

June 1, 2009

The Honorable Timothy M. Kaine  
Governor  
Commonwealth of Virginia  
Patrick Henry Building, 3<sup>rd</sup> floor  
Richmond, VA 23219

RE: April 2009 Lottery Results

Dear Governor Kaine:

I am pleased to provide our report of monthly activities and financial update for the month of April 2009, as required in §58.1-4006 of the *Code of Virginia*.

Sales for the month of April totaled \$116.6 million, for year to date sales of \$1,137.1 million, down \$17.8 million (-1.5 %) compared to the same period last year, and \$20.0 million (-1.7%) behind forecast. April net income totaled \$37.3 million, for year to date earnings of \$367.8 million, down \$14.4 million (-3.8 %) compared to the same period last year but \$9.0 million (+2.5%) ahead of the forecasted net income. The prize expense rate (prizes as a percentage of sales) was 57.2% for the current year to date, the same as last year but 0.8% less than the forecast prize rate of 58.0%.

For the current fiscal year, both sales and profits are down when compared to the prior year. However, declining profits were forecast for the current fiscal year, and year to date net income of \$367.8 million is slightly ahead of the forecast. The Lottery remains committed to working diligently to meet our revenue goals while operating in the most efficient manner practical, a commitment even more important in this challenging revenue climate.

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

Very truly yours,

Paula I. Otto

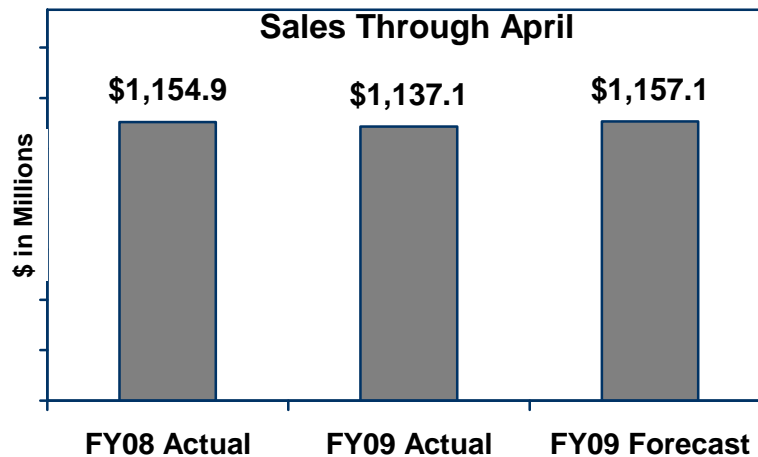
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- The Honorable Charles J. Colgan, Chairman – Senate Finance Committee
  - The Honorable Lacey E. Putney, Chairman – House Appropriations Committee
  - The Honorable Harry R. Purkey, Chairman – House Finance Committee
  - The Honorable Wayne M. Turnage, Chief of Staff – Office of the Governor
  - The Honorable Richard D. Brown, Secretary of Finance
  - Daniel S. Timberlake, Director – Department of Planning & Budget
  - David A. Von Moll, State Comptroller
  - Elizabeth B. Daley, Staff Director – Senate Finance Committee
  - Robert P. Vaughn, Staff Director – House Appropriations Committee

**VIRGINIA LOTTERY**  
**Report to the Governor and**  
**Selected Members of**  
**the General Assembly**  
**June 1, 2009**

Sales

Lottery sales for the fiscal year totaled \$1,137.1 million through April, which was \$17.8 million (-1.5 %) less than the prior year and \$20.0 million (-1.7%) less than forecast.

Scratcher sales of \$573.2 million were \$4.0 million (-0.7%) lower than last year and \$9.8 million (-1.7 %) less than forecast. Sales of daily games (Pick 3, Pick 4, and Cash 5) declined \$4.1 (-1.1 %) from last year and were \$22.3 million (-5.4 %) less than forecast. Sales of the jackpot games, Mega Millions and Win for Life, declined \$8.8 million (-5.2%) from last year due to lower advertised jackpots, but were \$18.5 million (+12.9%) more than forecast. Sales of Fast Play games were \$0.9 million (-14.9%) lower than last year and \$4.7 million (-47.5%) less than forecast.



Expenses

The overall prize expense rate (prizes as a percent of sales) through April was 57.2%, which was the same as last year. The scratcher prize rate decreased 0.1% to 67.1 %, and stands slightly lower than the expected rate for the current year; the daily games prize rate of 45.9% was up slightly from last year, and lower than the 48.3% forecast at this point in the year. Low daily games prize payouts for two consecutive years have negatively affected sales of these products, a category that represents one third of total lottery sales. Jackpot prize expense was 49.3%, lower than last year's 50.0% and slightly lower than the forecast rate of 49.4% for the current year.

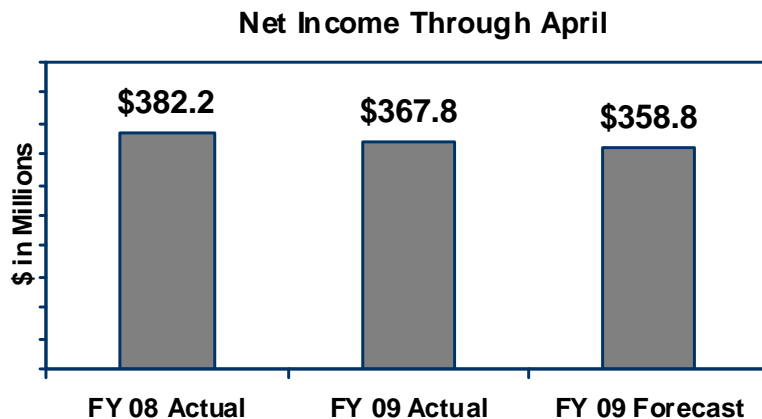
With lower sales, retailers have earned \$911,000 less than last year, for a total \$63.6 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives

this fiscal year, the same as last year's retailer compensation rate and about 0.1% less than the 5.7% forecast retailer compensation rate for the current fiscal year.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$1.2 million more than during the same period last year but \$6.0 million less than forecast. This increase was anticipated because of the full implementation of the new gaming system contract, initiated in 2007. Administrative operating costs represent 5.3% of sales, well less than the statutory allowance of 10% and less than the 5.7% rate included in the forecast.

#### Net Income

Through April 2009, year to date profits totaled \$367.8 million, a decline of \$14.4 million (-3.8 %) compared to last year. Declining profits were forecast for the current fiscal year, but profits are slightly ahead (+2.5%) of the expected \$358.8 million forecast for the first ten months.



#### CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2009 fiscal year to date, the Lottery made payments to the Department of Taxation totaling \$982,504. Also, unclaimed prizes totaling \$11,550,759 were transferred to the Literary Fund for the first ten months of fiscal year 2009.

#### MEETINGS

The State Lottery Board held a regular business meeting in Richmond on May 13, 2009. The next meeting of the Board is scheduled for August 19, 2009, in Norfolk.