



2011 Progress Report



**a report to the legislature
and our community**



John C. Musgrave
Director, West Virginia Lottery

Moving Forward

“As we move into our next 25 years we look forward to growing with new innovations for our future.”

Since its inception, the Lottery has transferred more than \$6.2 billion in gaming revenue to the State of West Virginia. After celebrating our 25-year milestone last year and planning for the next 25, we know that yesterday’s challenges can become today’s opportunities. However, the challenges of yesterday are much greater than before and staying on the cutting edge is critical to future success. As the digital world continues to evolve and create an even more dynamic environment, the traditional way of how we think about and understand gaming has, and will change.

Our neighbors have diversified their product offerings and created an even more competitive gaming environment as economic challenges have placed difficulty on the Lottery’s ability to be a sustainable economic driver. From the increased competition on our borders as Pennsylvania, Ohio and others enter the casino gaming arena, to the potential opportunity for gaming to expand to the Internet, the Lottery has been challenged to work even harder to protect its revenue stream.

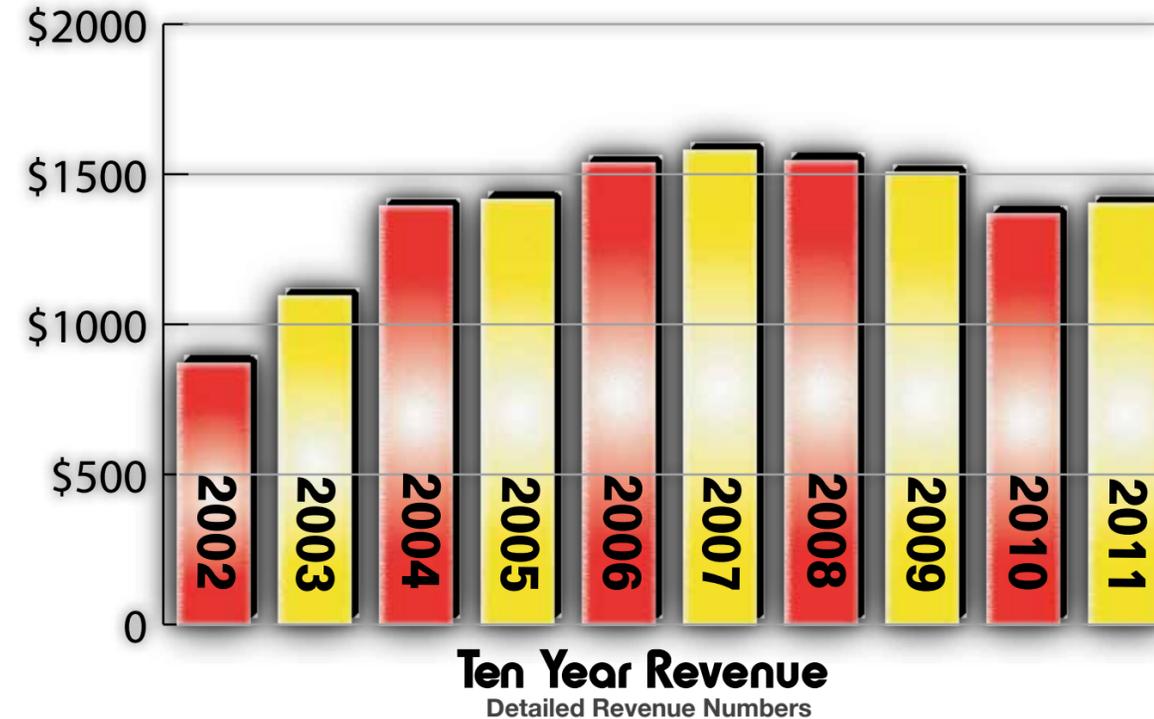
As we move forward, our goal remains to assist West Virginia in building schools, providing the monetary support for high school seniors to pursue their college dreams, placing meals in the home of Seniors across the State, and enhancing tourism and economic development opportunities for job creation. But, without the support of all of our stakeholders, we cannot continue the success we enjoy today. Thank you!



Financial Impact

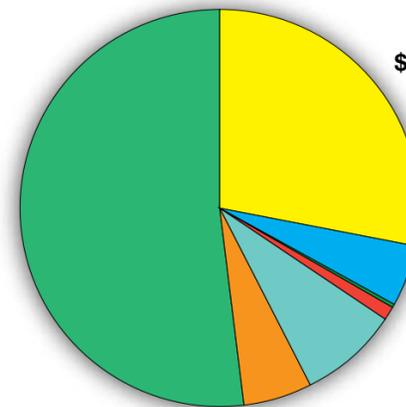
Lottery revenue grew impressively in the last decade. Despite a slight dip in sales, also experienced by most states due to the economic downturn, West Virginia Lottery officials project steady sales in 2011.

Revenue In Millions



2002	\$871,318,000	2004	\$1,318,024,729	2006	\$1,538,860,148	2008	\$1,545,423,630	2010	\$1,369,544,143
2003	\$1,094,813,672	2005	\$1,417,365,230	2007	\$1,580,212,381	2009	\$1,507,156,589	2011	\$1,404,552,377

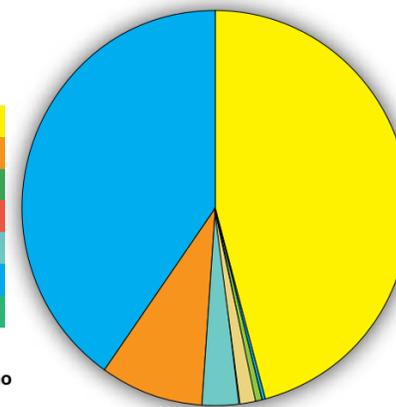
Fiscal Year 2011 Breakdown



\$1,404.6 Million in Gross Revenue

- \$397.5 Million Limited Video Lottery ¹
- \$68.2 Million Table Games (tax)
- \$6.2 Million Historic Resort
- \$12.1 Million License and Permit Fees
- \$115.7 Million Instant Games
- \$77.9 Million On-Line Games ²
- \$727.0 Million Racetrack Video Lottery

1. Slot machines at bars/taverns
2. Draw Games such as Powerball, Keno and Daily 3 & 4



\$1,404.6 Million in Total Expenses & Distributions

- \$645.7 Million Paid in Commissions
- \$2.7 Million Net Income
- \$7.8 Million Distributed to Municipalities and Counties
- \$21.6 Million Distributed to the Capital Reinvestment Fund
- \$40.8 Million Administrative Expenses
- \$120.7 Million in Prizes Paid to Traditional Game Players
- \$565.3 Million Distributed to State of West Virginia

The largest portion of Lottery revenue is directed toward West Virginia's most valuable resource, our children, through public education.

In fiscal year 2011, **\$225.7 million** in Lottery revenue was appropriated to education and this total does not include an additional **\$127.9 million** that was directed to the State's General Fund for expenses that include education and health and human services. Overall, the West Virginia Lottery has produced more than **\$1.7 billion** for education since its inception in 1986.

Lottery revenue has been put to use in the construction and renovation of public schools throughout the state through the West Virginia School Building Authority, helped in the purchase of more than 110,000 computers for schools across the state, and provided funding for PROMISE scholarships. Lottery revenues also impact every level of education in the state from Pre-K to Higher Education.



Promise Scholarships

Since 2002 the West Virginia Lottery has provided more than \$225 million to the PROMISE Scholarship Program.

In fiscal year 2011, the PROMISE Scholarship Program received **\$29 million** to provide higher education opportunities for many of West Virginia's best and brightest high school graduates at an in-state college or university. Since 2002 the West Virginia Lottery has provided more than **\$225 million** to the PROMISE Scholarship Program.

A total of 9,625 students used PROMISE Scholarship awards during the 2010-11 academic year. Lottery revenues have helped thousands of students pursue their college dreams.

Schools and Education

In total, West Virginia education programs received more than \$225.7 million from Lottery revenue in 2011.

Lottery revenue from the Excess Lottery Fund and other Legislative distributions is directed to the West Virginia School Building Authority. This funding has aided in the construction and renovation of hundreds of public schools throughout the state.



Promise Success Stories

Katie Lester

Hometown: St. Albans, WV
Senior WVU marketing major

"The PROMISE Scholarship has allowed me to pursue my dream of attending West Virginia University and this spring, thanks in no small part to PROMISE, I will be graduating with my B.A. in marketing and be able to start my career without the burden of student-loan debt."



Jacob Long

Hometown: Logan, WV
Senior MU biology major

"The PROMISE Scholarship has allowed me to focus more on my education and not worry so much about finances. It has been a major blessing to me as well as my parents."





Senior Citizens

West Virginia's senior citizens benefited from more than more than \$73 million in Lottery revenue in 2011.

One of the West Virginia Lottery's primary priorities is improving the quality of life for the state's senior citizens and in fiscal year 2011, the Lottery produced a total of **\$73.3 million** for the Bureau of Senior Services that did just that, bringing the Lottery's total impact on senior services since 1986 to more than **\$700 million**.

Lottery funds helped the Bureau of Senior Services match Medicaid funding for services to seniors, senior programs administered at the four regional Area Agencies on Aging, the state's 10 Aging & Disability Resource Centers, and the 55-county senior centers.

The difference lottery proceeds made in the life of older West Virginians goes far beyond a dollar figures. These proceeds assisted 16,598 West Virginians with their long term care needs, and helped another 18,277 receive more than 266,190 hours of service for a variety of needs, and through the Legislative Initiative for the Elderly (LIFE), helped another 4,090 West Virginia seniors with transportation to doctors, hospitals, or food stores as needed. Lottery proceeds also helped to provide 2.3 million meals to more than 38,342 West Virginia seniors in either their homes or county nutrition sites. And these are just a few of the many programs that improve the lives of West Virginia's oldest citizens, thanks in part to Lottery proceeds.



Since 1994, **\$171.2 million** of revenue generated by Racetrack Video Lottery has been directed to advertising funds for the state tourism industry through a matching grants program established with the West Virginia Division of Tourism. In fiscal year 2011, the Lottery contributed **\$9 million** to the Division of Tourism for this purpose. In addition, lottery revenue was appropriated by the West Virginia Legislature to the Division of Tourism (**\$7.3 million**), the Division of Natural Resources (**\$3.3 million**), and the State Park Improvement Fund (\$5 million).

According to data provided by the Division of Tourism, those resources help attract more than 13.5 million overnight and 45.3 million day visitors annually to the Mountain State, resulting in an economic impact of **\$4.27 billion** and a strong tourism industry that employs 44,400 West Virginians.

West Virginia Tourism

For years the West Virginia Lottery has played a vital role in creating a strong travel industry.



Lottery Products

The West Virginia Lottery offers 11 entertaining games played in a variety of venues, including racetracks and retail stores.

The West Virginia Lottery has introduced 16 different games since its inception but currently provides players the opportunity to participate in a variety of 11 games:

INSTANT games were the Lottery's first type of game introduced in January 1986. There are different ways to win in an instant or "scratch" game including matching three like dollar amounts, symbols or letters, or adding up numbers to a specified total. If the correct combination appears, the player becomes an "instant winner" without having to wait for the results of a drawing. The instant game offers a wide variety of game themes. During fiscal year 2011, there were 41 new games introduced. Instant games provided approximately 8.3 percent of total fiscal year 2011 sales at 1,561 retail locations.

ON-LINE games are a very important part of the traditional Lottery revenue stream. Below is a breakdown of those games.

DAILY 3 is an on-line game introduced in February of 1987. Players choose three numbers from 0 to 9 for prizes ranging from \$40 to \$500. Drawings are held six nights a week.

DAILY 4 is an on-line game also introduced in February of 1987. Players choose four numbers from 0 to 9 for prizes ranging from \$100 to \$5,000. Drawings are held six nights a week.

CASH 25 is an on-line game, which was introduced in February 1990. Players pick six numbers from 1 to 25 for a chance to win cash prizes ranging from \$1 to \$25,000. Drawings are held four nights a week every Monday, Tuesday, Thursday and Friday.

