



Office of
Financial Management
STATE OF WASHINGTON

Activity Inventory Performance Measure Assessment

State Lottery Commission

March 18, 2008

Office of Financial Management Assessor:

Brian Willett
Budget Assistant to the Governor
(360) 902-0527
brian.willett@ofm.wa.gov

Agency Contacts:

Rebecca Foster
Amanda Cecil

Based on a review of the following: The agency strategic plan, the budget activity inventory, internal performance measure reports, and an interview with the agency contacts

Current Strengths and Good Practices

- The current performance measure is a very relevant and outcome/results-oriented.

Budget Activity and Performance Measure Comments and Potential Improvements

- The language of the current measure's title needs to be cleaned up to make it less confusing.
- Data for 2005-07 shown in this assessment is not currently entered into the Performance Measure Tracking System. Agency and OFM Budget staff will need to get this data entered and approved soon after this assessment is finished.
- There are a number of changing market forces that are currently affecting ongoing Lottery revenues. Therefore, in addition to tracking the amount of revenue sent to the General Fund, the agency should also consider reporting existing data on:
 - Revenue sent to the Education Construction Fund
 - Total sales
 - The number of players
 - Total revenue generated

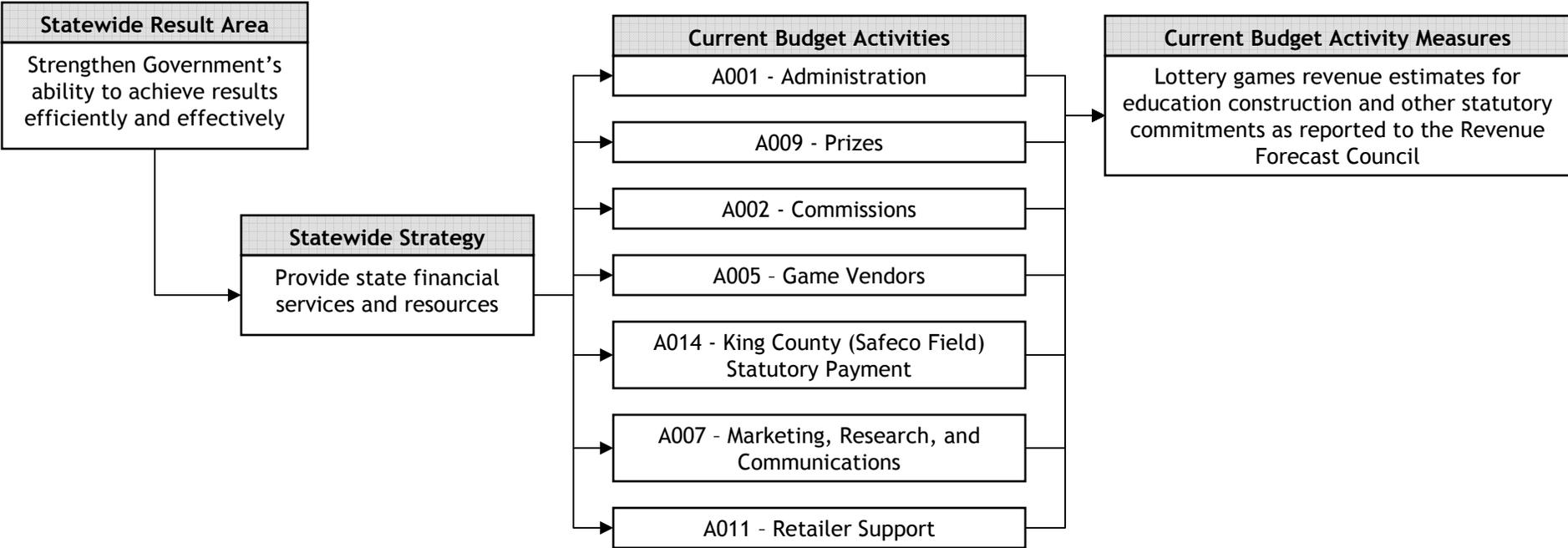
Analysis of Current Activity Measure Data

- There is not enough data for much analysis with the one measure reported because of its annual reporting cycle, and the change that occurred in 2001 diverting Lottery profits from the General Fund to the Education Construction Fund. However, preliminary analysis suggests the variation patterns are stable and predictable. While there will be some variation over time, there is no evidence that anything is improving or getting worse. If this preliminary analysis proves true, the increasing targets will prove more difficult to achieve over time.

