



Milwaukee Area Technical College

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July 29, 2003

Sen. Carol A. Roessler
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State Capitol, Room 8 South
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Madame Chairpersons:

Attached is our report to the Joint Legislative Audit Committee regarding the state audit of Milwaukee Area Technical College, released March 12. For your convenience, we have organized the document into two sections. The first addresses the audit's recommendations. The second speaks to ancillary issues that received discussion, but no recommendation. For each topic, a brief summary of the audit findings is included, followed by our response. We hope that this format helps further your members' understanding of the complex matters at issue.

By way of background, MATC recently ended fiscal year 2002-2003 on a highly positive note, with a balanced budget and a small surplus. We did not have to use \$500,000 in reserves that had been budgeted for operations. Our enrollments are up for the third year in a row, and we expect at least a 5 percent increase this fall, based on our volume of applications and registrations.

We now have in place a record number of college transfer agreements with four-year colleges and universities all over Wisconsin and beyond. One of them is an agreement with four historically black colleges in the South. Recently, we signed our first *comprehensive* credit transfer agreement. Mount Mary College in Milwaukee has agreed to accept credits from *all* associate degree graduates of MATC. We hope this breakthrough will be a model for future agreements with other partners, including the University of Wisconsin System.

We are the largest community-based technical college in the Midwest. Our overriding priority is to provide the best teaching and learning experiences possible for our students. About 60,000 students per year attend our four regional campuses. We are the most diverse college in the state; 43 percent of students identifying ethnicity are minorities. Our 186 degree, diploma and certificate programs, plus 39 apprentice programs, offer more career choices than any other technical college in the state. Our Pre-

College Division is the largest GED center in the state, helping students earn their high school diplomas and prepare for the rigors of college-level academic work.

MATC's economic benefits to the community and state are substantial. We graduate about 1,700 associate degree and technical diploma students each year. Ninety percent of graduates find employment within six months or go on to four-year colleges. Ninety-nine percent stay in Wisconsin and the vast majority within the MATC District. On average, new associate degree graduates earn \$36,000 per year, and technical diploma graduates earn \$32,000 per year. Every year of training at MATC translates into an extra \$3,910 in annual earnings – earnings that are reinvested in Wisconsin's economy.

The total added earnings value created by MATC surpasses \$333 million per year, almost all of which stays in our service area, helping to fuel the local economy. Over time, MATC has pumped billions of dollars back into the community, returning \$1.83 *for every dollar* invested in our instructional program. When you add our indirect benefits – reduced crime, reduced unemployment and stable families – we return *more than \$9* to the community for every dollar invested.

These good results are the product of a well-run, highly motivated organization. At MATC, we practice continuous quality improvement. An example was our recent phase-two reorganization, in which we eliminated 33 positions across the college and consolidated functions for greater efficiency, saving \$1.8 million in salary costs. We would have taken this step in good times or bad, out of our continuing commitment to maximizing resources, eliminating waste and increasing our investment in teaching and learning. The process will continue on an ongoing basis.

Because no institution is ever perfect, we appreciate the LAB recommendations and have taken them in a constructive spirit. In many operational areas analyzed by the audit, we have made significant progress. The nature of the process is to find weaknesses. We therefore were gratified that the audit also highlighted many positives, including:

- Cost-cutting measures that helped reverse a \$3.5 million budget deficit in 2001-02.
- Restoration of a "stable outlook" to our Aa2 bond rating, which compares favorably with Milwaukee County, the City of Milwaukee and the State of Wisconsin.
- Our comparatively low cost per student.
- The historic agreement by our unionized employees to begin sharing our health care costs through deductibles and co-payments.

Regarding the LAB's recommendations, we anticipated concerns in many instances and in others have followed the auditors' advice:

- We reorganized our contracted training operations for greater efficiency and accountability, hired two salespeople to bring in more business, and created a decision matrix for discount pricing.
- We initiated a review of our enterprise centers, with the results to be presented to the board this month.
- We began providing the district board with quarterly reports on consulting expenses and activities.
- We have consulted the Justice Department on the board's use of closed sessions. At our board's invitation, an assistant attorney general made a presentation to the board at its July meeting.
- We have made progress toward reversing our operating deficit in Enterprise and Auxiliary Services, and expect to see a full turnaround in the next few years.
- We plan to trim our outside legal costs by hiring an assistant general counsel.

We do not necessarily agree with every one of the audit bureau's recommendations, but overall the audit has been a positive experience for MATC, generating useful discussion about important financial issues.

It has been a privilege to serve as president of this great institution. I look forward to working with our legislators as valued partners, as we continue to advance the technical college mission.

Sincerely,
-Dr. Darnell E. Cole
President
Milwaukee Area Technical College

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Report to the Joint Legislative Committee on Audits

Milwaukee Area Technical College
July 29, 2003

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Contracted Training – Audit Findings:

Eleven of the state's 16 technical colleges have contracted training revenues of more than \$1 million per year. MATC in recent years has ranked in the middle in cost recovery. Technical college districts have broad authority to set prices for contracted training, unlike tuition.

Since 1983, MATC has had a policy of allowing some reduced-rate training contracts, as long as the college recovers 100 percent of aggregate costs. Over the last five years, 86 percent of reported costs have been recovered.

Exceptions have been granted to nonprofit organizations, distressed businesses and companies making in-kind contributions. Despite increased financial pressures, MATC has not closely examined specialized training contract criteria or costs.

Recommendation:

MATC should adhere to its policy of not allowing reduced-rate contracts unless contracted training is breaking even on aggregate.

MATC Response:

In these difficult times, consistent with our mission as an economic catalyst, we see a strong rationale for reduced-rate contracts, but recognize that policy and practice should be consistent.

After the audit, we reorganized this department for better efficiency and direct accountability to the president. We also created a sales unit, comprised of two sales representatives, to bring in more business. Board action is pending on a revised policy that creates a uniform decision matrix for discount pricing. And we are developing a business plan to ensure that the proper mix of marketing, financial and operating strategies are in place. By increasing revenue and through consistent pricing, we believe this department can become a profit center.

Obtaining and keeping training contracts is important because they help us build partnerships with community organizations and employers. These relationships yield in-kind contributions of equipment that we use in numerous training programs and that defray our expenses. Without such gifts, we would have to buy the equipment, at considerable cost.

We agree with the broad goal of maximizing revenues set by the audit bureau. Yet we need to be able to respond quickly to changing needs in the business community. Our local economy is struggling compared to other areas of the state, such as Dane County, Waukesha County, Racine County and Brown County. We are concerned that a strict policy of 100 percent recovery, as defined by the audit bureau, would cause further strain for local businesses.

We would like to see the technical college system revise the recovery reporting formula to more accurately reflect revenues and expenses. We do recover 100 percent of costs, when indirect revenue and state aid generated from this activity are considered.

For reporting purposes to the state, anyone receiving contracted training from us is considered a student of MATC. Each full-time-equivalent student results in increased state aid. For FY02 the total derived

from contracted training was \$360,000. In designing our new policy and setting a recovery rate, we will ask our board to include FTE revenue in the formula, because we believe it to be the fairest way to measure net expense.

On a quarterly basis, we currently give the board a complete review of costs and recovery. The board conducted a comprehensive review of this issue in September 2000.

