

November 30, 2020

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

Re: October 2020 Lottery Results

Dear Governor Northam:

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

October sales totaled \$237.9 million, up \$65.2 million (+37.7%) compared to the same month last year. Profits for the month totaled \$56.3 million, up \$8.1 million (+16.8%) from October 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 a return to more normal growth in retail sales this year after last year's sales declines tied to the introduction of skill machines at locations where the Lottery conducts most of its retail business.

In addition, the Lottery continues to move forward in implementing statutory responsibilities to regulate and oversee legalized sports betting in Virginia. Following the October 31 deadline for initial license application submission, the Lottery has begun the 90-day review and vetting process of 25 applicants for the maximum 12 operator licenses available. We anticipate awarding the initial operator permits early in 2021. Additionally, the Lottery continues drafting regulations for the oversight of land-based casino gaming. Voters in four of five eligible localities approved casino gaming in local referenda on November 3, 2020. The casino gaming statute requires the Lottery Board to adopt initial casino regulations by April 2021, and we remain on-track to meet this key deadline as well.

Finally, I was pleased to present our updated sales and revenue forecast to Secretary Layne and members of your budget team prior to briefing the House Appropriations Committee during its annual retreat on November 17. Because of the Virginia Lottery's continuing innovations and strong performance, we anticipate depositing \$685 million into the Lottery Proceeds Fund in FY21 and almost \$691 million in FY22, providing a combined \$1.4 billion for K-12 public school programs over the biennium.

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

Very truly yours,



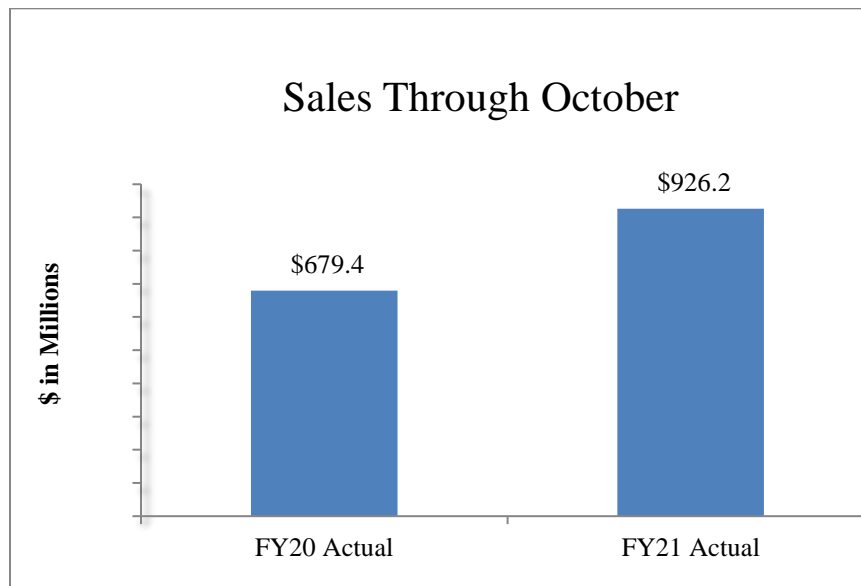
Kevin Hall

- 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 October 31, 2020

Sales

Lottery sales for the fiscal year totaled \$926.2 million through October. This represents an increase of \$246.7 million (+36.3%) compared to the prior year. Scratcher sales of \$400.7 million were \$30.0 million (+8.1%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$265.7 million, up \$48.8 million (+22.5%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$63.8 million, a decline of \$2.3 million (-3.5%) compared to last year. Sales of Print n' Play totaled \$21.9 million, \$3.0 million (-12.0%) lower than last year. Two new offerings, Instants (digital instant-win games offered to registered adults online) and Keno, totaled \$174.0 million through October.



Expenses

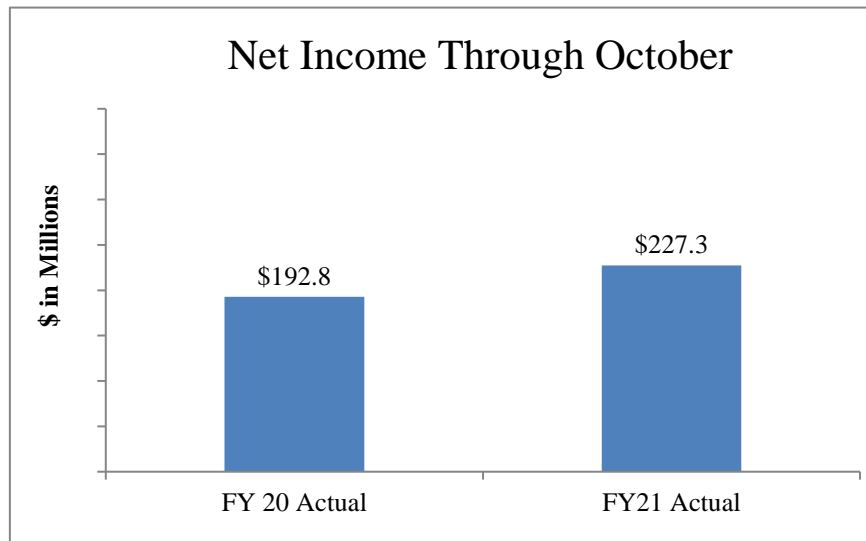
The overall prize expense rate (prizes as a percent of sales) for the year to date was 66.6%, higher than last year's rate of 60.4%. With the continued strong sales from Instants, designed with a higher overall prize rate, the prize expense rate will continue to be higher than previous periods when Lottery product sales did not include this category of revenues.

Retailers earned \$42.1 million in commissions and incentives this year, up \$4.1 million from last year, due to higher retail sales activity.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 4.4% of sales, lower than last year's rate of 5.7%. With the new offerings of Instants and higher overall sales activity, the administrative expense *rate* will trend lower than previous years, although total expense *dollars* will increase.

Net Income

Fiscal year to date profits totaled \$227.3 million, an increase of \$34.5 million compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through October, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$1,189,314. Also, unclaimed prizes totaling \$4,136,176 were transferred to the Literary Fund so far this year.

MEETINGS

The Lottery Board will hold its next regular business meeting on February 3, 2021.