

WISCONSIN
TECHNICAL COLLEGE
SYSTEM

MAY 25 2004

May 21, 2004

Senator Alberta Darling
Wisconsin Senate
317 East, State Capitol
Madison, Wisconsin 53707-7882

Dear Senator Darling:

I would like to share with you another update on the actions of the Wisconsin Technical College System Board's review of Milwaukee Area Technical College's progress in addressing the recommendations of the Legislative Audit Bureau (Report 03-04).

As you know, WTCS Board President Nino Amato and I directed representatives of MATC's district board and administration to present progress reports to the WTCS Board at its meetings on November 19, 2003 and March 30, 2004.

At those meetings, the Board received presentations from the president and administrative staff of MATC and both the District Board chair at the time of the audit, Lauren Baker, and the current District Board chair, Mark Maierle. MATC also submitted three written reports to the WTCS Board:

- An initial progress report in November, 2003.
- A January, 2004 follow-up response to WTCS Board member questions generated at the November, 2003 Board meeting.
- A second status report on MATC's progress in responding to the Legislative Audit Bureau recommendations, dated March 23, 2004.

You received a copy of MATC's first progress report and the minutes from the November, 2003 WTCS Board meeting in a letter from us dated December 12, 2003.

Attached to this letter are copies of MATC's January and March, 2004 reports to the WTCS Board and the minutes from the Board's discussion on March 30, 2004.

The WTCS Board believes that MATC has made good progress in responding to the recommendations of the Legislative Audit Bureau. It is also the WTCS Board's opinion that its oversight has assisted MATC in their efforts and provided better accountability to the Legislature in this process. You will note from the enclosed materials that MATC's initial status report was followed by two lengthy and thorough presentations and

Dr. Richard Carpenter, President

345 West Washington Ave. - 2nd Floor PO Box 7874 Madison, Wisconsin 53707-7874 608.266.1207
TTY: 608.267.2483 Fax: 608.266.1690 e-mail: info@wtcsystem.org
www.wtcsystem.org www.witechcolleges.com

discussions by the WTCS Board as well as an exchange of written questions and answers between System Office and MATC staff. Overall, the WTCS Board is confident that MATC has worked hard to fulfill the LAB's recommendations and will continue to do so.

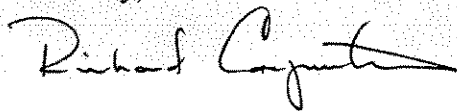
In light of MATC's demonstrated commitment to addressing the LAB's concerns, the WTCS Board concluded that it is not necessary to schedule further meetings regarding the audit at this time. Enclosed in the March 2004 meeting minutes you will see that the WTCS Board passed a motion to close its formal review process, with the provision that, if necessary, the Board may request a progress report from MATC in six to twelve months.

The conclusion of the WTCS Board's formal review of MATC's response to the Legislative Audit Bureau (Report 03-04) does not mean, however, that closure on the issues raised by LAB has been reached. The LAB made several recommendations that will improve the long-term fiscal health and operations of the college and MATC will continue to work on meeting these challenges.

The LAB report noted that MATC will continue to face financial challenges over the long term in part due to rising personnel costs. LAB recommended changes to MATC's contracting and enterprise activities to enhance revenues. As you know, MATC is currently facing an estimated \$4.2 million shortfall in its fiscal year 2003-04 budget which is the result of a combination of lower than projected revenues and higher than budgeted expenditures. MATC is in the process of taking steps to eliminate the shortfall and has developed a plan which will be discussed and acted upon by the MATC District Board on Tuesday, May 25th. At this point, it appears that MATC will rely primarily upon one-time fund transfers and the use of reserve funds to balance the budget. While this approach may be a practical short-term solution, it will not resolve the College's ongoing resource needs. The MATC Board and administration will need to consider, especially as part of its 2004-05 budget deliberations, what permanent budget adjustments are required to ensure MATC's long-term fiscal stability.

As we discussed, I will continue to provide you with an accounting of the WTCS Board's further actions on this matter. Please contact me if you have questions about this process or any other matters regarding the Wisconsin Technical College System.

Sincerely,



Dr. Richard Carpenter
President
Wisconsin Technical College System

Enclosures

cc: ✓ Members, Joint Legislative Audit Committee
Members, WTCS Board
Janice Mueller and Kate Wade, Legislative Audit Bureau
Mark Maierle, MATC District Board Chair
Darnell Cole, MATC President



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

June 2, 2004

Dr. Richard Carpenter, President
Wisconsin Technical College System
345 West Washington Ave., 2nd Floor
P. O. Box 787411
Madison, WI 53707-7874

Dear Dr. Carpenter:

As you recall, the Joint Legislative Audit Committee held a public hearing on Legislative Audit Bureau report 03-4, *An Evaluation: Milwaukee Area Technical College District*, on Tuesday, July 29, 2003. You attended that hearing and offered testimony concerning the findings and recommendations contained in the audit report. At the conclusion of the public hearing, we communicated our interest in disciplined follow-up over the next year to better assess the District's progress in implementing the recommendations made by the Legislative Audit Bureau. We note that, in November 2003 and March 2004, the District made presentations to the Wisconsin Technical College System Board and we thank you for forwarding materials related to these presentations to our attention.