Enterprise and Auxiliary Services – Audit Findings:

MATC's Auxiliary and Enterprise Services (bookstore, food service and child care centers) have required an operational tax levy subsidy of about \$1.4 million per year. The college hired a director of Enterprise and Auxiliary Services and mandated him to minimize the operational tax levy subsidy.

Progress is projected for 2003, but planning does not extend to subsequent fiscal years.

Recommendation:

MATC should develop and implement plans to eliminate property tax subsidies for enterprise activities.

MATC Response:

We are making good progress and believe we have turned the corner.

Reversing our operating deficit in this area is a high priority. Our revenue growth in the current fiscal year is encouraging. Point person for the effort is our director of Enterprise and Auxiliary Services, who has a strong background in hospitality services and a track record of successful turnarounds.

The first phase of his plan is complete. It involved modernization of food service at the Milwaukee campus and transition of the regional campuses from food service vendors to in-house staff. Phase two will involve conversion of the former downtown cafeteria at the Milwaukee campus into a hospitality center for special events. We also are making revenue enhancements to our bookstore operations. As suggested by the Audit Bureau, we are extending our planning horizon beyond 2003.

We are following an entrepreneurial model, generating increased sales through improved products, service and facilities and cutting back on unprofitable activities. Our goal is to at least break even on food service costs. Child care is more problematic. Operating margins are low throughout this industry. As a service to our students, we plan to continue to offer child care at all four campuses during the school year. This summer we closed our child care center at the West Allis campus. Because these activities tie into our instructional program, some level of subsidy might be inevitable.

Milwaukee Enterprise Centers – Audit Findings:

MATC's two business incubators (Milwaukee Enterprise Centers) have been losing about \$50,000 per year. A \$21,000 loss is projected for the current year. The centers, however, receive no operational property tax support.

It is difficult to measure their economic impact or contribution to teaching and learning at MATC. MATC has not done a good job of tracking tenant turnover. About 30 percent of tenants have not graduated to commercial locations within five years. Financial performance data has been incomplete.

Recommendation:

MATC should evaluate the costs and benefits of the Milwaukee Enterprise Centers. Specifically, MATC should establish "graduation" goals for each tenant, track job creation and report quarterly financial results.

MATC Response:

We have diligently monitored the centers' performance and already have made some changes, per the audit bureau's findings.

The board's policy committee recently took up this matter. The administration is again reviewing the role of the MECs in our educational mission. It should be emphasized that the MECs never have required any operational property tax support, and we do not envision the need ever arising.

As a general practice, we do not push tenants out into the community unless we have replacements lined up. To enforce an arbitrary "graduation rate" has the potential to deprive us of needed income. We serve a class of very small, distressed tenants who by definition have difficulty succeeding in the commercial world. Similar to our position on contracted training, we believe the MECs add value to our mission in ways that indirectly help our bottom line.

Consulting – Audit Findings:

MATC formerly spent about \$45,000 per month on outside legal services. After hiring a new vice president, General Counsel, the college continued to pay a \$36,000-per-month outside legal retainer. MATC created an internal position to perform communications and legislative relations duties and community relations. The college continues to hire vendors for those services.

The college receives lobbying and public relations services from the Wisconsin Technical College Boards Association, paying membership dues of \$43,000 in FY 2001-02.

From December 2001 to March 2002, the college paid \$24,000 to a community relations consultant, at the same time it funded several staff involved in public relations and community services, as well as an associate vice president for Community and Urban Affairs. No deliverable work products were specified in the contract.

Recommendation:

MATC should review the use of consultants, especially in light of expanded internal capacities.

MATC Response:

For an institution our size, we make very modest use of consultants, and they do not overlap with internal staff. The situation of course merits constant monitoring.

We recently initiated quarterly reports to our district board on consulting expenses and activities. An overlap did exist a year ago with respect to public relations, and we eliminated it.

"Internal capacities" have been enhanced in that we hired some exceptionally capable and experienced senior leaders, but there has been no "expansion" in the sense of adding new executive positions. Job descriptions have been enlarged and reclassified, with responsibilities aligned to best-practice models. Our senior leaders were hired to direct activities such as litigation, governmental relations and community relations. Time constraints limit their personal involvement in those activities. The bulk of project work takes place at lower levels, executed by specialists or contractors.

The vice president, General Counsel, oversees Human Resources, Labor Relations and Public Safety, and manages all of our legal needs including our legal services contract with Michael Best & Friedrich. The general counsel job had been vacant for two years at the time we filled it again in spring 2002. We subsequently cut our outside legal costs by \$108,000 per year. We plan to cut that figure further through hiring of an in-house assistant general counsel. We also are re-evaluating the way we utilize outside legal services. Some use of outside counsel will continue, because it allows quick access to specialty advice and legal support. Our contract with Michael Best gives us a very competitive hourly rate, as the audit acknowledges.

The reference to creating an internal position to perform communications and legislative relations, etc. apparently relates to our vice president, College Advancement. That position also isn't new. It formerly was called associate vice president, Marketing, and included supervisory responsibility for governmental relations, public relations, community affairs and fund raising. In spring 2002, we elevated the position to vice president to align us with best-practice models for organizations of our size.

It should be noted that governmental relations has become nearly a full-time job at MATC. A major reason is our ownership of a public television station with a strong interest in federal legislation. Hence, it is highly cost effective for MATC to use a firm such as Broydrick and Associates, which maintains a Washington, D.C. office and routinely monitors political developments there for a collective group of clients. Broydrick brings to bear invaluable specialty resources. So far, contracting for this service to a vendor has been both efficient and effective. Should we ever decide to hire a staff lobbyist, we have an option to cancel the consultant contract on 30 days' notice.

The Wisconsin Technical College District Boards Association does not lobby for MATC specifically. The group is the professional association for technical college board members. Its principal activity is to plan and run quarterly meetings. Each member college hosts a meeting every four years. MATC hosted a meeting in January. While the group does lobby on issues important to the technical college system as a whole, it could never replace our MATC-dedicated lobbyist.

The community relations consultant cited in the audit was hired to be the president's liaison to minority community groups. The president felt we weren't doing enough in this area. To hire a vendor was the most cost-effective solution and was attractive from the standpoint of not creating another permanent, full-time, salaried position. Her work product is advocacy, similar to lobbyists. The associate vice president, Community and Urban Affairs, no longer exists as a position.

Probationary Periods – Audit Findings:

Four contracts for non-represented employees hired in FY 2001-02 did not include language specifying a probationary period. One contract specifically waived a probationary period and was for more than one year. MATC thereby exposed itself to financial risk, because it could have been required to pay the full contract, had the employees failed to meet expectations.

Recommendation:

The MATC Board should comply with district policy regarding probationary periods for all new employees.

MATC Response:

These incidents were simple mistakes that will not happen again.

The instances cited in the audit happened because of a departmental error. Procedures have been put in place to ensure that probationary periods will be included in all future employment contracts. At the board's direction, the president sent a memo to Human Resources, reiterating that probationary periods are to be included in all contracts.

Closed Sessions – Audit Findings:

It appears the MATC Board may have improperly convened in closed session on several occasions, to discuss a lease renewal with the Hispanic Chamber of Commerce, across-the-board raises for non-represented employees and procurement of asbestos-removal services. Regarding asbestos removal, the full board discussed in open session an item that a committee earlier had discussed in closed session.

