

June 24, 2013

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

**Re: May 2013 Lottery Results**

Dear Governor McDonnell:

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

May sales totaled \$170.1 million, up \$27.7 million (19.5%) compared to the same month last year. Lottery sales for the current fiscal year through May totaled \$1,550.7 million, up \$62.0 million (+4.2%) compared to last year. Net income for the eleven months totaled \$457.7 million, an increase of \$8.0 million (1.8%) compared to last year. Scratcher, Pick 3, Pick 4, Cash 5 and Powerball sales were strong through the first eleven months of the fiscal year.

The Lottery initiated its final transfer for the 2013 fiscal year on June 20, 2013, meeting the \$487.3 million for total transfers to the Lottery Proceeds Fund as expected and included in the Appropriations Act. The final residual transfer of FY2013 profits will occur after the Auditor of Public Accounts completes their review and certifies our profit total for the fiscal year, on or before August 15, 2013. This final residual transfer will be included in our revised profit transfer estimate for the 2014 fiscal year, to be included in the Governor's December 2013 introduced budget.

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

Very truly yours,

Paula I. Otto

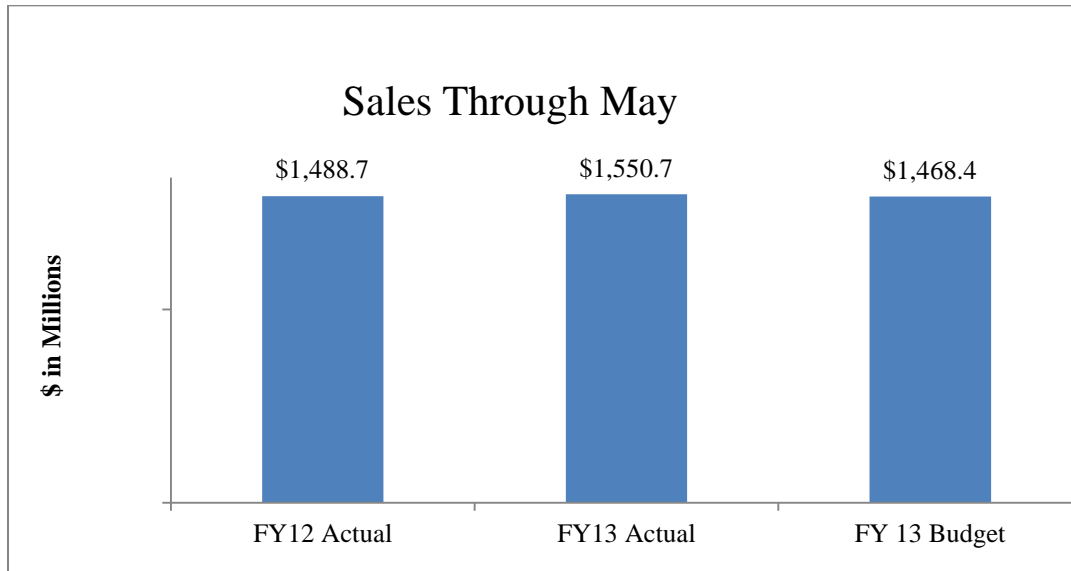
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee
- The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
- The Honorable Harry R. Purkey, Chairman, House Finance Committee
- The Honorable Martin Kent, Chief of Staff, Office of the Governor
- The Honorable Richard 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**  
**June 24, 2013**

Sales

Lottery sales for the fiscal year totaled \$1,550.7 million through May. This represents an increase of \$62.0 million (+4.2%) compared to the prior year and \$82.3 million (+5.6%) more than forecast.

Scratcher sales of \$813.2 million were \$38.3 million (+5.0%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) increased \$15.1 million (+3.3%) from last year. With a record Powerball jackpot of \$590 million the sales in the jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) increased \$4.5 million (1.9%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$3.6 million (+33.2%) higher than last year.



Expenses

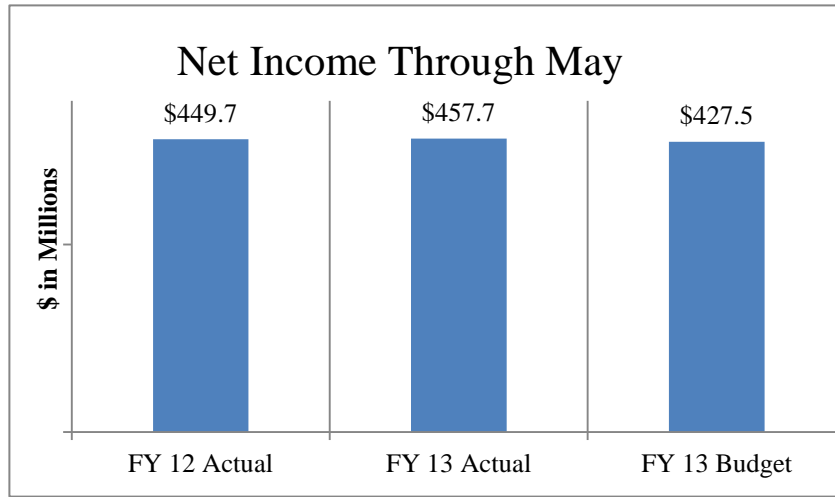
The overall prize expense rate (prizes as a percent of sales) through May was 60.0%, higher than last year's rate of 59.7% and exactly the forecasted rate of 60.0%. The scratcher prize rate of 68.0% was the same as last year's rate of 68.0%. The daily games prize rate of 51.1% was higher than last year's rate of 50.3%. The jackpot games prize expense rate was 50.6%, slightly lower than last year's rate of 50.7%. 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 \$3.6 million more than last year, for a total \$87.3 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 4.9% of sales for the year so far, well below the 10% allowed by statute.

### Net Income

Through May 2013, year to date profits totaled \$457.7 million, an increase of \$8.0 million (1.8%) compared to last year and \$30.2 million (+7.1%) 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 \$1,546,208. Also, unclaimed prizes totaling \$11,257,392 were transferred to the Literary Fund for the first eleven months of fiscal year 2013.

### MEETINGS

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