

VIRGINIA LOTTERY
Operations Committee
December 3, 2025

The Virginia Lottery Board Operations Committee met on December 3, 2025, at 10:30 a.m. at Lottery Headquarters in Richmond, Va.

Members Present: Adam Tolbert, Chairman
Ferhan Hamid, Board Chairman
Jonathan Comer
Charles King
Scott Price

Staff Present: Khalid Jones, Executive Director
Amy Dilworth, General Counsel
Tony Russell, Deputy Executive Director of ITS and Operations
Tom Sawyer, Deputy Executive Director of Sales
Beth Smith, Director of Security
Bobby Stahler, Deputy Executive Director of Finance and
Administration
Jo Murphy, Executive Office Manager

Adam Tolbert, chairman, presided over the meeting, and Jo Murphy was the recording secretary.

Call To Order

Mr. Tolbert called the meeting to order.

Minutes

On motion duly made by Mr. Comer and seconded by Mr. Hamid, the committee recommended that the Board approve the minutes of the Operations Committee meeting held on September 18, 2025, as presented.

Operations Committee Charter Update

Mr. Tolbert said that the Operations Committee charter was updated to reflect the current membership and titles. Mr. Tolbert welcomed Mr. King to the committee.

On motion duly made by Mr. Price and seconded by Mr. Comer, the committee recommended that the Board approve the updated Operations Committee charter as discussed.

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Internal Audit Charter Update

Ms. Smith said that changes were made to the charter based on the organizational changes and a few minor wording changes that were based on changes in the new Global Internal Audit Standards.

Ms. Smith stated that Internal Audit has implemented and maintains a Quality Assurance and Improvement Program that is fully compliant with the Global Internal Audit Standards, which ensures continuous improvement and adherence to professional requirements. The program includes ongoing monitoring of audit activities and periodic internal assessments to ensure adherence to professional standards, consistency in audit execution and continuous improvement of processes. In addition, the program incorporates a self-assessment with independent validation every five years, as required, to provide independent validation of compliance and effectiveness.

Ms. Smith will present the update on previous audit findings at the next Operations Committee meeting.

On motion duly made by Mr. Hamid and seconded by Mr. Price, the committee recommended that the Board approve the updated Internal Audit Charter, as discussed.

Sales Update

Mr. Jones provided update on scratch sales. He said that sales are slightly ahead of last year at this time, and profits are up approximately 1%. His update covered the time from FY16 through FY25 and included total sales, scratch sales, grocery versus convenience sales, and jackpot-game sales.

Mr. Jones provided an update on Mega Millions. He also provided a recap of the April 2025 changes to the game: the ticket price increased from \$2 to \$5, the odds slightly improved, and there is an automatic multiplier included on each ticket purchased. Since the game changed, the jackpot has been hit four times. Mr. Jones shared month-over-month sales and showed the \$5 game roll analysis. He said that we are continuing to monitor the effects of the changes to the game.

Mr. Jones said that he was recently elected as Lead Director of Mega Millions. A Virginia Lottery representative has held this role in the past. He said that it is an important role because we can take the lead in assessing the game, recommending changes and leading the charge.

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Mr. Hamid asked Mr. Sawyer for his opinion on scratch sales. Mr. Sawyer said that scratchers have been struggling in recent years. He said that there is not one answer to the problem. It will take a combination of things to turn it around, and discussions are ongoing with Marketing. Mr. Sawyer said sales are down likely due to increased competition at retail.

Mr. Jones provided an overview of the Lottery's retailer compensation structure: 5% sales commission, 1% cashing bonus and incentive programs. He said that overall earning rate of 5.7% in 2025 is up from 5% in 1988.

He shared results of a recent retailer incentive program called Basics to Boosters. Retailers earned \$980,000 in FY26 Q1 via that retailer incentive program. Mr. Jones said that retailers cashed over \$1.1 billion in winning tickets for players in FY25 and earned over \$11.7 million in cashing bonuses. He said that 100% of Pick 3 base prizes can be redeemed at retail. Scratch prizes redeemed at retail are often used to play again, which can create more sales commissions for retailers.

Social Establishment/New Retailers Expansion

Mr. Sawyer provided an update on the strategy and progress regarding on-premise Lottery sales through social establishments. He outlined past challenges, recent developments and future goals for expanding the Lottery's retail presence in these venues.

Mr. Sawyer said that on-premise sales refer to food and beverages sold and consumed within social venues as opposed to off-premise sales in which items are consumed elsewhere. Lottery purchases follow the on-premise model by aiming to encourage players to stay and play on-site. The strategy to recruit on-premise accounts began with the 2019 MobilePlay launch, which was discontinued in 2020 due to online-sales approval. The discontinuation caused the loss of initial accounts. Keno was introduced in 2020 to try to retain these accounts, but COVID-19 disruptions hampered progress.

Mr. Sawyer said that on-premise accounts faced slow reopening, staff shortages and a shift to delivery and pickup, which complicated recruitment. Early 2024 insights showed growing interest in a Lottery retail presence but a preference for selling draw-only products to avoid bulky equipment and inventory. Traditional sales reps were not well-suited for this specialized recruitment, which prompted the hiring of staff with relevant trade experience.

Mr. Sawyer said that, since early 2025, a dedicated on-premise sales team has been formed and includes a sales manager and consultants covering eastern Virginia, where most on-premise accounts are located. The team has actively engaged hundreds of potential accounts including national chains and increased participating retailers from 34 to 63. More than 30 more are in the licensing process. The fiscal year goal is to reach 100 on-premise accounts selling Lottery

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products. Mr. Sawyer said that the objective is to establish at least 1,000 on-premise accounts by 2030 and expand the team into western Virginia as the retailer base grows. Additionally, Walgreens plans to add Lottery sales to approximately 185 stores statewide within the next year and a half.

Mr. Tolbert said that he agreed with Mr. Jones' earlier suggestion that any interested Board members participate in a ride along with a Lottery sales representative in 2026.

Legislative Update

Mr. Jones said that nothing has been prefiled at this time.

Public Comment

None.

Next Meeting

Mr. Tolbert said that the next committee meeting will be held on a date to be determined by the committee members.

Mr. Hamid asked Mr. Stahler how long he has worked at the Lottery. Mr. Stahler said that he has worked at the Lottery for almost nine years and has held various positions.

Mr. Tolbert thanked the support staff for doing a great job in preparing for the committee meetings as well as the full Board meetings.

Adjournment

There being no further business to come before the committee, the Board chairman declared the meeting adjourned.

Khalid R. Jones, Secretary

Adam Tolbert, Chairman