

December 30, 2015

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

Re: November 2015 Lottery Results

Dear Governor McAuliffe:

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

November sales totaled \$148.4 million, up \$1.3 million (+0.9%) compared to the same month last year. Net income for the month totaled \$44.6 million, an increase of \$8.9 million (+25.1%) compared to last year. Last November, profits were significantly lower because of very high daily games' payouts. Current November results are much more normal.

Sales of the annual New Year's Millionaire Raffle will be reflected in January's financial results; however, I am pleased to announce that the raffle was another sellout this year.

Late this month, the Lottery initiated the first transfer of \$223.6 million of fiscal year 2016 profits to the Lottery Proceeds Fund, as required by the Appropriation Act. This is the first, and largest, transfer for the year; hereafter, monthly transfers will occur as required. For the fiscal year, sales and profits are trending very close to the revised \$539 million forecast included in the introduced budget amendments.

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

Very truly yours,

Paula I. Otto

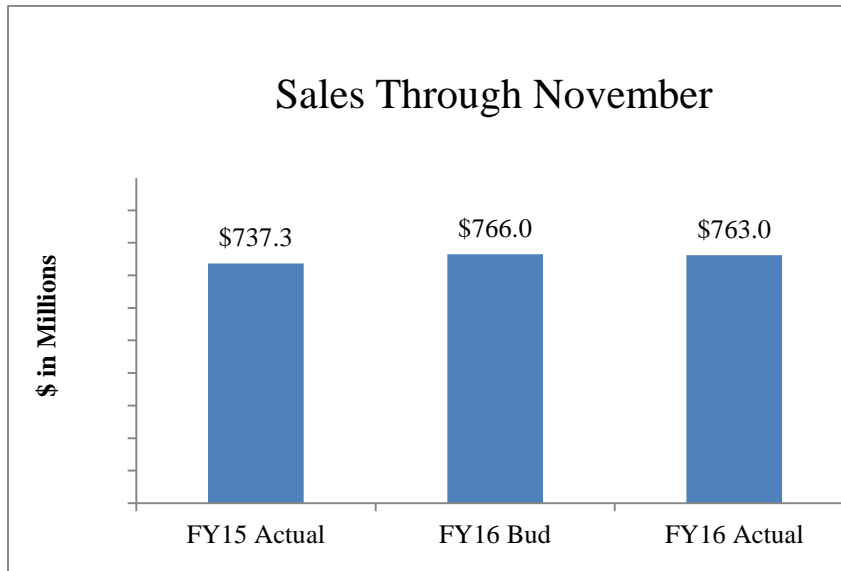
c: The Honorable Walter A. Stosch, Co-Chairman, Senate Finance Committee
The Honorable Charles J. Colgan, Co-Chairman, Senate Finance Committee
The Honorable S. Chris Jones, Chairman, House Appropriations Committee
The Honorable R. Lee Ware, Jr., Chairman, House Finance Committee
The Honorable Paul Reagan, 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
December 30, 2015

Sales

Lottery sales for the fiscal year totaled \$763.0 million. This represents an increase of \$25.7 million (+3.5%) compared to the prior year but \$3.0 million (-0.4%) short of forecast.

Scratcher sales of \$431.8 million were \$23.2 million (+5.7 %) higher than last year but \$4.1 million (-0.9%) lower than forecast. Sales of daily games (Pick 3, Pick 4, and Cash 5) were higher, up \$6.2 million (+2.7%) from last year and \$1.7 million (+0.7%) ahead of forecast. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) decreased \$4.9 million (-5.5%) compared to last year and were \$0.8 million (-1.0%) lower than forecast. Sales of Fast Play games, a category that represents about 1% of total sales, were \$1.1 million (+12.0%) higher than last year and \$0.2 million (+2.0%) ahead of forecast.



Expenses

The overall prize expense rate (prizes as a percent of sales) through November was 60.0%, lower than last year's rate of 61.2% and slightly lower than the forecast rate of 60.3%. The scratcher prize rate of 69.0% was slightly higher than last year's rate of 68.9% but lower than forecast of 69.1%. In spite of high prize payouts during the month of October, the year-to-date daily games prize rate of 46.9% was much less than last year's rate of 51.7%, and lower than the forecast of 47.6%. The jackpot games prize expense rate, 50.4%, was slightly higher than last year's rate of 50.0% and the forecast of 49.6%. It is important to note that significant fluctuations in prize expense rates occur during the short term, especially for daily

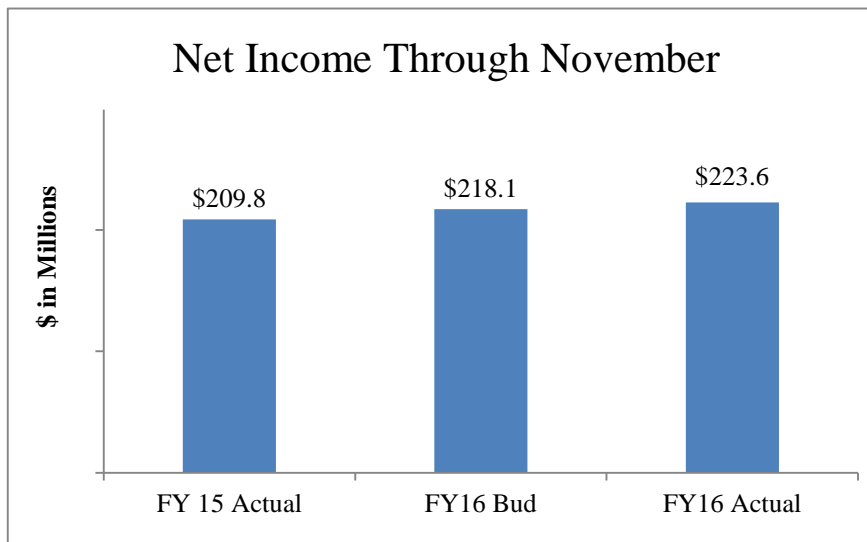
games that have fixed prizes; however, overall long-term prize rates reflect outcomes more in line with statistical expectations.

With higher sales, retailers earned \$1.3 million more than last year, for a total \$43.1 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives through November.

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 November 2015, profits totaled \$223.6 million, an increase of \$13.8 million (+6.6%) compared to the same period last year and \$5.5 million (+2.5%) ahead of forecast.



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 \$767,183. Also, unclaimed prizes totaling \$2,565,934 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.