POWEBALL® is an on-line game jointly operated by 42 state lotteries, the District of Columbia and the Virgin Islands, who are members of the Multi-State Lottery Association (MUSL) or the Mega Million® Group. This game was introduced in April 1992, revised in November of 1997, October 2002, August 2005 and January 2012. The most recent revamp of Powerball® includes an increased prize matrix with bigger starting jackpots (\$40 million instead of the previous \$20 million), \$1 million match 5 prizes (the previous match 5 prize was \$200,000), and better odds (the amount of red balls in the drawing has been reduced from 39 to 35). The most recent improvements to the game were also put in motion by the MUSL to further distinguish the game from the Mega Millions® game that plays in virtually the same manner and is now widely available in states that also sell Powerball®. The jackpot increases each drawing if no winning ticket has matched the first set of 5 numbers and matched the Powerball® number of the second set. Powerball® offers eight secondary prizes of fixed amounts ranging from \$4 to \$1 million. The game was expanded to new jurisdictions beginning January 31, 2010, when both Powerball® and Mega Millions® began cross-selling in most jurisdictions. Drawings are held twice weekly on Wednesday and Saturday. Powerball® sales are approximately 2.6 percent of total 2011 sales at 1,561 retail locations in West Virginia.

MEGA MILLIONS® is an on-line game jointly operated by 41 state lotteries, the District of Columbia and the Virgin Islands, with members belonging to the same groups that operate Powerball®. The game was introduced on August 31, 1996 as the Big Game. The first drawing took place on September 6, 1996, with six states participating: Georgia, Illinois, Maryland, Massachusetts, Michigan and Virginia. The West Virginia Lottery and 22 other states began selling Mega Millions® January 31, 2010 in a cross-selling agreement. The game is similar to Powerball®, in play and jackpots. The matrix is "5 of 56" for the first set and "1 of 46" for the second set. The jackpots are paid either in a cash lump sum equal to the present value of the annuitized amount or over 26 years with a guaranteed minimum jackpot of \$12 million. Mega Millions® offers eight secondary prizes of fixed amounts ranging from \$2 to \$250,000. Drawings are held twice weekly on Tuesday and Friday. Mega Millions® sells at 1,561 retail locations in West Virginia.



HOT LOTTO SIZZLER® is an on-line game jointly operated by 14 states and the District of Columbia who are members of MUSL. This game was introduced in April 2002 with drawings on Wednesday and Saturday. Players choose 5 numbers out of a field of 39 and 1 number out of a field of 19. Jackpots begin at \$1 million, and increase each drawing if no winning ticket has matched the first set of 5 numbers and matched the "Hot Ball" number of the second set. Hot Lotto Sizzler® offers eight secondary prizes of fixed amounts ranging from \$2 to \$10,000.

TRAVEL KENO is a game restricted to lottery retailers with specific types of West Virginia Alcohol Beverage Control Administration (ABCA) licenses and was introduced in December 1992. The player selects from 1 to 10 numbers and the Lottery computer randomly picks 20 numbers from 1 to 80. With the Keno Bonus multiplier option, players have a chance to increase their winnings. Drawings are held every five minutes from 5:05 a.m. through 2:45 a.m. The winning numbers are displayed on monitors at 285 Travel Keno locations.

RACETRACK VIDEO LOTTERY games were implemented in 1994 when the West Virginia Legislature passed the Racetrack Video Lottery Act, making video lottery terminals available to the four racetracks in the state subject to passage of local referendums. In September 1994, three racetracks (Mountaineer Casino Racetrack & Resort, Wheeling Island Hotel, Casino & Racetrack, and Mardi Gras Casino & Resort) began operating with 1,200 video lottery machines. A fourth racetrack (Hollywood Casino at Charles Town Races) began video gaming in September 1997. West Virginia is one of five state lotteries to regulate video gaming at racetracks. The other four states are Delaware, Rhode Island, New York and Pennsylvania. Games offered are poker, blackjack, keno, and spinning reel types. Effective June 1999, legislative action has allowed mechanical reel coin drop machines. As of June 30, 2008, the West Virginia Lottery Commission had an average of 9,732 terminals available for play at the four racetracks in the state. Racetrack Video Lottery sales were 52.2 percent of total 2011 sales.

