

April 29, 2021

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

Re: March 2021 Lottery Results

Dear Governor Northam:

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

March sales totaled \$331.0 million, up \$155.0 million (88.1%) compared to the same month last year. March profits of \$67.9 million were \$19.8 million (41.3%) higher than March 2020. Year-over-year comparisons were significantly impacted by the March 2020 beginning of the public health emergency. Additionally, the strong sales and profits recorded in March 2021 continue to be supported by Virginia's improving economic conditions and our successful introduction of iLottery online play at the beginning of FY21.

For the fiscal year to date, Lottery sales totaled \$2.36 billion, an increase of \$788.5 million (50.1%) compared to the same period last year. Profits for FY21 through March totaled \$569.4 million, or \$129.6 million (29.5%) higher than last year. Compared to the official forecast of sales and profits included in your introduced budget, sales are 9.9% ahead of forecast. The conference budget increased the expected Lottery transfers for FY21 by \$23.2 million, and profits are 8.6% (\$44.9 million) ahead of this increased estimate.


We are pleased to be in the final quarter of what we anticipate will be another record-setting fiscal year for Lottery sales and profits, which are constitutionally obligated to support Virginia's K-12 public schools. In addition, April marks the Lottery's sixth annual Thank a Teacher campaign, which encourages Virginians to send digital thank-you notes to K-12 public school teachers in conjunction with Teacher Appreciation Week, May 3-7, 2021. As in prior years, our thank-you notes feature award-winning designs by three Virginia students, who each received a gift card and \$2,000 in supplies for their school's art program provided by our private-sector partner, The Supply Room. In addition, teachers who receive a thank-you note are eligible to enter a drawing for one of two

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Virginia-themed, get-away weekends, as well as \$5,000 in supplies for their school. This year, we are especially grateful to once again have active support and participation from you, First Lady Pam Northam and Secretary of Education Atif Qarni in this initiative to demonstrate respect and support for Virginia's K-12 public school teachers.

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

Sincerely yours,



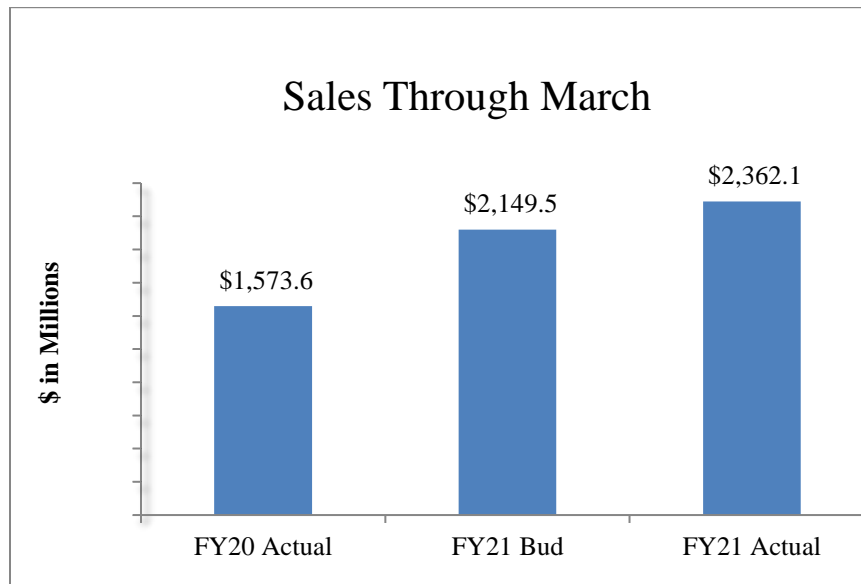
Kevin Hall

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- 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 March 31, 2021

Sales

Lottery sales for the fiscal year totaled \$2.36 billion through March. This represents an increase of \$788.5 million (50.1%) compared to the prior year. Scratcher sales of \$952.9 million were \$93.9 million (10.9%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$595.4 million, an increase of \$101.5 million (20.5%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$214.0 million, an increase of \$58.3 million (37.5%) compared to last year. Sales of Print n' Play, KENO and iLottery Instants games totaled \$599.7 million, with \$544.1 million from the new KENO and iLottery offerings this year.



Expenses

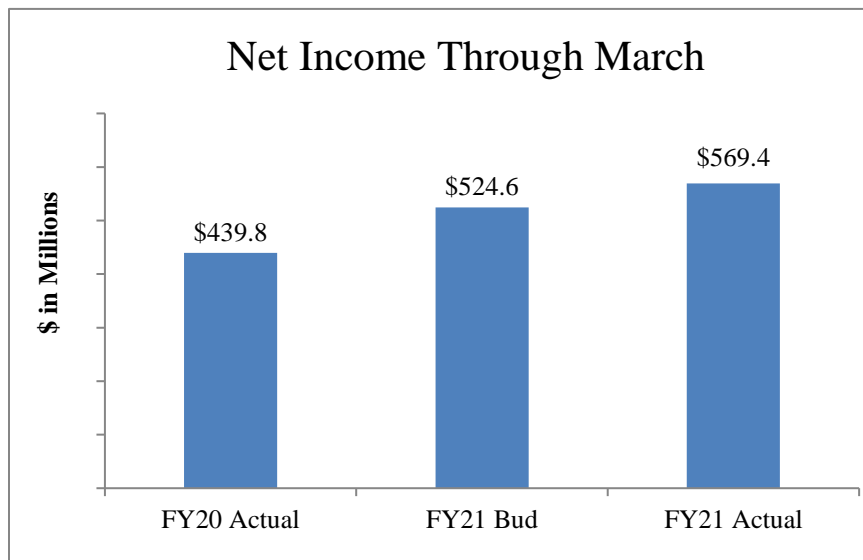
The overall prize expense rate (prizes as a percent of sales) for the year to date was 67.1%, higher than last year's rate of 61.0% because of higher payout percentages built into the iLottery offerings that are significant new additions to the product mix. The scratcher prize rate of 70.8% was higher than last year's rate of 70.4%. The daily games prize rate of 49.0% was higher than last year's rate of 47.0%; 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, and key incentive programs in place to support retailer sales and earnings, retailers earned \$14.9 million more in commissions and incentives than last year, for a total \$103.0 million in earnings. Overall, retailers earned 5.7% of Lottery retail sales in commissions and incentives for the year so far, slightly higher than the historical 5.6% rate.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 4.5% of sales, lower than last year's rate of 5.6%.

Net Income

Strong sales in daily games, and iLottery Instants games led to profits of \$569.4 million, an increase of \$129.6 million (29.5%) compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through the end of March, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$3,486,824. Also, unclaimed prizes totaling \$7,528,599 were transferred to the Literary Fund through March this year.

MEETINGS

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