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Virginia Lottery Update

Senate Finance

June 23, 2015

Paula Otto, Executive Director



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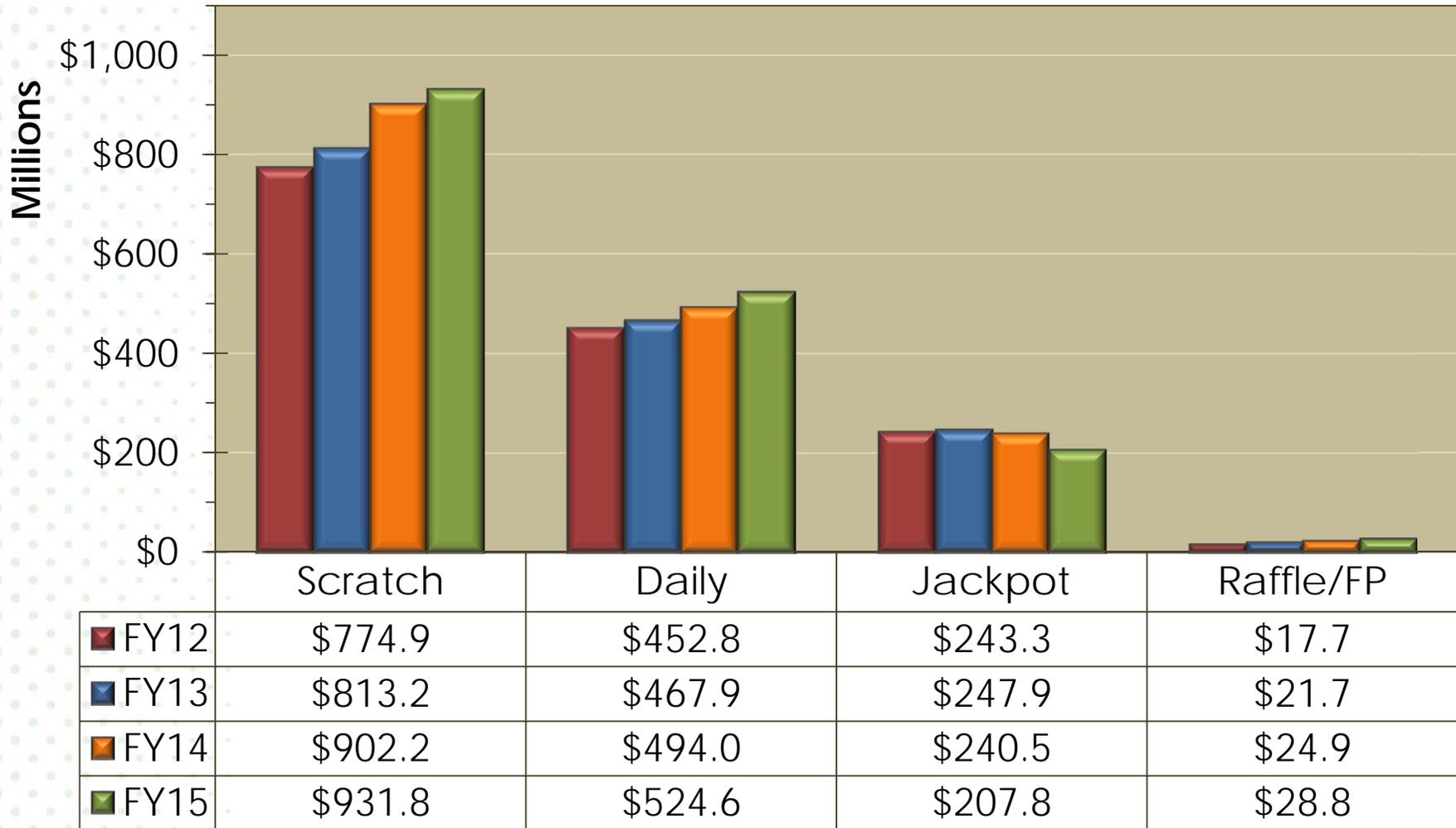
Virginia's Lottery

- Created in 1987 by referendum; first ticket sales September 1988
- 29th state lottery; now 44 + DC
- Independent Agency
 - Agency head reports directly to Governor
 - Five-member advisory board, appointed by Governor
 - Not subject to the Personnel Act and Public Procurement Act
 - Not a General Fund agency; operating dollars come from revenues with 10% limit by statute; operate at 5%



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FY15 Sales vs. Prior Years through May





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Prize expense rates vs. prior year...