It has now been nearly a year since the Joint Legislative Audit Committee met to consider the management and operations of the Milwaukee Area Technical College District. Therefore, in keeping with our commitment for follow-up, the Committee will hold a public hearing on Thursday, June 24, 2004 at 10:00 a.m. in Room 411 South of the State Capitol. We ask you to be present at the hearing to offer testimony on the Board's perspective on the status of the implementation of the audit recommendations. We also plan to discuss recent disclosures that the District will receive \$2.1 million less in revenue and spend \$4.3 million more in salaries than was budgeted for fiscal year 2003-04.

Please contact Ms. Pam Matthews in the office of Representative Suzanne Jeskewitz at (608) 266-3796 to confirm your participation in this public hearing. Please also plan to provide each committee member with a written copy of your testimony at the hearing.

We look forward to receiving your testimony on June 24th. Should you have questions about the hearing, please contact us.

Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

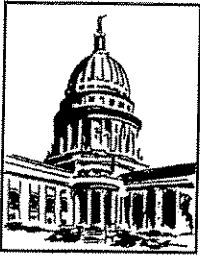
Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Janice Mueller
State Auditor

SENATOR ROESSLER
P.O. Box 7882 • Madison, WI 53707-7882
(608) 266-5300 • Fax (608) 266-0423

REPRESENTATIVE JESKEWITZ
P.O. Box 8952 • Madison, WI 53708-8952
(608) 266-3796 • Fax (608) 282-3624



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

June 2, 2004

Dr. Darnell E. Cole, President
Milwaukee Area Technical College
700 West State Street
Milwaukee, Wisconsin 53233

Dear Dr. Cole:

As you recall, the Joint Legislative Audit Committee held a public hearing on Legislative Audit Bureau report 03-4, *An Evaluation: Milwaukee Area Technical College District*, on Tuesday, July 29, 2003. You attended that hearing and offered testimony concerning the findings and recommendations contained in the audit report. At the conclusion of the public hearing, we communicated our interest in disciplined follow-up over the next year to better assess the District's progress in implementing the recommendations made by the Legislative Audit Bureau. We note that, in November 2003 and March 2004, the District made presentations to the Wisconsin Technical College System Board and discussed its progress thus far.

It has now been nearly a year since the Joint Legislative Audit Committee met to consider the management and operations of the Milwaukee Area Technical College District. Therefore, in keeping with our commitment for follow-up, the Committee will hold a public hearing on Thursday, June 24, 2004 at 10:00 a.m. in Room 411 South of the State Capitol. We ask you to be present at the hearing to offer testimony that updates the Committee on the District's progress in implementing the audit recommendations and addressing the findings of the audit report. We also ask that you be prepared to discuss recent disclosures that the District will receive \$2.1 million less in revenue and spend \$4.3 million more in salaries than was budgeted for fiscal year 2003-04.

Please contact Ms. Pam Matthews in the office of Representative Suzanne Jeskewitz at (608) 266-3796 to confirm your participation in this public hearing. Please also plan to provide each committee member with a written copy of your testimony at the hearing.

We look forward to receiving your testimony on June 24th. Should you have questions about the hearing, please contact us.

Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

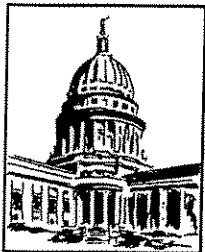
Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Janice Mueller
State Auditor

SENATOR ROESSLER
P.O. Box 7882 • Madison, WI 53707-7882
(608) 266-5300 • Fax (608) 266-0423

REPRESENTATIVE JESKEWITZ
P.O. Box 8952 • Madison, WI 53708-8952
(608) 266-3796 • Fax (608) 282-3624



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

June 2, 2004

Mr. Mark S. Maierle, Chairperson
Milwaukee Area Technical College System Board
5647 Grove Terrace
Greendale, Wisconsin 53129

Dear Mr. Maierle:

As you recall, the Joint Legislative Audit Committee held a public hearing on Legislative Audit Bureau report 03-4, *An Evaluation: Milwaukee Area Technical College District*, on Tuesday, July 29, 2003. At the conclusion of the public hearing, we communicated our interest in disciplined follow-up over the next year to better assess the District's progress in implementing the recommendations made by the Legislative Audit Bureau. We note that, in November 2003 and March 2004, the District made presentations to the Wisconsin Technical College System Board and discussed its progress thus far.

