

November 20, 2015

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

Re: October 2015 Lottery Results

Dear Governor McAuliffe:

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

October sales totaled \$155.2 million, up \$3.8 million (+2.5%) compared to the same month last year. Net income for the month totaled \$35.8 million, a decrease of \$8.4 million (-19.0%) compared to last year. The decline in profits was the result of two Pick 4 drawings, where our lucky players won nearly \$12 million in prizes for the winning numbers of “8-8-8-8” on October 2nd and “2-2-2-2” on October 25th.

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.

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

Very truly yours,

Paula I. Otto

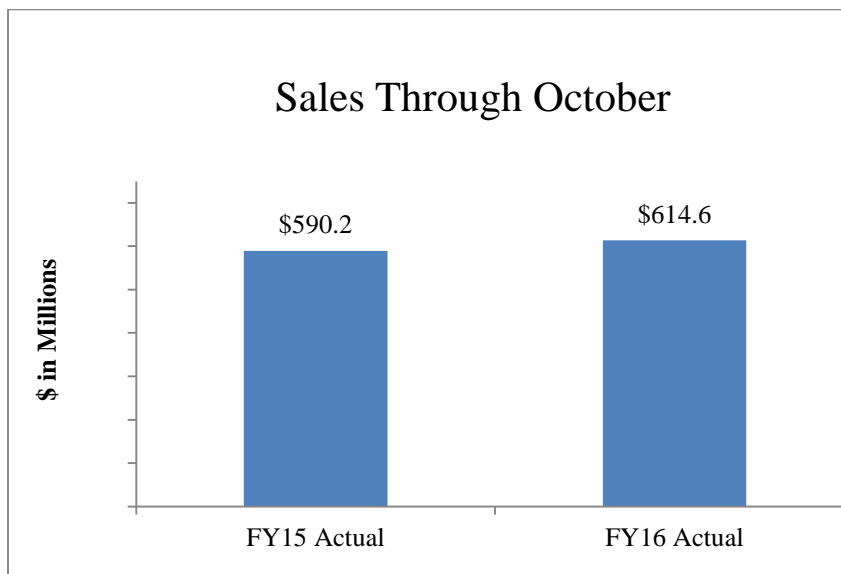
- c: The Honorable Walter A. Stosch, Chairman, Senate Finance Committee
- The Honorable S. Chris Jones, Chairman, House Appropriations Committee
- The Honorable R. Lee Ware, Jr., Chairman, House Finance Committee
- The Honorable Paul Reagan, Chief of Staff, Office of the Governor
- The Honorable Richard 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
November 20, 2015

Sales

Lottery sales for the fiscal year totaled \$614.6 million. This represents an increase of \$24.4 million (+4.1%) compared to the prior year.

Scratcher sales of \$348.4 million were \$20.8 million (+6.4 %) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) were higher, up \$5.4 million (+3.0%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) decreased \$2.8 million (-3.9%) compared to last year. Sales of Fast Play games, a category that represents less than 1% of total sales, were \$0.8 million (+11.0%) higher than last year.



Expenses

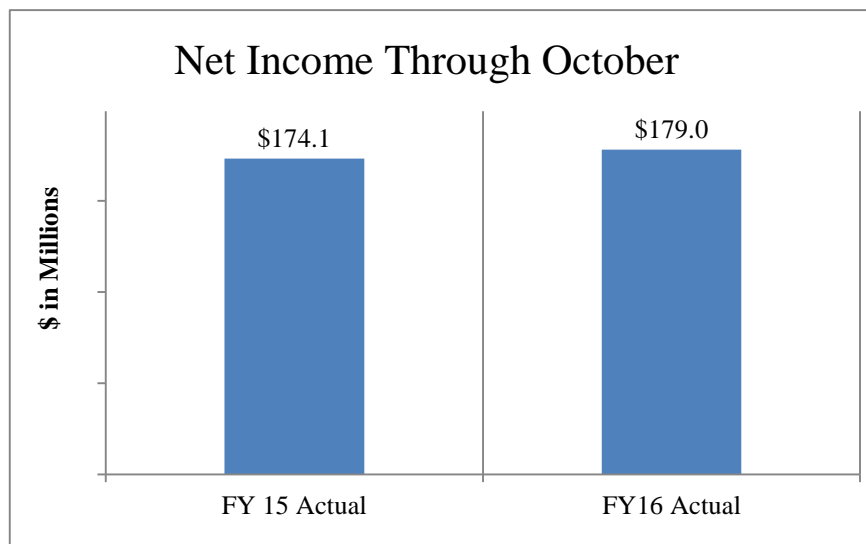
The overall prize expense rate (prizes as a percent of sales) through October was 60.2%, very close to last year's rate of 60.3%. The scratcher prize rate of 68.9% was slightly higher than last year's rate of 68.5%. In spite of high prize payouts during the month of October, the year-to-date daily games prize rate of 48.0% was less than last year's rate of 49.5%. The jackpot games prize expense rate, 49.0%, was lower than last year's rate of 50.2%. 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 \$2.0 million more than last year, for a total \$34.9 million in earnings. Overall, retailers earned 5.7% of Lottery sales in commissions and incentives through October.

Administrative operating costs, including online gaming, ticket printing and distribution expenses, were \$3.5 million higher than the same period last year but remain low at 5.1% of sales.

Net Income

Through October 2015, profits totaled \$179.0 million, an increase of \$4.9 million (+2.8%) compared to the same period 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 \$621,264. Also, unclaimed prizes totaling \$2,308,699 were transferred to the Literary Fund so far this fiscal year.

MEETINGS

The next meeting of the Lottery Board will be held on January 8, 2016, in Richmond. The Board is expected to elect officers for the year as part of this regular business meeting.