(Expenses as a % of Sales)

	FY15	FY14	Change from Prior Year
Prize Expense	60.6%	59.7%	+ 0.9%
Scratch	69.0%	68.8%	+ 0.2%
Daily	49.5%	48.0%	+ 1.5%
Jackpot	50.5%	49.3%	+ 1.2%
Fast Play	64.9%	63.8%	+ 1.1%
Retailer Compensation	5.6%	5.6%	+ 0.0%
Other Operating Expenses	4.8%	4.8%	+ 0.0%



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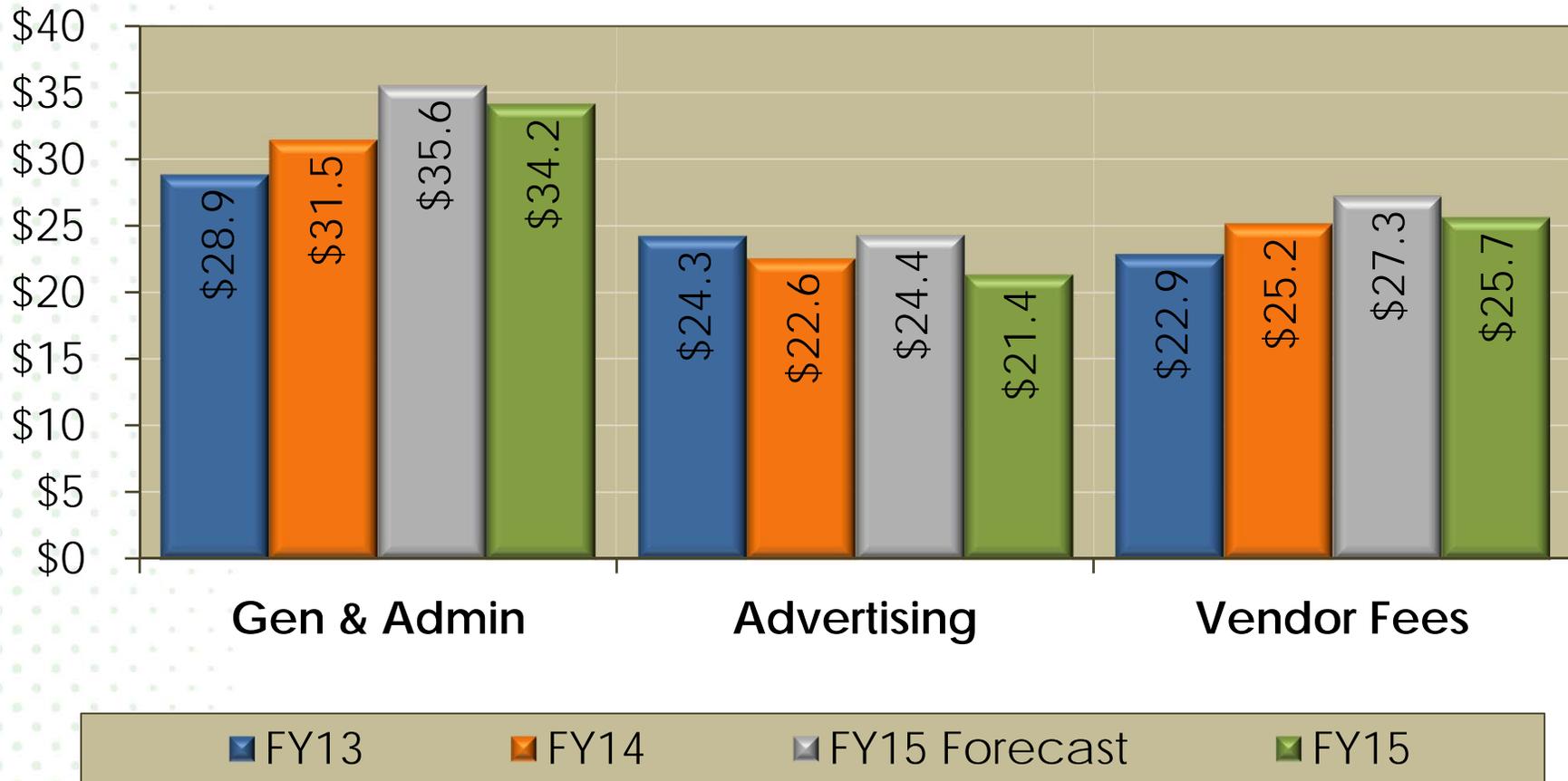
...and compared to forecast (Expenses as a % of Sales)

	FY15	FY15 Forecast	Change from Forecast
Prize Expense	60.6%	61.1%	- 0.5%
Scratch	69.0%	69.1%	- 0.1%
Daily	49.5%	50.9%	- 1.4%
Jackpot	50.5%	50.2%	+ 0.3%
Fast Play	64.9%	66.4%	- 1.5%
Retailer Compensation	5.6%	5.6%	+ 0.0%
Other Operating Expenses	4.8%	5.1%	- 0.3%



