

January 28, 2021

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

**Re: December 2020 Lottery Results**

Dear Governor Northam:

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

December sales totaled \$275.5 million, up \$81.9 million (42.3%) compared to the same month last year. December profits of \$71.1 million were \$23.2 million (48.3%) higher than December 2019. The strong sales and profits continue to be supported by year-over-year incremental growth at retail as well as the successful introduction of iLottery online play in Virginia on the first day of FY21.

For the first six months of the fiscal year, Lottery sales totaled \$1.43 billion, an increase of \$388.4 million (37.2%) compared to the same period last year. Profits for the first half of FY21 totaled \$349.7 million, or \$60.5 million (20.9%) higher than last year – and, as you are aware, every dollar of lottery profit is constitutionally directed to K-12 public school programs. Compared to the updated forecast of sales and profits included in your introduced budget, sales are 1.6% ahead of forecast and profits are \$22.9 million (7.0%) ahead of forecast.


While this report covers activity through Dec. 31, I also will note that preliminary results for January point to a continuation of this very strong performance. On January 1, the Lottery announced the winning numbers in our popular New Year's Millionaire Raffle, with four top prize winners each winning \$1 million cash. January also reflected continued strong growth in iLottery online play, and traditional product sales at the retail counter increased due to high jackpots offered in the two national games. We anticipate the impacts of a strong January will help to ensure that the Lottery can meet its expected transfer obligations to the Lottery Proceeds Fund for FY2021, with any excess profits included in the FY2022 transfers to the Fund after the annual audit is complete next August.

January 28, 2021  
Page Two

Finally, the Lottery continues to move forward in implementing our new statutory responsibilities in expanded gaming. On Jan. 21, 2021, the Lottery began awarding mobile sports betting licenses to multiple competing sportsbook operators, and additional license awards are imminent. We are pleased that Virginia consumers who wish to wager on the Feb. 7 NFL Super Bowl -- the nation's preeminent sports wagering opportunity -- will be able to choose from among several competing, licensed and regulated sportsbooks. Additionally, the Department is scheduled to present initial regulations for the oversight of land-based casino gaming to the Lottery Board on Feb. 3, to be followed by Executive Branch review and enactment by the April 2021 statutory deadline.

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

Sincerely yours,



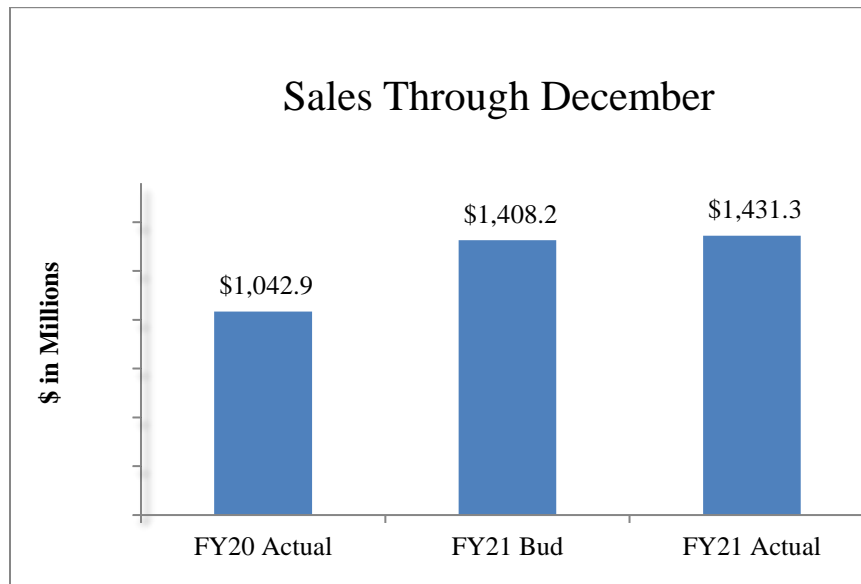
Kevin Hall

- 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 December 31, 2020**

Sales

Lottery sales for the fiscal year totaled \$1,431.3 million through December. This represents an increase of \$388.4 million (37.2%) compared to the prior year. Scratcher sales of \$612.7 million were \$41.5 million (7.3%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$398.2 million, an increase of \$69.8 million (21.2%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$104.2 million, a slight increase of \$.8 million (0.8%) compared to last year. Sales of Print n' Play, KENO and iLottery games totaled \$316.2 million, with \$285.5 million from the new KENO and iLottery offerings this year.



Expenses

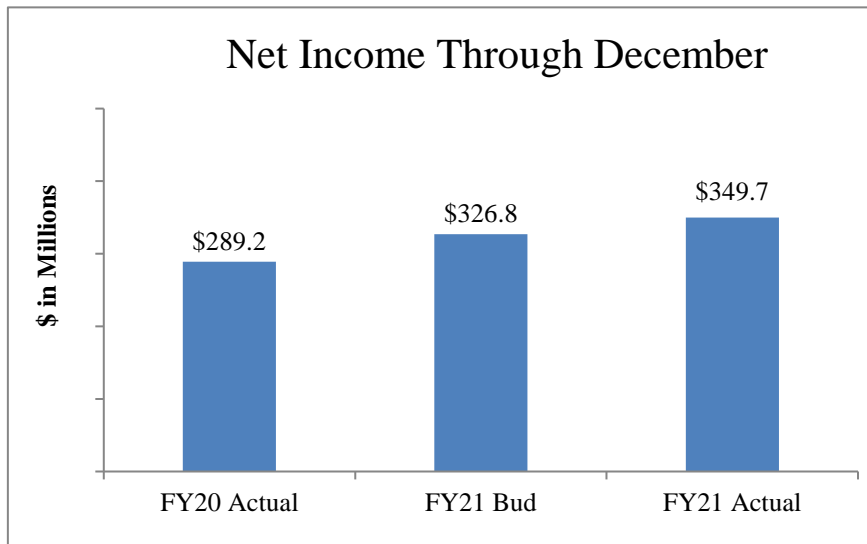
The overall prize expense rate (prizes as a percent of sales) for the year to date was 66.6%, significantly higher than last year's rate of 60.9% because of higher payout percentages for this year's introduced internet lottery games. The scratcher prize rate of 70.6% was slightly higher than last year's rate of 70.3% as players continue to choose higher price point tickets with higher prize payouts. The daily games prize rate of 49.7% was higher than last year's rate of 46.5%; 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 \$6.0 million more than last year, for a total \$64.6 million in earnings. Overall, retailers earned 5.5% 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 5.9%.

Net Income

Strong sales in daily games and iLottery games led to profits of \$349.7 million, an increase of \$60.5 million (20.9%) compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through the end of December, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$1,880,827. Also, unclaimed prizes totaling \$6,084,560 were transferred to the Literary Fund through December this year.

MEETINGS

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