

August 29, 2016

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

**Re: July 2016 Lottery Results**

Dear Governor McAuliffe:

I am pleased to provide our report of monthly activities and financial update for the month of July 2016, as required in §58.1-4006 of the *Code of Virginia*.

July sales totaled \$169.4 million, up \$17.7 million (+11.7%) compared to the same month last year. Net income for the month totaled \$58.0 million, an increase of \$9.8 million (+20.4%) compared to last July. Strong sales and profits resulted from strong jackpot games' sales – Powerball and Mega Millions – with five drawings for jackpots over \$400 million during the month.

The Auditor of Public Accounts certified the Lottery's fiscal year 2016 profits of \$588,186,871, an exceptionally strong record setting year. The residual transfer of profits totaled \$53,486,355, of which \$20,295,920 was already anticipated for fiscal year 2017. This leaves an additional \$33,190,435 available to the Lottery Proceeds Fund in support of K-12 public education for 2017.

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

Very truly yours,

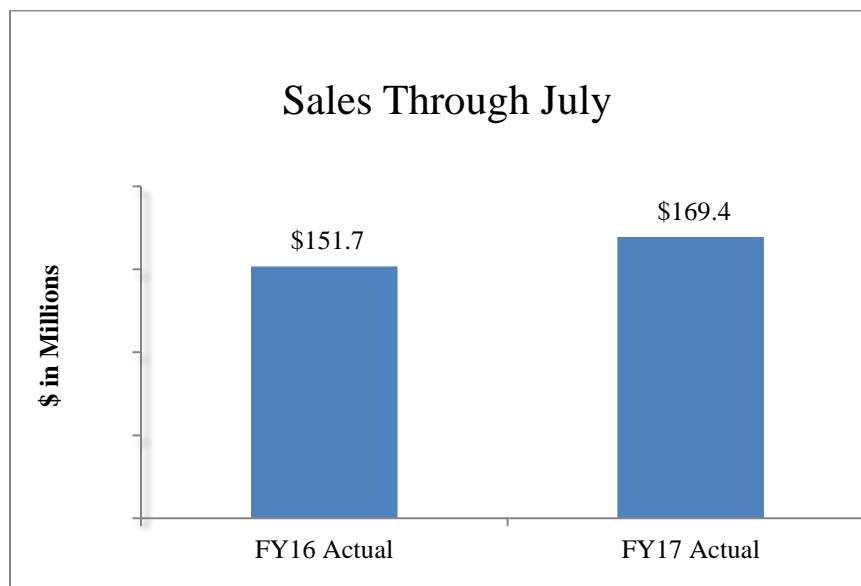
Paula I. Otto

- c: The Honorable Thomas K. Norment, Jr., Co-Chairman, Senate Finance Committee
- The Honorable Emmett W. Hanger, Jr., 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
- Robert M. Howard, Chairman, Virginia Lottery Board

**VIRGINIA LOTTERY**  
**Report to the Governor and**  
**Selected Members of**  
**the General Assembly**  
**As of July 31, 2016**

Sales

Lottery sales for the fiscal year totaled \$169.4 million through July. This represents an increase of \$17.7 million (+11.7%) compared to the prior year. Scratcher sales of \$81.3 million were \$3.1 million (-3.6 %) lower than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$49.3 million, up \$0.8 million (+1.7%) from last year. With 5 separate drawings during the month for jackpots exceeding \$400 million, sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$35.6 million, an increase of \$18.9 million (+112.4%) compared to last year. Sales of Print n' Play games a category that represents about 2% of total sales, totaled \$3.1 million, \$1.1 million (+53.1%) higher than last year.



Expenses

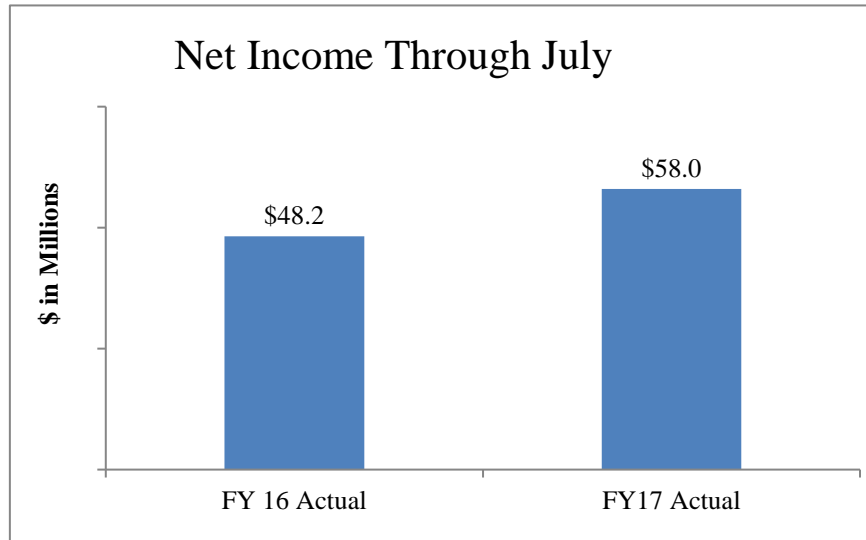
The overall prize expense rate (prizes as a percent of sales) through July was 56.3%, lower than last year's rate of 57.7%. The scratcher prize rate of 66.8% was slightly lower than last year's rate of 67.6%. The July daily games prize rate of 43.1% was lower than last year's rate of 44.4%. The jackpot games prize expense rate of 49.5% is higher than last year's rate of 45.6%. 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 \$0.6 million more than last year, for a total \$9.5 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives through July.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were \$0.5 million lower than the same period last year and are unusually low at 3.9% of sales lower than last year's 4.7% rate.

### Net Income

Through July 2016, profits totaled \$58.0 million, an increase of \$9.8 million (+20.4%) compared to the same period last year.



### CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2017 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$156,444. Also, unclaimed prizes totaling \$892,266 were transferred to the Literary Fund so far this fiscal year.

### MEETINGS

The Lottery Board will hold its next regular business meeting in Richmond on October 26, 2016. A special Board meeting will be held on Tuesday August 30, 2016, in Glen Allen, for the purpose of reviewing an interim forecast for fiscal year 2017.