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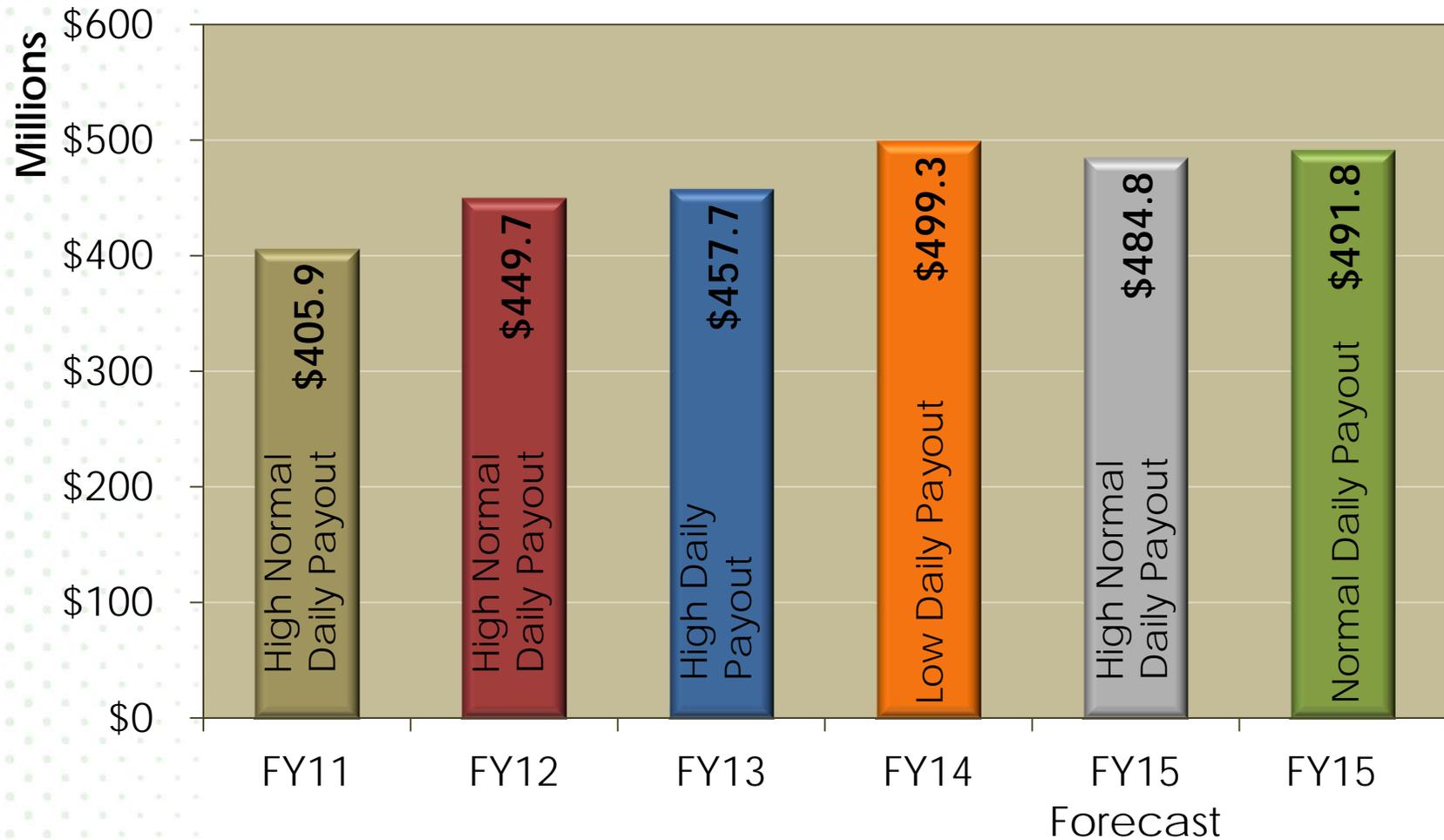
Operating Costs (in millions)





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Year-to-Date Profits





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How We Forecast

Scratchers and Fixed-Prize Draw Games

- Based on models that analyze historical trends as well as explanatory variables such as weather
- Scratchers: More predictable sales and profits
- Fixed Prize Draw Games (i.e. Pick 3, Pick 4, Cash4Life): Predictable sales but more volatile profits due to *luck of the draw* factors; statistical norms are used for forecasts

National and Regional Rolling-Jackpot Games

- Based on simulation models
- Sales are a function of jackpot size, and luck determines whether jackpots roll for long periods (spurring high sales)
- Industry phenomenon: "Jackpot Fatigue"
- Game changes controlled by the national groups; changes are for the overall good, not necessarily for the Virginia good...



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How We Sell

- 5200 retailers
- A few direct sell methods
 - Richmond Airport
 - Pilot program at Welcome Center, New Kent
 - Nearly \$3 million in FY15 from limited subscriptions



Mega Millions

SUBSCRIBE!

[Home](#) >> [Mega Millions: Subscribe!](#) >> [Login](#)

To **order** or **renew** a subscription for Mega Millions, login with your email address and password.

Whether you select your own numbers or use Easy Pick, your set of numbers will remain the same for the entire length of your subscription.

If you are not registered, click the [Register Now](#) button.

WHY REGISTER?

- ✓ Never miss a Mega Millions drawing!
- ✓ No more waiting in line to get your tickets.
- ✓ No more forgetting to check your tickets.
- ✓ Give as a special gift to a friend or loved one.
- ✓ When you win, the Lottery will send you a check.

