

November 28, 2014

The Honorable Terence R. McAuliffe
Governor
Commonwealth of Virginia
Patrick Henry Building, 3rd floor
Richmond, Virginia 23219

Re: October 2014 Lottery Results

Dear Governor McAuliffe:

I am pleased to provide our report of monthly activities and financial update for the month of October 2014, as required in §58.1-4006 of the *Code of Virginia*.

October sales totaled \$151.6 million, up \$4.2 million (+2.8%) compared to the same month last year. Cumulative sales totaled \$590.2 million, up \$11.3 million (+2.0%) compared to last year. Net income for the month totaled \$44.3 million, an increase of \$1.7 million (+4.0%) compared to last year. For the fiscal year to date, net income totaled \$174.1 million, down \$7.4 million (-4.1%) compared to last year. The decline in profits is the result of higher prize payouts, particularly in the daily games; last year's prize expense rate was unusually low.

The Lottery participated in the statewide revenue forecasting process, and the Lottery Board met to review the updated forecast of sales and profits on October 29.

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

Very truly yours,

Paula I. Otto

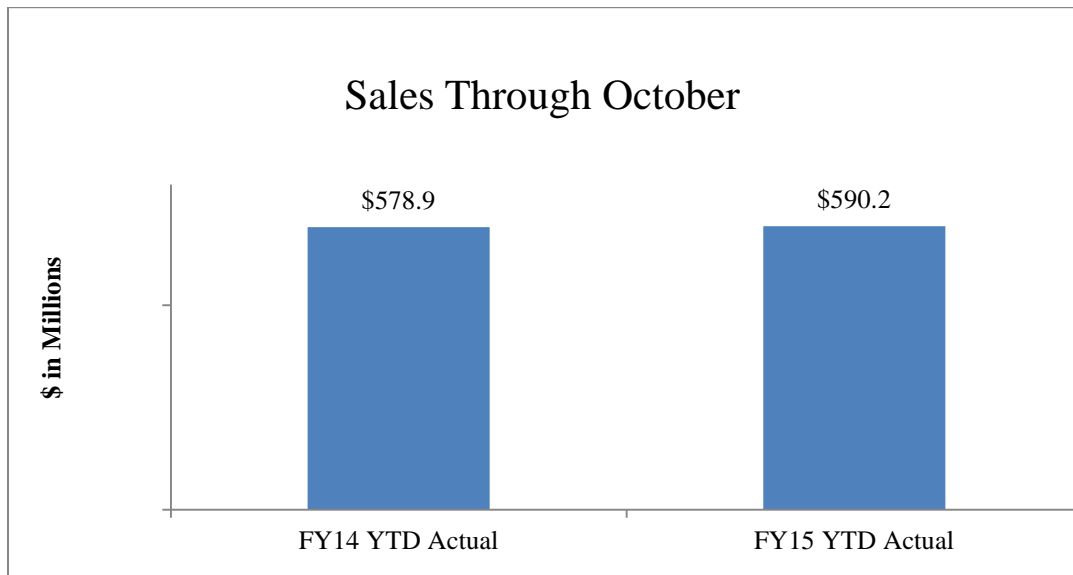
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee
The Honorable S. Chris Jones, Chairman, House Appropriations Committee
The Honorable R. Lee Ware, Jr., Chairman, House Finance Committee
The Honorable Paul Reagan, Chief of Staff, Office of the Governor
The Honorable Richard D. Brown, 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
Cynthia D. Lawrence, Chairman, Virginia Lottery Board

VIRGINIA LOTTERY
Report to the Governor and
Selected Members of
the General Assembly
November 28, 2014

Sales

Lottery sales totaled \$590.2 million through October. This represents an increase of \$11.3 million (+2.0%) compared to last year.

Scratcher sales of \$327.5 million were \$20.7 million (+6.7%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) were up \$6.6 million (+3.7%) compared to last year. Sales in the jackpot games category (Mega Millions, Powerball, Win for Life, Moneyball, and Decades of Dollars) declined by \$17.2 million (-19.3%) when compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$1.2 million (+18.8%) higher than last year.



Expenses

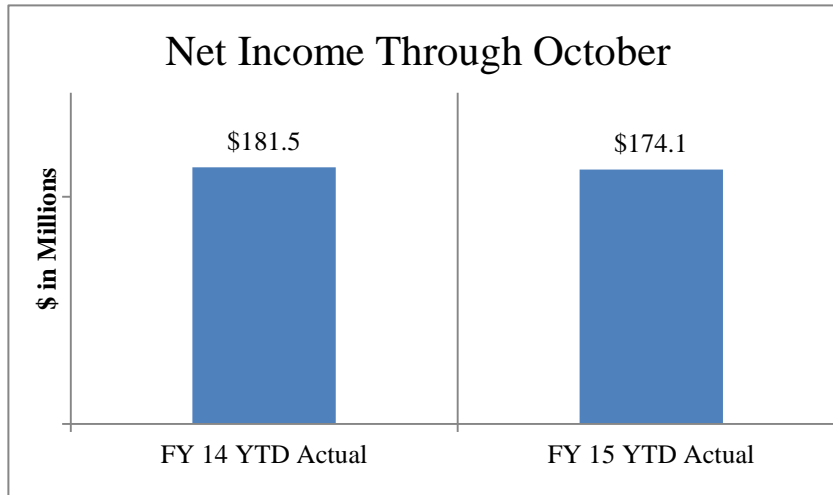
The overall prize expense rate (prizes as a percent of sales) for October was 60.6%, very close to the 60.5% rate last October. For the current year to date, prizes represented 60.3% of sales, compared to 58.4% last year. It is important to note that significant fluctuations in prize expense rates occur during the short term, especially for daily games that have fixed prizes; however, over the long-term, prize rates reflect outcomes more in line with statistical expectations.

Retailers earned \$32.8 million or 5.6% of sales so far this year.

Operating costs, including online gaming, ticket printing and distribution expenses, were \$0.1 million higher than the same period last year, stable at 4.7% of sales.

Net Income

Profits in October 2014 totaled \$44.3 million, and \$174.1 million for the year to date. Cumulative profits declined from last year because of the overall higher prize expense rate.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

During October, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$105,045, and unclaimed prizes totaling \$1,009,194 were transferred to the Literary Fund. Year to date, debt setoff collections total \$606,002 and Literary Fund transfers total \$4,366,818.

MEETINGS

The next meeting of the Board will be January 14, 2015, in Richmond. This is a regularly scheduled business meeting of the Board.