

Letter Report

**Medical Education Contract**  
*Medical College of Wisconsin, Inc.*

*September 2009*



**Legislative Audit Bureau**

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STATE OF WISCONSIN

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Janice Mueller  
State Auditor

September 2, 2009

Senator Kathleen Vinehout and  
Representative Peter Barca, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Vinehout and Representative Barca:

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) 2006-07 and FY 2007-08, and of other financial support provided by the State under s. 20.250 Wis. Stats. 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 Medical College received \$294,876 in funding for breast cancer and prostate cancer research through the income tax check-off program, and the State made \$1.9 million 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 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 targeted between 35 and 50 percent of first-year class openings for Wisconsin residents, promoted minority enrollment, and 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/bm

cc: Senator Robert Jauch	Representative Andy Jorgensen
Senator Mark Miller	Representative Mark Pocan
Senator Robert Cowles	Representative Bill Kramer
Senator Mary Lazich	Representative Samantha Kerkman

Mr. Douglas Campbell, Senior Vice President  
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 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 2006-07 through FY 2007-08. 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 tuition aid from the State. 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 tuition aid, the Medical College received a total of approximately \$6.7 million in GPR over the two-year period from FY 2006-07 through FY 2007-08 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.

The Medical College also received \$294,876 during FY 2006-07 and FY 2007-08 for cancer research through the State's income tax check-off program. Of this amount, \$254,609 was for breast cancer research projects and \$40,267 was for prostate cancer research.

Finally, the State paid a total of \$1.9 million in debt service payments during FY 2006-07 and FY 2007-08 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 statutorily 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, together with all eligible Wisconsin residents who are enrolled and pay full tuition. Section 39.155, Wis. Stats., requires both 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.

Each May, the Medical College estimates the amount of tuition aid per student for the subsequent year, based on projected enrollment of Wisconsin residents and the amount appropriated for tuition aid by the Legislature. 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, 369 students were eligible to receive \$5,500 in tuition aid during academic year 2006-07, and 349 students were eligible to receive \$5,540 during academic year 2007-08.

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Table 1  
**State Tuition Aid per Eligible Student**

Academic Year	Eligible Wisconsin Residents	Amount per Student
2006-07	369	\$5,500
2007-08	349	5,540

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Since the amount of tuition aid per student is determined based on estimated enrollment, an adjustment is required once enrollment figures are finalized. Enrollment changes can occur when fewer first-year students than expected enroll or when students leave school or take unanticipated leaves of absence. Near the end of the academic year, Medical College staff calculate any amounts remaining in the appropriation and allocate those funds to eligible fourth-year students. This methodology was approved by the Higher Educational Aids Board. For the 2006-07 academic year each eligible fourth-year student received an additional \$387 in tuition aid, and for academic year 2007-08 each received an additional \$1,754 in tuition aid. Medical College staff indicate that the additional tuition aid for fourth-year students was higher for academic year 2007-08 because relatively fewer Wisconsin residents who were accepted by the Medical College actually enrolled.

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 tuition support from the State, 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 tuition aid from the State 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. According to Medical College staff, recruitment efforts include visits to several University of Wisconsin campuses and private college campuses in Wisconsin, along with promotional mailings and other special activities for Wisconsin applicants.

As shown in Table 2, while the number of Wisconsin residents applying to be first-year students has increased over the past five years, the number interviewed has remained fairly constant, except in academic year 2004-05.

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Table 2  
**First-Year Enrollment Statistics for Wisconsin Residents**

Academic Year	Wisconsin Applicants for First-Year Class	Interviewed	Accepted	Enrolled
2003-04	493	206	159	102
2004-05	532	173	136	83
2005-06	552	208	160	97
2006-07	567	206	151	99
2007-08	612	210	149	87

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As shown in Table 3, the Medical College's target of 35 to 50 percent of first-year class openings for Wisconsin residents has been met each year since the Board's resolution was put in place.

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Table 3  
**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
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
2006-07	207	99	47.8	805	371	46.1
2007-08	211	87	41.2	795	351	44.2

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Another way to assess 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 2007-08, 87 of 612 Wisconsin resident applicants, or 14.2 percent, enrolled, while 124 of 6,053 non-resident applicants, or 2.1 percent, enrolled.

## 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 referred to the definition in s. 39.44, Wis. Stats., which relates to grants to minority undergraduate students in institutions of higher education, and s. 39.40, Wis. Stats, which relates to the minority teacher loan program. Both statute sections would consider individuals who are African American; Hispanic; Native American; and former citizens of Laos, Vietnam, or Cambodia and their descendants as minority students.

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 4, 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 4

### Minority Enrollment by Academic Year

	2003-04	2004-05	2005-06	2006-07	2007-08
African American	18	21	23	30	33
Hispanic	28	27	26	31	31
Native American	8	9	15	16	13
Laotian, Vietnamese, or Cambodian <sup>1</sup>	N/A	N/A	N/A	N/A	N/A
Total Minority Students	54	57	64	77	77
Total Enrollment	795	805	811	805	795
Percentage of Total Enrollment	6.8%	7.1%	7.9%	9.6%	9.7%

<sup>1</sup> 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, Research Opportunity for Academic



Development in Science, and the National Environmental Health Sciences Research Training Program, which provide opportunities for minority high school and college students to participate in summer research and educational activities at the College. Medical College staff indicated that the increase in minority enrollment is the result of increased recruiting efforts by the Office of Student Affairs and Diversity.

## **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 2006-07 and FY 2007-08. 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 2003, the Legislature authorized a breast cancer research income tax check-off program to fund breast cancer research. In 2005, a similar program was authorized for prostate cancer research. Individual income tax filers may indicate on their Wisconsin tax forms any amounts they would like to donate to breast cancer or prostate cancer research. As required by statute, the Department of Revenue compiles the amounts donated for these research programs and equally divides them between the University of Wisconsin-Madison and the Medical College of Wisconsin to aid in the schools’ research programs. Table 5 summarizes the funds provided to the Medical College since inception of the check-off programs.

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Table 5

### **Donated Research Funds**

	Breast Cancer	Prostate Cancer
2005-06	\$159,585	n/a
2006-07	140,137	n/a
2007-08	114,472	40,267

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The donated funds are used to supplement non-state funding for breast cancer and prostate cancer research. We reviewed the research projects awarded the donated funds and found the projects to be related to breast cancer or prostate cancer research.

## **General Obligation Bonds**

In addition to tuition aid and other funding, 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, the State made \$332,700 in debt service payments consisting of \$189,000 in interest and \$143,700 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. Future debt service payments will average \$160,000 annually until FY 2018-19, when the bonds are substantially retired.

An additional \$25.0 million in general obligation bonds was authorized by the State in 2005 to fund construction of a biomedical research and technology building at the Medical College. The State increased the bond authorization by \$10.0 million in 2007 Wisconsin Act 20, to aid in the construction of the building and installation of equipment. During our review period, the State made \$1,571,200 in debt service payments consisting of \$534,300 in principal and \$1,036,900 in interest. Future debt service payments related to this bonding will be approximately \$1.6 million annually until FY 2026-27.

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.

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