

February 23, 2011

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

**Re: January 2011 Lottery Results**

Dear Governor McDonnell:

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

Sales for the month of January totaled \$132.1 million, up \$13.0 million (+11.0 %) compared to the same month last year. Year to date sales totaled \$851.9 million, an increase of \$25.3 million (+3.0%) from last year. Net income for the fiscal year through January totaled \$249.4 million, a decrease of \$3.5 million (-1.4%) compared to last year, and \$1.0 million (-0.4%) below forecast. The decline in net income, in spite of the increase in sales, is due primarily to higher prize expenses in the current fiscal year. The Lottery has awarded record prizes (\$511.4 million) to players this year.

As part of the statewide revenue forecasting process, the Lottery maintained its revenue estimate at \$435.2 million for fiscal year 2011. Maintaining the profit estimate was possible because of budget reduction strategies implemented by the Lottery, and outlined in your Executive Budget.

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

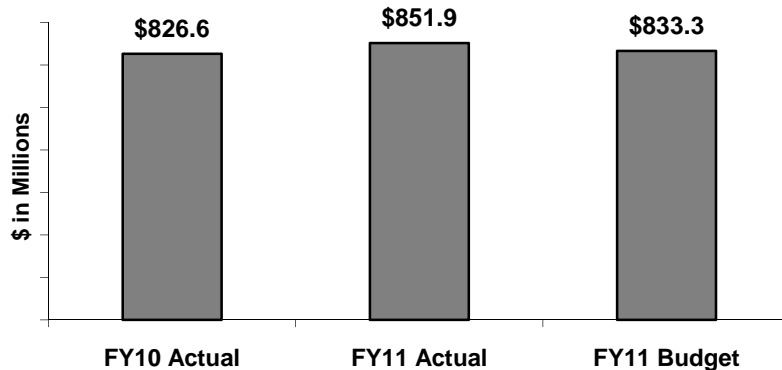
**VIRGINIA LOTTERY**  
**Report to the Governor and**  
**Selected Members of**  
**the General Assembly**  
**February 23, 2011**

Sales

Lottery sales for the fiscal year totaled \$851.9 million through January, which was \$25.3 million (+3.0%) more than the prior year and \$18.6 million (+2.2%) ahead of forecast.

Scratcher sales of \$429.4 million were \$23.0 million (+5.7%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) increased \$6.1 million (+2.2%) from last year. Sales of the jackpot games (Mega Millions, Powerball, and Win for Life) decreased \$3.4 million (-2.5%) from last year. Mega Millions had a jackpot run that ended with a \$380 million jackpot on January 4, 2011. The sales from this jackpot helped offset the shortfall in sales compared to last year. Sales in the jackpot product category are highly influenced by the size of the advertised jackpot. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$399,000 (-9.8%) lower than last year.

**Sales Through January**



Expenses

The overall prize expense rate (prizes as a percent of sales) through January was 60.0%, up 1.4% from last year's rate of 58.6% and 0.8 % higher than the expected rate of 59.2%. The scratcher prize rate of 68.3% was up compared to last year's rate of 67.3%. The daily games prize rate of 51.2% was up from last year's 50.2% rate. Jackpot prize expense was 52.4%, up 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.

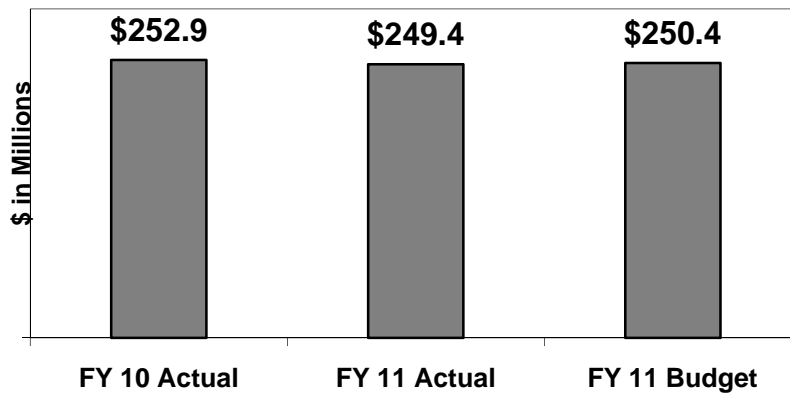
With higher sales, retailers earned \$1.6 million more than last year, for a total \$47.8 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives so far this fiscal year.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$42,000 more than the same period last year. The increase is due primarily to the higher sales and associated contract expenses. Administrative spending stands at 5.2% of sales for the year so far.

#### Net Income

Through January 2011, year to date profits totaled \$249.4 million, a decrease of \$3.5 million (-1.4%) compared to last year and \$1.0 million (-0.4%) below forecast.

#### **Net Income Through January**



#### CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2011 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$735,790. Also, unclaimed prizes totaling \$6,677,226 were transferred to the Literary Fund for the first seven months of fiscal year 2011.

#### MEETINGS

The State Lottery Board will hold their next meeting on March 9, 2011, in Richmond.