LIMITED VIDEO LOTTERY games were approved by the Legislature in April 2001. The legislation provides up to 9,000 video lottery terminals to be placed in retailer locations with specific types of West Virginia ABCA licenses. West Virginia is one of three state lotteries to regulate and operate Limited Video Lottery. The other two states are South Dakota and Oregon. The first terminals were enabled for play on December 17, 2001. A total of 7,576 terminals were operating at licensed retail locations throughout the state as of June 30, 2011. Limited Video Lottery sales were 28.6 percent of total 2011 sales at 1,559 operating retailer locations.

TABLE GAMES were implemented in fiscal year 2008 when the West Virginia Legislature passed the Racetrack Table Games Act, making table games available to the four racetracks in the state subject to passage of local referendums. In October 2007, two racetracks (Mountaineer Casino Racetrack & Resort and Wheeling Island Hotel, Casino & Racetrack) began operating with poker tables only and added full table games in December 2007. In August 2008, a third racetrack (Mardi Gras Casino & Resort) began operating with poker tables only and added full table games in October 2008. The fourth racetrack (Hollywood Casino at Charles Town Races) began operating full table games on July 1, 2010. Games offered are Poker, Blackjack, Caribbean Stud, Craps, Roulette, Three and Four Card Poker, and other miscellaneous games. Racetrack Table Games sales were 4.9 percent of total 2011 sales.

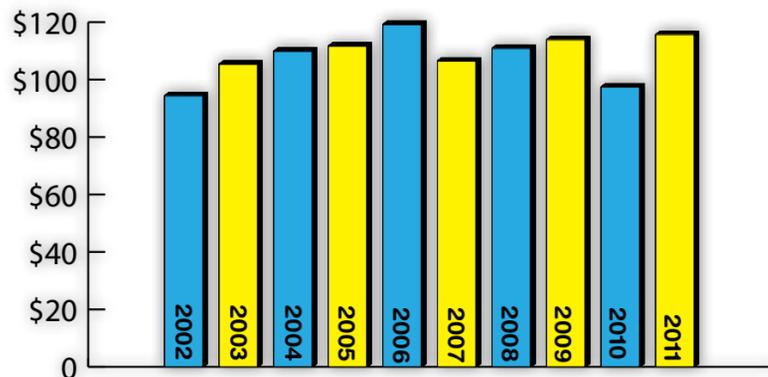
A HISTORIC RESORT in West Virginia implemented video lottery and table games in fiscal year 2010 when the Legislature passed SB 575 which revised the original Authorized Gaming Facility Act. In October 2009, The Greenbrier Historic Resort began operating both video lottery and table games. Table Games offered are Blackjack, Roulette, Craps and Three Card Poker.



