

August 31, 2021

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

Re: July 2021 Lottery Results

Dear Governor Northam:

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

July sales totaled \$302.4 million, up \$74.1 million (32.5%) compared to the same month last year. July profits of \$66.8 million were \$3.4 million (-4.8%) lower than July 2020. Lower profits are the direct result of higher prize expenses, particularly in the scratcher and daily games categories. Sales continue to be supported by strong retail sales at traditional Lottery-licensed retail outlets and through our online iLottery sales platform.

On August 13, 2021, the Auditor of Public Accounts certified the Lottery's FY21 profits at \$766,732,803. The Lottery previously had transferred \$699,449,757 in estimated FY21 profits to the Lottery Proceeds Fund as directed by the 2021 Appropriation Act, and the residual balance of \$67,283,046 was transferred to the Lottery Proceeds Fund following APA certification. This residual transfer will be included in the revised estimate for available Lottery Proceeds Fund transfers during the budget process this fall.

Finally, approximately 40% of our full-time personnel successfully resumed consumer-facing work activities under enhanced public health safety protocols in the summer and fall of 2020. The remainder of the workforce, most of whom are assigned to agency headquarters in Richmond who have been engaged in near 100% remote work since March 2020, began returning to their assigned work locations on July 6, 2021 to resume in-person work at least two days per week. Currently, we are implementing the vaccination and testing measures for state employees required in Executive Directive #18, and we intend for our workforce to continue working in a hybrid posture for the foreseeable future. We will continue to closely monitor the latest public health guidance from CDC, VDH and DHRM.

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

Sincerely yours,



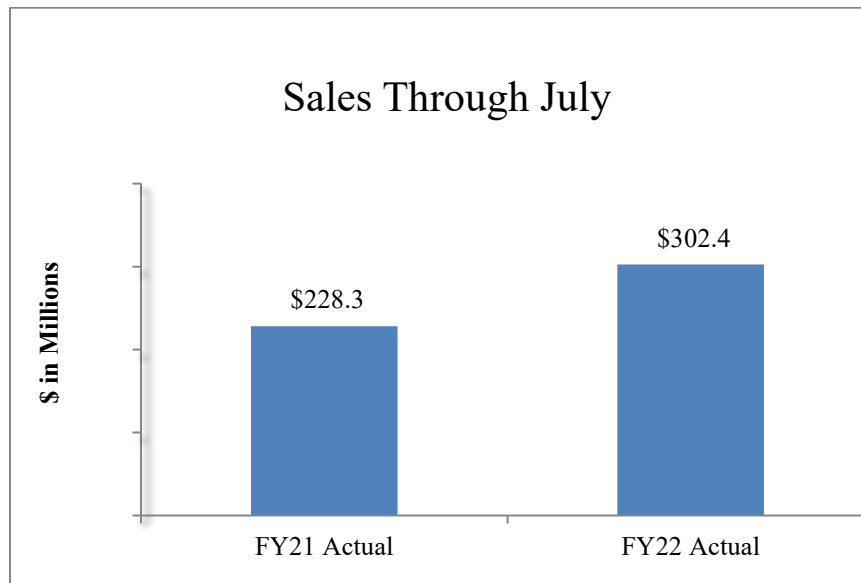
Kevin Hall

- 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 F. Joseph Flores, 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 July 31, 2021

Sales

Lottery sales for the fiscal year totaled \$302.4 million through July. This represents an increase of \$74.1 million (32.5%) compared to the prior year. Scratcher sales of \$114.1 million were \$9.9 million (9.6%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$66.4 million, a decrease of \$2.3 million (3.3%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$19.0 million, an increase of \$2.4 million (14.1%) compared to last year. Sales of Print n' Play, KENO and iLottery Instants games totaled \$102.8 million, with \$92.6 million from the new iLottery offerings this year.



Expenses

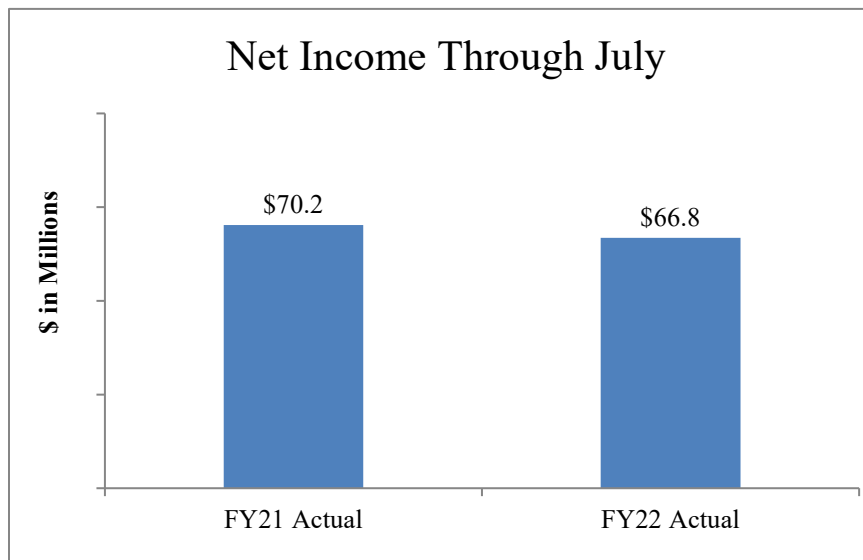
The overall prize expense rate (prizes as a percent of sales) for the year to date was 70.0%, higher than last year's rate of 60.5%, because the sales of iLottery offerings were a larger percentage of total monthly sales, and because of higher daily games prize payouts. The scratcher prize rate of 69.1% also was higher than last year's rate of 67.6%, as players choose higher price tickets with higher payout rates. The daily games prize rate of 51.1% was significantly higher than last year's rate of 37.7%; 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 \$1.0 million more in commissions and incentives than last year, for a total \$11.7 million in earnings. Overall, retailers earned 5.6% of Lottery retail sales in commissions and incentives in the month of July.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 4.0% of sales, very close to last year's rate of 4.1%.

Net Income

Strong sales in both retail products and iLottery Instant Games led to profits of \$66.8 million, a decrease of \$3.4 million (4.8%) compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through the end of July, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$324,749. Also, unclaimed prizes totaling \$883,899 were transferred to the Literary Fund through July this year.

MEETINGS

The Lottery Board will hold its next regular business meeting on October 27, 2021.