

November 21, 2013

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

Re: October 2013 Lottery Results

Dear Governor McDonnell:

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

October sales totaled \$147.4 million, up \$13.1 million (+9.7%) compared to the same month last year. Lottery sales for the fiscal year through October totaled \$578.9 million, up \$60.0 million (+11.6%) compared to last year. Net income for the first four months totaled \$181.5 million, an increase of \$28.5 million (+18.7%) compared to last year. Sales in all product categories continue to experience strong sales into the new fiscal year.

The State Lottery Board discussed the updated forecast of sales and profits at their meeting on November 6, 2013, and forwarded their recommendation to you for inclusion in the amendments to the 2012-2014 Appropriations Act, and for the 2014-2016 biennium budget.

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

Very truly yours,

Paula I. Otto

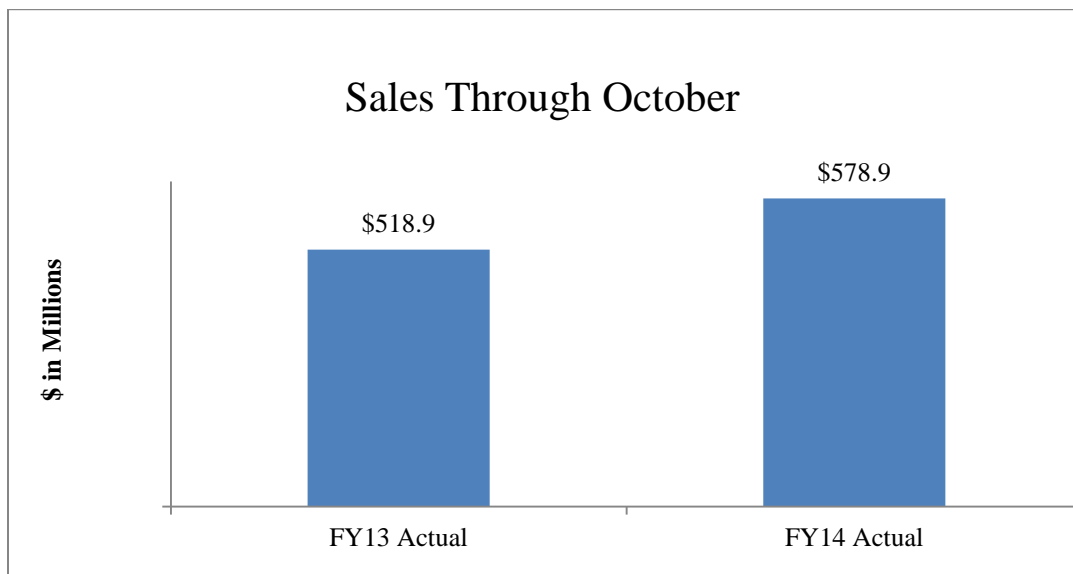
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee
- The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
- The Honorable Harry R. Purkey, Chairman, House Finance Committee
- The Honorable Martin Kent, Chief of Staff, Office of the Governor
- The Honorable Richard 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
November 21, 2013

Sales

Lottery sales for the fiscal year totaled \$578.9 million through October. This represents an increase of \$60.0 million (+11.6%) compared to the prior year.

Scratcher sales of \$306.8 million were \$31.8 million (+11.6%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) were higher, up \$14.3 million (8.8%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) increased \$11.6 million (15.1%) compared to last year. Sales of Fast Play games, a category that represents about 1% of total sales, were \$2.2 million (+51.9%) higher than last year.



Expenses

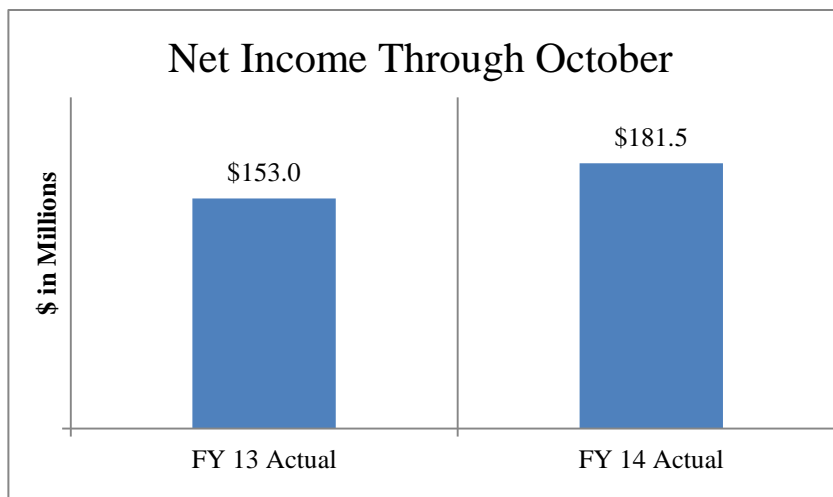
The overall prize expense rate (prizes as a percent of sales) through October was 58.4%, lower than last year's rate of 59.8%. The scratcher prize rate of 68.3% was higher than last year's rate of 67.3%. The daily games prize rate of 46.3% was lower than last year's rate of 51.9%. The jackpot games prize expense rate was 48.1%, lower than last year's rate of 49.5%. 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 \$2.9 million more than last year, for a total \$31.9 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 \$754,000 more than the same period last year. Administrative spending stands at 4.8% of sales for the year so far.

Net Income

Through October 2013, year to date profits totaled \$181.5 million, an increase of \$28.5 million (+18.7%) 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 \$548,022. Also, unclaimed prizes totaling \$3,624,093 were transferred to the Literary Fund for the first four months of fiscal year 2014.

MEETINGS

The next meeting of the Board will be January 14, 2014, in Richmond.