



February 28, 2022

The Honorable Glenn Youngkin
Governor
Commonwealth of Virginia
Patrick Henry Building, 3rd floor
1111 E. Broad Street
Richmond, VA 23219

Re: January 2022 Lottery Results

Dear Governor Youngkin:

I am pleased to provide our report of monthly activities and financial update for the month of January 2022, as required in §58.1-4006 of the *Code of Virginia*.

January sales totaled \$306.8 million, down \$38.5 million (-11.2%) compared to the same month last year. January profits of \$63.7 million were \$28.5 million (-30.9%) lower than January 2021. The sales and profit declines compared to last January are primarily due to two factors: last January's Mega Millions jackpot roll to \$1 billion in 2021, and this January's winter storm impacts to retail activities. Compared to the revised forecast included in HB29 and SB29, the introduced budget, year-to-date sales are \$5.9 million (0.3%) higher and profits are \$20.6 million (4.5%) ahead of the forecast, primarily due to lower than expected prize and operating expenses.

Through the end of January, the Lottery has made debt setoff collection payments to the Department of Taxation totaling nearly \$3.3 million this fiscal year. Unclaimed prizes totaling over \$7.4 million have been transferred to the Literary Fund during the current fiscal year.

While sales and profits have been trending close to forecast, January's reduction of surplus profits earned in the first half of the fiscal year has resulted in a renewed focus to evaluate our product development and distribution execution. We continually monitor activities to ensure that goals are firmly in sight, making adjustments as needed to ensure our transfers to the Lottery Proceeds Fund in support of K-12 public education are reliable.

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I was proud to host you at Lottery headquarters earlier this month. The leadership team and I enjoyed discussing some of what makes the Virginia Lottery “best in class” and our ongoing review of business outcomes compared to other U.S. lotteries. We welcomed the opportunity to share our indisputable best in class iLottery performance, as well as our continued commitment to success with our land-based retail network. Our employees were particularly grateful for your parting words of congratulations and encouragement.

Also this month, Virginia garnered significant attention thanks to a winner in Prince William County, who received a Valentine’s Day gift from her husband in the form of the last available \$10 million top prize in our Extreme Millions scratcher game. This story has received national media coverage.

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

Respectfully,



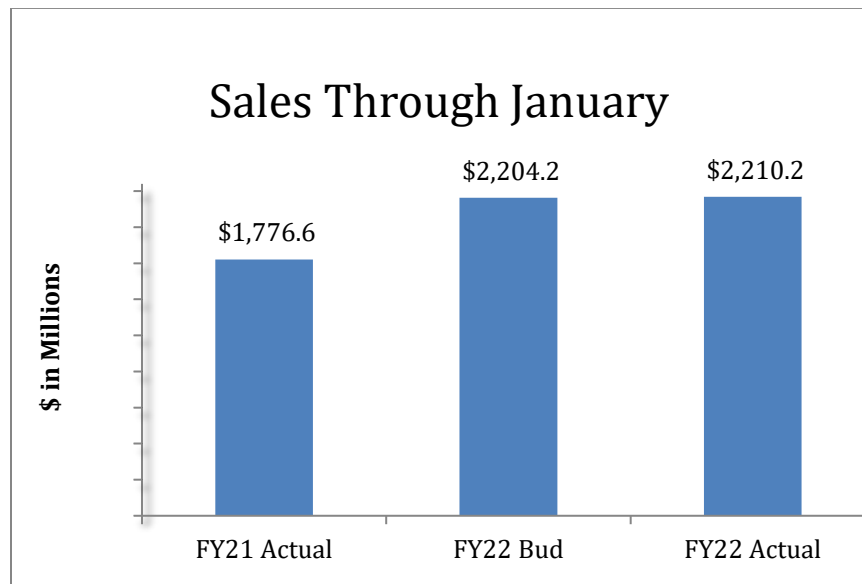
Kelly T. Gee

- c: The Honorable Janet D. Howell, Chairwoman, Senate Finance & Appropriations Committee
- The Honorable Barry D. Knight, Chairman, House Appropriations Committee
- The Honorable Roxann L. Robinson, Chairwoman, House Finance Committee
- The Honorable Jeff Goettman, Chief of Staff, Office of the Governor
- The Honorable Stephen E. Cummings, Secretary of Finance
- Jon Howe, Acting 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, 2022

