

Letter Report

Medical Education Contract
Medical College of Wisconsin, Inc.

September 2007



Legislative Audit Bureau

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September 19, 2007

Janice Mueller
State Auditor

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

As required by s. 39.15, Wis. Stats., we have completed a limited-scope review of the medical education contract between the State of Wisconsin and the Medical College of Wisconsin, Inc., for fiscal year (FY) 2004-05 and FY 2005-06. The State appropriated \$4.1 million in general purpose revenue to the Medical College for tuition aid for this period. In addition, the State provided approximately \$6.7 million in general purpose revenue for the development and operation of the Medical College's family practice residency program. The State also made \$375,000 in debt service payments related to general obligation bonds that it issued to fund certain construction projects at the Medical College.

Overall, we found that the Medical College was in compliance with its contract with the State and with requirements set forth in ss. 39.15 and 39.155, Wis. Stats. During our review, we found the students claimed for state tuition aid were certified by the Higher Educational Aids Board as Wisconsin residents and were eligible to receive this aid. In addition, the Medical College gave preference in admissions to Wisconsin residents and promoted minority enrollment. We also found that the Medical College expended funds provided by the state in a manner consistent with legislative intent. Finally, the State's debt service payments agreed with the bond repayment schedules maintained by the Wisconsin Department of Administration for the applicable Medical College construction projects.

We appreciate the courtesy and cooperation extended to us by staff of the Medical College of Wisconsin during this review.

Sincerely,

Bryan Naab
Deputy State Auditor for Financial Audit

BN/CS/ss

cc: Senator Julie Lassa
Senator Russell Decker
Senator Alan Lasee
Senator Robert Cowles
Representative Samantha Kerkman
Representative Kitty Rhoades
Representative David Cullen
Representative Joe Parisi

Mr. Douglas Campbell, Senior Vice President
Medical College of Wisconsin, Inc.

Ms. Pam Fresch, Controller
Medical College of Wisconsin, Inc.

Ms. Connie Hutchison, Executive Secretary
Higher Educational Aids Board

MEDICAL EDUCATION CONTRACT

The Medical College of Wisconsin, Inc., was part of Marquette University until September 1967, at which time it became a separate private, nonprofit corporation. In 1969, in an attempt to increase the number of physicians in Wisconsin, the Legislature enacted a law providing state tuition aid to the Medical College through the Higher Educational Aids Board. The State appropriated a total of \$4.1 million in general purpose revenue (GPR) for tuition aid over the two-year period from FY 2004-05 through FY 2005-06. Tuition aid provided to the Medical College is combined with other tuition receipts and used to fund salaries, fringe benefits, and nonpayroll costs related to medical education programs.

Sections 39.15 and 39.155, Wis. Stats., establish the statutory requirements for the Medical College's receipt of state tuition aid. As required by s. 39.15, Wis. Stats., we reviewed the Medical College's expenditures to ensure compliance with statutory requirements. We performed tests to determine whether only Wisconsin residents were claimed for tuition aid, whether the admission policies of the Medical College were consistent with statutory guidelines, and whether minority student access was promoted by the Medical College.

In addition to state tuition aid, the Medical College received a total of approximately \$6.7 million in GPR over the two-year period from FY 2004-05 through FY 2005-06, for the development and operation of a family practice residency program through its Department of Family and Community Medicine. During our review, we examined the program's expenditures to ensure they were made for the purposes for which the funds were appropriated.

Finally, the State paid a total of \$375,000 in debt service payments during FY 2004-05 and FY 2005-06 related to general obligation bonds it issued to fund certain construction projects at the Medical College. We ensured the debt service payments agreed with the bond repayment schedules maintained by the State Controller's Office in the Department of Administration, which accounts for the State's bonding program.

Compliance with Eligibility and Residency Requirements

Before FY 2003-04, the State provided a specified per capita tuition aid payment to the Medical College for qualified Wisconsin residents, up to a prescribed maximum number of students. In FY 2002-03, the tuition aid payment was \$10,091 for each eligible Wisconsin resident enrolled as a full-time student in pursuit of a doctor of medicine degree, with a statutory maximum of 416 students.

2003 Wisconsin Act 33 eliminated the statutory limitation on the number of students for whom the Medical College could claim tuition and reduced the annual appropriation for the tuition aid program beginning in FY 2003-04. The Medical College now determines the per capita aid amount by considering total funds appropriated for tuition aid and all eligible Wisconsin residents who are enrolled and pay full tuition. Section 39.155, Wis. Stats., requires that the Medical College receive state support for only full-time students who are Wisconsin residents and that tuition support be requested for no more than four years for each eligible student. The Higher Educational Aids Board certifies the residency status of all students claimed by the Medical College.

For the two-year period we reviewed, the Legislature appropriated a total of \$4.1 million in GPR for tuition aid. As shown in Table 1, 395 students were each eligible for \$5,131 in tuition aid during academic year 2004-05, and 376 students were each eligible for \$5,317 during academic year 2005-06.

Table 1
State Tuition Aid per Eligible Student

Academic Year	Eligible Wisconsin Residents	Amount per Student
2004-05	395	\$5,131
2005-06	376	5,317

We reviewed the residency status of a selection of students for whom the Medical College claimed tuition aid and evaluated both the effectiveness of the system for monitoring tuition payments and the number of years students were claimed for aid. We concluded that the system, which involves both the Higher Educational Aids Board and Medical College staff, is effective in ensuring that tuition aid is paid only for eligible students.