Recommendation:

The MATC Board should seek guidance from the Department of Justice regarding its use of closed sessions.

MATC Response:

The board did as suggested. Assistant Attorney General Bruce Olsen, of the State Justice Department, gave a presentation to the board at its July meeting. For new board members, it was a good introduction. Continuing board members received a valuable refresher course. We believe the board's use of closed sessions has been appropriate and lawful.

The closed session to discuss the Hispanic Chamber lease was predicated on our need to protect a strategic position and preserve negotiating leverage. The law expressly allows such actions to guard the financial interests of public institutions and the taxpayers.

Regarding asbestos removal, the board convened in closed session to discuss "likely" litigation against the college. The Justice Department guidelines acknowledge that "likely" has an ambiguous meaning. Public bodies are advised to seek advice from legal counsel, exactly as happened in this case. To have

met in open session to discuss different legal theories under which we might be sued could have made a lawsuit more likely and hurt our chances of successfully defending it.

Regarding raises for non-represented employees, the board convened in closed session in anticipation of also discussing individual salary adjustments. Individual adjustments ended up not being discussed. These two issues will be separated for discussion in open and closed session in the future.

Personnel Authority of the President – Audit Findings:

In the spring of 2002, MATC launched an administrative reorganization that eventually saved \$1.4 million. The purpose was to address a projected \$3.5 million deficit. However, the board was not consistently given adequate information about the administration's efforts, especially the fiscal and organizational effects of restructuring.

One member in particular complained repeatedly about not receiving an organizational chart. Although the board received some information on salaries for new positions created by strategic plan initiatives, no information was provided concerning additional salaries for existing modified positions.

After the college issued legal notice of potential contract non-renewal to 55 employees, it continued to fill vacancies and hire people for new positions. A restructuring plan presented to the board in March 2002 did not list positions to be eliminated or held open and did not contain an organizational chart. Some board members began to question the president's authority to hire staff, especially for new positions, and the board's capacity to provide informed oversight.

Recommendation:

The MATC Board should review its policies to ensure they clearly delineate the role of both the board and the president, including any delegated authority in personnel matters the board chooses to vest in the president.

MATC Response:

We agree. The board has repeatedly discussed the limits of presidential authority in retreats and during regular meetings. However, as the audit points out, consensus has proved hard to maintain. For board discussion, we are in the process of preparing a summary of existing policies and agreements relative to this issue. In light of recent turnover, the board plans to revisit this issue.

The notices of non-renewal were issued to 55 non-represented employees who fell into a unique class with special protection under state law. This preserved our option to lay people off, without ordaining it. No one from the group was laid off. Subsequent to the notices, we continued to fill vacancies as they occurred lower in the organization. For a variety of reasons, it wasn't feasible to fill the vacancies from the ranks of these senior managers and educators.

The board was provided a chart showing the new reporting scheme, new titles and projected net savings. It did not have names filled in, but did include complete financial data, showing projected savings. Every board member received a copy. The reorganization plan passed on a 7-2 vote. The seven directors who voted in favor felt they had adequate information to make an informed decision.

Communication with the Board – Audit Findings:

Members of the board received inadequate information about the reorganization of college management in the spring of 2002.

In April 2002, the board was not told of two proposals by Compcare to continue as a health insurance provider. Knowledge of these additional proposals could have influenced the board's decision to begin an emergency health insurance procurement.

In October 2002, the board did not receive a comparative analysis of our new cost-sharing health insurance agreement with our unions. In September 2002, the board was told incorrectly that MATC's lease with the Hispanic Chamber of Commerce had expired. In November 2002, the board approved new health insurance contracts with some issues remaining unclear, and competing bids not available until the board meeting.

Recommendation:

The administration should ensure that complete and accurate information is provided to the board in a timely manner.

MATC Response:

We think we do a good job, but this is something that can always be improved. For every board member who says we don't communicate enough, there's another board member who says this administration is much more open and communicative than past administrations. Opinions vary widely from board member to board member.

Certainly, the administration believes it should be held to a very high standard. Sometimes information is scarce because a situation is evolving rapidly. There has never been any attempt to mislead, deceive or manipulate. Amid rapidly unfolding events, "timely" is sometimes in the eye of the beholder, no matter how quickly information is provided.

Most board members trust the administration and feel they do receive complete, accurate and timely information. The administration concurs with the general principle that we need to be proactive, complete and energetic in our board communications. We will look for opportunities to improve the procedures by which we communicate with the board.

With respect to the college reorganization, the board did receive organizational charts and financial projections for discussion.

With respect to the Compcare proposals, the board did not receive the proposal documents, but was informed of them. The college and its consultants felt the proposals did not merit serious consideration. When the board was told the amount of the proposed increases, no one asked to see the actual proposal documents, because the proposal was unacceptable on its face.

With respect to the new health insurance contracts, we felt the bids were self-explanatory and comparative analysis unnecessary.

With respect to the Hispanic Chamber lease, we ourselves believed it had expired. Only months later did we discover the mistake. Both negotiating parties were laboring under a false impression. Fortunately, the mix-up didn't affect the outcome.

With respect to the November action on health insurance contracts, we gave the board all the information in our possession. Time was short and the situation changing rapidly. We did our best under very difficult circumstances.

Ancillary Issues

Enrollment and Graduation – Audit Findings:

Enrollment fluctuated from 1997 to 2002 and currently is at its high point. Enrollment growth tends to be related to economic downturns. MATC officials also believe it is related to increased marketing and outreach efforts. Graduations declined in the late '90s, with MATC officials attributing the trend to job demand at the time.

Recommendation:

None.

MATC Response:

Graduations declined in part because fewer people opted to go through the ceremony, even though they had completed their requirements.

Revenues and Expenditures – Audit Findings:

From 1997 to 2002, revenue from all categories increased 18.2 percent. All types of state aid, including grants and aid from agencies outside the technical college system, decreased .2 percent. Property tax revenue increased 26.7 percent. Expenses increased 16.2 percent. Instructional resources saw the largest increase, 28.2 percent.

Recommendation:

None.

MATC Response:

New e-based technologies in the classroom drove increased spending on instructional resources.

Staffing – Audit Findings:

In 2002, MATC had 1,944 full-time-equivalent positions. Staffing levels did not change significantly from 1998 to 2003.

Recommendation:

None.

MATC Response:

We are continually assessing our staffing for new efficiencies.

Financial Indicators – Audit Findings:

Two significant financial indicators – MATC's debt rating and its cost per full-time-equivalent student – are in the middle of the range for Wisconsin's technical college districts. Nevertheless, MATC faces significant financial challenges over the long term:

- Limits on property tax revenues, which are the largest source of funding for technical college districts.
- Declining state aids, which result, in part, from recent reductions in MATC's aidable costs.
- Developing additional reserve fund balances to buffer financial setbacks.

Recommendation:

None.

MATC Response:

While our debt rating is in the mid range for state technical colleges, it is pertinent to note that the group as a whole enjoys outstanding bond ratings. We believe our reserves are adequate. Cash flow borrowings have been unnecessary. We will continue to implement strategies for balancing future budgets without the use of reserves.

