

September 20, 2012

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

**Re: August 2012 Lottery Results**

Dear Governor McDonnell:

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

August sales totaled \$137.8 million, up \$15.7 million (+12.9%) compared to the same month last year. Lottery sales for the fiscal year through August totaled \$260.1 million, up \$19.9 million (8.3%) compared to last year. Net income for the first two months totaled \$83.4 million, an increase of \$4.6 million (+5.9%) compared to last year. Scratcher and Powerball 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 \$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

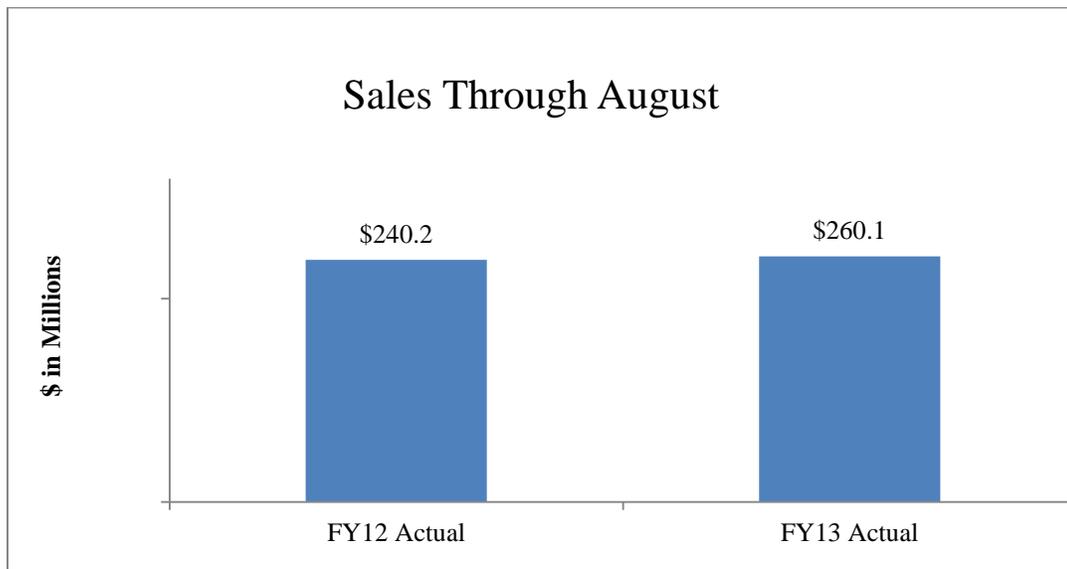
c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee  
The Honorable Lacey E. Putney, Chairman, House Appropriations Committee  
The Honorable Harry R. Purkey, Chairman, House Finance Committee  
The Honorable Martin Kent, Chief of Staff, Office of the Governor  
The Honorable Richard 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**  
**September 20, 2012**

Sales

Lottery sales for the fiscal year totaled \$260.1 million through August. This represents an increase of \$19.9 million (+8.3%) compared to the prior year.

Scratcher sales of \$135.9 million were \$11.3 million (+9.1%) higher than last year, accounting for most of the overall sales increase. Sales of daily games (Pick 3, Pick 4, and Cash 5) increased slightly, up \$2.5 million (3.3%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) increased \$5.8 million (15.9%) compared to last year. Powerball reached near record jackpot levels in August with an advertised \$337 million jackpot. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$285,000 (+15.7%) higher than last year.



Expenses

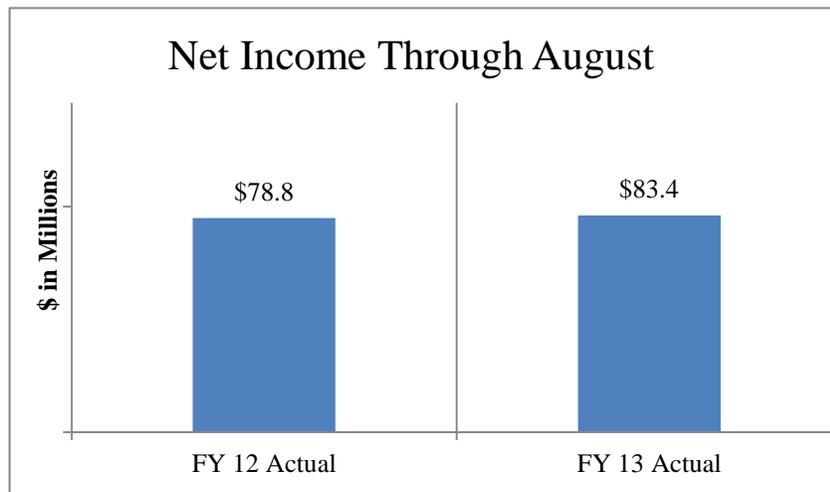
The overall prize expense rate (prizes as a percent of sales) through August was 57.6%, lower than last year's rate of 58.0%. The scratcher prize rate of 66.7% was lower than last year's rate of 67.3%. The daily games prize rate of 45.8% was lower than last year's rate of 48.0%. The jackpot games prize expense rate was 50.4%, higher than last year's rate of 47.6%. 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 \$761,000 more than last year, for a total \$14.3 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 \$4.1 million more than the same period last year. Administrative spending stands at 4.9% of sales for the year so far. The increase is primarily due to the timing of advertising campaigns this year compared to last year.

### Net Income

Through August 2012, year to date profits totaled \$83.4 million, an increase of \$4.6 million (+5.9%) 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 \$176,527. Also, unclaimed prizes totaling \$1,375,735 were transferred to the Literary Fund for the first two months of fiscal year 2012.

### MEETINGS

The next meeting of the Board will be October 31, 2012, in Richmond. The Board will welcome its newest member, Mr. Kevin D. Smith.