The Legislature has directed that in return for accepting state tuition support, the Medical College must give Wisconsin residents first preference in admissions. In prior years, admissions staff indicated that the Medical College sought to do so by targeting approximately one-half of the first-year class openings for Wisconsin residents. In response to the reduction in total state tuition aid beginning in academic year 2003-04, the Medical College Board of Trustees passed a resolution in November 2004 to target between 35 and 50 percent of first-year class openings for Wisconsin residents. As shown in Table 2, this target was met in both academic years 2004-05 and 2005-06.

Table 2

Wisconsin Residency by Academic Year

	Total First-Year Class	Wisconsin Residents in First-Year Class	Wisconsin Residents as Percentage of First-Year Class	Total Enrollment	Wisconsin Residents Enrolled	Wisconsin Residents as Percentage of Total Enrollment
2001-02	211	123	58.3%	811	403	49.7%
2002-03	213	108	50.7	805	410	50.9
2003-04	212	102	48.1	795	407	51.2
2004-05	207	83	40.1	805	400	49.7
2005-06	208	97	46.6	811	378	46.6

Another way to determine whether the Medical College gives preference in enrollment to Wisconsin residents is to compare the number of resident and non-resident applicants and enrollees. For academic year 2005-06, 108 of 5,093 non-resident applicants, or 2.1 percent, had enrolled, while 97 of 552 Wisconsin resident applicants, or 17.6 percent, had enrolled. According to Medical College staff, recruitment efforts include visits to several University of Wisconsin and private Wisconsin college campuses, along with promotional mailings and other special activities for Wisconsin applicants.

Minority Enrollment

Section 39.15(1)(c), Wis. Stats., requires the Medical College to make every effort to ensure that at least 5 percent of total enrollment consists of minority students, but it does not define who is to be considered a minority student for this purpose. To assess whether the Medical College met the 5 percent minority enrollment goal, we used the definition included both in s. 39.44, Wis. Stats., which relates to state grants to minority undergraduate students in institutions of higher education, and s. 39.40, Wis. Stats, which relates to the minority teacher loan program. By this definition, minority students are African American; Hispanic; Native American; and former citizens of Laos, Vietnam, or Cambodia and their descendants.

The Medical College does not have information readily available on the number of students from or having ancestors from Laos, Vietnam, or Cambodia. However, as shown in Table 3, based on the number of students who identified themselves as African American, Hispanic, or Native American, minority enrollment at the Medical College has exceeded the 5 percent goal in each of the past five academic years.

Table 3
Minority Enrollment
 by Academic Year

	2001-02	2002-03	2003-04	2004-05	2005-06
African American	19	17	18	21	23
Hispanic	26	24	28	27	26
Native American	5	6	8	9	15
Laotian, Vietnamese, or Cambodian ¹	N/A	N/A	N/A	N/A	N/A
Total Minority Students	50	47	54	57	64
Total Enrollment	811	805	795	805	811
Percentage of Total Enrollment	6.2%	5.8%	6.8%	7.1%	7.9%

¹ Information on this group of students was not readily available.

In order to enlarge the pool of qualified minority applicants, the Medical College participates in programs such as the Apprenticeship in Medicine and the Minority Student Research Training Program, which provide opportunities for minority high school and college students to participate in summer research and educational activities at the College.

Family and Community Medicine Funds

To support the Medical College’s family practice residency program, the State appropriated approximately \$6.7 million in GPR over our two-year review period, or nearly \$3.4 million annually in both FY 2004-05 and FY 2005-06. Statutes indicate that these funds should be used “for the development and operations of programs to support the recruitment and training of medical students and residents in family and community medicine.” As part of our review, we reviewed a selection of program expenditures and found the expenditures to be consistent with program purposes.

Other State Funding

In addition to tuition aid and funding for the family practice residency program, the State makes annual debt service payments related to general obligation bonds it has issued to fund certain construction projects at the Medical College. During our review period, it made \$337,600 in debt service payments consisting of \$170,400 in interest and \$167,200 in principal on \$10.0 million in general obligation bonds that were issued in the past to fund construction of a

health information technology center and a basic science center at the Medical College. At the beginning of our review period, the outstanding balance on this debt was \$1.7 million. Future debt service payments will average \$160,000 annually until FY 2018-19, when the bonds are substantially retired.

An additional \$35.0 million in general obligation bonds—\$25.0 million for the Medical College and \$10.0 million for the Children’s Research Institute, which is a separate but affiliated entity—were authorized by the State in 2005 to fund construction of a biomedical research and technology building at the Medical College. State debt service interest payments on the \$25.0 million in bonding related to the Medical College were \$37,400 in FY 2005-06. Future debt service payments related to this bonding will be approximately \$2.0 million annually.

For each of these debt issues, we verified that the debt service payments agreed with bond repayment schedules maintained by the State Controller’s Office, which accounts for the State’s bonding program.

Finally, we note that the 2007-09 biennial budget, which is pending in the Legislature, includes a provision for \$10.0 million in general obligation bonding to aid in the installation of translational research program equipment at the Medical College.

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