LOGIN

EMAIL ADDRESS:

PASSWORD:*

GO

[Forget Password?](#)

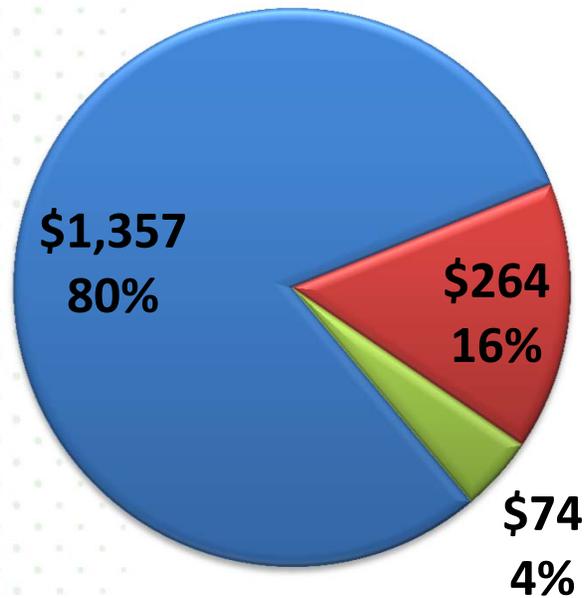




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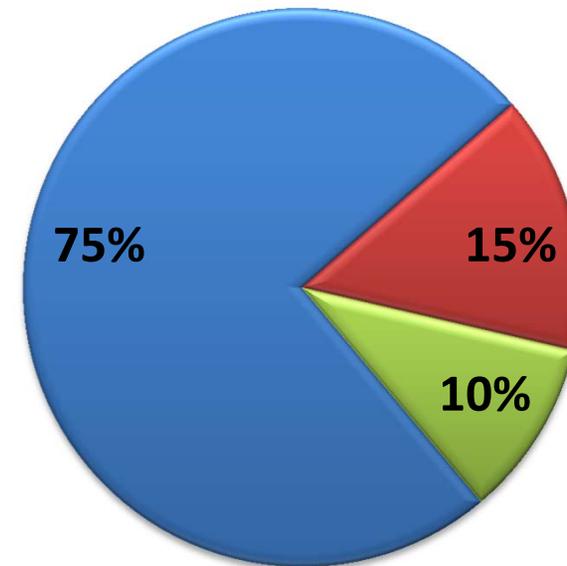
Where We Sell

**FY15 Sales through May
(millions)**



■ Convenience ■ Grocery ■ Other

**Proportion of Retailer Base
by Trade Style**



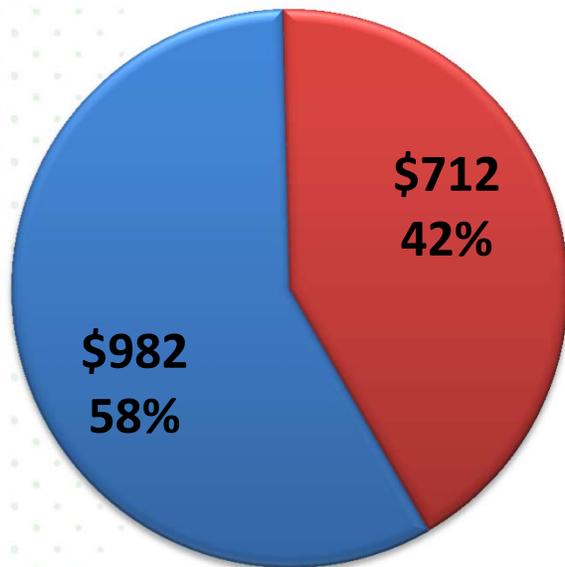
■ Convenience ■ Grocery ■ Other



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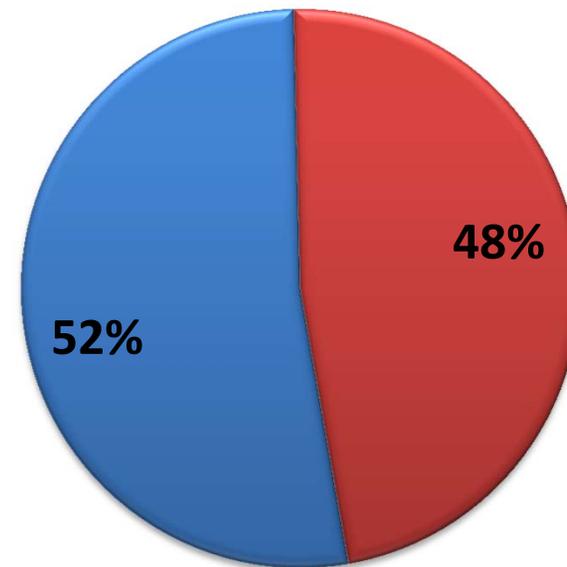
Where We Sell