In May, we implemented phase two of our plan to streamline the college's administrative structure. Thirty-three positions were eliminated, for a projected savings of \$1.8 million in the next fiscal year. We continue to look at further adjustments out of a continuing commitment to operating efficiently and cost effectively, reinvesting resources into activities related directly to teaching and learning.

Debt Rating – Audit Findings:

MATC's debt rating has remained stable at Aa2 since 1997. Moody's Investors Service attached a "negative outlook" in December 2001, predicated on limited leeway to raise taxes, declining general fund balance, labor contracts granting employee raises and the potential for structural imbalance. Moody's removed the negative outlook in December 2002, predicated on reversal of a projected \$3.5 million deficit. Cost-cutting measures saved \$4.4 million.

MATC's debt rating is in the middle of the range for Wisconsin technical colleges. It compares favorably to other public entities such as the State of Wisconsin and Milwaukee County.

Recommendation:

None.

MATC Response:

We erased our deficit and improved our bond rating within existing resources, while accommodating a significant enrollment increase. It also should be noted that Wisconsin technical colleges as a group have outstanding bond ratings. For us to be in the middle of that group puts us in some extremely good company.

Cost per Student – Audit Findings:

MATC's operational cost per student was below the statewide average in 2002 and increased less than the statewide average over the last five years. In 2002, the college's cost per student ranked seventh lowest. Among the five largest districts, MATC had the second lowest cost per student. MATC officials assert that such comparisons are invalid because the other schools are so much smaller and not located in industrialized urban areas. The audit bureau tried to compare MATC to six similar-sized schools in Illinois, Ohio and Michigan. The auditors concluded the results weren't meaningful because of differing budget and reporting systems.

Recommendation:

None.

MATC Response:

It's unfortunate we weren't compared to flagship technical colleges in other states. That data would have been useful. Anecdotal information suggests we stack up favorably, cost-wise, to comparable institutions. In the state system, we have kept our cost per student in the bottom half and significantly below our neighboring districts.

While the audit bureau suggests our cost per student should be lower through economies of scale, this omits any consideration of cost of living. The cost of living in greater Milwaukee is the highest in Wisconsin. In light of that, we have effectively held down our cost per student.

Property Tax Revenue – Audit Findings:

MATC reached its statutory mill rate limit in 1990. Its tax levy cannot be increased beyond the annual rise in the district's equalized property value. MATC has the second-highest mill rate in the technical college system. The percentage growth in equalized value in the MATC district has been significantly lower than for the other 15 districts as a whole.

From 1998 to 2003, the total equalized property value in the MATC district grew about 24 percent; equalized property value for the rest of the state grew much faster – about 35 percent. From 1998 to 2003, MATC's average levy growth was 4.6 percent, while the average growth in the Consumer Price Index was 2.4 percent.

Recommendation:

None.

MATC response:

Taxes have risen faster than expenses because of decreasing state aid. Our 1990 building referendum is another factor. Channels 10/36 converted to high-definition broadcast without any of the state support given to other public television stations. On the plus side, a pension liability refinancing saved taxpayers \$5 million.

It should be noted that the CPI measures only upward price movement for consumer goods. It doesn't measure upward pressure on wages and infrastructure maintenance costs for large institutions. Consumer economies and institutional economies are fundamentally different.

Our 2004 budget lowers our mill rate below our statutory cap of 1.5, to 1.49, for the first time in a decade. Our tax levy is projected to grow 4.9 percent, half what was predicted by proponents of a statewide levy freeze. The reasons for the increase are less state aid and a lot more students. MATC full-time equivalent enrollment has grown 10 percent since 2001, with another increase of at least 5 percent projected for the coming academic year.

MATC helps pay for itself by generating increased taxable earnings. The earning power of our students increases by an average \$3,900 per year for every year of instruction. People who graduate from MATC with a technical diploma earn an average \$32,000 per year, 28 percent more than high school graduates. People who graduate from MATC with an associate degree earn an average \$36,000 per year, 44 percent more than high school graduates. Total added earnings value created by MATC surpasses \$333 million per year, almost all of which stays within our district.

State Aid – Audit Findings:

While state aid to technical colleges overall has increased, MATC has seen a slight decrease. State aid to MATC is expected to decrease again this year. MATC received \$28.7 million in technical college system aid in 2003, compared to \$30.1 million five years ago. MATC still ranks third highest in general state aid as a percentage of cost per student.

Recommendation:

None.

MATC Response:

From 1998 to 2003, aid to MATC from the technical college system dropped 6 percent. In 1998, this aid covered 27 percent of our costs. By 2003, the figure had fallen to 21 percent. In real dollars, the impact was huge.

Our funding gap increased by \$7 million in just five years. That was the extra amount we had to raise from other sources in FY 2002-03. It is the single biggest factor driving property tax increases for the MATC district.

As a proportion of our cost per student, we rank third in state technical college aid because our cost per student is so low. It should be noted that the funding formula rewards spending. Our aid was decreased because we reined in spending compared to most other technical colleges. We will not stop running a lean operation, but are frustrated that the funding formula seems to create a disincentive to economize. We are pleased that the formula recognizes the relative wealth of districts and provides greater aid to districts with distressed property bases.

Reserve Fund – Audit Findings:

Since 1997, MATC has maintained its reserve fund just above or below the minimum 10 percent of its general fund balance. In that time, the college spent down its state aid reserve fund to slightly below the minimum 5 percent of state aid revenues. Projections for FY 2003-2004 indicate a general fund deficit of approximately \$2.4 million, calling for that amount to be taken from the operations reserve fund. In general MATC's reserves have been maintained at minimum recommended levels.

Recommendation:

None

MATC Response:

We have maintained our reserve fund at or above the minimum. We do not envision drawing on our reserve fund next year. The modest deficit now projected will be handled through cost cutting, in the same way we reversed our 2002 deficit.

Administrators' Compensation – Audit Findings:

A report by Grant Thornton consultants in March 2001 found that the salary plan for non-represented employees was generally in line with market rates. Several high-level positions, including three vice presidents, were found to be below market rates. Incremental increases over a two- to three-year period were recommended.

In November 2001, the MATC board increased the salary maximum for all non-represented employees by 4 percent. Separately, the board increased maximum salaries for vice presidents by 25.9 percent, to \$150,000. This allowed the president to hire new vice presidents at salaries between \$23,000 and \$25,000 higher than previously would have been possible.

In April 2001, the MATC president signed a three-year contract with an annual base salary of \$185,000, which is the highest among the 16 technical college districts. He also received a car, a \$2,000-per-year business stipend, \$10,500 per year toward retirement and the normal fringe benefit package.

Recommendation:

None.

MATC Response:

It should be noted that no vice president received any raise beyond the 4 percent given to all non-represented employees. While the maximums did increase, three newly hired vice presidents were brought in at or below the mid range. No one makes \$23,000 to \$25,000 more than previously would have been possible.

One of the newly hired vice presidents would have fallen just barely outside the old salary range, adjusted upward by 4 percent. The vice president, General Counsel, would have earned \$1,200 above the old maximum annual salary. Previously, the job did not include Human Resources and Labor Relations.

By the time these hirings occurred in early 2002, parts of the Grant Thornton study were obsolete. Some of the data already was three years old and behind current market rates. In some cases, position redesign subsequent to the study made comparisons difficult.

