

December 23, 2014

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

**Re: November 2014 Lottery Results**

Dear Governor McAuliffe:

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

November sales totaled \$147.1 million, up \$7.6 million (+5.4%) compared to the same month last year. Cumulative sales totaled \$737.3 million, up \$18.9 million (+2.6%) compared to last year. Net income for the month totaled \$35.7 million, a decrease of \$8.5 million (-19.3%) compared to last year. For the fiscal year to date, net income totaled \$209.8 million, down \$12.7 million (-5.7%) 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 and this year's rate is unusually high.

The budget includes the Board's recommendation of \$529.5 million in profits for fiscal year 2015, and total transfers to the Lottery Proceeds Fund of \$557.6 million. Our forecast is aggressive, and includes estimates for planned activities that are not entirely within our control; for example, the planned offering of the national game Monopoly Millionaires' Club will not occur because the game's sales have been suspended. However, we continue to strive towards this goal and will continue to keep you apprised of our revenues. We are slightly behind the forecast through November because of unusually high prize payouts; this phenomenon is continuing into December as well.

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

Very truly yours,

Paula I. Otto

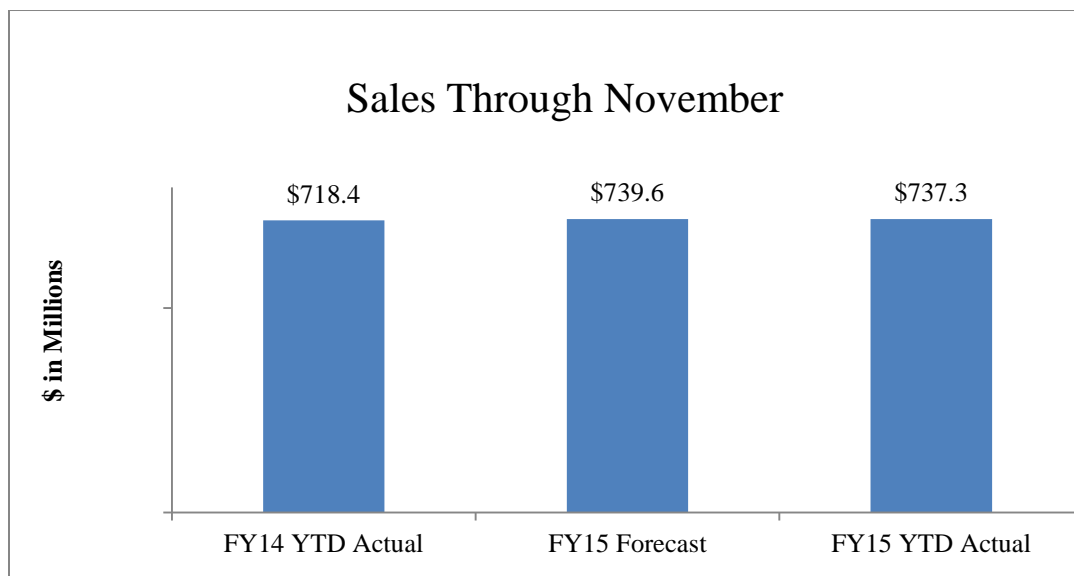
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee  
The Honorable S. Chris Jones, Chairman, House Appropriations Committee  
The Honorable R. Lee Ware, Jr., Chairman, House Finance Committee  
The Honorable Paul Reagan, Chief of Staff, Office of the Governor  
The Honorable Richard 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**  
**December 23, 2014**

Sales

Lottery sales totaled \$737.3 million through November. This represents an increase of \$18.9 million (+2.6%) compared to last year. Total sales are \$2.3 million (-0.3%) less than forecast for the year to date.

Scratcher sales of \$408.6 million were \$26.9 million (+7.1%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) were up \$9.2 million (+4.2%) compared to last year. Sales in the jackpot games category (Mega Millions, Powerball, Win for Life, Moneyball, and Decades of Dollars) declined by \$18.9 million (-21.0%) when compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$1.5 million (+19.0%) higher than last year.



Expenses

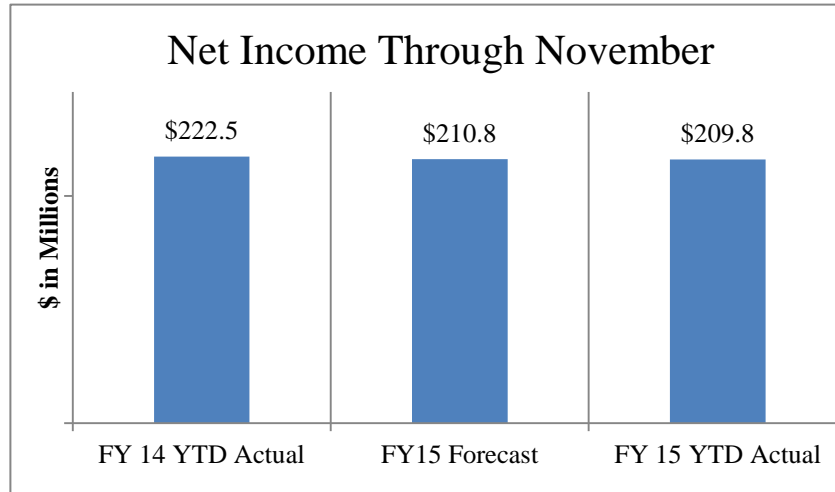
The overall prize expense rate (prizes as a percent of sales) for the month of November was 64.8%, higher than the 61.2% rate last November. For the current year to date, prizes represented 61.2% of sales, higher than both last year's rate of 58.7% and the forecast rate of 60.5%. It is important to note that significant fluctuations in prize expense rates occur during the short term, especially for daily games that have fixed prizes; however, over the long-term, prize rates reflect outcomes more in line with statistical expectations.

Retailers earned \$41.8 million or 5.7% of sales so far this year, comparable to last year's 5.5% and the forecast 5.6% rate.

Operating costs, including online gaming, ticket printing and distribution expenses, were \$0.3 million lower than the same period last year, remaining stable at a low 4.8% of sales.

### Net Income

Profits in November 2014 totaled \$35.7 million and \$209.8 million for the year to date. Cumulative profits declined \$12.8 million from last year because of lower sales in our Jackpot games (a high-profit category) and an overall higher prize expense rate. Forecast profits were \$210.8 million.



### CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

During November, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$181,550, and unclaimed prizes totaling \$1,434,984 were transferred to the Literary Fund. Year to date, debt setoff collections total \$788,153 and Literary Fund transfers total \$5,801,802.

### MEETINGS

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