In keeping with our commitment for follow-up, the Committee will hold a public hearing on Thursday, June 24, 2004 at 10:00 a.m. in Room 411 South of the State Capitol. We ask you to be present at the hearing to offer testimony on the Board's perspective on the status of implementation of the audit recommendations. We also ask that you be prepared to discuss recent disclosures that the District will receive \$2.1 million less in revenue and spend \$4.3 million more in salaries than was budgeted for fiscal year 2003-04.

Please contact Ms. Pam Matthews in the office of Representative Suzanne Jeskewitz at (608) 266-3796 to confirm your participation in this public hearing. Please also plan to provide each committee member with a written copy of your testimony at the hearing.

We look forward to receiving your testimony on June 24th. Should you have questions about the hearing, please contact us.

Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

Enclosure

cc: Janice Mueller
State Auditor

Original URL: <http://www.jsonline.com/news/metro/jun04/238682.asp>

You hire my kid, I'll hire yours

Last Updated: June 22, 2004

Spivak & Bice

You don't need a PhD in ethics to know that hiring your own kid and seating him at the public trough wouldn't play well with taxpayers.



Cary Spivak & Dan Bice

[E-MAIL](#) | [ARCHIVE](#)

But what if you're the head of a Milwaukee technical college and you hire the son of the guy who runs a Kenosha tech school? And then, coincidentally, he hires your daughter?

Now that would be pretty cool.

It also would happen to be true.

Milwaukee Area Technical College has on its payroll **Brandon Borden**, son of **Sam Borden**, president of **Gateway Technical College** in Kenosha. Brandon Borden, hired in late 2002, is taking down \$53,284 a year as an information technology consultant, a hefty raise over the 30 grand he made in his last job.

And, over at Gateway, the school last year hired **Lena Cole**, the daughter of MATC boss **Darnell Cole**, paying her \$39,000 yearly to be a minority staff recruiter. She's now a marketing specialist pulling down \$40,248 a year.

Are these two events connected? Was there any quid pro quo?

No, no, no, say officials at both schools.

"As far as I know, that wasn't the case," said **Chuck Wood**, a Gateway vice president who played a role in hiring Cole's kid.

MATC flack **Jim Gribble** was emphatic, even irate: "This definitely was not nepotism."

But, c'mon, doesn't this setup raise an eyebrow or two, especially in these days of million-dollar budget deficits at MATC and with Darnell Cole coming under fire from his board? (The MATC board on Tuesday extended Cole's contract for three years, on a 7-2 vote, but included an out clause that could end the pact after two years.)

It's enough to raise the ire of members of the technical schools' teachers unions, some of whom have quietly complained about the arrangement. And, when we called board member **Peter Earle** - a Cole foe - to ask about this nifty coincidence, he unloaded.

"Nepotism of any kind is a problem," Earle said Tuesday. "There's an inherent breach of the fiduciary duty that one has to act in the best interest of the institution."

Adding to the perception problem is that Cole and Borden previously worked at the same time as top administrators in Indiana's technical college system for nearly a decade.

Critics have used the dual hirings to attack the top administrators at both schools.

"They were questioning my integrity and the fact that I was coerced into hiring her, and I said no way," Wood said of union attacks.

Earle said he hopes that the two kids are qualified to do their taxpayer-paid jobs.

"If nepotism is a factor, then you always have that doubt," Earle said. "Maybe these individuals are qualified. I hope so, but I as a board member don't know that."

Money talk

There's more than one well-to-do guy running for Congress in Milwaukee.

Who would have thought?

Since the Democratic field angling to replace **Jerry Kleczka** was set a couple of months back, the conventional wisdom viewed it as one fat-cat lawyer (**Matt Flynn**) vs. three state pols of modest means (Rep. **Shirley Krug** and Sens. **Gwen Moore** and **Tim Carpenter**).

Turns out that two of the three working stiffs ain't exactly schleppers.

New financial forms show that Krug has investments through deferred compensation and IRAs that run well into the six figures, and Carpenter, 44, is sitting on deferred compensation of more than 200 grand.

In addition, Krug has between \$78,000 and \$295,000 in mutual funds that could be tapped now. More exact figures are not available.

Krug, who is paid about \$45,000 yearly as a state rep, offers no apologies for her wealth.

"I'm first-generation German-American, so the fact that I'm frugal shouldn't surprise anyone," said the 46-year-old lawmaker.

Despite his opponents' holdings, Flynn could buy or sell them and still have plenty of cash left over. The **Quarles & Brady** lawyer was paid \$371,000 last year and has holdings of between nearly \$1 million and \$2.2 million. A congressman's base salary this year is \$158,100.

Aim high

Jennifer Morales landed a spot on the Milwaukee School Board three years ago after scoring an upset victory over a prominent local pol.

Morales is hoping lightning strikes twice.

The 34-year-old Milwaukee Democrat is planning to challenge state Sen. **Alberta Darling**, a River Hills Republican who is seeking her fourth term in the upper house.

Morales will have an uphill battle.

Not only is Darling an incumbent in a Republican district, but she is sitting on more than \$100,000 in her campaign account and is one of the wealthiest state lawmakers.

But Morales said she will focus on Darling's votes to legalize the carrying of concealed weapons and to allow doctors to refuse treatments because of their personal beliefs.

"Previously, she's run as a social moderate," Morales said of her opponent. "In more recent times, she has been voting a very right-wing pattern."

As for fund-raising, Morales said she expects Darling to drop \$500,000 in the race. Morales hopes to raise half that amount.



State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

JANICE MUELLER
STATE AUDITOR

22 E. MIFFLIN ST., STE. 500
MADISON, WISCONSIN 53703
(608) 266-2818
FAX (608) 267-0410
Leg.Audit.Info@legis.state.wi.us

June 22, 2004

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

In anticipation of the Joint Legislative Audit Committee hearing on June 24, 2004, we have updated a number of tables from our March 2003 report (report 03-04) on the Milwaukee Area Technical College (MATC) District. The evaluation was undertaken based on concerns about MATC's bond rating, its level of reserve funds, trends in employee wages and benefits, and an anticipated general fund deficit of \$3.5 million in fiscal year (FY) 2001-02.

The Board of Directors acted to avoid a deficit in FY 2001-02 and FY 2002-03, but in recent weeks, media accounts regarding MATC's financial condition have indicated that the district anticipates a budget deficit of \$4.2 million at the end of FY 2003-04. The district plans to transfer \$2.1 million from its reserve fund to cover the shortfall, in addition to eliminating approximately 21 positions, reducing part-time teaching staff, and decreasing tax levy support for child care services and other enterprise operations. Board members quoted in media accounts appear to believe that they were not properly informed of the district's financial status.

In addition, recent accounts have indicated that athletic department spending at MATC is being reviewed in light of significant increases in expenditures. The district also recently forfeited its national sport club men's volleyball 2003 and 2004 championships for failure to meet eligibility and academic standards.

As shown in the attached tables, however, MATC's current financial condition is similar to that of mid-2002, when we began our evaluation. For example:

- although the district maintains an Aa2 debt rating, we note that in December 2001, following an announcement by MATC that it would use reserve funds to cover a budget shortfall, a "negative outlook" was attached to the district's bond rating. The negative outlook was later removed when the deficit was eliminated;
- the reserve fund balances are projected to be below minimum levels established by the Board by the close of FY 2003-04, and continue declining through FY 2006-07;

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons

Page 2

June 22, 2004

- although salary increases for MATC instructors are lower than in previous years, base salaries for MATC instructors continue to be higher than the Madison, Gateway, or Waukesha districts; and
- health care expenditures at MATC continue to increase at significant rates. Between FY 2002-03 and 2003-04, costs increased by 13.1 percent, from \$18.5 million to \$20.9 million. As noted in report 03-4, MATC signed agreements with its unions stating that it would not seek additional changes to health care plans until July 1, 2007, unless the unions agreed. It appears that MATC will have little flexibility to address continued cost increases until that time.

I hope you find this information helpful. Please contact me if you have any questions.

Sincerely,



Janice Mueller
State Auditor

JM/KM/bm

Enclosure

cc: Senator Robert Cowles Representative Samantha Kerkman
 Senator Alberta Darling Representative Dean Kaufert
 Senator Jeffrey Plale Representative David Cullen
 Senator Julie Lassa Representative Mark Pocan

Dr. Richard Carpenter, President
Wisconsin Technical College System

Dr. Darnell Cole, President
Milwaukee Area Technical College

Mr. Mark Maierle, Chairperson
Milwaukee Area Technical College District Board

Table 5
FTE Staffing Levels at MATC
 FY 2001-02

Type of Staff	Number	Percentage of Total
Instructors, instructional supervisors, and instructional support staff	1,019.0	52.4%
Technical/paraprofessional	276.0	14.2
Clerical/secretarial	236.0	12.1
Administrative/managerial and professional non-faculty	163.8	8.4
Skilled crafts and service/maintenance	152.6	7.9
Student employees	59.4	3.1
Non-instructional supervisors/coordinators	37.2	1.9
Total	1,944.0	100.0%

Table 5 (updated)
FTE Staffing Levels at MATC
 FY 2002-03

Type of Staff	Number	Percentage of Total
Instructors, instructional supervisors, and instructional support staff	1,068.3	54.0
Technical/paraprofessional	277.9	14.0
Clerical/secretarial	223.8	11.3
Administrative/managerial and professional non-faculty	144.4	7.3
Skilled crafts and service/maintenance	157.3	7.9
Student employees	71.4	3.6
Non-instructional supervisors/coordinators	37.1	1.9
Total	1,980.2	100.0%

Table 6

Moody's Debt Ratings for Wisconsin Technical College Districts
(ranked from highest to lowest)

District	December 2002 Rating	June 2004 Rating
Madison Area	Aaa	Unchanged
Waukesha County	Aaa	Unchanged
Fox Valley	Aa1	Unchanged
Gateway	Aa1	Unchanged
Northeast Wisconsin	Aa1	Unchanged
Chippewa Valley	Aa2	Unchanged
Lakeshore	Aa2	Unchanged
Mid-State	Aa2	Unchanged
MATC	Aa2	Unchanged
Moraine Park	Aa2	Unchanged
Blackhawk	Aa3	Unchanged
Nicolet Area	Aa3	Unchanged
Northcentral	Aa3	Unchanged
Wisconsin Indianhead	Aa3	Aa2
Southwest Wisconsin	A1	Unchanged
Western Wisconsin	A1	A2

Table 8

Technical College Property Tax Mill Rates

District	FY 2001-02			FY 2003-04		
	Operational	Debt Service	Total	Operational	Debt Service	Total
Western Wisconsin	\$1.50 ¹	\$0.91	\$2.41	\$1.50	\$0.86	\$2.36
MATC	1.50¹	0.53	2.03	1.48	0.50	1.98
Fox Valley	1.42	0.46	1.88	1.45	0.35	1.80
Northcentral	1.39	0.49	1.88	1.43	0.47	1.90
Chippewa Valley	1.43	0.39	1.82	1.31	0.40	1.71
Southwest Wisconsin	1.50 ¹	0.28	1.78	1.50	0.40	1.90
Blackhawk	1.37	0.32	1.69	1.38	0.44	1.82
Lakeshore	1.36	0.31	1.67	1.33	0.31	1.64
Mid-State	1.37	0.28	1.65	1.34	0.29	1.63
Gateway	1.43	0.19	1.62	1.30	0.18	1.48
Northeast Wisconsin	1.23	0.39	1.62	1.18	0.39	1.57
Moraine Park	1.22	0.34	1.56	1.21	0.32	1.53
Waukesha County	1.20	0.26	1.46	1.10	0.23	1.33
Madison Area	1.26	0.15	1.41	1.22	0.15	1.37
Nicolet Area	1.18	0.14	1.32	1.12	0.14	1.26
Wisconsin Indianhead	1.09	0.21	1.30	0.96	0.19	1.15
Statewide Median	1.37	0.32	1.66	\$1.32	\$0.34	\$1.64

¹ At statutory limit for mill rate.

Table 10

MATC Total Property Tax Revenue Compared to the Midwest Urban Consumer Price Index

Fiscal Year	Property Tax Revenue	Percentage Increase	Consumer Price Index
1997-98	\$ 81,025,000	-	1.7%
1998-99	83,123,000	2.6%	2.1
1999-2000	88,839,000	6.9	3.4
2000-01	93,120,000	4.8	2.7
2001-02	101,240,000	8.7	1.2
2002-03	106,569,000	5.4	2.0

Table 13

MATC General Fund Reserve Balances

Fiscal Year	Operations Reserve Fund Balance	Percentage of Actual General Fund Revenue	State Aid Fluctuation Reserve Fund Balance	Percentage of Actual State Aid Revenue
1997-98	\$11,748,000	10.8%	\$2,500,000	8.5%
1998-99	11,473,000	9.9	2,250,000	7.4
1999-2000	11,465,000	9.7	1,150,000	3.9
2000-01	13,072,000	10.4	1,150,000	4.0
2001-02	13,943,000	10.8	1,150,000 ¹	4.3
2002-03	15,647,000	11.6		
2003-04 ²	13,718,289	9.7		
2004-05 ²	11,021,187	7.3		
2005-06 ²	6,631,187	4.2		
2006-07 ²	(139,000)	(0.1)		

¹ The State Aid Fluctuation Reserve Fund was merged with the Operations Reserve Fund in FY 2002-03.

² Projected

Table 17

Enterprise Activity Support from the Property Tax Levy¹

Fiscal Year	Child Care	Food Service	Total Support
1997-98	\$655,967	\$ 0	\$655,967
1998-99	765,000	0	765,000
1999-2000	833,000	447,000	1,280,000
2000-01	918,000	408,000	1,326,000
2001-02	955,000	424,000	1,379,000
2002-03	955,000	345,000	1,300,000
2003-04 ²	0	0	0

¹ Does not include public television operations.

² In May 2004, the MATC Board of Directors acted to end property tax levy support and instead use the Enterprise Fund balance to fund these operations. In FY 2003-04 Child Care is estimated to receive \$1,999,900 in Enterprise Fund Balance subsidy and Food Service will receive \$844,385.

Table 22

Instructor Salary Increases at Selected Wisconsin Technical Colleges

Fiscal Year	MATC	Madison Area	Gateway	Waukesha County
1997-98	4.00%	3.25%	3.25%	3.25%
1998-99	4.10	3.50	3.50	3.25
1999-2000	4.10	4.00	3.50	3.50
2000-01	4.10	3.25	3.50	4.00
2001-02	4.00	3.25	3.40	3.50
2002-03	4.00	3.50	3.40	3.25
2003-04	2.85	3.00	3.25	3.25

Table 23

Base Salaries for Instructors at Selected Wisconsin Technical Colleges
(as of January 1, 2003)

	MATC	Madison Area	Gateway	Waukesha County
Minimum salary	\$40,442	\$39,373	\$40,719	\$32,698
Bachelor's degree + 5 years experience	52,388	48,766	47,591	43,613
Master's degree + 5 years experience	56,370	52,754	50,297	47,349
Maximum salary	78,271	73,337	69,761	69,548

Table 23 (updated)

Base Salaries for Instructors at Selected Wisconsin Technical Colleges
(as of January 1, 2004)

	MATC	Madison Area	Gateway	Waukesha County
Minimum salary	\$41,592	\$40,554	\$42,043	\$33,434
Bachelor's degree + 5 years experience	53,880	50,229	49,138	44,594
Master's degree + 5 years experience	57,976	54,337	51,931	48,414
Maximum salary	80,504	75,537	72,028	71,113

Table 25

MATC Health Care Expenditures¹

Fiscal Year	Health Care Expenditures	Percentage Increase
1997-98	\$10,243,906	-
1998-99	10,837,870	5.8%
1999-2000	12,029,306	11.0
2000-01	14,677,175	22.0
2001-02	16,898,033	15.1
2002-03	18,510,730	9.5
2003-04 ²	20,936,772	13.1

¹ Includes health and dental care costs for employees and retirees.

² Projected.

MILWAUKEE CAMPUS
700 West State Street
Milwaukee, Wisconsin 53233-1443
414-297-6320
fax: 414-297-6553
e-mail: coled@matc.edu



Milwaukee Area Technical College

Darnell E. Cole
President

June 24, 2004

Sen. Carol A. Roessler
Co-chairperson, Joint Legislative Audit Committee
State Capitol, Room 8 South
P.O. Box 7882
Madison, WI 53707-7882

Rep. Suzanne Jeskewitz
Co-chairperson, Joint Legislative Audit Committee
State Capitol, Room 314 North
P.O. Box 8952
Madison, WI 53708

Madame Chairpersons:

Attached is an update on Milwaukee Area Technical College relative to its 2003 state audit and current financial concerns. Our written report is enclosed, along with my testimony and that of our board chair, Mark Maierle. While acknowledging the challenges of our financial position, we feel we have made substantial progress.

This is a difficult time for all public institutions, MATC being no exception. The lingering effects of a poor job market have left people without discretionary funds to pay for college, leading us to lower our enrollment projections for the coming year, along with our projections for state aid. We remain committed to making the hard choices necessary to secure our financial future. At this point in time, we believe there will be an unavoidable human impact, as some services are trimmed and eliminated. We will, however, maintain and even strengthen our core mission of teaching and learning.

MATC recently addressed a year-end budget shortfall by making temporary use of reserves set aside expressly for such purposes. Financial counsel has advised us that this is not expected to affect our favorable bond rating. Tuesday evening, June 22, the MATC Board passed a 2005 budget that puts the college back in the black. The board considered and modified a series of proposed cost-savings initiatives. They include reducing part-time faculty costs by \$1.5 million, freezing all open positions and placing some employees on 43-week schedules. These and other factors will yield a \$1.5 million surplus, to be put back into our reserve fund.

These measures will get the college through the next year. At the same time, I acknowledge the need to address our persistent structural issues. I pledge to exert all my influence to get those issues resolved.

MILWAUKEE CAMPUS
700 West State Street
Milwaukee, Wisconsin 53233-1443
414-297-6600

NORTH CAMPUS
5555 West Highland Road
Mequon, Wisconsin 53092-1199
262-238-2200

SOUTH CAMPUS
6665 South Howell Avenue
Oak Creek, Wisconsin 53154-1196
414-571-4500

WEST CAMPUS
1200 South 71st Street
West Allis, Wisconsin 53214-3110
414-456-5500

MATC Audit Update – 2

As you are aware, there has been extensive discussion about our current budget. I want to assure you that we did our best to keep the MATC Board informed. These matters, however, have been extremely complicated.

It is always a challenge to write a budget based on best projections for enrollment, state aid and property tax revenue. This year, MATC dealt with the added uncertainty of challenging labor negotiations with five bargaining units. The settlements, while higher than hoped for, were the best compromise that could have been achieved. Our alternative would have been to go to arbitration and risk an even greater adverse result. To have further prolonged negotiations also would have jeopardized our ability to formulate an accurate budget for next year.

Unrelated to contracts, instructional salary costs increased by \$787,000. About two-thirds of that went for filling vacancies that had been held open by agreement of our teachers' union. We also taught 1.8 percent more sections than expected, with an added labor cost of about \$226,000.