Agency Comments and Future Actions

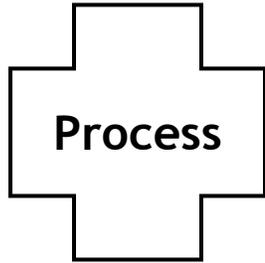
- The Lottery is going to explore expanding its current measures to include some or all of the following:
 - Total Sales to Budget/Goal
 - Costs as a % of Sales (Efficiency)
 - Total number of retailers (Work Load)
 - Average sales per retailer
 - Contributions (Net Profit)
 - Education Construction
 - Stadiums, by stadium
 - Economic Development
 - Problem Gambling
 - General Fund

Budget Activity & Performance Measure Linkages



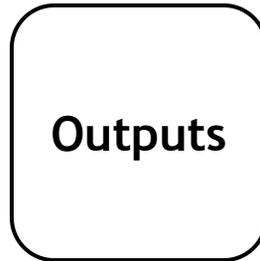
Budget Activity Measure Perspectives

⑤ Process characteristics the customers/stakeholders want



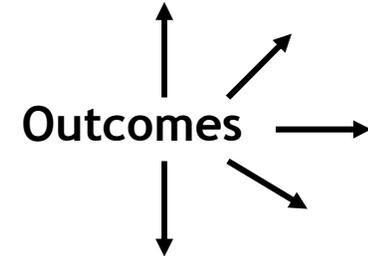
⑥ Process characteristics the agency wants

③ Product/service attributes customers/stakeholders want



④ Product/service attributes the agency wants

① Customer/stakeholder desired outcomes



② Agency desired outcomes

Lottery games revenue estimates for education construction and other statutory commitments as reported to the Revenue Forecast Council

②

Activity Measure Critique - Lottery Revenue Estimates

Performance Measure Description: The amount of Lottery revenue sent to the General Fund.

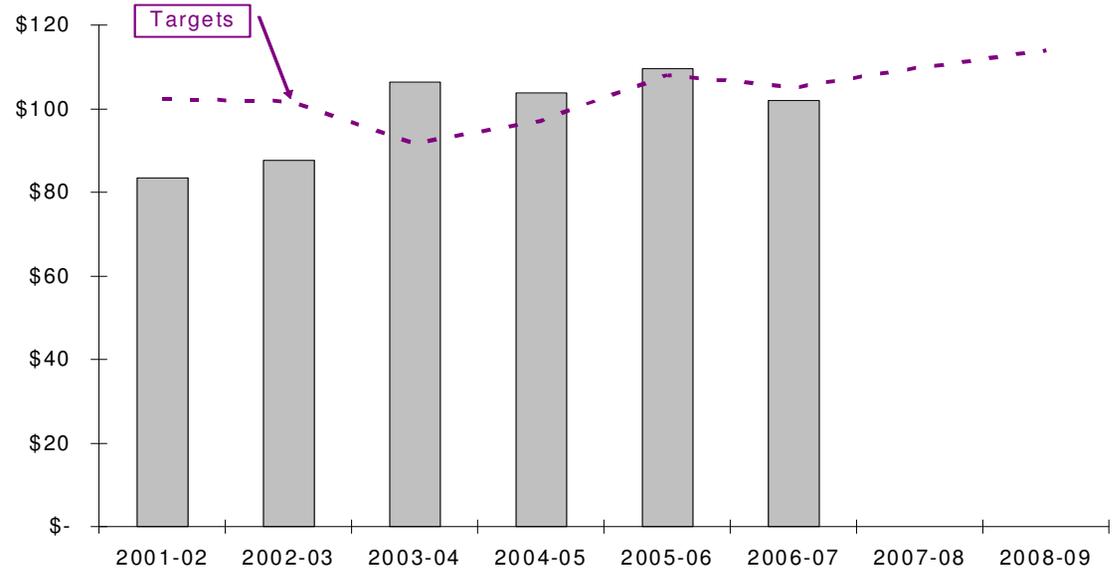
Budget Activity Links: Currently, this is the only performance measure, and it is linked to all the budget activities

Category of Measure: Outcome

Analysis of Variation: Not enough data for much analysis. The variation patterns appear to be normal with a median around \$102 million.

Analysis of Targeted vs. Actual Performance: The targets are increasing over time, but the actual data appears to be stable, neither increasing or decreasing. If this is true, then the gap between the targets and actual data will only widen in the future.

Lottery Games Revenue Estimates for Education Construction and Other Statutory Commitments as Reported to the Revenue Forecast Council



Comments About Desirable Characteristics

Relevance: Very relevant - The purpose of the Lottery is to serve as a revenue generator.

Understandability: There are 3 problems with this measure:
 1.) The term, "...and other statutory commitments" is confusing.
 2.) The phrase, "...as reported to the Revenue Forecast Council" should be moved to the footnotes.
 3.) Somewhere it needs to be clear that this is in millions of dollars.

Comparability: Unknown

Timeliness: Annual data is not very timely, but makes sense for this measure. Data for 2005-07 was not in the Performance Measure Tracking System at the start of this assessment.

Reliability: Should be good since the fund contribution percentages are set in statute.

Cost Effectiveness: Even if this data is difficult to collect, the cost effectiveness is high because it is the central purpose of the agency.

General Comments & Explanations: