

December 29, 2016

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

Re: November 2016 Lottery Results

Dear Governor McAuliffe:

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

November sales totaled \$167.0 million, up \$18.6 million (+12.5%) compared to the same month last year. Net income for the month totaled \$45.7 million, an increase of \$1.0 million (+2.3%) compared to last November. Profits were higher in November primarily because of lower prize expense rates experienced in our jackpot games. Comparisons to the prior year will begin to be more negative starting next month, because of the record Powerball jackpot run to over \$1.5 billion that significantly increased sales in December 2015 and January 2016.

Sales of the annual New Year's Millionaire Raffle began on November 1st, 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 Lottery's long-planned enhancement to the internet subscription program launched on October 31, 2016, meeting the digital needs of over 30,000 subscribers in the first full month.

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, and are included in your amendments to the 2016-2018 biennial budget. Sales and profits for fiscal year 2016 continue to track well against the updated forecast. The Board meets next on January 25, 2017.

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

Very truly yours,



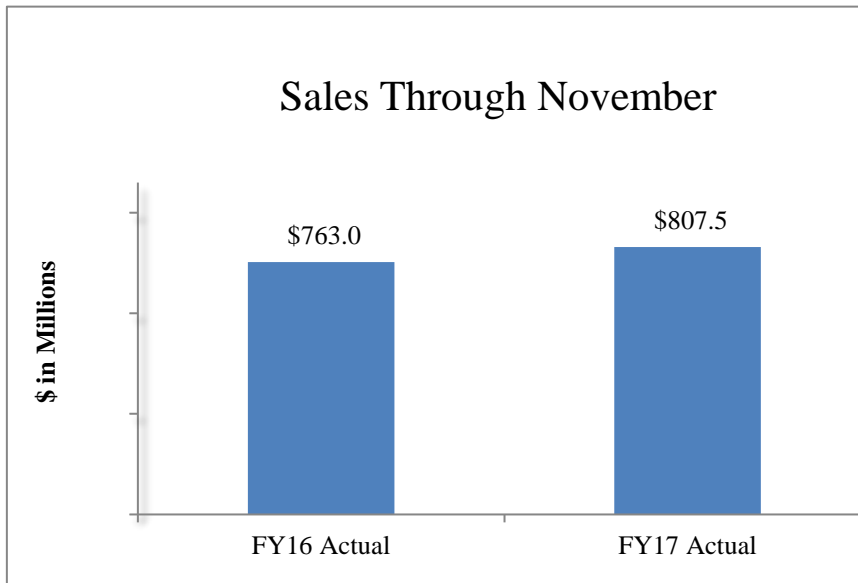
Paula I. Otto

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 November 30, 2016

Sales

Lottery sales for the fiscal year totaled \$807.5 million through November. This represents an increase of \$44.5 million (+5.8%) compared to the prior year. Scratcher sales of \$450.5 million were \$18.7 million (+4.3 %) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$239.2 million, up \$2.6 million (+1.1%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$102.3 million, an increase of \$18.3 million (+21.8%) compared to last year. Sales of Print n' Play games, a category that represents about 2% of total sales, totaled \$15.4 million, \$4.8 million (+45.4%) higher than last year.



Expenses

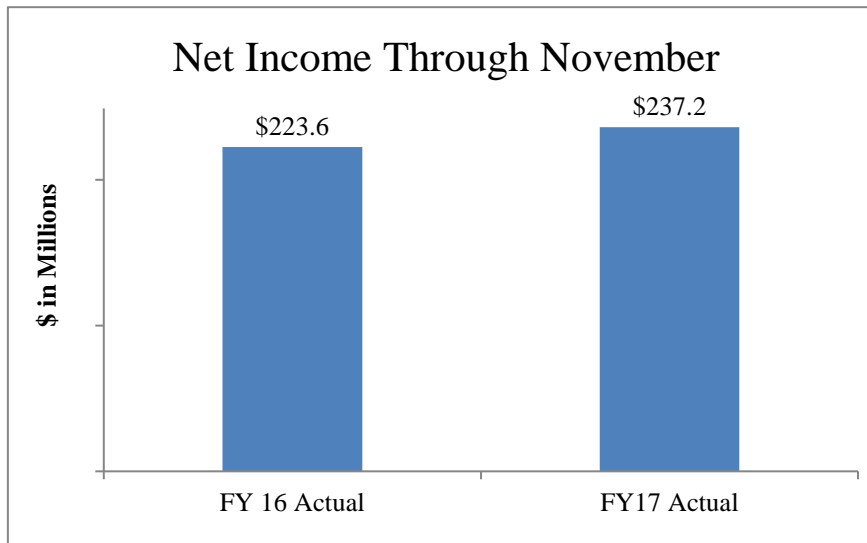
The overall prize expense rate (prizes as a percent of sales) through November was 60.1%, slightly higher than last year's rate of 60.0%. The scratcher prize rate of 69.7% was higher than last year's rate of 69.0%, expected with players' continued selection of higher price point ticket offerings with higher payout rates. The daily games prize rate through November was 45.5%, less than statistically expected and lower than last year's rate of 46.9%. The jackpot games prize expense rate of 50.3% was slightly lower than last year's rate of 50.4%. 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 \$2.2 million more than last year, for a total \$45.2 million in earnings. Overall, retailers earned 5.6% of Lottery sales in commissions and incentives through November.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were \$2.0 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 November 2016, profits totaled \$237.2 million, an increase of \$13.6 million (+6.0%) 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 \$791,897. Also, unclaimed prizes totaling \$4,167,752 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.