

August 31, 2017

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

**Re: July 2017 Lottery Results**

Dear Governor McAuliffe:

I am pleased to provide our report of monthly activities and financial update for the month of July 2017, as required in §58.1-4006 of the *Code of Virginia*.

July sales totaled \$162.5 million, down \$6.9 million (-4.0%) compared to the same month last year. Net income for the month totaled \$50.5 million, a decrease of \$7.5 million (-12.9%) compared to last July. Lottery sales and profits vary significantly when comparing short-term results. Sales of national jackpot games are heavily influenced by the advertised jackpots available for players. Last year during July, the jackpots for both Mega Millions and Powerball were in the \$500 million range, higher than the jackpots available in July this year.

The Auditor of Public Accounts certified the Lottery's FY17 profits as \$558,314,958, or \$11,819,169 more than forecast for the year. This residual transfer was made to the Lottery Proceeds Fund on August 15, 2017, and will be included in our revised profit transfer estimate for the 2018 fiscal year. The revised estimate will be included in the Governor's introduced budget amendments in December.

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

Very truly yours,

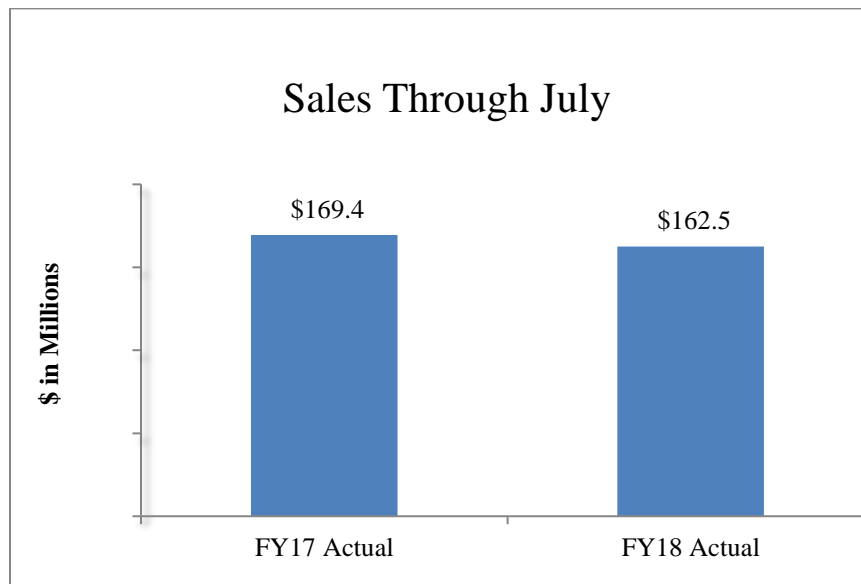
Paula I. Otto

- 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
- Fred P. Helm, Chairman, Virginia Lottery Board

**VIRGINIA LOTTERY**  
**Report to the Governor and**  
**Selected Members of**  
**the General Assembly**  
**As of July 31, 2017**

Sales

Lottery sales for the fiscal year totaled \$162.5 million in July. This represents a decrease of \$6.9 million (-4.0%) compared to the prior year. Scratcher sales of \$87.0 million were \$5.6 million (+6.9%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$52.6 million, up \$3.3 million (+6.7%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash for Life and Bank a Million) totaled \$19.3 million, a decrease of \$16.3 million (-45.8%) compared to last year because of last year's high advertised jackpots during the month. Sales of Print n' Play games a category that represents about 2% of total sales, totaled \$3.7 million, \$0.5 million (+17.1%) higher than last year.



Expenses

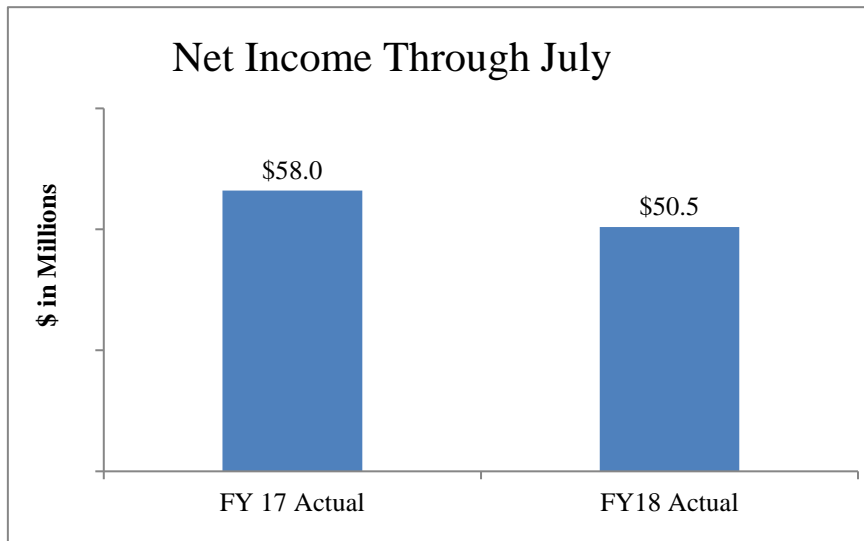
The overall prize expense rate (prizes as a percent of sales) in July was 57.7%, higher than last year's rate of 56.3%. The scratcher prize rate of 67.7% was higher than last year's rate of 66.8%. The July daily games prize rate of 44.0% was higher than last year's rate of 43.1%, although both are significantly lower than the statistically expected 50%. The jackpot games prize expense rate of 48.5% was lower than last year's rate of 49.5%. 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.

Retailers earned \$0.4 million more than last year, for a total \$9.9 million in earnings. Overall, retailers earned 6.1% of Lottery sales in commissions and incentives in July, higher than the usual 5.6% due to the timing of some incentive programs.

Administrative operating costs, including gaming, ticket printing and distribution expenses, were \$1.3 million higher than the same period last year but were still low at 4.9% of sales. Last year's rate was an exceptionally low 3.9%.

### Net Income

With a combination of lower sales and higher prize expense rates, July profits totaled \$50.5 million, a decrease of \$7.5 million (-12.9%) compared to the same month 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 \$161,768. Also, unclaimed prizes totaling \$1,852,358 were transferred to the Literary Fund so far this year.

### MEETINGS

The Lottery Board will hold its next regular business meeting in Richmond on November 1, 2017.