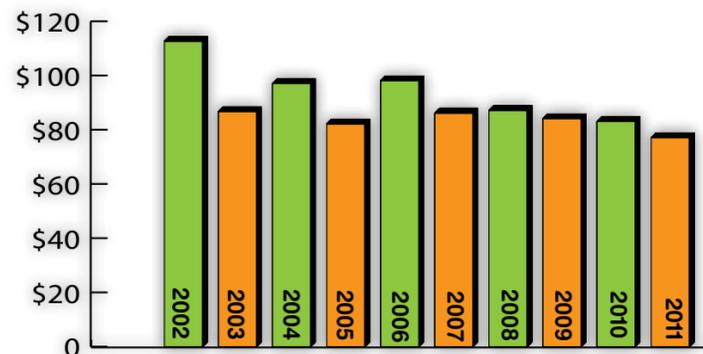
Lottery Sales By Product Last Ten Years

Limited Video Lottery County Proceeds Fiscal Year 2011*

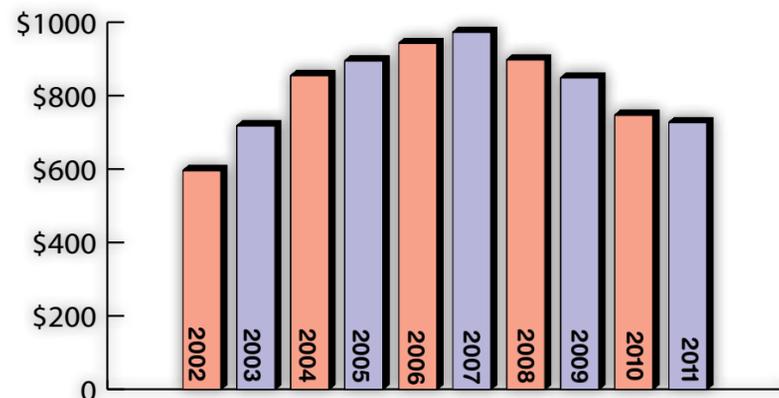
Instant Sales In Millions



On Line Sales In Millions



Racetrack Video Sales In Millions



Limited Video Lottery Sales In Millions

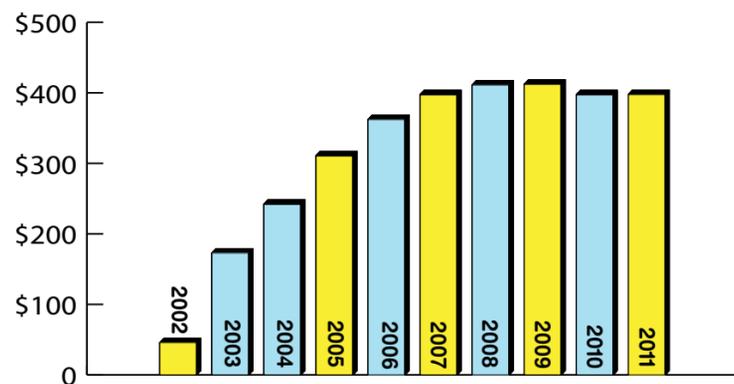
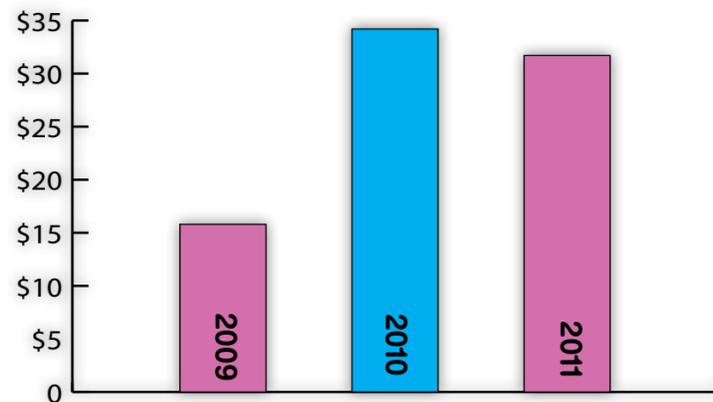
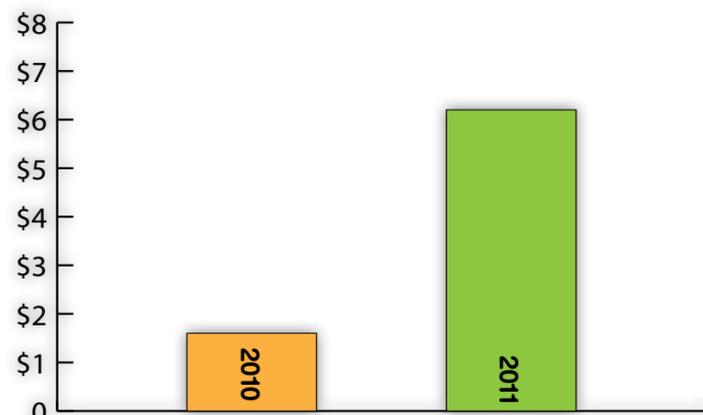