Meanwhile, tuition and state aid were less than expected by about \$1.3 million because FTE enrollment came in under target. A record number of potential students applied to MATC last year, but many ended up not enrolling due to financial stress. MATC also experienced about a \$1 million shortfall in other revenue such as interest earnings and parking.

The administration and the board remain committed to working together to strengthen the budget process and improve the college's financial position.

Regarding the LAB's recommendations from a year ago, we continue to make progress:

- Reduced-rate training contracts now are governed by uniform criteria. For all contracted training, we still do not recover full costs. However, that goal has been achieved by a key business unit, the Office of Corporate Learning, where 115 percent of full costs are recovered. We will use the OCL as a model to improve cost recovery for our other contracted training operations.
- We reviewed the operations of our enterprise centers and will establish graduation plans for qualified tenants in the next fiscal year, as recommended by LAB. Net income will break even next year and rise to a projected \$30,000 in FY '06. We plan to lease more space, increase income per square foot and improve collections of accounts receivable.
- We now provide the district board with quarterly reports on consulting expenses and activities. An assistant general counsel has been hired, which will reduce our outside legal costs by \$75-\$100,000 annually.
- We have diligently consulted the state Justice Department's closed session guidelines.

MATC Audit Update – 3

- We have substantially reduced our operating deficit in Enterprise and Auxiliary Services:
 - ❖ In the next year, the operating loss in dining services will drop to half its level at the time of the audit, to a projected \$486,000. We have taken an income-enhancing approach. Additional retail revenue streams are being created in our new Atrium Marketplace, scheduled to open for fall semester.
 - ❖ Recognizing the need to address the high cost of child care at MATC, the board is forming a task force to study ways to reduce our child care operating deficit, which currently stands at about \$1.1 million.

It is 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,



Darnell E. Cole

President
Milwaukee Area Technical College

Attachments: 3

Testimony of Dr. Darnell E. Cole

President, Milwaukee Area Technical College

Before the Joint Legislative Committee on Audits, June 24, 2004

Madame chairpersons – Senator Roessler, Representative Jeskewitz – members of the joint committee, good morning. I would also like to acknowledge the staff of the Legislative Audit Bureau, whose professionalism has been greatly appreciated. Thank you for this opportunity to speak with you about Milwaukee Area Technical College, our current financial challenges and our 2003 state audit. Please note that we also are submitting a formal written report.

The audit we are addressing today commenced two years ago. Much has happened since. Several issues prompted the audit, one of them being a budget shortfall in the fall of 2001. This shortfall led to a negative outlook to be attached to our bond rating. We dealt decisively with the situation, ending that year with a balanced budget and a small surplus. A stable outlook was reattached to our bond rating, which we have maintained intact ever since.

Today, undoubtedly, MATC faces a similar challenge. We will prevail again.

This is a difficult time for all public institutions. In our case, the lingering effects of a poor job market have left people short of funds to pay for college. We have had to lower our enrollment projections for the coming year, which will in turn lower our state aid. Federal aid from Perkins grants and other sources also will decline, which has led us to place some support staff on 43-week schedules. Although next year may see a slight deceleration, the price of health care continues to rise at well beyond the rate of inflation.

We remain committed to making the hard choices necessary to secure our financial future. There will be an unavoidable human impact, as some services are trimmed and eliminated. We will, however, maintain and even strengthen our core mission of teaching and learning.

MATC is ending its current fiscal year by making temporary use of reserves to cover a year-end budget shortfall. Our board has been advised by outside financial counsel that this action is not expected to lower our favorable bond rating, as long as we replenish the funds, which we intend to do in the coming year. Fiscal restraint once again will be the key, as we maximize existing resources.

Darnell Cole Testimony – 2

It is certainly challenging to write a budget based on best projections for enrollment, state aid and property tax revenue. This year, MATC dealt with the added uncertainty of challenging labor negotiations with five bargaining units.

Settlement of contracts clarifies our position and allows us to move forward. We negotiated wage increases of 2.85 percent, which I realize is higher than some people would have liked. But it also is the lowest increase negotiated in recent years at MATC. The alternative would have been to go to arbitration and risk an even greater adverse result. To have further prolonged negotiations would have encumbered valuable staff resources, along with jeopardizing our ability to budget accurately for next year.

Two months ago, it became clear that we faced a dual challenge. We realized we would have to make up about \$1.9 million by the end of this year. Next year we were facing a similar gap. To get us through the end of the year we anticipate transferring about \$1.5 million from reserves. I would emphasize that this is a one-time use.

Accordingly, this week, the MATC Board advanced a series of administration initiatives that will restore budget balance.