**FY15 Sales through May
(millions)**



■ Corporate ■ Independent

**Proportion of Retailer Base
by Ownership Type**



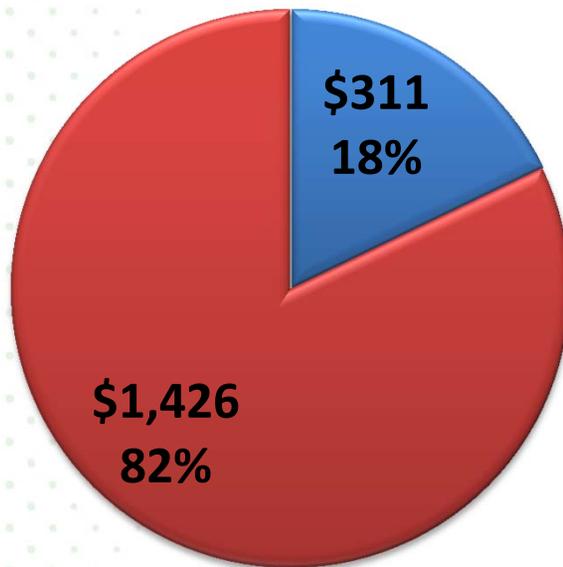
■ Corporate ■ Independent



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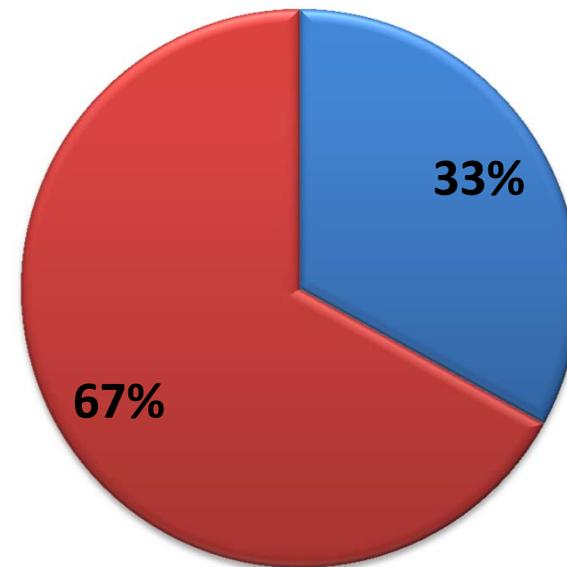
Importance of Vending

**FY15 Sales through May
(millions)**



■ Through Vending ■ Over-the-Counter

**Proportion of Retailers
using vending equipment**



■ With Vending ■ Without Vending



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Who Plays

- Typical lottery player is typical Virginian
- Slightly more men than women, most are middle-aged, middle-income, with H.S. education and above
- All incomes play, majority are \$55k+
- Approximately 1 in 3 adult Virginians play the lottery regularly



Working to Grow Responsibly

Vision: The Virginia Lottery will become an innovative leader in delivering games to the broadest possible consumer base.

Strategy 2017: Increase the number of adult Virginians who play regularly from 33% to 37%.



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INTERNET GAMING



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US Dept. of Justice Ruling Changed the Landscape

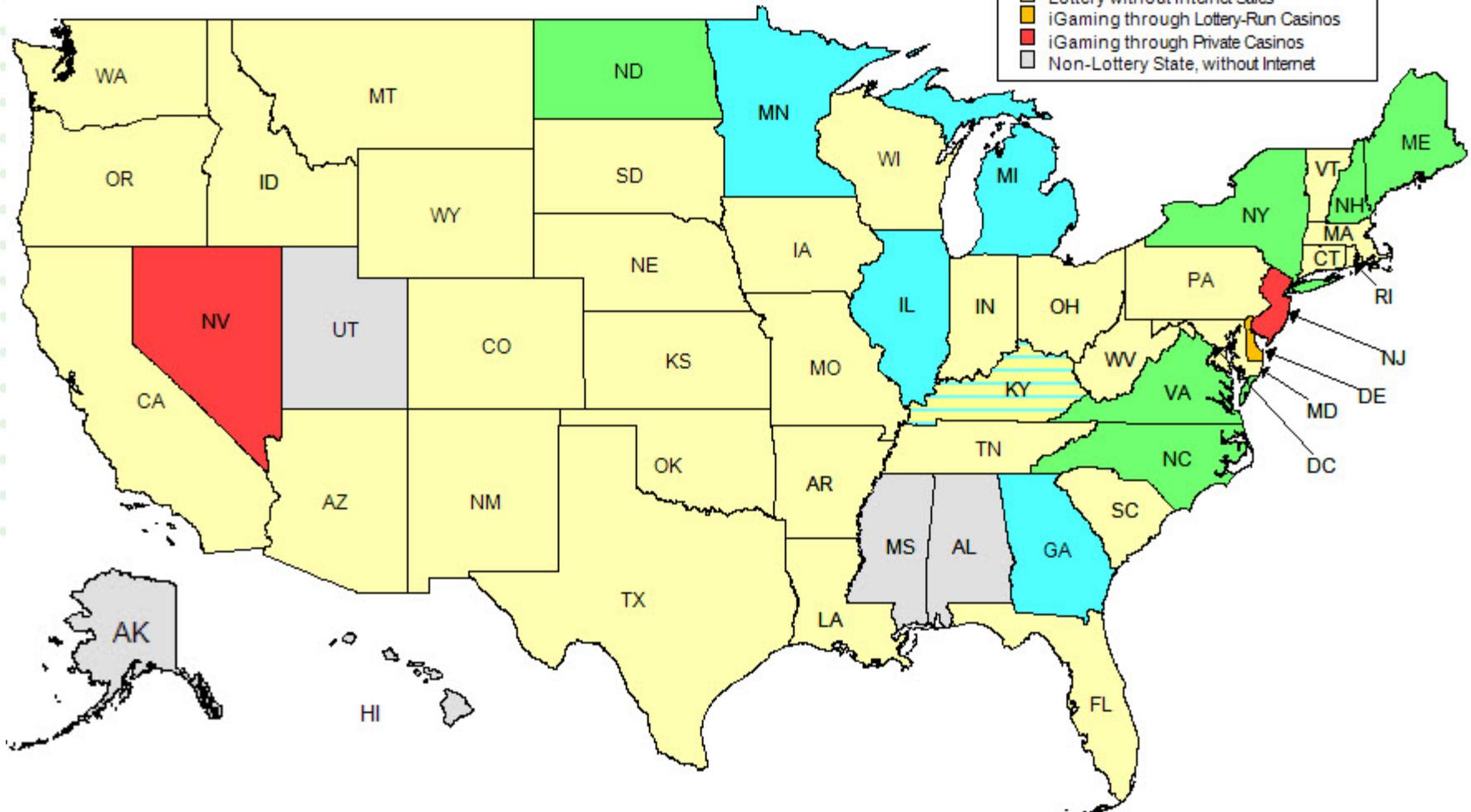
- On 12/23/11, Office of Legal Counsel released a ruling that the Wire Act does not prevent IL & NY from offering lottery games over the internet
 - Gaming advocates assert this indicates states may decide for themselves whether to allow internet lottery games, poker and other games within their borders
- Still questions on whether internet gambling is allowed under the Unlawful Internet Gambling Enforcement Act (UIGEA)
- 2015 Congress is considering several bills to limit internet gambling; uncertain how that could impact state lotteries.