It should be noted that the consultants expressly allowed us the option to adjust our executive pay ranges upward because of our leading market position in the state. The comparisons in the study were based on the assumption that MATC falls in the mid range of the national job market for academic executives. The report suggested that our true position might lie in the upper three-quarters of the market.

President pay is in line with the market. MATC being the flagship of the system and by far the largest technical college in the state, it is reasonable to expect our president to be paid more than his counterparts elsewhere in the system. Last year, however, he was not the highest paid.

Employee Wages and Benefits – Audit Findings:

Recent total compensation increases have exceeded budgeted amounts, with salary increases for instructors at MATC higher than for instructors at other state technical colleges. MATC did not proactively manage rapidly increasing health care costs, leading the district to pursue an emergency health insurance procurement in April 2002.

MATC achieved significant health plan benefit changes in January 2003. However, it agreed to forego further changes until June 2007, unless mutually agreed upon with its unions. New two-year contracts with represented employees were reached in November 2001. A joint labor-management committee was formed to negotiate and recommend future changes to health benefits.

MATC offered higher increases in wages than initially had been budgeted – 4 percent versus 3.8 percent. Moody's Investors Service cited the increases in attaching a "negative outlook" to MATC's bond rating in December 2001.

From 1998 to 2003, MATC negotiated annual teacher salary increases of at least 4 percent, higher than at other state technical colleges. Minimum and maximum teacher salaries are higher at MATC than at other state technical colleges. In 2002, 386 out of 599 full-time faculty earned more than the maximum base salary of \$76,000. In addition, 72 of the 386 (12 percent of total full-time instructors) earned more than \$100,000.

Recommendation:

None.

MATC Response:

Based on our market position as the state's biggest technical college, situated in an urban industrial area, serving the state's most diverse student body and offering the widest variety of programs and services, we expect to pay somewhat higher wages than other districts. However, escalating compensation is a concern for us. We have begun and will continue to ask our employees to sacrifice. We believe they understand the need to sacrifice during these difficult economic times. One direct result was our cost-sharing agreement on health care.

For the complete picture, total compensation should be looked at, not just wages. It should be noted that total compensation – wages and benefits – have been rising more slowly at MATC, compared to other state technical colleges. In 2001, the total compensation percentage increase was higher at four sister schools. In 2002, nine other schools had higher percentage increases. In fiscal year 2003, five sister colleges had steeper increases.

Many of our full-time faculty members hold master's degrees or doctorates. For the most part, our college transfer program necessitates this high level of education. To maintain transfer partnerships with four-year colleges and universities, we must meet certain expectations for the educational level of our liberal arts and sciences faculty members.

It should be noted that MATC instructors are allowed to teach overtime during the school year and teach summer school, to earn more money. This is not a financial hardship for the college, since they work at part-time or reduced pay rates, not time-and-a-half compensation. When sections open quickly, it's often difficult to find part-time instructors to teach them. Sometimes we also have difficulty finding qualified part-time faculty to teach a given course. Faculty also can earn extra pay for serving in administrative capacities.

It also is pertinent to note that at MATC, teachers are paid to teach. They are not expected to do research or write articles and books. They do not have the benefit of teaching assistants in the classroom.

Health Care – Audit Findings:

In 2001-2002, MATC spent \$16.9 million on employee and retiree health and dental care benefits. In 2002, health care costs per employee were 17.1 percent higher in Milwaukee than the national average. MATC's health care costs have been higher and have increased more rapidly than those of other Milwaukee employers because MATC's health plans have historically required little employee cost sharing.

As early as May 2000, MATC's health care consultant advised the college that employee cost sharing was necessary to control escalating costs. The 2001-2003 collective bargaining agreements, however, did not include health plan changes. Salary increases in the agreements were predicated on eliminating a budgeted 16 percent increase in health care costs.

The administration negotiated significant plan changes that were approved by the board in October 2002 and took effect in January 2003. It was the first time in MATC's history that the unions agreed to meaningfully share health care costs. In MATC's self-funded plan, deductibles were doubled, from \$100 to \$200 for individuals and from \$200 to \$400 for families. Drug co-payments of \$5 for generic drugs and \$10 for brand-name drugs were introduced. Medical service co-payments of \$10 to \$50 were introduced. Even with these changes, MATC projects a 15.7 percent cost increase this year.

As a concession, MATC signed two agreements not to seek additional changes for four years. This might hinder its flexibility to address future cost increases.

While health care redesign was being negotiated, MATC got into a legal scrape with Compcare. The board declared a financial emergency and attempted to hire a competing vendor, Genesis HealthCare Ltd. MATC was exposed to additional risk when its officers guaranteed one union that MATC would absorb any added expense resulting from the proposed coverage change to Genesis. In the course of those negotiations, two proposals by Compcare to extend coverage were not shared with the board. Compcare obtained a court injunction and thereby kept the contract temporarily. In June, actuarial analysis found that the Genesis proposal would have cost about \$600,000 more than Compcare's final proposal. MATC ended up spending \$25,000 on legal fees.

The board has found it difficult to track trends in health care costs.

Recommendation:

None.

MATC Response:

The breakthrough nature of the cost-sharing agreement led us make the four-year deal. We view it as more than a reasonable concession, since any reopening of collective bargaining issues always has to be mutually agreed upon. We do have flexibility to address future cost increases, as one piece of total compensation.

Compcare's proposals to keep our business were outlined to the board for discussion, but copies not distributed. The administration and its consultant did not think the proposals merited serious consideration. After being told the amount of the increases, no board member asked for the documents.

At the time the Genesis proposal was first made, the company represented it as delivering a zero cost increase. Later, the company made a revised proposal, also represented to us delivering a zero cost increase. Our actuarial consultant came to a different conclusion, with which the company disagreed. We feel we would have had leverage to hold Genesis to its original zero-increase commitment, had the court not ruled in favor of Compcare.

Because we aggressively sought alternatives to Compcare, the company backed off from the very large mid-year increase and benefit reductions it had initially attempted to impose. By playing hardball, we whittled down the increase from 17 percent to 3.69 percent, with no cut in benefits. The outcome dramatically favored MATC. In the first half of fiscal year 2003, we saved \$490,000. Four months later, we did drop Compcare when our health insurance contracts were again put up for bid.

It should be noted that our projected cost increases incorporated only six months of the new employee cost-sharing agreement. For the first half of fiscal year 2003, the old status quo was in force. So, we are pleased with our results. We agree that planning could have been better. That partly motivated phase one of our management reorganization last spring. Human Resources was placed under the direction of our vice president, General Counsel.

Election of Board Officers – Audit Findings:

State law requires technical college boards to elect officers on the second Monday of July. In 2001, the MATC Board did not comply. The delay provided an opportunity for outside parties to exert influence on the election. With one trustee absent, a 4-4 deadlock arose. Legal counsel and state board officials advised the group that it was preferable to decide the election by coin toss. The board also was given the option of completing the election at a later time.

The board reconvened a week later and elected officers. During that time, outside parties attempted to influence the outcome. In February 2002, the board updated district policy to clarify what to do if this situation ever occurs again.

Recommendation:

None.

