

September 29, 2017

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

Re: August 2017 Lottery Results

Dear Governor McAuliffe:

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

August sales totaled \$196.6 million, up \$42.7 million (+27.8%) compared to the same month last year. Net income for the month totaled \$57.1 million, an increase of \$14.9 million (+35.2%) compared to last August. Lottery sales and profits vary significantly when comparing short-term results. During August 2017, players enjoyed national jackpots reaching nearly \$400 million for Mega Millions, and \$650 million for Powerball. Sales of national jackpot games are heavily influenced by the advertised jackpots available for players.

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,

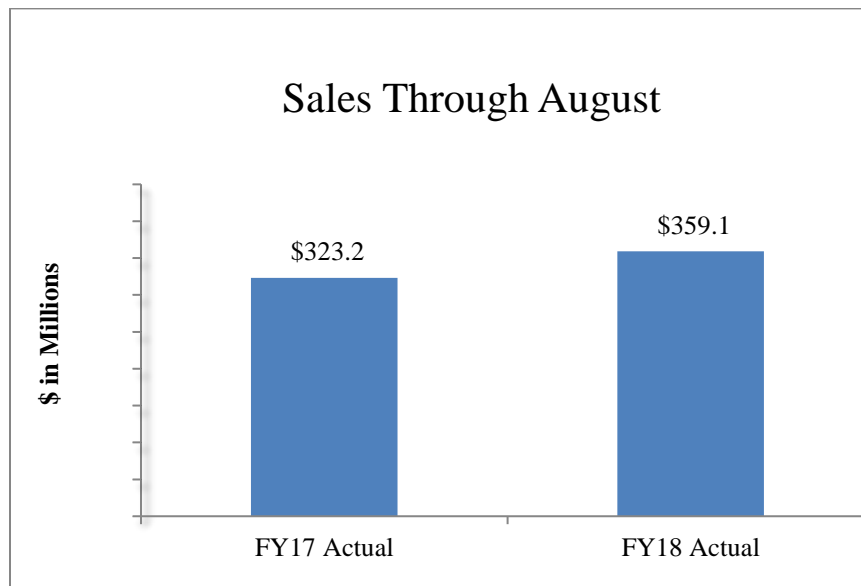
Paula I. Otto

- 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 August 31, 2017

Sales

Lottery sales for the fiscal year totaled \$359.1 million in August. This represents an increase of \$35.9 million (+11.1%) compared to the prior year. Scratcher sales of \$180.9 million were \$13.9 million (+8.4%) higher than last year. Sales of daily games (Pick 3, Pick 4, and Cash 5) totaled \$105.3 million, up \$7.3 million (+7.4%) from last year. Sales in the jackpot games category (Mega Millions, Powerball, Cash 4 Life and Bank a Million) totaled \$65.4 million, an increase of \$13.4 million (+25.7%) compared to last year because of unusually high advertised jackpots during the month. Sales of Print n' Play games, a category that represents about 2% of total sales, totaled \$7.5 million, \$1.3 million (+20.6%) higher than last year.



Expenses

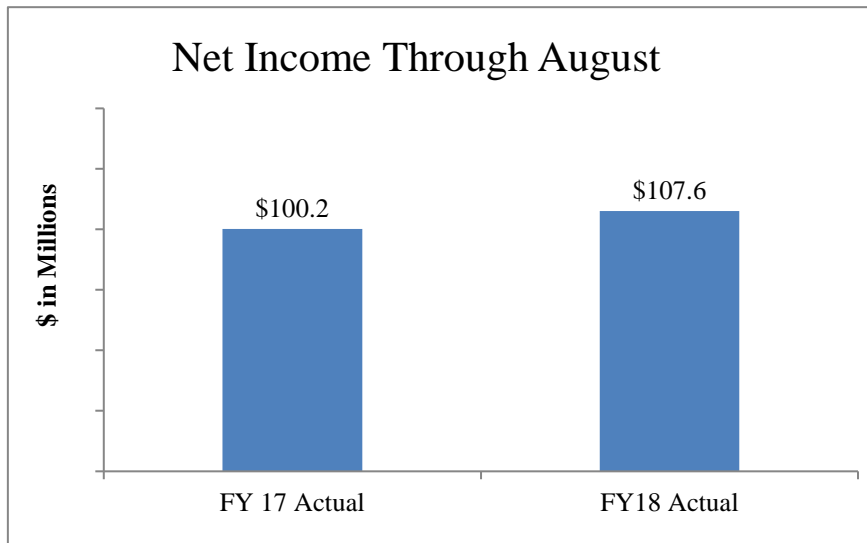
The overall prize expense rate (prizes as a percent of sales) in August was 59.3%, higher than last year's rate of 58.9%. The scratcher prize rate of 69.2% was higher than last year's rate of 68.2%. The August daily games prize rate of 47.1% was higher than last year's low rate of 45.8%. The jackpot games prize expense rate of 50.7% was lower than last year's rate of 52.7%. 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 \$2.7 million more than last year, for a total \$20.7 million in earnings. Overall, retailers earned 5.8% of Lottery sales in commissions and incentives in August, 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 \$2.9 million higher than the same period last year but were still low at 4.9% of sales, the same as last year's rate.

Net Income

Due to higher sales for the first two months of the year, profits totaled \$107.6 million, representing an increase of \$7.4 million (+7.4%) compared to the same period last year.



CONTRIBUTIONS TO DEBT SETOFF & LITERARY FUND

For the 2018 fiscal year to date, the Lottery made debt setoff collection payments to the Department of Taxation totaling \$355,263. Also, unclaimed prizes totaling \$3,370,593 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. As part of this meeting, in executive session, the Board will review and consider the forecast of sales and profits for the current fiscal year and the upcoming biennium. The timing and scope of this review is in accordance with the Board's statutory authority, the state revenue forecast schedule, and the Governor's budget development schedule.