

October 30, 2015

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

Re: September 2015 Lottery Results

Dear Governor McAuliffe:

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

September sales totaled \$154.3 million, up \$9.3 million (+6.4%) compared to the same month last year. Net income for the month totaled \$47.2 million, an increase of \$9.3 million (+24.6%) compared to last year.

As always, the Lottery is participating in the statewide revenue forecasting process this fall, to determine whether an adjustment to the current \$531.7 million revenue estimate is warranted. The Lottery Board reviewed the forecast and forwarded their recommendations as part of this process.

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 currently underway.

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

Very truly yours,

Paula I. Otto

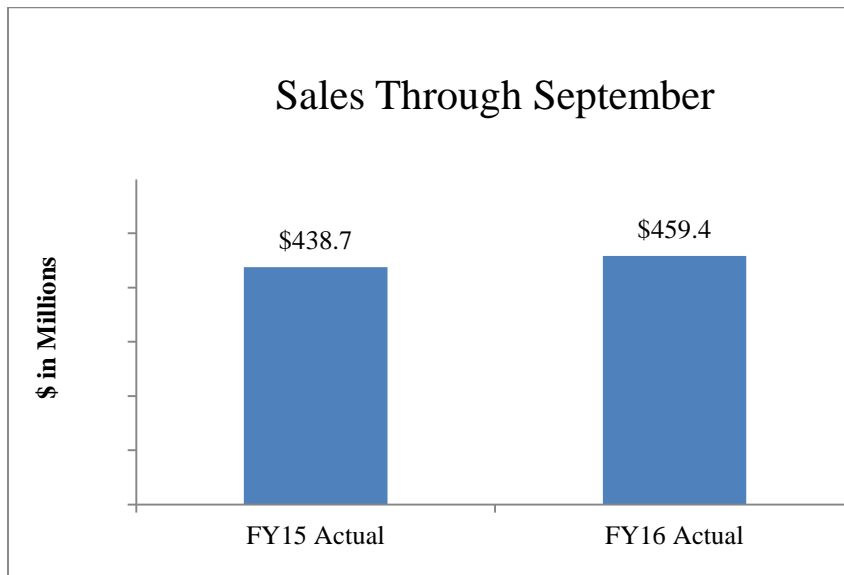
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee
The Honorable S. Chris Jones, Chairman, House Appropriations Committee
The Honorable R. Lee Ware, Jr., Chairman, House Finance Committee
The Honorable Paul Reagan, Chief of Staff, Office of the Governor
The Honorable Richard D. Brown, 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
October 30, 2015

Sales

Lottery sales for the fiscal year totaled \$459.4 million in the first quarter. This represents an increase of \$20.6 million (+4.7%) compared to the prior year.

Scratcher sales of \$260.5 million were \$14.7 million (+6.0 %) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) were higher, up \$3.4 million (+2.5%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) increased \$2.0 million (3.9%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$595,848 (+10.6%) higher than last year.



Expenses

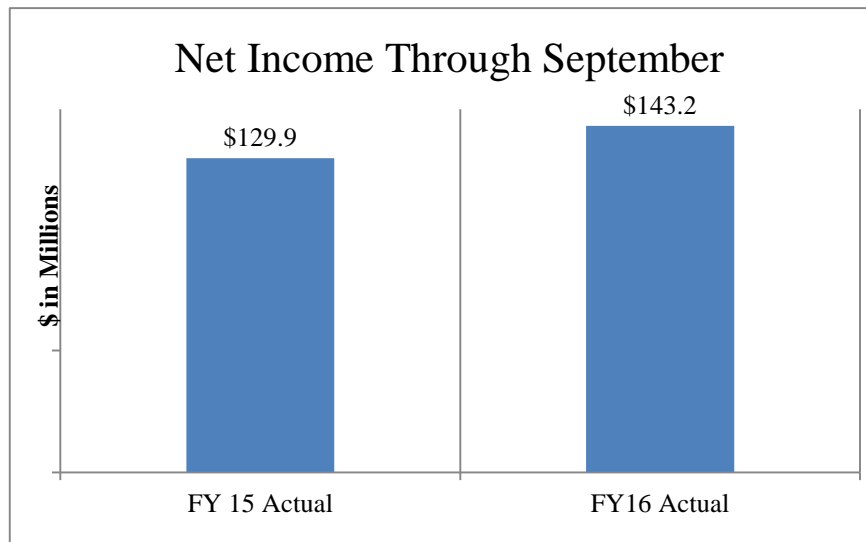
The overall prize expense rate (prizes as a percent of sales) through September was 58.5%, lower than last year's rate of 60.2%. The scratcher prize rate of 69.0% was slightly higher than last year's rate of 68.8%. The daily games prize rate of 42.4% was less than last year's low rate of 47.9%. The jackpot games prize expense rate, 48.6%, was lower than last year's rate of 51.1%. 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 \$1.6 million more than last year, for a total \$26.0 million in earnings. Overall, retailers earned 5.7% of Lottery sales in commissions and incentives through September.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$1.2 million higher than the same period last year and remain very low at 4.7% of sales.

Net Income

Through September 2015, profits totaled \$143.2 million, an increase of \$13.3 million (+10.25 %) compared to the first quarter 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 \$410,729. Also, unclaimed prizes totaling \$1,586,580 were transferred to the Literary Fund so far this fiscal year.

MEETINGS

The Lottery Board held a regular business meeting on October 28, 2015, in the Pocahontas Building in Richmond. The next meeting of the Board will be in January 2016.