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States with Internet Wagering

- iLottery and iGaming by State**
- iLottery Single-Ticket Sales
 - iLottery Single-Ticket Sales (Fall 2015)
 - iLottery, Subscriptions Only
 - Lottery without Internet Sales
 - iGaming through Lottery-Run Casinos
 - iGaming through Private Casinos
 - Non-Lottery State, without Internet





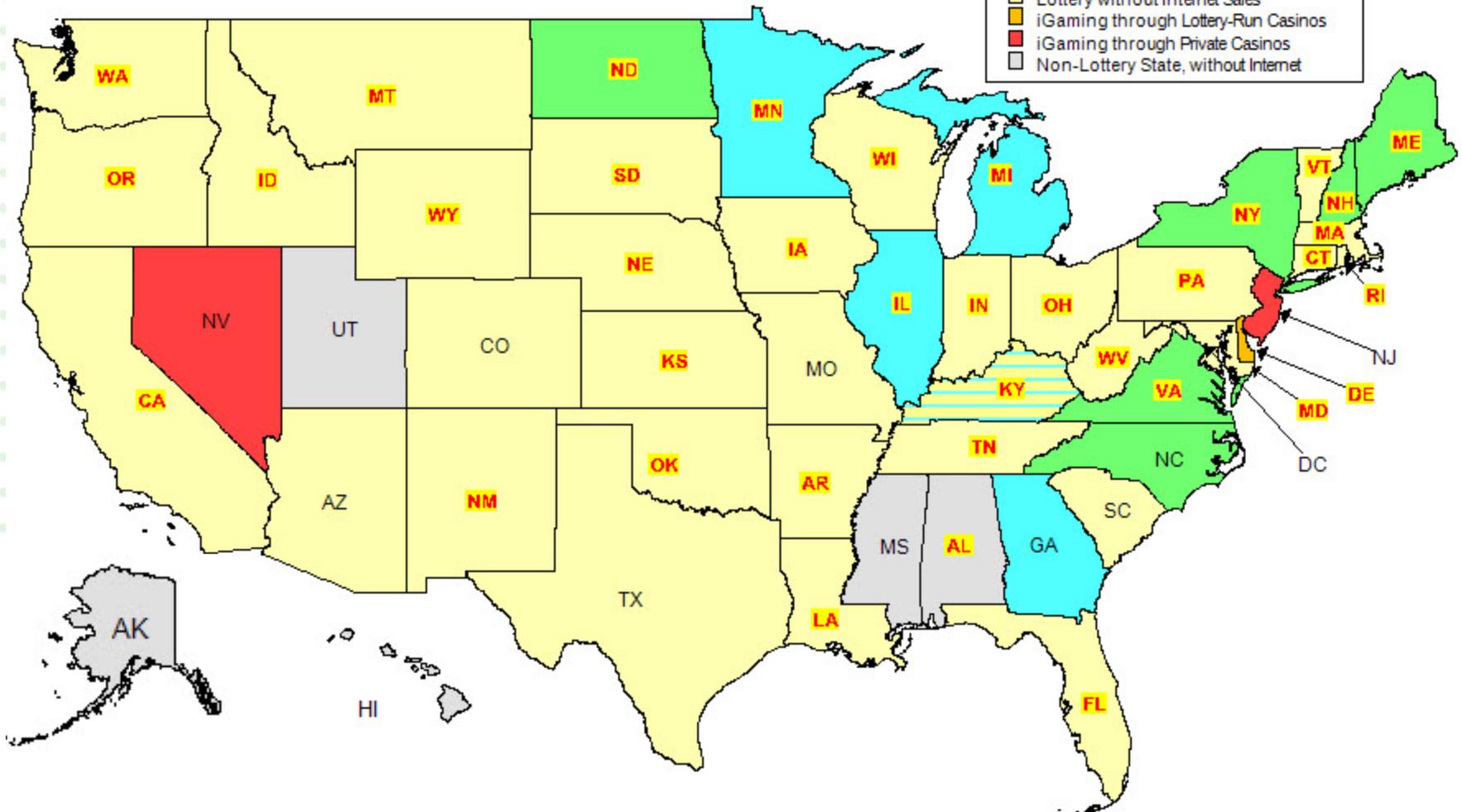
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States with Internet Wagering

