

August 23, 2012

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

Re: July 2012 Lottery Results

Dear Governor McDonnell:

I am pleased to provide our report of monthly activities and financial update for the month of July 2012, as required in §58.1-4006 of the *Code of Virginia*.

July sales totaled \$122.3 million, up \$4.2 million (+3.5%) compared to the same month last year. Net income for the first month totaled \$40.9 million, an increase of \$2.5 million (+6.6%) compared to last year. Scratcher tickets, in particular, continue to experience strong sales growth into the new fiscal year.

As always, the Lottery will participate in the statewide revenue forecasting process this fall, to determine whether an adjustment to the current \$457.3 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

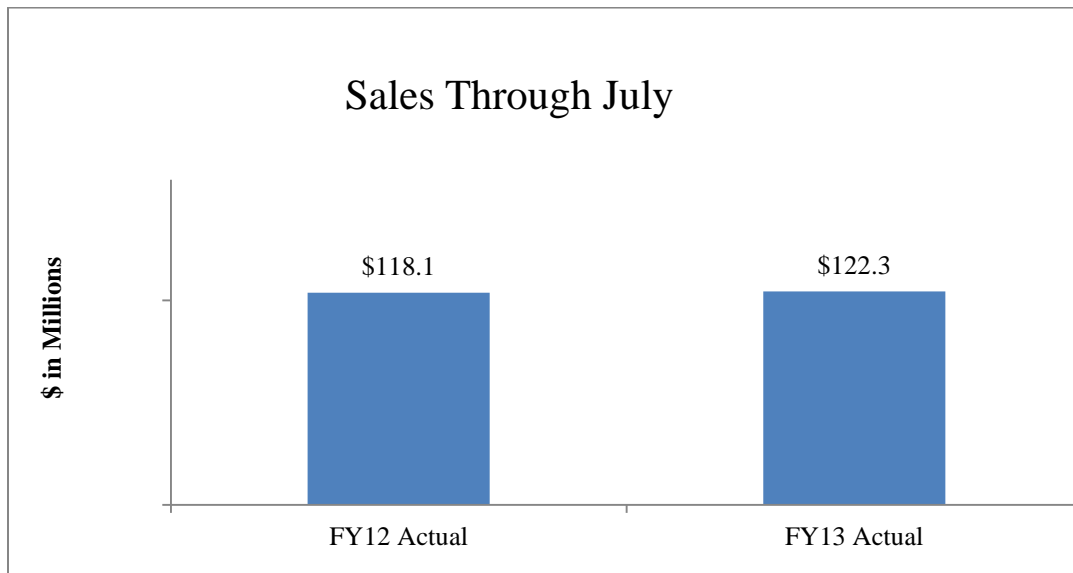
c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee
The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
The Honorable Harry R. Purkey, Chairman, House Finance Committee
The Honorable Martin Kent, Chief of Staff, Office of the Governor
The Honorable Richard D. Brown, 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
Albert H. Poole, Chairman, Virginia Lottery Board

VIRGINIA LOTTERY
Report to the Governor and
Selected Members of
the General Assembly
August 23, 2012

Sales

Lottery sales for the fiscal year totaled \$122.3 million through July. This represents an increase of \$4.2 million (+3.5%) compared to the prior year.

Scratcher sales of \$65.4 million were \$4.9 million (+8.1%) higher than last year, accounting for most of the overall sales increase. Sales of daily games (Pick 3, Pick 4, and Cash 5) decreased slightly, down \$194,000 (-0.5%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) decreased \$662,000 (-3.8%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$95,000 (+10.1%) higher than last year.



Expenses

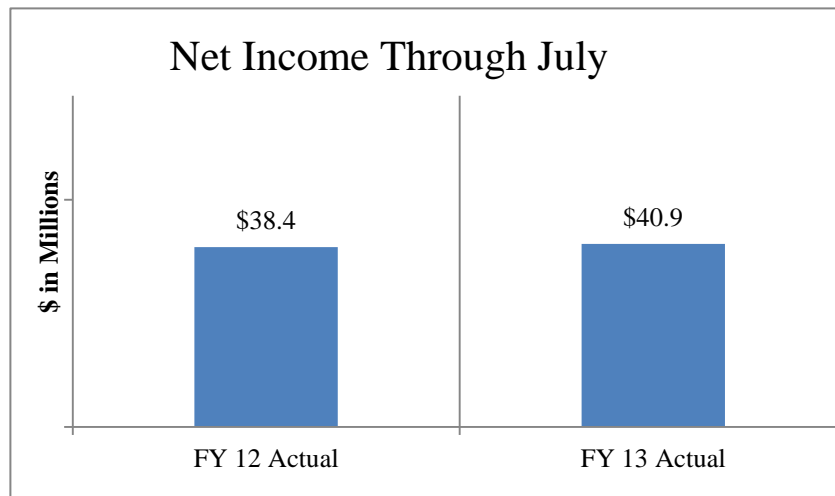
The overall prize expense rate (prizes as a percent of sales) through July was 55.9%, lower than last year's rate of 58.7%. The scratcher prize rate of 68.4% was slightly higher than last year's rate of 68.3%. The daily games prize rate of 37.4% was significantly lower than last year's rate of 48.4%. The jackpot games prize expense rate was 49.6%, slightly higher than last year's rate of 48.4%. It is important to note that significant fluctuations in prize expense rates occur during the short term, especially for daily games that have fixed prizes; however, overall long-term prize rates reflect outcomes more in line with statistical expectations.

With higher sales, retailers earned \$69,000 more than last year, for a total \$6.8 million in earnings. Overall, retailers earned 5.5% of Lottery sales in commissions and incentives so far this fiscal year.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$2.6 million more than the same period last year. Administrative spending stands at 5.2% of sales for the year so far. The increase is primarily because the timing of advertising campaigns this year compared to last year.

Net Income

Through July 2012, year to date profits totaled \$40.9 million, an increase of \$2.5 million (+6.6%) 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 \$72,972. Also, unclaimed prizes totaling \$734,800 were transferred to the Literary Fund for the first month of fiscal year 2012.

MEETINGS

The Lottery Board held a regular business meeting on August 8, 2012, in Richmond. The next meeting of the Board will be October 31, 2012.