

August 24, 2011

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

Re: July 2011 Lottery Results

Dear Governor McDonnell:

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

Sales for the month of July totaled \$118.1 million, up \$316,000 (+0.3%) compared to the same month last year. Net income for the first month of the fiscal year totaled \$38.4 million, an increase of \$1.4 million (+3.8%) compared to last year. Virginia started the year off with a great win, a July 1, 2011, Mega Millions \$107 million jackpot winner in Northern Virginia.

As always, the Lottery will participate in the statewide revenue forecasting process this fall, to determine whether an adjustment to the current \$435.9 million revenue estimate is warranted.

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

Very truly yours,

Paula I. Otto

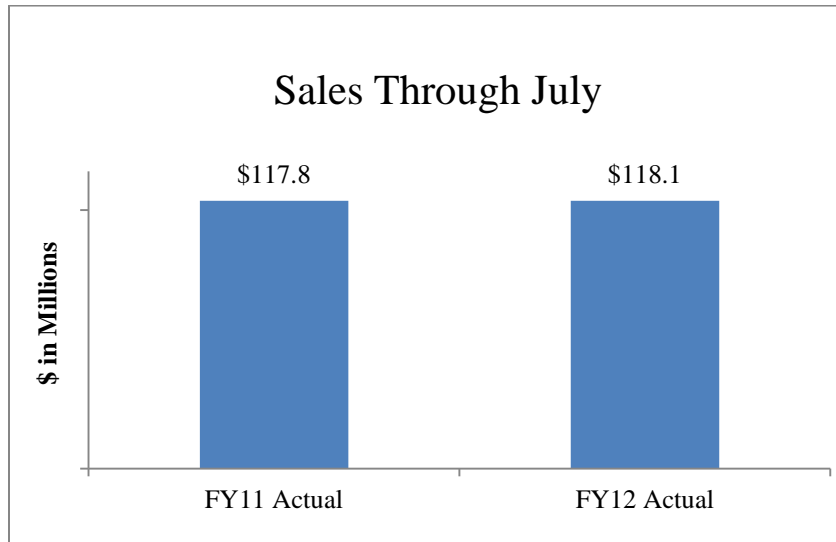
- c: The Honorable Charles J. Colgan, Chairman, Senate Finance Committee
- The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
- The Honorable Harry R. Purkey, Chairman, House Finance Committee
- The Honorable Martin Kent, Chief of Staff, Office of the Governor
- The Honorable Richard 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 24, 2011

Sales

Lottery sales for the fiscal year are \$118.1 million through July. This represents an increase of \$316,000 (+0.3%) compared to the prior year.

Scratcher sales of \$60.5 million were \$324,400 (+0.5%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) decreased \$1.1 million (-2.8%) from last year. Sales in our jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) experienced a slight increase of \$737,000 (4.4%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$399,000 (+74.9%) higher than last year.



Expenses

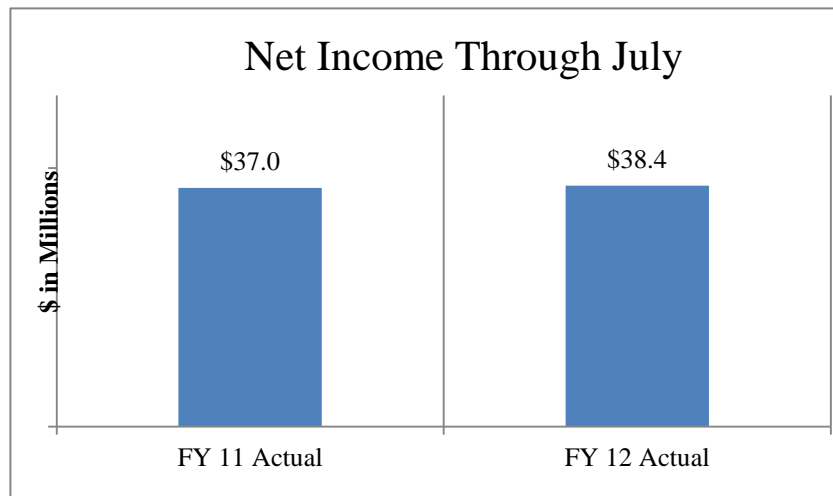
The overall prize expense rate (prizes as a percent of sales) through July was 58.7%, up 0.5% from last year's rate of 58.2%. The scratcher prize rate of 68.3% was down compared to last year's rate of 68.9%. The daily game prize rate of 48.4% (Pick 3, Pick 4 and Cash 5) was up compared to last year's rate of 45.5%. Jackpot prize expense was 48.4%, down from last year's rate of 50.8%. It is important to note that significant fluctuations in prize expense rates occur during the short term; however, overall long-term prize rates reflect outcomes more in line with statistical expectations.

With higher sales, retailers earned \$260,000 more than last year, for a total \$6.7 million in earnings. Overall, retailers earned 5.7% of Lottery sales in commissions and incentives so far this fiscal year.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$2.1 million less than the same period last year. Administrative spending stands at 3.2% of sales for the year so far, an exceptionally low rate. The decrease is primarily because of less advertising in the first month of fiscal year 2012 compared to fiscal year 2011, as well as some timing adjustments of expenditure recognition. We expect FY12 administrative costs to be similar to last years – about 5.5%.

Net Income

Through July 2011, year to date profits totaled \$38.4 million, an increase of \$1.4 million (+3.8 %) compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2012 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$117,665. Also, unclaimed prizes totaling \$802,997 were transferred to the Literary Fund for the first month of fiscal year 2012.

MEETINGS

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