MATC Response:

As noted, we have revised our policies to alleviate any possible election confusion in the future.



matc

Milwaukee Area Technical College

Testimony of Lauren Baker

Vice Chair, Milwaukee Area Technical College District Board

Before the Joint Legislative Committee on Audits, July 29, 2003

Thank you, Dr. Cole. Good morning, co-chairs Senator Roessler and Representative Jeskewitz, members of the committee. Thank you for this opportunity to speak today about Milwaukee Area Technical College. My name is Lauren Baker, I am the Coordinator of Career and Technical Education for the Milwaukee Public Schools. I also am a taxpayer and an unpaid volunteer member of the MATC District Board, where I have served for more than eight years.

On behalf of our board, I want to thank the committee and the LAB for the work done on this audit report. The LAB staff is to be commended for its thorough work and the manner in which staff members conducted their investigations. As Dr. Cole said, the district board already has taken action on many of the recommendations in the audit and will closely monitor progress.

You should be aware that our board is experiencing transition, with four new board members having been appointed since March. This transition is part of the healthy changeover that our boards go through. Our new board members are all exceptional people from the Greater Milwaukee community.

Dr. William Hughes is superintendent of the Greendale School District. Linda Sowell is the Director of Public Relations for the Potawatomi Bingo Casino. Bobbie Webber is a captain with the Milwaukee Fire Department. Keith Terry is an urban developer and owner of Keith B. Terry Construction Services. Mr. Terry, I'm pleased to say, also is an alumnus of MATC. He became a master construction electrician through our apprentice program. I was board chair during the period of the LAB's audit and am speaking today for that reason. Our new board chair, Mr. Mark Maierle is also here today.

For me to say I am proud to be a board member is an understatement. I am part of a system that provides exceptional services to members of our community and our business partners, at exceptional value to Milwaukee area taxpayers.

Let me emphasize that point. Because we all appreciate that these are difficult times. MATC feels increasing pressure from many sides. Our enrollments have grown at the rate of over 5 percent per year. Applications for enrollment this fall are 28 percent ahead of last year. At the same time, state aid to MATC has declined for the last four years. By stretching ourselves, we have continued to meet the needs of the community overall. But some of our crucial occupational program areas are struggling to meet employment market demands. More than 1,000 people are on waiting lists for our health care programs.

Given these difficulties, we really are proud to report the financial stability that Dr. Cole just detailed. And I am proud to repeat that 9 out of 10 of our graduates have jobs after graduation, and 99 percent of them stay right here in Wisconsin. That's our job, and we are doing it.

Our system delegates the day-to-day leadership of the college to the president, and I want to be clear on that point. At the same time, I want to emphasize that our board takes its budget, policy and administrative oversight responsibilities very seriously. We have been diligent in balancing the concerns of taxpayers against the needs of our students, business partners and the community.

I would like to comment on the communications issue. I now have worked with two administrations at MATC, with very different styles. I feel our current president has gone farther than any other administration in recent history in working with the board as an active and informed partner.

Information is now more easily available to the MATC Board, where that hasn't always been true. In fact, when you look at the record, the vast majority of board members have felt that they received enough information to make informed decisions.

Not everyone agrees with this, I realize. As a democratic body, our board has many disagreements – which is exactly how it should be. If we agreed on everything, the public would have much more cause for concern.

While MATC directors might disagree with one another, we were unanimous this spring about the LAB audit report. We saw it as an opportunity to learn. We responded by requiring specific analysis of its recommendations and taking appropriate action, which Dr. Cole has previously addressed.

The board has responded to the audit by taking concrete action on several occasions. I am including with my testimony today copies of several board resolutions outlining directives to the administration for compliance with audit issues. Dr. Cole has addressed the administration's action on these issues, including:

- Full cost recovery of external contracts.
- A detailed evaluation of our economic development efforts with the Milwaukee Enterprise Centers.
- Use of consulting contracts.
- Compliance with our policies on probationary periods for employees.

The audit made two other recommendations specific to the board's functioning, which I will now address.

Recommendation: "The MATC District Board should seek guidance from the State Department of Justice on its use of closed sessions."

I am confident that the board has adhered to the letter and spirit of the Open Meetings Law. We have followed the guidelines scrupulously. At the same time, we also agree that the board can benefit from consulting with the state on this issue.

At our invitation, Assistant Attorney General Bruce Olsen, of the State Justice Department, made a presentation at our July meeting. For our new board members, it was a very good orientation. Veteran board members received an excellent refresher course. We will continue to follow the Justice Department guidelines and the expert advice of our vice president and general counsel.

Recommendation: "The MATC Board should clarify the roles and authority of the board and president in personnel matters."

At our request, the administration is preparing a summary of existing, relevant policies and agreements in this area. This discussion will help clarify the issue for new and returning board members. Over the last two years, the board has had a series of board retreats with national experts to discuss our relationship with the CEO. We had achieved what we thought was a working consensus – personnel authority clearly rests with the president. Our policy delineates this authority.

Since then, on a few occasions, individual board members have renewed the philosophical debate. We intend to revisit this issue in light of the recent turnover on the board. I am confident we will maintain the consensus that has guided us overall.

As you can see, we are moving forward aggressively in response to the audit. I thank the LAB for helping us strengthen the college as we prepare tomorrow's skilled workers and retrain the thousands of people who have fallen out of the workforce in these very, very difficult economic times.

Again, thank you, and I will try to answer any questions you might have.

Milwaukee Area Technical College
District Board Meeting 7/14/2003

Wisconsin Open Meetings Law
Presenters

Bruce Olsen, Wisconsin Attorney General's Office
Christy Brown, MATC – Vice President, General Counsel
José Olivieri – Michael Best & Friedrich

I. Introduction

II. Consultation with Counsel

Wisconsin Law provides that a closed session can be had to consult with Counsel regarding pending litigation or matters that are likely to lead to litigation Sec. 19.85 (1)(g), Wis. Stats.

III. Conducting Business in Closed Session for Bargaining or Competitive Reasons

Closed session discussions regarding contracts, leases, real estate development and related items due to competitive or bargaining reasons may be appropriate. Sec. 19.85 (1)(e)

IV. Discussion of an Across-the-Board Compensation Increase for Nonrepresented Employees

Sec. 19.85 (1)(c) Wis. Stats provides that a closed session is permissible to discuss the compensation or performance of an employee.

V. Miscellaneous

- a) Votes in closed session
- b) Noting "Action item" on agenda
- c) email
- d) Documents distributed in closed session

AHL ATTACHMENT 4

Resolution to Respond to the Wisconsin Legislative Audit Bureau Report

WHEREAS, the Wisconsin Legislative Audit Bureau has made specific recommendations aimed at the financial and operating activities of the Milwaukee Area Technical College;

THEREFORE, BE IT RESOLVED, that the Milwaukee Area Technical College administration is directed to present an analysis, including the impact of the formula and cost recovery status of our 38.14 training contracts, to the Milwaukee Area Technical College Board; and

FURTHER RESOLVED, that the Milwaukee Area Technical College administration provide analysis of exemptions to the full cost recovery policy that includes the rationale for those exemptions; and

FURTHER RESOLVED, that the Milwaukee Area Technical College administration report the results or the progress toward getting the results to the board at its April meeting; and

FURTHER RESOLVED, that consistent with the previous referral of this matter to the Education, Services, and Institutional Relations Committee, the Milwaukee Area Technical College administration will conduct a study of the Milwaukee Enterprise Centers to include, but not be limited to, the history of the centers including the rationale for their establishment; an assessment as to whether the rationale is still applicable; method(s) for determining rents and fees; expressed or implied limitations placed on the centers and/or tenants; efforts to attract tenants; and means of monitoring the success/failure of the tenants; and

FURTHER RESOLVED, that the Milwaukee Area Technical College administration report to the board on this issue no later than August 2003; and

FURTHER RESOLVED, that the Milwaukee Area Technical College administration, on a quarterly basis, submit a report to the Finance, Personnel, and Operations Committee detailing the number, status, and duration of consultant contracts; and

FURTHER RESOLVED, that the Milwaukee Area Technical College administration consult with the Justice Department of the State of Wisconsin regarding the use of closed sessions and report its findings to the board by the April 2003 meeting.

