



STATE OF TENNESSEE  
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September 8, 2016

Memo to: The Honorable Mike Bell, Chair, Senate Committee on Government Operations  
From: Joseph Schussler, Assistant Director, Division of State Audit, Office of the  
Comptroller of the Treasury  
Re: Health Services & Development Agency Revenue Forecast

The Comptroller's Office was asked to comment on the assumptions made by HSDA staff and board and used to determine the July 1, 2016 increase in certificate of need application rates from

\$3,000 minimum; \$45,000 maximum or \$2.25/\$1,000 project cost, to

\$15,000 minimum; \$95,000 maximum or \$5.75/\$1,000 project cost.

*Results:*

- Revenue numbers provided by HSDA for fiscal years 2012-2015 vary from revenue recorded in Edison by -2.47%, 6.75%, and -9.82%, for a net difference of -1.80% for the three year period. This appears reasonable and is likely due to timing differences.
- We reformed the revenue calculations for applications over fiscal years 2013-2015 provided by HSDA staff. We did not reassess staff determinations of which applications would not have been required under the new statute. We agree with their calculations.
- Because future activity level for HSDA is uncertain, we can neither support nor refute the anticipated number of applications and revenue for fiscal year 2017.
- Analysis of expenditures shows that the largest expenditures over fiscal years 2012 through 2016 are:

<u>Category</u>	<u>Average annual amount</u>	<u>Pct total expenses</u>
Salaries	\$451,342.33	44.99%
Office Space Rent	\$100,468.80	10.01%

We are available to address any further questions.