39 states highlighted allow internet wagering on horseracing

iLottery and iGaming by State

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iLottery, selling existing lottery games over the internet

- Ten states sell subscriptions and/or single tickets over the internet
- Georgia, Illinois, Michigan and Minnesota offer same-day sales
- KY approved web sales in Nov. 2014; will begin selling fall 2015
- LA, MA, NJ, PA, & WV considered bills in 2014, FL will in 2015 session



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Virginia's Restriction

§ 58.1-4007.2. Lottery tickets not to be sold over Internet.

A. The Department shall not sell lottery tickets or shares directly to consumers over the Internet.

B. Nothing in this section shall be construed to prohibit (i) the use of the Internet to relay information or data relating to sales made to purchasers by licensed sales agents, their employees, or employees of the Department or (ii) the sale by the Department of prepaid subscriptions for the purchase of lottery tickets or shares for subsequent prize drawings.

(2006, c. 352.)



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Virginia Web Subscriptions



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Media Center Retailer Center How To Claim Contact Us

MyGameRoom Games & More Search Numbers FAQs About Us Playing Matters



order your subscription

Home > Subscribe

subscribe – never miss a drawing!

Boy, do we have something exciting for you! Beginning September 14, 2014, there will be a whole new – Virginia-only! – game in town. It's called **\$1,000,000 MONEY BALL**. And, you guessed it: You could win a million dollars! You'll choose 5 numbers from 1 through 35. If you match all 5 numbers you'll win \$100,000, but there's an exciting twist that could turn that prize into a million dollars. To get in on the action, be sure to check it out at your local retailer. To make room for this Virginia-only game, we will retire our Win for Life game.

The last drawing of Win for Life will be September 13, 2014.

If you currently have a subscription it will remain active through the last draw date shown on your confirmation card or through the September 13, 2014, drawing, whichever date comes first.

we've got winners



"I didn't think it was me, so I didn't check my ticket," she said.



Lewis Howard was sitting at home watching TV when his right hand began itching. The Cumberland man remembered his mother telling him an itching hand meant money was coming. That's when he went out and bought \$5 of Mega Millions tickets for the May 17 drawing.



- Lotto by Mail started in 1992 and was brought to the web in 2005
- Allowed under current code restriction
- Only two games offered for many years, currently only Mega Millions
- Minimum 13 weeks
- Current web sales:
 - Approx. \$3 million annually
 - 27,000 subscribers
- Modernization, additional offerings planned for 2015 under current law

*VA offers subscriptions over the web and by mail.
Web sales are 4 times sales through the mail.*



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SB705/Study of Internet Gaming

- Potential revenue
- Impact of internet and mobile sales on 5,200 current "bricks and mortar" Lottery licensees
- The tools available to ensure only Virginia residents 18 and older purchase via the internet and mobile devices
- Potential impact on those with gambling disorders and the potential tools/controls to avoid gambling addiction
- The various methods consumers will use to fund internet and mobile purchases
- The cost and project time estimates for implementation



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Internet Sales at the Georgia Lottery

- Players must register as a Players Club account holder
- Birth date, telephone and SSN are required
- Player receives an iHOPE Discover card
- iLottery is now about 2% of total lottery sales in Georgia
- \$10 mil in 2014



Today could be the day.

Games Events Winners Education Winning Numbers

JACKPOT WINNER SOLD HERE

FANTASY 5

FOUR FANTASY 5 WINNERS WON \$99,966.00 FOR THE 1/3/2015 DRAWING AT RETAIL AND ONLINE!

iHOPEcard

PLAYERS CLUB

The ADVANTAGE

Unlock exclusive iHOPEcard benefits, enter second chance promotions and get special offers from the Georgia Lottery.

SIGN UP NOW

PLAY.



