

May 20, 2013

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

Re: April 2013 Lottery Results

Dear Governor McDonnell:

I am pleased to provide our report of monthly activities and financial update for the month of April 2013, as required in §58.1-4006 of the *Code of Virginia*.

April sales totaled \$142.4 million, up \$7.2 million (5.4%) compared to the same month last year. Lottery sales for the current fiscal year through April totaled \$1,380.6 million, up \$29.9 million (+2.2%) compared to last year. Net income for the ten months totaled \$410.1 million, a decrease of \$693,000 (-0.2%) compared to last year. Scratcher, Pick 3, Pick 4, Cash 5 and Powerball sales were strong through the first ten months of the fiscal year.

Lottery sales and profits have seasonal fluctuations, variances from jackpot size, and swings resulting from player luck of the draw. To the extent possible, our forecasts account for these factors. Comparisons to forecast included in this letter refer to the increased (\$487.3 million) estimate for total transfers for 2013 fiscal year. **We do fully expect to meet our revised FY2013 income projections.**

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

Very truly yours,

Paula I. Otto

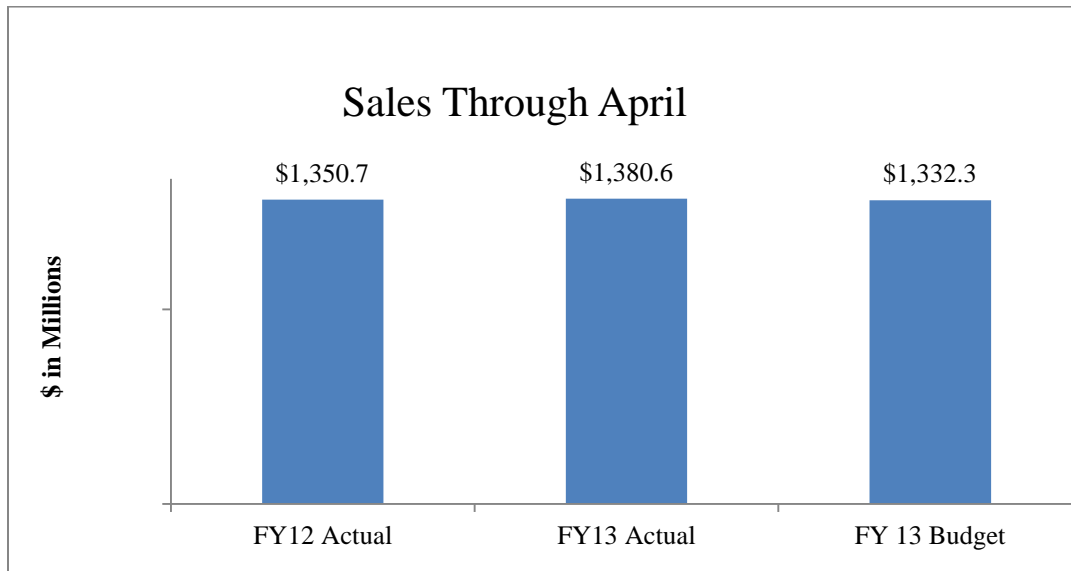
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee
- The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
- The Honorable Harry R. Purkey, Chairman, House Finance Committee
- The Honorable Martin Kent, Chief of Staff, Office of the Governor
- The Honorable Richard 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
May 20, 2013

Sales

Lottery sales for the fiscal year totaled \$1,380.6 million through April. This represents an increase of \$29.9 million (+2.2%) compared to the prior year and \$48.3 million (+3.6%) more than forecast.

Scratcher sales of \$731.3 million were \$31.6 million (+4.5%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) increased \$11.8 million (+2.9%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) decreased \$16.7 million (-7.5%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$2.9 million (+29.6%) higher than last year.



Expenses

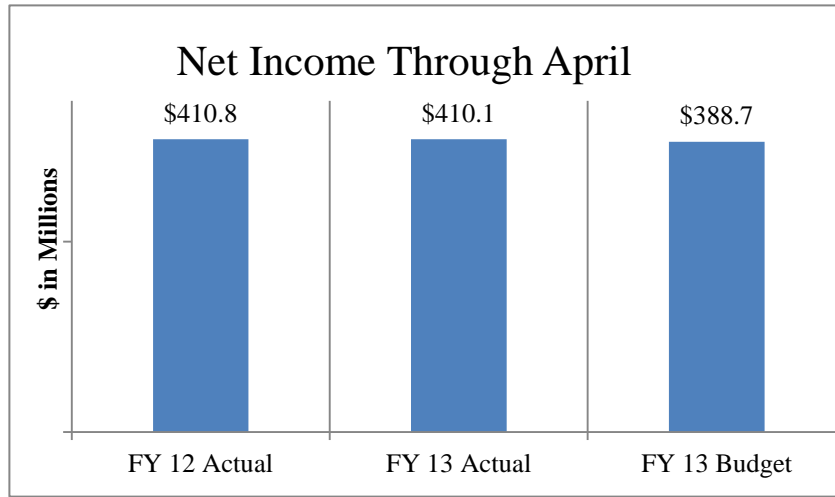
The overall prize expense rate (prizes as a percent of sales) through April was 59.8%, higher than last year's rate of 59.5% and slightly lower than the forecast rate of 59.9%. The scratcher prize rate of 67.8% was slightly less than last year's rate of 67.9%. The daily games prize rate of 50.2% was lower than last year's rate of 50.6%. The jackpot games prize expense rate was 50.6%, higher than last year's rate of 49.6%. 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 \$1.8 million more than last year, for a total \$77.9 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 \$7.1 million more than the same period last year, primarily due to timing issues, rebranding efforts and technology investments. Administrative spending stands at 5.0% of sales for the year so far, well below the 10% allowed by statute.

Net Income

Through April 2013, year to date profits totaled \$410.1 million, a decrease of \$0.7 million (-0.2%) compared to last year but \$21.4 million (+5.5%) more than anticipated in the revised forecast.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2013 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$1,362,018. Also, unclaimed prizes totaling \$9,448,142 were transferred to the Literary Fund for the first ten months of fiscal year 2013.

MEETINGS

The next Board meeting is scheduled for June 26, 2013, in Richmond.