

October 29, 2020

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

Re: September 2020 Lottery Results

Dear Governor Northam:

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

September sales totaled \$228.0 million, up \$62.3 million (+37.6%) compared to the same month last year. Profits for the month totaled \$47.8 million, up \$4.0 million (+9.2%) from September 2019. The strong sales and profits continue to be supported by the introduction of online lottery play in Virginia on July 1 this year, as well as the introduction of a new keno product at retail. Even as Virginia recorded the most successful launch of iLottery among U.S. lottery jurisdictions, we simultaneously posted a 13% year-over-year sales increase in September 2020 for traditional lottery products available at the retail counter.

In addition, the Lottery continues to make significant progress on its new statutory responsibilities to implement regulatory oversight of legalized sports betting in Virginia. Following the initial license application deadline of October 31, 2020, the Lottery will begin a 90-day review and thorough vetting of each applicant to determine the award of the limited number of operator licenses allowed by the statute. We anticipate awarding the first operator permits early in 2021. Additionally, the Lottery has begun drafting regulations for the oversight of land-based casino gaming, which is dependent upon the outcome of the local voter referenda on Nov. 3, 2020. The casino statute requires completion of the initial casino regulations by April 2021, and we remain on-track to meet this key deadline as well.

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Finally, we appreciate your three recent appointments to the Virginia Lottery Board. We are scheduled to welcome these new members at the Board's next scheduled meeting on Wednesday November 4, 2020, when agency staff will present the annual review of the Lottery's updated sales, profit, and transfer estimates during its closed Executive Session.

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

Very truly yours,



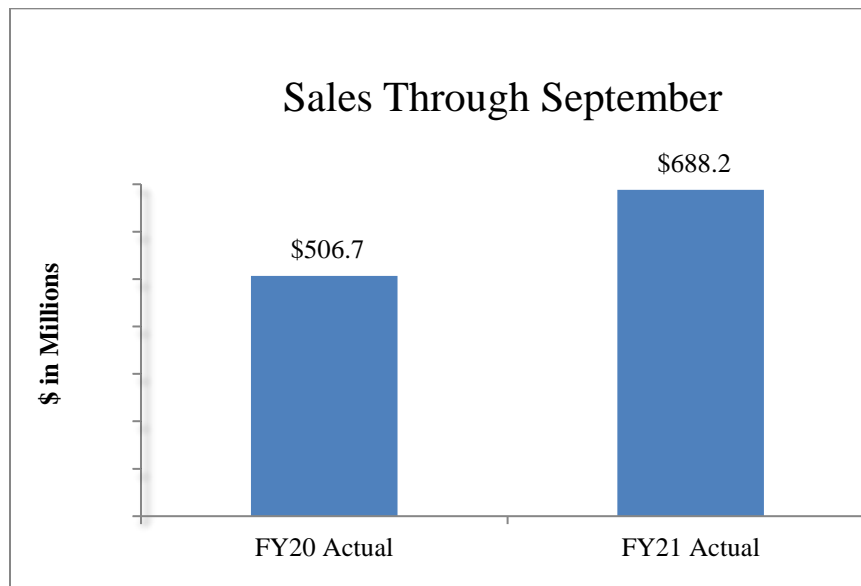
Kevin Hall

- 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 September 30, 2020

Sales

Lottery sales for the fiscal year totaled \$688.2 million through September. This represents an increase of \$181.5 million (+35.8%) compared to the prior year. Scratcher sales of \$302.1 million were \$24.7 million (+8.9%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$199.4 million, up \$38.0 million (+23.5%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$47.7 million, a decline of \$2.2 million (-4.5%) compared to last year. Sales of Print n' Play totaled \$17.1 million, \$0.4 million (-2.0%) lower than last year. Two new offerings, Instants (digital instant-win games offered to registered adults online) and Keno, totaled \$121.9 million through September.



Expenses

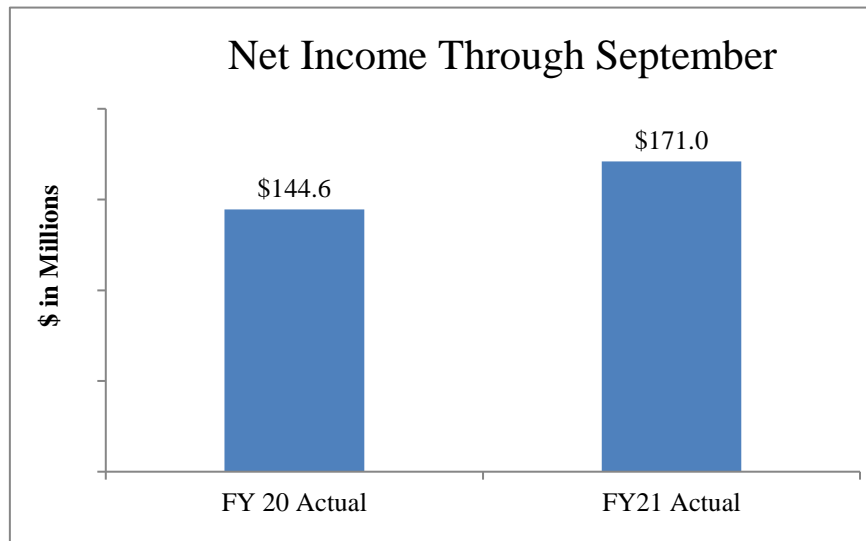
The overall prize expense rate (prizes as a percent of sales) for the year to date was 66.3%, higher than last year's rate of 60.1%. With the continued strong sales from Instants, designed with a higher overall prize rate, the prize expense rate will continue to be higher than previous periods without these product category sales.

Retailers earned \$31.6 million in commissions and incentives this year, up \$3.2 million from last year, due to higher retail sales activity.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 4.3% of sales, lower than last year's rate of 5.9%. With the new offerings of Instants and higher overall sales activity, the administrative expense rate will trend lower than previous years.

Net Income

Fiscal year to date profits totaled \$171.0 million, an increase of \$26.4 million compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through September, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$850,334. Also, unclaimed prizes totaling \$3,202,157 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.