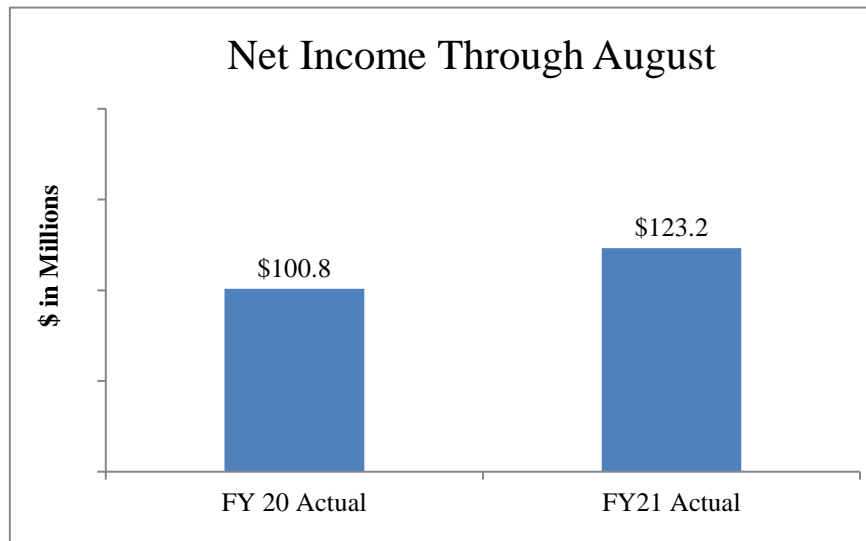
The overall prize expense rate (prizes as a percent of sales) for the year to date was 64.6%, higher than last year's rate of 59.2%. It is important to note that significant fluctuations in prize expense rates occur during the short term, especially for games that have fixed prizes; however, overall long-term prize rates reflect outcomes more in line with statistical expectations.

Retailers earned \$21.4 million in commissions and incentives this year, up \$2.6 million from last year, due to higher retail sales activity.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 4.0% of sales, lower than last year's rate of 5.8%. With the new offerings of Instants and higher overall sales activity, the administrative expense rate will trend lower than last year.

### Net Income

Fiscal year to date profits totaled \$123.2 million, an increase of \$22.4 million compared to last year.



### CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through August, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$473,171. Also, unclaimed prizes totaling \$2,295,125 were transferred to the Literary Fund so far this year.

### MEETINGS

The Lottery Board will hold its next regular business meeting on November 4, 2020.