

August 23, 2011

The Honorable Robert F. McDonnell
Governor
Commonwealth of Virginia
Patrick Henry Building, 3rd floor
Richmond, Virginia 23219

Re: June 2011 Lottery Results

Dear Governor McDonnell:

I am pleased to provide our report of monthly activities and financial update for the month of June 2011, as required in §58.1-4006 of the *Code of Virginia*.

Sales for the month of June totaled \$116.4 million, down \$1.5 million (-1.3%) compared to the same month last year. Year to date sales totaled \$1,482.7 million, an increase of \$47.6 million (+3.3%) from last year and a new Lottery sales record. Net income transferred to the Lottery Proceeds Fund for the fiscal year through June totaled \$435.2 million, an increase of \$5.0 million (+1.2%) compared to last year, and represents the expected transfers into the Fund as specified in the Appropriations Act. The Lottery awarded \$881.0 million in prizes to players this year, a new Lottery record and a positive contributor to strong sales.

While the Lottery completed the final fiscal year transfer to the Lottery Proceeds Fund on June 17, 2011 to the Lottery Proceeds Fund, total Lottery profits for the 2011 fiscal year were \$444.2 million. As required by statute, this amount has been certified by the Auditor of Public Accounts, and the \$9.0 million in residual profits was transferred to the Lottery Proceeds Fund on August 18, 2011.

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

Very truly yours,

Paula I. Otto

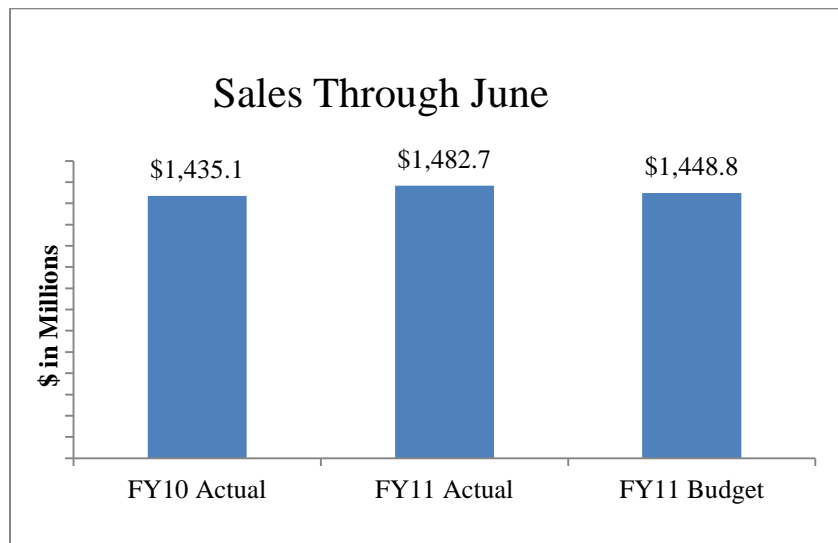
c: The Honorable Charles J. Colgan, Chairman, Senate Finance Committee
The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
The Honorable Harry R. Purkey, Chairman, House Finance Committee
The Honorable Martin Kent, Chief of Staff, Office of the Governor
The Honorable Richard D. Brown, 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
August 23, 2011

Sales

Lottery sales for the fiscal year established a new record, totaling \$1,482.7 million for the year ending June 30, 2011. This represents an increase of \$47.6 million (+3.3%) compared to the prior year and an increase of \$33.9 million (+2.3%) compared to forecast.

Scratcher sales of \$756.8 million were \$45.7 million (+6.4%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) increased \$3.2 million (+0.7%) from last year. Sales in our jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) experienced a slight decrease of \$3.3 million (-1.4%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$2.0 million (+29.5%) higher than last year.



Expenses

The overall prize expense rate (prizes as a percent of sales) through June was 59.4%, the same as last year's rate of 59.4% and 0.3% higher than the expected rate of 59.1%. The scratcher prize rate of 68.3% was up compared to last year's rate of 68.1%. Jackpot prize expense was 50.4%, up from last year's rate of 49.6%.

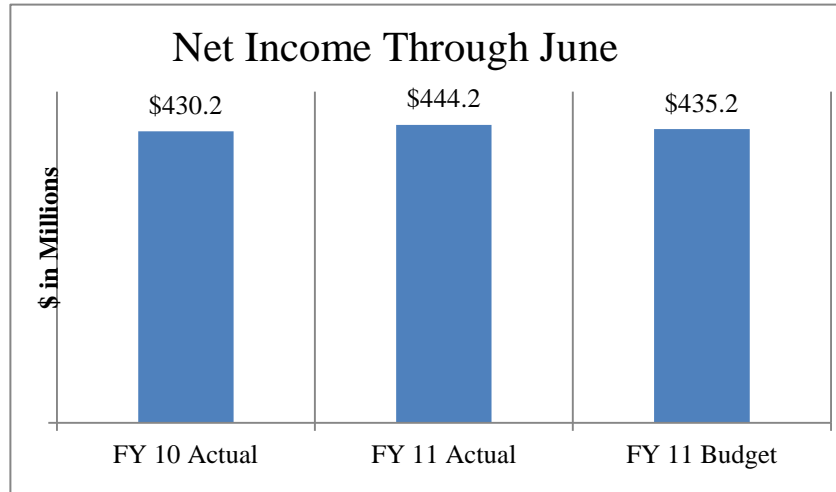
With higher sales, retailers earned \$3.4 million more than last year and also established a new Lottery record, for a total \$83.8 million in earnings. Overall, retailers earned nearly 5.7% of Lottery sales in commissions and incentives for the fiscal year.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$1.1 million more than the same period last year. Administrative spending ended the fiscal year at 5.1% of sales, the same overall rate as last fiscal year. The increase

in administrative spending dollars was primarily because of increased sales and the associated increased contractual vendor fees.

Net Income

Through June 2011, year to date profits totaled \$444.2 million, an increase of \$14.0 million (+3.2 %) compared to last year and \$9.0 million (+2.0%) more than forecast for the year. \$435.2 million of the fiscal year 2011 profits were transferred to the Lottery Proceeds Fund during the 2011 fiscal year; the remaining \$9.0 million in profits were transferred in August 2011 and will be budgeted and accounted for during the 2012 fiscal year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2011 fiscal year, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$1,475,916. Also, unclaimed prizes totaling \$10,852,335 were transferred to the Literary Fund for fiscal year 2011.

MEETINGS

The next Board meeting will be held on September 14, 2011, in Richmond.