Attachment J-1

**RESOLUTION TO RESPOND TO
THE WISCONSIN LEGISLATIVE AUDIT BUREAU REPORT**

WHEREAS, the Legislative Audit Bureau issued a recommendation that "the MATC Board of Directors complies with district policy regarding probationary periods for all new employees;" and

WHEREAS, the MATC Board of Directors, as well as the MATC administration, wishes to be responsive to the recommendations from the Legislative Audit Bureau;

THEREFORE, BE IT RESOLVED, that the president of the college send a memorandum to the administrators in Human Resources regarding the recommendation from the Legislative Audit Bureau.

**MILWAUKEE AREA TECHNICAL COLLEGE
ADMISSIONS DEPARTMENT
WAITLISTED PROGRAMS
July 28, 2003**

Listed below are the programs that currently have waitlists. Please note that we are continuously adding applicants to the waitlists, therefore estimated start times are subject to change. We will notify you periodically with updated waitlist information.

Program Code	Program Name	Approximate Start Time (Applies to new applicants only)
30-401-1	Air Conditioning, Refrigeration, and Heating	Jan 2004 = SP2004
31-405-1.01	Auto Collisions & Repair & Finish Technician	Jan 2004 = SP2004
31-404-3	Automotive Maintenance Technician	Jan 2004 = SP2004
10-602-3	Automotive Technology*	Aug 2004 = FA2005
31-502-1	Barber/Cosmetologist	Jan 2004 = SP2004
10-521-1A	Cardiovascular – Invasive Program*	Aug 2004 = FA2005
10-521-1B	Cardiovascular – Echocardiography Program*	Aug 2008 = FA2009
31-410-1	Carpentry* (Milw. & South Campus)	Aug 2004 = FA2005
30-508-2	Dental Assistant	Jan 2005 = SP2005
10-508-1	Dental Hygiene	Jan 2006 = SP2006
31-412-3	Diesel & Power Train Servicing	Jan 2004 = SP2004
31-413-2	Electrical Power Distribution (Line Mechanic)*	Aug 2004 = FA2005
31-413-1	Electricity	Aug 2005 = FA2006
30-510-2	Health Unit Coordinator	Jan 2004 = SP2004
31-509-1	Medical Assistant*	Aug 2004 = FA2005
30-510-1	Nursing Assistant	Aug 2005 = FA2006
30-510-1L	Bi-Lingual Nursing Assistant	Jan 2004 = SP2004
30-513-1	Phlebotomy	Jan 2005 = SP2005

Continued Next Page

10-524-1	Physical Therapy Assistant**	Jan 2004 = SP2004
31-536-1	Pharmacy Technician	Jan 2004 = SP2004
31-510-1	Practical Nursing	Aug 2005 = FA2006
30-427-1	Preparatory Plumbing*	Aug 2004 = FA2005
10-526-1	Radiography	Aug 2006 = FA2007
10-510-1	Registered Nursing	Jan 2006 = SP2006
31-517-1	Renal Dialysis Technician*	Aug 2004 = FA2005
10-515-1	Respiratory Care*	Aug 2004 = FA2005

*Program starts in August only.

**Program starts in January only.

5

President Richard Carpenter
Written Testimony to the Joint Committee on Audit
Regarding the Legislative Audit Bureau Report 03-4,
An Evaluation: Milwaukee Area Technical College District
July 29, 2003

I would like to thank the members of the Committee for the opportunity to comment on the Legislative Audit Bureau Report 03-4, *An Evaluation: Milwaukee Area Technical College District*. I would also like to thank State Auditor Janice Mueller and her staff for their professionalism during the audit process and for providing the District with practical recommendations for improving college operations.

As the state's largest technical college and, in fact, the state's postsecondary institution that annually serves the greatest number of Wisconsin students, and which operates in the state's largest urban center, Milwaukee Area Technical College (MATC) must address a myriad of complex student and community needs that are unique to the System. At the same time, MATC must struggle with concerns faced by all 16 of our technical colleges. For example:

- How to balance demands for fiscal restraint and re-investment in educational programs?
- How to best help grow the district's economy?
- How to manage costs of health care, utilities and changing technology?
- How to meet a growth in demand for programs and services that outpaces available resources?
- How to ensure quality instruction and educational programs in an era of significant faculty retirements and dwindling numbers of quality replacements?
- How to meet the dramatically increasing diversity of students, including the spectrum of ages, socio-economic status, race, ethnicity, academic preparedness, family and work obligations, and educational expectations that range from short-term training to baccalaureate preparation to technical skill expertise to career advancement.

We can be proud of the efforts that MATC has made to improve its financial condition during the course of the audit. Already at the 1.5 mill rate limit, MATC could not ask local taxpayers to further help improve its financial condition. As indicated by Audit Bureau, MATC combined slightly higher-than projected growth in property tax revenues with several cost-cutting measures such as travel restrictions and unfilled staffing vacancies. As noted in the audit report, MATC's current debt rating is better than the debt ratings of both Milwaukee County and the State of Wisconsin.

In reviewing MATC operations, the Audit Bureau raised a number of issues regarding college relations with its Board members. I share the Bureau's concern about the importance of these relations. In any public or private organization, the interaction between the governing board and executive officers is critical to organizational success. It is not so surprising, however, that disagreements will arise when one considers the

complexity and diversity of issues that the MATC Board and administration must address on a daily basis. Both the District President and District Board President are continually clarifying expectations governing their working relationship and communication needs. The college is actively implementing the Audit Bureau's recommendations to formalize its policies and procedures and to ensure that the concerns raised in the audit are appropriately addressed.

MATC's efforts to address the concerns raised in the audit reflect its strong commitment to its students, its district stakeholders, the Wisconsin Technical College System and the state. In closing, I would like to again thank the Audit Bureau for its hard work on this project and the members of the Audit Committee for the opportunity to respond to the Bureau's report on behalf of the Wisconsin Technical College System.

Paul Pedersen Remarks
JOINT COMMITTEE ON AUDIT
Tuesday July 29, 2003
1:00 P.M.
411 South, Wisconsin State Capitol
Madison, Wisconsin

Good afternoon and thanks to the chairpersons and members of the Legislative Audit Bureau for allowing me the opportunity to speak.

My name is Paul Pedersen, and I've had several terms as both a board member at the Milwaukee Area Technical College, and as a member of the appointment committee that selects the board.

