

September 27, 2011

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

**Re: August 2011 Lottery Results**

Dear Governor McDonnell:

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

Sales for the month of August totaled \$122.0 million, up \$7.0 million (+6.1%) compared to the same month last year. Lottery sales for the fiscal year through August totaled \$240.2 million, up \$7.3 million (+3.1%) compared to last year. Net income for the first two months of the fiscal year totaled \$78.8 million, an increase of \$2.9 million (+3.8%) compared to last year. Scratch and Pick 4 sales were strong through the first two months of the fiscal year.

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

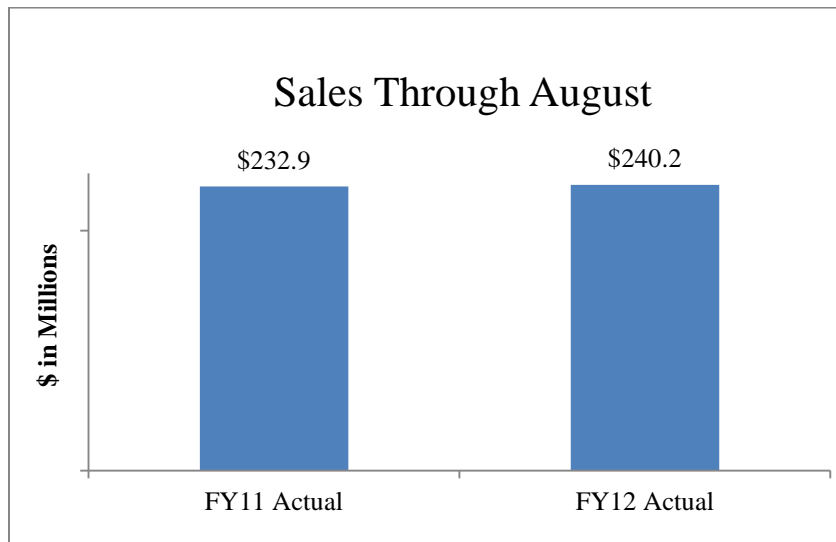
- c: The Honorable Charles J. Colgan, Chairman, Senate Finance Committee
- The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
- The Honorable Harry R. Purkey, Chairman, House Finance Committee
- The Honorable Martin Kent, Chief of Staff, Office of the Governor
- The Honorable Richard 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**  
**September 27, 2011**

Sales

Lottery sales for the fiscal year are \$240.2 million through August. This represents an increase of \$7.3 million (+3.1%) compared to the prior year.

Scratcher sales of \$124.6 million were \$6.3 million (+5.3%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) decreased \$1.0 million (-1.3%) from last year. Sales in our jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) experienced a slight increase of \$1.3 million (3.6%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$771,000 (+73.6%) higher than last year.



Expenses

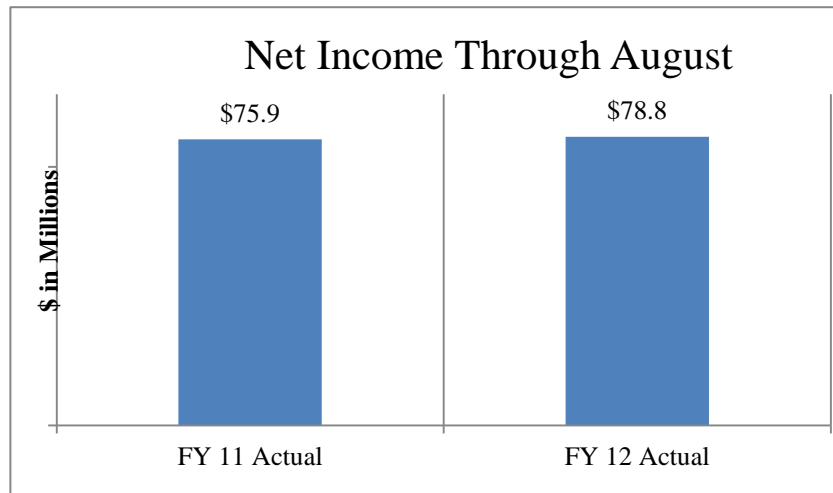
The overall prize expense rate (prizes as a percent of sales) through August was 58.0%, up 1.3% from last year's rate of 56.7%. The scratcher prize rate of 67.3% was up compared to last year's rate of 66.9%. The daily game prize rate of 48.0% (Pick 3, Pick 4 and Cash 5) was up compared to last year's low rate of 44.1%. Jackpot prize expense was 47.6%, down from last year's rate of 50.3%. 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 \$419,000 more than last year, for a total \$13.6 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 \$3.4 million less than the same period last year. Administrative spending stands at 3.6% of sales for the year so far, an exceptionally low rate. The decrease is primarily because of accounting adjustments for the timing of expenditure recognition, but also reflects less advertising expenses in the first two months of fiscal year 2012 compared to fiscal year 2011. We expect fiscal year 2012 administrative costs to be similar to last years – about 5.5%, and well less than the 10% allowed by statute.

### Net Income

Through August 2011, year to date profits totaled \$78.8 million, an increase of \$2.9 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 \$229,892. Also, unclaimed prizes totaling \$1,535,776 were transferred to the Literary Fund for the first two months of fiscal year 2012.

### MEETINGS

The State Lottery Board held a routine business meeting on September 14, 2011. The next Board meeting will be held on November 2, 2011, in Richmond.