With your iHOPEcard account, you can purchase KENO!, Fantasy 5, Mega Millions, and Powerball tickets online and at retail.

WIN.



Your winnings - up to and including \$5,000 - are automatically paid to your iHOPE account when you use your iHOPEcard to buy lottery tickets.

SHOP.



Use your iHOPEcard to make purchases at your favorite retailers and everywhere Discover® is accepted.



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Internet Sales at the Illinois Lottery

- Only age-verified Illinois residents may register as Players Club account holders
- BUY NOW system is able to sell same-day tickets with no processing delay

- iLottery is now about 2% to 3% of Lotto, Mega Millions, & Powerball sales
- \$13 mil online sales in 2014

The screenshot shows the Illinois Lottery website interface. At the top is a yellow navigation bar with links for GAMES, WINNING, PROMOTIONS, GIVING BACK, PLAY NOW, and MY ACCOUNT. Below this is a blue banner for the Illinois Lottery App, featuring a smartphone icon and text: "THE ILLINOIS LOTTERY App", "Now with Lucky Day Lotto!", and "Text* MOBILEAPP to 87329 Learn More". To the right of the app promotion is the Illinois Lottery logo and the slogan "ANYTHING'S POSSIBLE". The main focus is a large blue 3D-style number "\$230,000,000" with a "BUY NOW" button below it. Below the main banner are three game promotion cards: 1. MEGA MILLIONS: "\$20,000,000", Next Draw: Fri, Jan 23 10:00 PM CST, with a "BUY NOW" button and a "Share" icon. 2. Lotto EXTRA SHOT: "\$2,000,000", Next Draw: Sat, Jan 24 9:22 PM CST, with a "BUY NOW" button and a "Share" icon. 3. LuckyDay LOTTO: "\$100,000", Next Draw: Fri, Jan 23 12:40 PM CST, with a "SUBSCRIBE NOW" button and a "Share" icon.



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SB705 Study Timeline

Study group includes Lottery Board member, retailers, responsible gaming advocates, education representative.

April – first full committee meeting

Summer – primary and secondary research being conducted

September – first draft of report

October – second full committee meeting

November – report due



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Looking to the Future

- 2015: Modernization of our ten-year-old subscription program; continue emphasis on expanding traditional retailer base
- 2016: Lottery facilities will relocate for the first time in 20 years, from its current state-owned facility
- 2017: New contract for gaming system provider



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Questions?



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FY14 Statistics by District

Example of data available, showing Finance Committee's districts

Dist.	Senator	# of Lottery Retailers	Retailer Sales (millions)			Commissions Earned (millions)		
			Scratch Games	Draw Games	Total	Sales	Cashing	Total
12	Walter A. Stosch	106	\$ 23.5	\$ 19.1	\$ 42.5	\$ 2.13	\$ 0.20	\$ 2.33
29	Charles J. Colgan	112	\$ 30.6	\$ 18.4	\$ 49.0	\$ 2.45	\$ 0.24	\$ 2.68
32	Janet D. Howell	54	\$ 9.2	\$ 8.0	\$ 17.2	\$ 0.86	\$ 0.07	\$ 0.93
35	Richard L. Saslaw	114	\$ 31.7	\$ 17.5	\$ 49.2	\$ 2.46	\$ 0.24	\$ 2.70
3	Thomas K. Norment, Jr.	139	\$ 26.7	\$ 19.0	\$ 45.7	\$ 2.29	\$ 0.22	\$ 2.50
24	Emmett W. Hanger, Jr.	137	\$ 21.8	\$ 9.8	\$ 31.6	\$ 1.58	\$ 0.16	\$ 1.74
10	John Watkins	121	\$ 20.8	\$ 21.6	\$ 42.4	\$ 2.12	\$ 0.19	\$ 2.31
18	L. Louise Lucas	210	\$ 35.5	\$ 46.3	\$ 81.7	\$ 4.09	\$ 0.37	\$ 4.46
23	Stephen D. Newman	144	\$ 26.4	\$ 18.0	\$ 44.4	\$ 2.22	\$ 0.22	\$ 2.44
15	Frank M. Ruff	203	\$ 32.3	\$ 34.1	\$ 66.4	\$ 3.32	\$ 0.31	\$ 3.63
7	Frank W. Wagner	125	\$ 29.5	\$ 22.4	\$ 51.9	\$ 2.59	\$ 0.24	\$ 2.83
4	Ryan T. McDougle	170	\$ 23.7	\$ 27.3	\$ 51.0	\$ 2.55	\$ 0.22	\$ 2.77
27	Jill Holtzman Vogel	136	\$ 23.2	\$ 13.3	\$ 36.5	\$ 1.82	\$ 0.17	\$ 1.99
40	Charles W. Carrico	174	\$ 29.0	\$ 7.2	\$ 36.1	\$ 1.81	\$ 0.19	\$ 2.00
5	Kenneth C. Alexander	160	\$ 35.3	\$ 38.5	\$ 73.9	\$ 3.69	\$ 0.34	\$ 4.03

FY15 statistics will be calculated at fiscal year end.