

June 29, 2021

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

Re: May 2021 Lottery Results

Dear Governor Northam:

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

May sales totaled \$297.0 million, up \$89.9 million (43.4%) compared to the same month last year. May profits of \$70.9 million were \$9.7 million (15.9%) higher than May 2020. The strong sales and profits recorded in May 2021 continue to be supported by Virginia's overall strong economic position, as evidenced by significant sales gains for traditional lottery products sold at retail, as well as our successful introduction of iLottery online play at the beginning of FY21.

For the fiscal year to date, Lottery sales total \$2.983 billion, an increase of \$1.033 billion (53.0%) compared to the same period last year. Profits for FY21 through May total \$709.4 million, or \$163.6 million (30.0%) higher than last year. The Legislature's conference budget increased the expected Lottery transfers for FY21 by \$23.2 million, and on June 17th the final profit transfer of the year was initiated to meet the FY21 budget estimate of \$708.2 million to the Lottery Proceeds Fund. The difference between the estimated FY21 profits included in the enacted budget, and actual profits from FY21 sales activity, will be transferred to the Lottery Proceeds Fund after the statutorily required certification from the Auditor of Public Accounts no later than August 15, 2021. This residual transfer will be included in the revised budget for available Lottery Proceeds Fund transfers during the budget process this fall.

In addition, through the end of May the Lottery made debt setoff collection payments to the Department of Taxation totaling \$4,369,497. Additionally, unclaimed prizes totaling \$9,308,173 were transferred to the Literary Fund through May of this year.


As we approach the end to this fiscal year, I am proud of the successes that we have been able to achieve during a year of disruption to individuals, businesses and operations within our own agency: the most successful U.S. iLottery launch to date, a continued strong partnership with key retail

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businesses, and the responsible delivery of everyday wins to adult players across Virginia. As you know, all of our Lottery profits are constitutionally designated in support of Virginia's K-12 public schools, and we are very pleased to have posted significant record results throughout FY21 in support of a public priority we all share.

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

Sincerely yours,



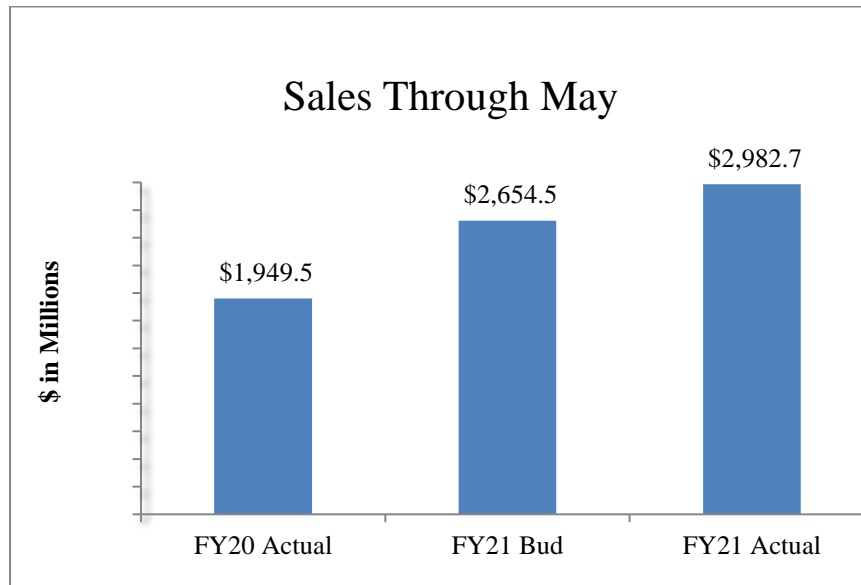
Kevin Hall

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 May 31, 2021

Sales

Lottery sales for the fiscal year totaled \$2.983 billion through May. This represents an increase of \$1.033 billion (53.0%) compared to the prior year. Scratcher sales of \$1.192 billion were \$131.6 million (12.4%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$742.1 million, an increase of \$119.0 million (19.1%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$258.3 million, an increase of \$70.2 million (37.3%) compared to last year. Sales of Print n' Play, KENO and iLottery Instants games totaled \$780.7 million, with \$681.1 million from the new iLottery offerings this year.



Expenses

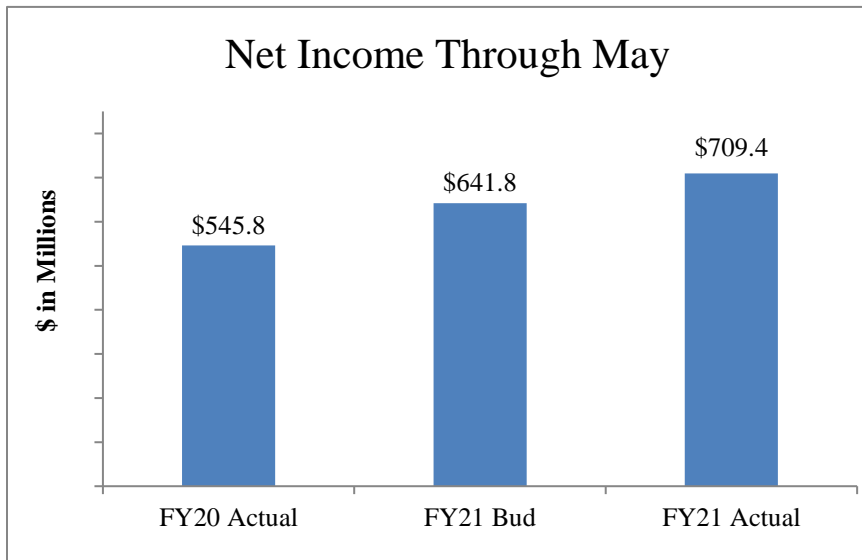
The overall prize expense rate (prizes as a percent of sales) for the year to date was 67.5%, higher than last year's rate of 61.1% because of higher designed prize rates for the iLottery offerings that are significant new additions to the product mix. The scratcher prize rate of 71.1% was higher than last year's rate of 70.3%, as players choose higher price tickets with higher payout rates. The daily games prize rate of 49.1% was higher than last year's rate of 47.9%; 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 \$18.7 million more in commissions and incentives than last year, for a total \$128.2 million in earnings. Overall, retailers earned 5.6% of Lottery retail sales in commissions and incentives in the month of May.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 4.4% of sales, lower than last year's rate of 5.4%.

Net Income

Strong sales in both retail products and iLottery Instantants led to profits of \$709.4 million, an increase of \$163.6 million (30.0%) compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through the end of May, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$4,369,497. Also, unclaimed prizes totaling \$9,308,173 were transferred to the Literary Fund through May this year.

MEETINGS

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