

February 25, 2021

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

Re: January 2021 Lottery Results

Dear Governor Northam:

I am very pleased to provide our report of monthly activities and financial update for the month of January 2021, as required in §58.1-4006 of the *Code of Virginia*.

January sales totaled \$345.3 million, up \$160.2 million (86.5%) compared to the same month last year. January profits of \$92.1 million were \$37.6 million (68.8%) higher than January 2020. The strong sales and profits continue to be supported by the successful introduction of iLottery online play in Virginia, continued strong, year-over-year sales increases at retail, as well as highly visible jackpot growth in the national Powerball and Mega Millions draw games. The unanticipated tandem jackpot rolls -- Powerball peaked at \$731 million and Mega Millions reached \$1.05 billion in January -- provided a positive, short-term sales impact in a product category which traditionally represents about ten-percent of our annual sales.

For the fiscal year to date, Lottery sales totaled \$1.78 billion, an increase of \$548.5 million (44.7%) compared to the same period last year. Profits for FY21 through January totaled \$441.9 million, or \$98.0 million (28.5%) higher than last year. Compared to the updated forecast of sales and profits included in your introduced budget, sales are 7.4% ahead of forecast and profits are 14.3% (\$55.4 million) ahead of forecast. Virginia Lottery profits are constitutionally designated in support of K-12 public schools, and we remain very proud of the Department's positive role in strengthening Virginia's public school programs.

February 25, 2021
Page Two

Additionally, the Lottery continues to move forward in implementing our new statutory responsibilities in expanded gaming. In coming days, we will issue the first monthly report on sports betting activity and tax collections in January 2021 as required by statute. This will not be reflective of a typical month because the January report will only cover activities by a limited number of sportsbook operators who were licensed during the final ten days of January. Finally, the Lottery Board approved initial regulations for commercial casino gaming at its meeting on Feb. 3, and those draft regulations currently are undergoing Executive Branch review in order to meet the April 2021 effective date required by statute.

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

Sincerely yours,



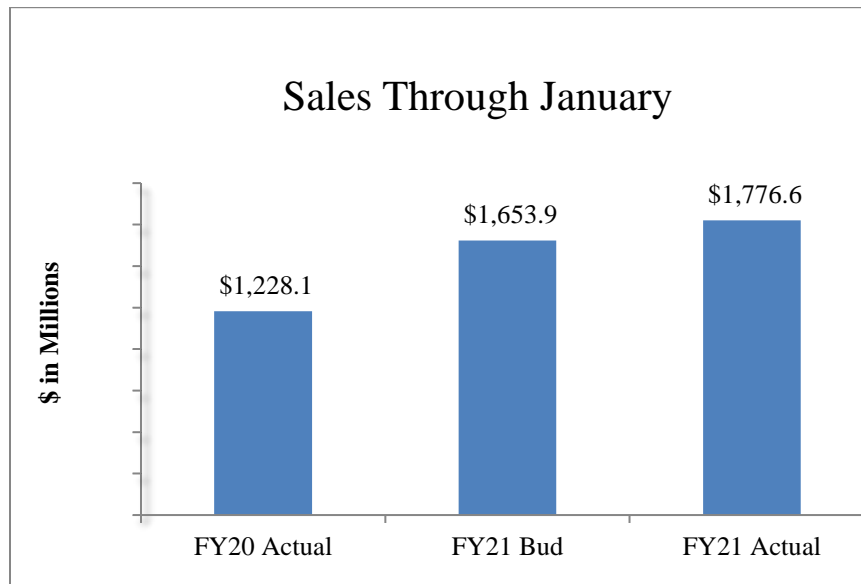
Kevin Hall

- 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 January 31, 2021

Sales

Lottery sales for the fiscal year totaled \$1,776.6 million through January. This represents an increase of \$548.5 million (44.7%) compared to the prior year. Scratcher sales of \$723.2 million were \$57.7 million (8.7%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled 463.1 million, an increase of \$79.2 million (20.6%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$177.4 million, an increase of \$52.1 million (41.5%) compared to last year. Sales of Print n' Play, KENO and iLottery Instants games totaled \$412.9 million, with \$366.9 million from the new KENO and iLottery offerings this year.



Expenses

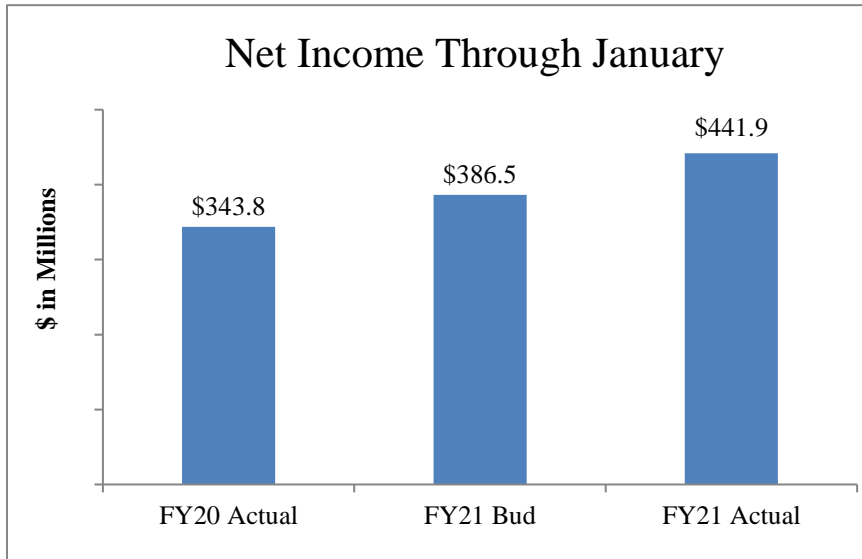
The overall prize expense rate (prizes as a percent of sales) for the year to date was 66.2%, significantly higher than last year's rate of 60.8% because of higher payout percentages built into the new iLottery Instants games. The scratcher prize rate of 70.8% was slightly higher than last year's rate of 70.2% as players continue to choose higher price point tickets providing higher prize payouts. The daily games prize rate of 48.7% was higher than last year's rate of 47.1%; however, this year's rate is more in line with 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 higher sales, retailers earned \$10.8 million more in commissions and incentives than last year, for a total \$79.7 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives for the year so far, which is in line with the typical earnings rate.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 4.5% of sales, lower than last year's rate of 5.7%.

Net Income

Strong sales in daily games, the national jackpot games in January, and iLottery Instants games led to profits of \$441.9 million, an increase of \$98.0 million (28.5%) compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through the end of January, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$2,305,447. Also, unclaimed prizes totaling \$6,084,560 were transferred to the Literary Fund through January this year.

MEETINGS

The Lottery Board will hold its next regular business meeting on April 21, 2021.