Sales

Lottery sales for the fiscal year totaled \$2,210.2 million through January. This represents an increase of \$433.5 million (24.4%) compared to the prior year and \$5.9 million (0.3%) higher than forecast. Scratcher sales of \$815.0 million were \$91.7 million (12.7%) higher than last year and \$27.0 million (-3.2%) lower than the forecast. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$450.3 million, a decrease of \$12.8 million (-2.8%) from last year and \$12.9 million (-2.8%) lower than forecast. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$170.3 million, a decrease of \$7.1 million (-4.0%) compared to last year but \$12.0 million (7.6%) higher than forecast. Sales of Print n' Play, KENO, iLottery Instants and a new daily Cash Pop offering totaled \$774.6 million, \$361.7 million (87.6%) higher than last year and \$34.0 million (4.6%) ahead of forecast.



Expenses

The overall prize expense rate (prizes as a percent of sales) for the year to date was 70.5%, higher than last year's rate of 66.2% but lower than the forecasted rate of 70.7%. The increase in the prize expense rate is attributable to the higher percentage of total sales from iLottery games, which are designed to have higher prize payout rates. The scratcher prize rate of 71.5% was higher than last year's rate of 70.8%, and equal to the forecast rate, as players continue to choose higher price tickets with higher prize payout rates. The daily games prize rate of 48.6% was lower than last year's rate of 48.7% and lower than the forecasted rate of 51.2%. It is important to note that significant fluctuations in prize expense rates occur during the short

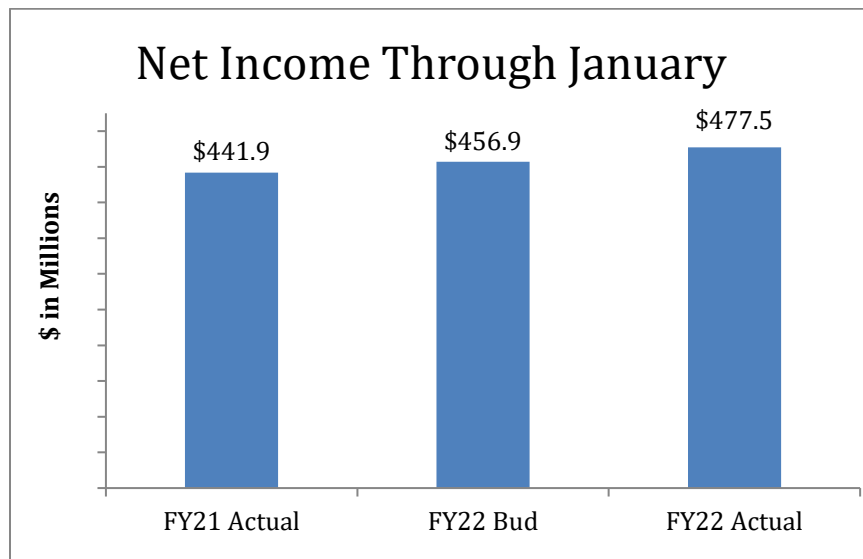
term, especially for games that have fixed prizes; however, overall long-term prize rates reflect outcomes more in line with statistical expectations.

With higher sales, and key incentive programs in place to support retailer sales and earnings, retailers earned \$4.5 million or nearly 6% more in commissions and incentives than last year, for a total \$84.1 million in earnings.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were 4.1% of sales, lower than last year's 4.5% rate and lower than the forecasted rate of 4.6%.

Net Income

Strong sales in both retail products and iLottery Instants led to profits of \$477.5 million, an increase of \$35.6 million (8.1%) compared to last year and \$20.6 million (4.5%) ahead of our forecast year to date.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

Through the end of January, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$3,268,619. Also, unclaimed prizes totaling \$7,446,694 were transferred to the Literary Fund through January this year.

MEETINGS

The next meeting of the Board will be on April 27, 2022, in Richmond.