

December 20, 2013

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

**Re: November 2013 Lottery Results**

Dear Governor McDonnell:

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

November sales totaled \$139.5 million, down \$12.6 million (-8.3%) compared to the same month last year; in November 2012 the Powerball game experienced a strong jackpot roll which drove higher sales when compared to November 2013. Lottery sales for the fiscal year through November totaled \$718.4 million, up \$47.4 million (+7.0%) compared to last year and \$2.9 million more than forecast (+0.4 %). Net income for the first five months totaled \$222.5 million, an increase of \$20.1 million (+9.9%) compared to last year and \$17.6 million (+8.6%) more than forecast. Sales in Scratch, Pick 3, Pick 4 and Fast Play continue to experience strong sales into the new fiscal year.

The amendments to the 2012-2014 Appropriations Act that you introduced earlier this month include the updated forecast of profits and transfers forwarded to you from the State Lottery Board. Comparative information included in this report refers to those most current estimates. In keeping with the Act, the Lottery will initiate the first transfer of FY14 profits to the Lottery Proceeds Fund by January 1, 2014.

It has been an honor and a privilege to serve in your administration. Thank you for the opportunity to lead a group of talented and dedicated employees at the Virginia Lottery.

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

Very truly yours,

Paula I. Otto

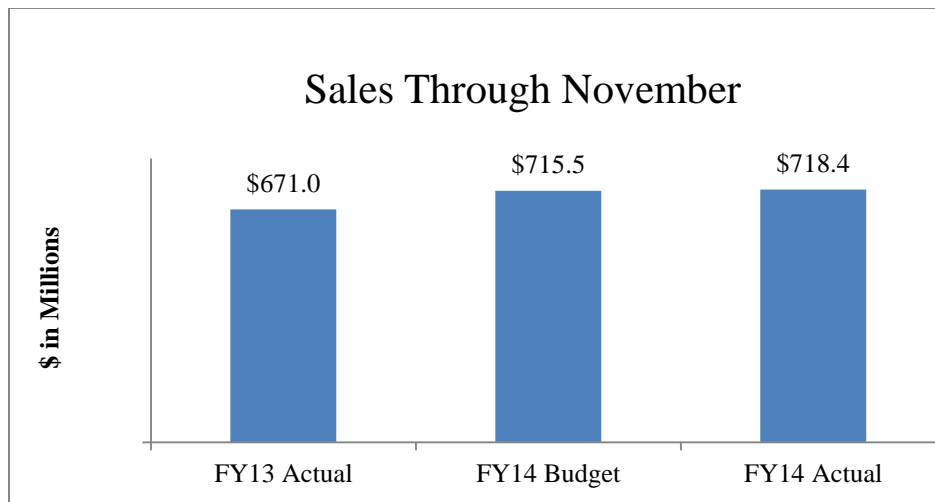
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee
- The Honorable Lacey E. Putney, Chairman, House Appropriations Committee
- The Honorable S. Chris Jones, Incoming Chairman, House Appropriations Committee
- The Honorable Harry R. Purkey, Chairman, House Finance Committee
- The Honorable Lee Ware, Incoming 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**  
**December 20, 2013**

Sales

Lottery sales for the fiscal year totaled \$718.4 million through November. This represents an increase of \$47.4 million (+7.0%) compared to the prior year and \$2.9 more than forecast (+0.4%).

Scratcher sales of \$381.6 million were \$36.5 million (+10.6%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) were higher, up \$16.5 million (8.1%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Win for Life, and Decades of Dollars) decreased \$8.3 million (-7.1%) compared to last year. Last year the Powerball jackpot had reached a record \$587.5 million. Sales of Fast Play games, a category that represents about 1% of total sales, were \$2.6 million (+50.0%) higher than last year.



Expenses

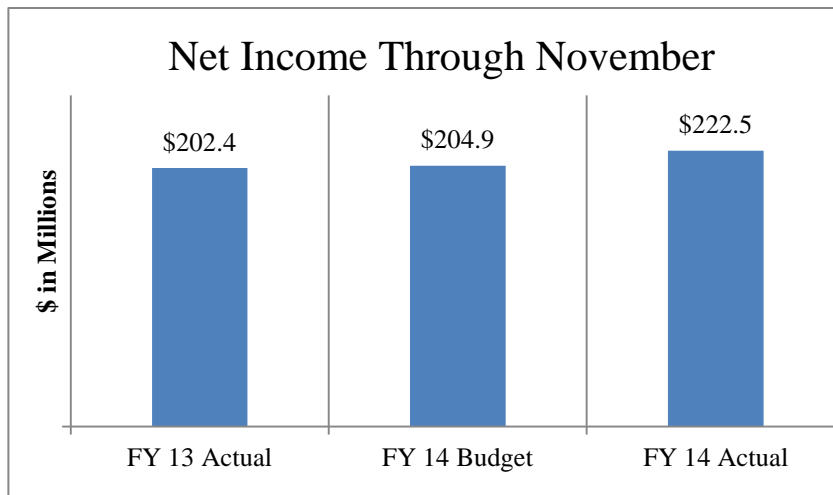
The overall prize expense rate (prizes as a percent of sales) through November was 58.7%, lower than last year's rate of 59.2% and lower than the forecast rate of 60.5%. The scratcher prize rate of 68.5% was higher than last year's rate of 67.6%. The daily games prize rate of 46.5% was lower than last year's rate of 50.1%. The jackpot games prize expense rate was 48.6%, lower than last year's rate of 50.0%. 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 \$2.1 million more than last year, for a total \$39.6 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 \$638,000 more than the same period last year. Administrative spending stands at 4.9% of sales for the year so far.

### Net Income

Through November 2013, year to date profits totaled \$222.5 million, an increase of \$20.1 million (+9.9%) compared to last year and \$17.6 million (+8.6%) more than forecast.



### 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 \$666,841. Also, unclaimed prizes totaling \$4,300,483 were transferred to the Literary Fund for the first five months of fiscal year 2014.

### MEETINGS

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