

August 31, 2015

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

Re: July 2015 Lottery Results

Dear Governor McAuliffe:

I am pleased to provide our report of monthly activities and financial update for the month of July 2015, as required in §58.1-4006 of the *Code of Virginia*.

July sales totaled \$151.7 million, up \$7.7 million (+5.3%) compared to the same month last year. Net income for the first month totaled \$48.2 million, an increase of \$3.1 million (+7.0%) compared to last year.

As always, the Lottery will participate in the statewide revenue forecasting process this fall, to determine whether an adjustment to the current \$531.7 million revenue estimate is warranted. The Auditor of Public Accounts completed their review of the Lottery's fiscal year 2015 financial activities, and certified a residual transfer of \$4.3 million to the Lottery Proceeds Fund. This residual transfer will be added to any updated revenue estimate during the statewide revenue forecasting process this fall.

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

Very truly yours,

Paula I. Otto

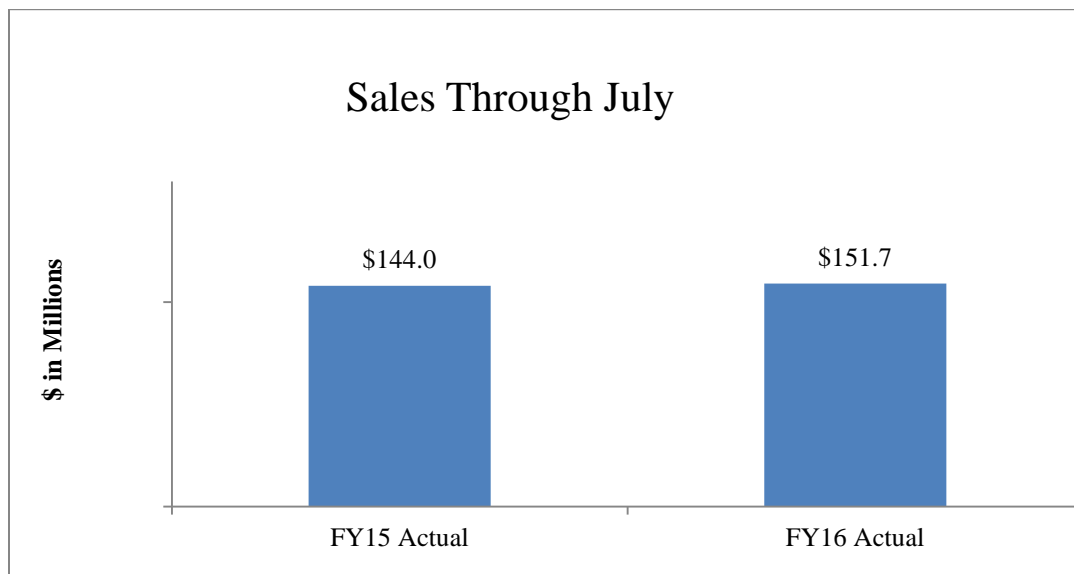
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee
- The Honorable S. Chris Jones, Chairman, House Appropriations Committee
- The Honorable R. Lee Ware, Jr., Chairman, House Finance Committee
- The Honorable Paul Reagan, Chief of Staff, Office of the Governor
- The Honorable Richard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

VIRGINIA LOTTERY
Report to the Governor and
Selected Members of
the General Assembly
August 31, 2015

Sales

Lottery sales for the fiscal year totaled \$151.7 million in July. This represents an increase of \$7.7 million (+5.3%) compared to the prior year.

Scratcher sales of \$84.4 million were \$3.4 million (+4.2%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) were higher, up \$2.5 million (+5.5%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Moneyball and Cash for Life) increased \$1.5 million (+9.9%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$268,402 (15.2%) higher than last year.



Expenses

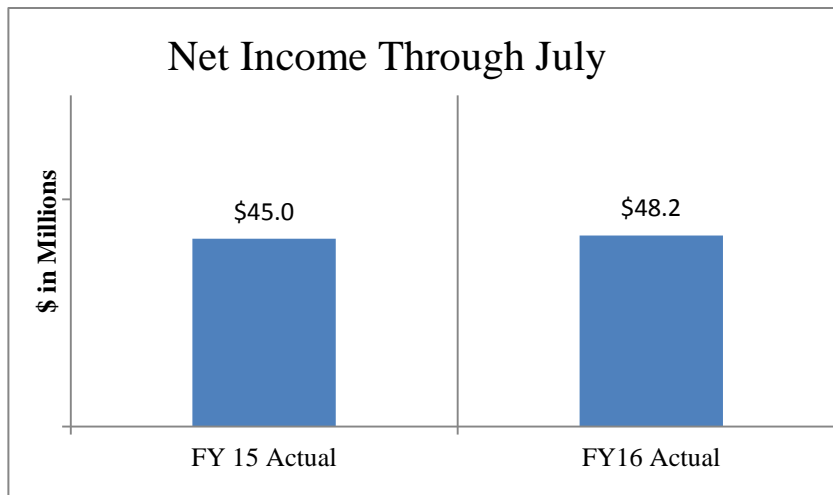
The overall prize expense rate (prizes as a percent of sales) in July was 57.7%, lower than last year's rate of 58.7%. The scratcher prize rate of 67.6% was higher than last year's rate of 67.2%. The daily games prize rate of 44.4% was less than last year's low rate of 45.6%. The jackpot games prize expense rate, 45.6%, was lower than last year's unusually high rate of 52.1%. 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 \$695,849 more than last year, for a total \$8.9 million in earnings. Overall, retailers earned 5.8% of Lottery sales in commissions and incentives in July.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$892,924 higher than the same period last year but remain low at 4.7% of sales for the month.

Net Income

July 2015 profits totaled \$48.2 million, an increase of \$3.1 million (+7.0%) compared to last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2016 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$137,892. Also, unclaimed prizes totaling \$744,712 were transferred to the Literary Fund for the first month of fiscal year 2016.

MEETINGS

The next meeting of the Board will be October 28, 2015, in Richmond.