

October 31, 2013

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

**Re: September 2013 Lottery Results**

Dear Governor McDonnell:

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

September sales totaled \$144.0 million, up \$19.5 million (+15.7%) compared to the same month last year. Lottery sales for the fiscal year through September totaled \$431.5 million, up \$46.9 million (12.2%) compared to last year. Net income for the first three months totaled \$139.0 million, an increase of \$17.1 million (+14.0%) compared to last year. Sales in all product categories continue to experience strong sales into the new fiscal year.

Today, the winner of the \$99 million Mega Millions jackpot from May 17, 2013, will receive their prize. Electing to take a lump-sum cash payment of over \$73 million, the winner's state tax withholding of nearly \$3 million is being transferred to the Department of Taxation. Lottery ticket sales, prizes, and profits support local economies, employment, and tax collections, in addition to the main beneficiary: K-12 public education.

Sales and profits during the first quarter are not generally strong, due to seasonal sales variations. However, this year's first quarter compared to last year is unusually strong because of the strong Powerball jackpot growth this year, and first quarter strength in daily games' sales from high prize payouts in June 2013. We are reviewing and updating sales and profits estimates as part of the overall revenue forecasting process and will discuss recommendations with the Board at their next meeting.

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

Very truly yours,

Paula I. Otto

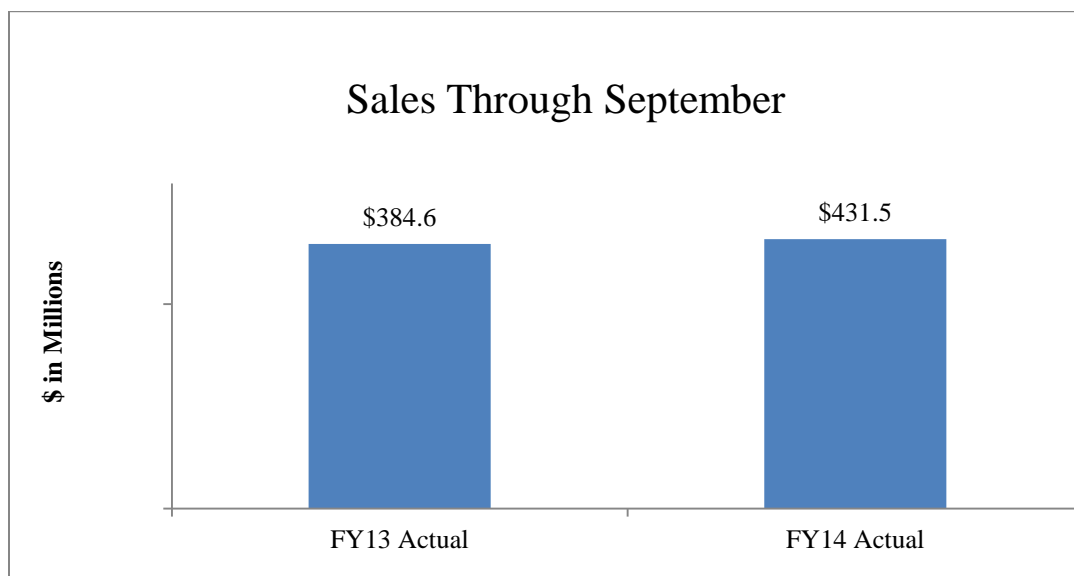
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee  
The Honorable Lacey E. Putney, Chairman, House Appropriations Committee  
The Honorable Harry R. Purkey, Chairman, House Finance Committee  
The Honorable Martin Kent, Chief of Staff, Office of the Governor  
The Honorable Richard 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**  
**October 31, 2013**

Sales

Lottery sales for the fiscal year totaled \$431.5 million through September. This represents an increase of \$46.9 million (+12.2%) compared to the prior year.

Scratcher sales of \$224.4 million were \$23.2 million (+11.5%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) were higher, up \$12.7 million (10.6%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) increased \$9.4 million (15.5%) compared to last year. Sales of Fast Play games, a category that represents about 1% of total sales, were \$1.7 million (+53.8%) higher than last year.



Expenses

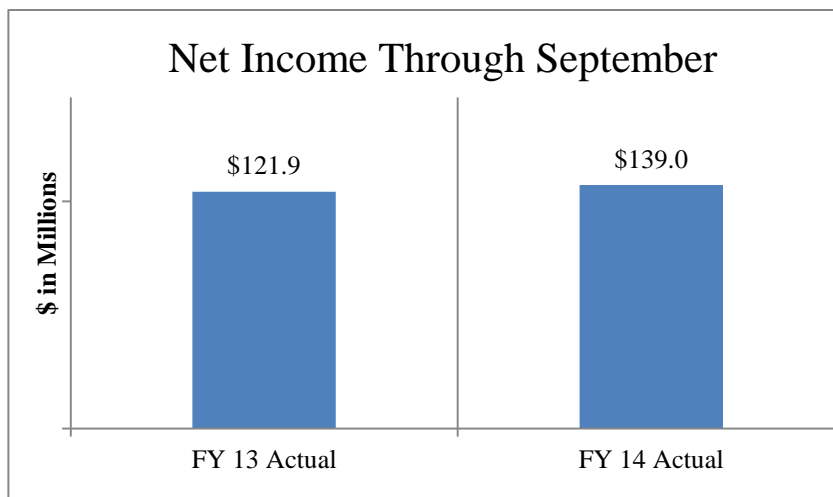
The overall prize expense rate (prizes as a percent of sales) through September was 57.7%, lower than last year's rate of 57.8%. The scratcher prize rate of 68.4% was higher than last year's rate of 67.3%. The daily games prize rate of 44.5% was lower than last year's rate of 45.9%. The jackpot games prize expense rate was 47.7%, was lower than last year's rate of 49.8%. 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 \$2.6 million more than last year, for a total \$23.8 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 \$714,000 more than the same period last year. Administrative spending stands at 4.7% of sales for the year so far.

### Net Income

Through September 2013, year to date profits totaled \$139.0 million, an increase of \$17.1 million (+14.0%) compared to last year.



### CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2014 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$396,623. Also, unclaimed prizes totaling \$2,899,573 were transferred to the Literary Fund for the three months of fiscal year 2014.

### MEETINGS

The next meeting of the Board will be November 6, 2013, in Richmond.