

November 22, 2016

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

**Re: October 2016 Lottery Results**

Dear Governor McAuliffe:

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

October sales totaled \$156.5 million, up \$1.3 million (+0.9%) compared to the same month last year. Net income for the month totaled \$49.9 million, an increase of \$14.1 million (+39.3%) compared to last October. Profits were higher in October primarily because of lower prize expense rates experienced in our daily and jackpot games. Last year, prize expenses were unusually high for the daily games in October.

Sales of the annual New Year's Millionaire Raffle began on November 1<sup>st</sup>, and will end with the selection of three \$1 million winning tickets on January 1, 2017. The newest scratcher product, "100X The Money" – a \$30 scratcher ticket – continues to be well received by players; the first top prize winner claimed his winnings in October.

The Lottery Board held a meeting in Richmond on October 26, 2016, and reviewed forecasts of sales and profits as part of the statewide revenue forecasting process. Their recommendations were forwarded to your office.

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

Very truly yours,

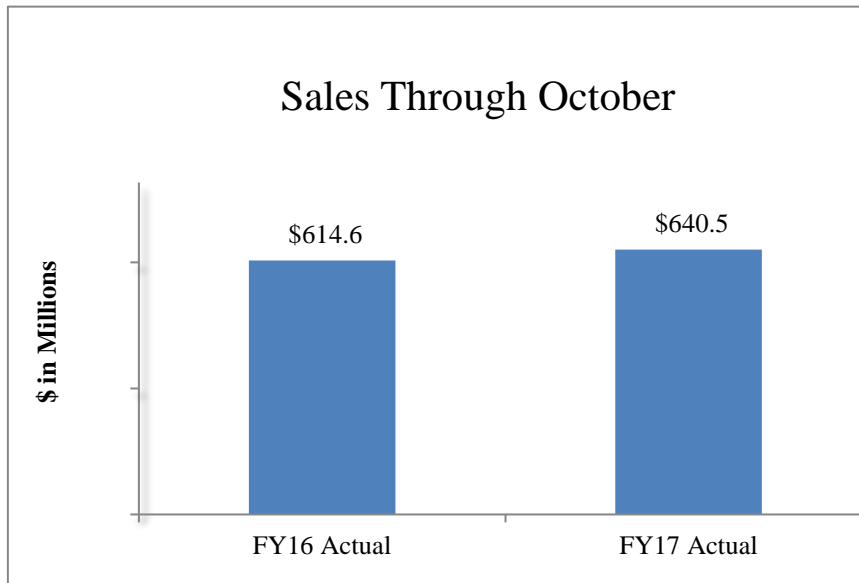
Paula I. Otto

- 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 October 31, 2016**

Sales

Lottery sales for the fiscal year totaled \$640.5 million through October. This represents an increase of \$25.9 million (+4.2%) compared to the prior year. Scratcher sales of \$353.3 million were \$5.0 million (+1.4 %) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$192.3 million, up \$3.5 million (+1.9%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$82.5 million, an increase of \$13.5 million (+19.6%) compared to last year. Sales of Print n' Play games, a category that represents about 2% of total sales, totaled \$12.4 million, \$3.9 million (+46.1%) higher than last year.



Expenses

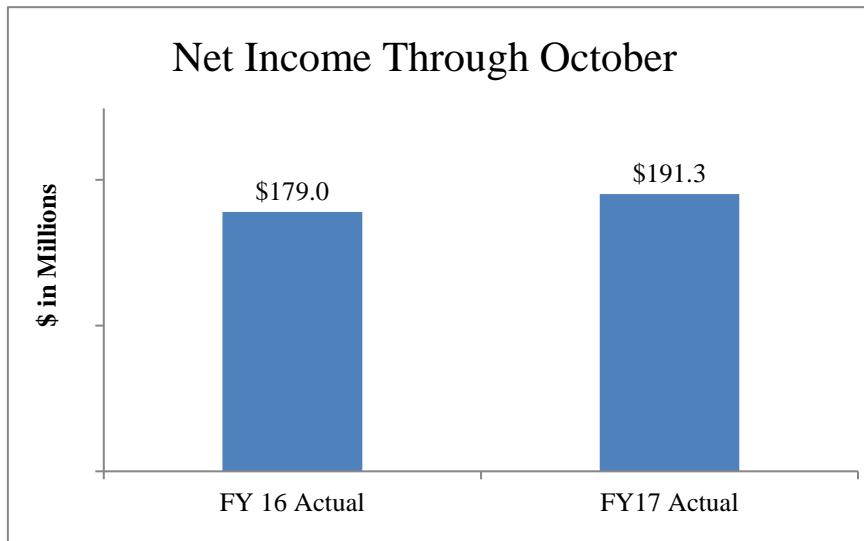
The overall prize expense rate (prizes as a percent of sales) through October was 59.6%, lower than last year's rate of 60.2%. The scratcher prize rate of 69.5% was higher than last year's rate of 68.9%, expected with players' continued selection of higher price point ticket offerings with higher payout rates. The daily games prize rate through October was 44.9%, less than statistically expected and lower than last year's rate of 48.0%. The jackpot games prize expense rate of 50.2% was also higher than last year's rate of 49.0%. 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 \$1.2 million more than last year, for a total \$36.0 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives through October.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were \$0.6 million higher than the same period last year. These costs remain at a low 5.0% of sales, slightly lower than last year's 5.1% rate.

### Net Income

Through October 2016, profits totaled \$191.3 million, an increase of \$12.3 million (+6.9%) 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 \$628,985. Also, unclaimed prizes totaling \$3,418,805 were transferred to the Literary Fund so far this fiscal year.

### MEETINGS

The next meeting of the Lottery Board will be on January 25, 2017, in Richmond.