Table Games Sales In Millions



Historic Resort Sales In Millions



Barbour County	\$20,422.33	Kanawha County	\$335,165.70	Preston County	\$89,510.01
Berkeley County	\$374,102.63	Lewis County	\$56,234.15	Putnam County	\$127,033.09
Boone County	\$52,207.29	Lincoln County	\$20,578.90	Raleigh County	\$227,726.25
Braxton County	\$15,429.86	Logan County	\$134,332.83	Randolph County	\$62,571.32
Brooke County	\$198,302.00	Marion County	\$130,151.85	Ritchie County	\$8,486.67
Cabell County	\$188,128.70	Marshall County	\$128,353.91	Roane County	\$11,201.59
Calhoun County	\$1,108.62	Mason County	\$147,581.68	Summers County	\$13,746.60
Clay County	\$11,230.91	McDowell County	\$18,467.98	Taylor County	\$26,941.43
Doddridge County	\$5,952.44	Mercer County	\$174,145.16	Tucker County	\$912.10
Fayette County	\$81,844.09	Mineral County	\$146,166.76	Tyler County	\$8,884.07
Gilmer County	\$237.65	Mingo County	\$33,257.20	Upshur County	\$55,111.94
Grant County	\$4,757.73	Monongalia County	\$247,791.83	Wayne County	\$153,590.29
Greenbrier County	\$91,172.27	Monroe County	\$30,072.17	Webster County	\$378.17
Hampshire County	\$41,546.61	Morgan County	\$31,717.92	Wetzel County	\$43,622.37
Hancock County	\$174,285.42	Nicholas County	\$42,555.41	Wirt County	\$7,526.13
Hardy County	\$21,325.03	Ohio County	\$104,229.05	Wood County	\$266,918.25
Harrison County	\$169,627.10	Pendleton County	\$2,145.12	Wyoming County	\$38,527.46
Jackson County	\$58,328.57	Pleasants County	\$19,333.90		
Jefferson County	\$110,148.53	Pocahontas County	\$4,982.86		

* Two percent of gross terminal income is distributed to counties and incorporated municipalities in the manner prescribed by the statute.

Fiscal Year 2011 Traditional Retailer Commissions and Bonuses*

Barbour County	\$75,042	Kanawha County	\$1,970,328	Preston County	\$266,699
Berkeley County	\$748,276	Lewis County	\$160,469	Putnam County	\$330,558
Boone County	\$205,045	Lincoln County	\$44,574	Raleigh County	\$859,254
Braxton County	\$124,736	Logan County	\$382,324	Randolph County	\$367,065
Brooke County	\$149,328	Marion County	\$112,213	Ritchie County	\$51,292
Cabell County	\$653,607	Marshall County	\$194,092	Roane County	\$80,938
Calhoun County	\$33,156	Mason County	\$139,719	Summers County	\$50,527
Clay County	\$74,293	McDowell County	\$186,328	Taylor County	\$87,873
Doddridge County	\$47,952	Mercer County	\$480,464	Tucker County	\$23,734
Fayette County	\$409,512	Mineral County	\$189,598	Tyler County	\$126,270
Gilmer County	\$54,362	Mingo County	\$122,687	Upshur County	\$181,669
Grant County	\$62,473	Monongalia County	\$988,687	Wayne County	\$206,117
Greenbrier County	\$383,116	Monroe County	\$85,176	Webster County	\$46,592
Hampshire County	\$144,697	Morgan County	\$115,665	Wetzel County	\$94,368
Hancock County	\$399,879	Nicholas County	\$237,117	Wirt County	\$5,322
Hardy County	\$121,780	Ohio County	\$432,270	Wood County	\$649,834
Harrison County	\$579,162	Pendleton County	\$37,892	Wyoming County	\$200,842
Jackson County	\$236,591	Pleasants County	\$40,454		
Jefferson County	\$430,524	Pocahontas County	\$88,866		

*Retailer commissions and bonuses paid to Traditional Lottery Retailers for the sale and cashing prizes of Instant tickets and Online games including Powerball, Mega Millions, Hot Lotto, Cash 25, Daily 3 and Daily 4.

More Than \$6.2 Billion In Proceeds For West Virginia Since 1986



West Virginia Lottery

900 Pennsylvania Ave.

Charleston, WV 25302

304 558 0500



wvlottery.com