First, as president of the Nicolet High School Board, I represented Nicolet in the MATC board selection process. Then, in 1995, I was appointed to a position on the MATC Board, where I served for 7 years.

Because I've been on both sides of this process, I now know that the method for choosing the Board of District Directors at MATC has got to change, or the school will continue wasting money and straying from it's mission.

Currently, school board presidents or their designees meet as a committee once a year to consider candidates they know only from brief resumes bound into a thick notebook, and one three-minute presentation by the candidate. Even though they are appointing members to a quarter of a billion dollar a taxing authority, at the last meeting, only 13 of 25 committee members even bothered to show up. This doesn't say much for the MATC Board's "accountability."

Please understand, I support the mission of Wisconsin's technical schools, and I know that MATC does a tremendous amount of good in the community. *What* the school accomplishes is very valuable. *How* the board and the top administration accomplishes it is a tremendous waste of taxpayer dollars. And no one is held accountable for how the institution is run.

During my last term, it was evident that MATC leaders established a blatant disregard for board policy, procedure, and fiscal responsibility. They reinterpreted or just ignored existing hiring and compensation policies for the benefit of newly hired staff – and only later called it an "administrative error".

They continued to offer space to a favored few in their taxpayer-subsidized off-campus office buildings. This, despite the fact any educational mission was absent in this entire real estate venture. This, despite the fact that their own policy prohibited operating them at a loss – a quarter of a million dollar loss, I might add.

There's more:

- The maximum salary for MATC vice presidents was raised by over 27% in just one year.
- About 65% of all full time instructors were paid over \$76,000 per year; and 12% made over \$100,000 per year.

Given this lavish compensation, why the urgency to grant more-than-extravagant health care benefits which cannot be undone, or even addressed, until fiscal 2008?

Let's think about this: I've spent the last 25 years in the insurance industry providing employee benefits to companies. If any of my clients told me they did not want to deal with their benefit packages until 2007, I would have thought they were crazy – unless they had a bottomless checking account.

In the year MATC made this decision, healthcare costs went up an estimated 15%. There was no reason to believe then the trend would not continue; in fact it's escalated. This action alone has locked district taxpayers into a non-negotiable, 5 year spending spree that will easily run into double-digit millions of dollars.

When all of this and much more was released in the LAB report, MATC officials were (rightly) given a chance to respond. However, their 3 and a half page reply breaks down as follows:

- More than 1 page of totally unrelated self-congratulation about *what* MATC accomplishes. (I think we can all agree that this is not the issue.)
- Two and a half pages of vague promises to give "significant attention" and "work toward" solutions to problems that have existed for years – and will continue to exist long after the spotlight of the audit diminishes.

Nobody has the authority to stop these people. The local taxpayers can't stop the waste; they don't even know where to go. And, even if they did, the only board member a taxpayer could challenge would be the local school board president whose designee helped appoint the MATC Board. The State System Board won't even try; they say they're not authorized to oversee spending. This leaves Wisconsin's legislators.

And that's why I'm here. After months of state budget managers grappling with dumping 4-year-old kindergarten; chopping shared revenue; or restricting K-12 districts to revenue limits and QEOs, I have to suggest we eliminate the rampant waste that comes from leadership with carte blanche taxing authority and no accountability whatsoever.

Otherwise, the tremendous effort of the LAB in conducting and completing audit number 03-4 will have been nothing more an exercise in futility for the hardworking staff, and an affirmation of the untouchability of a group of leaders who operate outside of higher authority.

Thank you.

A Paul Pedersen
262.241.8555
appedersen@pedersenassoc.com



REPRESENTATIVE CURTIS GIELOW

State of Wisconsin, Twenty-Third Assembly District

TO: Members, Joint Committee on Audit

FROM: Rep. Curt Gielow

RE: Comments of Dr. Elliot Moeser of the MATC Board

DATE: July 29, 2003

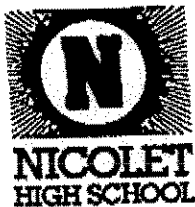
One of my constituents is Dr. Elliot Moeser, a member of the Board of the Milwaukee Area Technical College (MATC). Dr. Moeser is the District Administrator for the Nicolet High School District, which serves students and families in my district and nearby areas.

Dr. Moeser wanted to be at this morning's hearing of the Joint Committee on Audit relating to Report 03-4 - Milwaukee Area Technical College District in order to testify to the committee. However, he was unable to attend this morning's hearing.

Dr. Moeser has asked me to forward to you the attached letter. He has also asked me to let you know that additional material will be forthcoming from him regarding MATC, this audit, and related issues.

Thank you for taking the time to read Dr. Moeser's letter and please watch for further communication from him regarding MATC and the audit of the MATC District.

Thank you.



April 28, 2003

Ms. Janice Mueller, State Auditor
Legislative Audit Bureau
22 East Mifflin Street Suite 500
Madison, WI 53703

Dear Ms. Mueller:

I would like to congratulate the Legislative Audit Bureau on an outstanding audit of the Milwaukee Area Technical College. I was impressed with the positive recommendations made in the audit as a result of the study conducted by the Legislative Audit Bureau.

The MATC audit was also impressive because the review was an effort to provide a positive map to improving operations at the Milwaukee Area Technical College. The recommendations and comments provided by the LAB are a tremendous tool for bringing reform to the Milwaukee Area Technical College.

As a long-time member of the District Board of MATC, I would like all eight recommendations and findings of the audit pursued in good faith. The Legislative Audit Bureau has provided an impartial analysis in providing eight recommendations that should be taken seriously. It is hoped that public relations efforts at MATC do not attempt to put "spin" on the LAB recommendations in an effort to limit reform at the college.

Thank you on a job well done.

Sincerely,

Elliott L. Moeser, Ph.D.
District Administrator
Nicolet High School District
Member, Milwaukee Area Technical college District Board

ELM:fh

copy: Sheila Cochran
Jonathan Barry
Senator Darling
Senator Moore
Representative Gielow
Representative Kerkman
Representative Williams

Mae Killebrew
Dr. Carpenter
Senator George
Senator Roessler
Representative Jeskewitz
Representative Pocan

A. Paul Pedersen
Senator Cowles
Senator Hansen
Representative Cullen
Representative Kaufert
Representative Wasserman

3/17

fyi

Suggested Questions for Dr. Carpenter

Audit Committee Hearing

July 29, 2003

- 1) How would a student choose between the nearest UW two-year campus and the nearest technical college? For example, how would a student in Waukesha choose between Waukesha County Technical College and UW-Waukesha?
- 2) Do all credits earned in the college parallel courses transfer to any one of the four-year UW institutions? In your opinion, how is the transfer system working?
- 3) What is the number of students who transferred from the college parallel program to one of the four-year UW campuses?
- 4) Do you believe that the current UW and Wisconsin Technical College systems are duplicative in any way?
- 5) Why is the number of graduates fairly low, given the high enrollment numbers often associated with the technical colleges? For example, your web site lists enrollment of 463,000 students served, but only about 18,000 graduated in 2002.
- 6) What percentage of your students take only a class or two?
- 7) Do you believe general education courses are growing at the expense of traditional technical courses?
- 8) Why is your technical course enrollment so low? What is the exact percentage of your students who are enrolled in traditional technical courses?