- Part-time instructional costs will be reduced by \$1.5 million.
- Services contracted by the college are being reduced by \$500,000.
- Student Senate parking revenue will increase by \$56,000 per year.
- We have jump started the process of phasing out programs with low enrollment and poor job outlooks. The savings will not accrue next year, but will be significant in following years.
- All vacant positions have been frozen, pending review in September, when we expect to have a better handle on our revenue for the year.
- The board is forming a task force to study ways to reduce our current \$1.1 million operating deficit in child care services.
- The net impact is \$1.5 million in revenues, which will be used to replenish reserves.

I acknowledge to this committee that severe challenges lie ahead. Our fiduciary responsibility compels us to address the structural issues that surround our finances. I pledge to exert all my influence to get those issues resolved. This is an urgent concern on my part, because our revenue situation is unlikely to improve a year from now. In meeting future financial challenges, we will carefully balance the needs of all stakeholders.

Turning to the LAB's recommendations from March 2003, I'm pleased to report that the college continues to make progress. I will now address the six recommendations pertaining to MATC administration.

Recommendation: "MATC should comply with district policy and recover the full aggregate cost of contracted training."

Darnell Cole Testimony – 3

- We redesigned our policy to allow flexibility. The Office of Corporate Learning, our main provider of contracted training, now recovers 115 percent of costs. Pricing is now consistent. Below-cost contracts must meet uniformly applied eligibility criteria.

Recommendation: "MATC should develop and implement plans to eliminate property tax subsidies for enterprise activities (food service, child care, book store)."

- We have substantially reduced our operating deficit in Enterprise and Auxiliary Services. In the next fiscal year, the operating loss in dining services will drop to half its level at the time of the audit. We have taken an income-enhancing approach. Additional retail revenue streams are being created in our new Atrium Marketplace. As mentioned, the MATC Board is studying an administration proposal to phase out child care at the regional campuses.

Recommendation: "MATC should evaluate the costs and benefits of business incubators (Milwaukee Enterprise Centers)."

- We reviewed the operations of our enterprise centers and will establish graduation plans for qualified tenants in the next fiscal year, as recommended by LAB. Net income will be at break even next year and rise to a projected \$30,000 in FY '06 through increased income per square foot, improved collections of accounts receivable and increased usage.

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

- We now provide the district board with quarterly reports on consulting expenses and activities. An assistant general counsel has been hired, which will reduce our outside legal costs by \$75,000 to \$100,000 per year.

Recommendation: "MATC should comply with district policy requiring probationary periods for all employees."

- This problem was rectified before publication of the audit.

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

- We have stepped up our efforts to communicate with the board and increased the number of regular reports on various financial, legislative, student and academic topics. Overall, the board has been supportive of these efforts. There have been times when we would like to have communicated more quickly, but lacked sufficient facts to communicate accurately. We will work toward continued improvement in this regard.

Darnell Cole Testimony – 4

The LAB made two other recommendations relating specifically to board issues. These are best addressed by our board's chair, Mark Maierle. Before I introduce Mr. Maierle, I would be more than happy to answer any questions from the committee. Again, please refer to our written report for additional detail.

I will end here by saying that I feel privileged to lead MATC. It is a great college that continues to make an enormous difference in the lives of our students.

Thank you.

Testimony of Mark Maierle

Chairperson, Milwaukee Area Technical College District Board

Before the Joint Legislative Committee on Audits, June 24, 2004

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 Mark Maierle, and I serve as chair of the MATC District Board. Like all my fellow board members, I am an unpaid volunteer. And I am a taxpaying resident of the MATC district.

I appear here today to give you an update on board issues raised by our 2003 state audit. But I would be remiss if I failed to address a few recent events. The press has given extensive coverage to our current budget problems. On our board, differences arose as to why the problems occurred and how they should be handled. These differences at times became very passionate, because the stakes were high.

In hindsight, I myself wish we had done some things differently. One thing seems clear, however. I believe that this administration has acted with honor and integrity at all times. The current administration has had to deal with some very, very tough issues. It has had to make some painful decisions. It has guided the college through one of the most difficult financial periods in its history. A poor economy and the state budget crisis have combined to put MATC in a severe financial pinch.

Allow me to emphasize that I do not always agree with the administration. Disagreements occur regularly, but they are honest ones.

What happened this spring was pretty simple. As early as last fall, we were warned of a potential year-end gap. The exact size of this gap remained in question as long as our labor contracts remained unsettled. Contract talks took much longer than anyone anticipated, clouding our financial position. By the time we reached a settlement, the budget year had only two months left. This presented extraordinary management challenges. In working with Dr. Cole and our interim CFO, we have recently identified and addressed budgetary communication problems that exasperated the problem.

Two days ago, I supported budget-balancing strategies for the new fiscal year. In doing so, I was acutely aware of the real impact on real people. I went into the meeting with some significant concerns and lots of questions. Wherever possible, the Board wanted to preserve the high quality of educational services for our students and the Milwaukee community. Through extensive deliberations we developed a plan designed to provide the short-term savings needed to balance the FY 05 budget, and significantly rebuild our fund balance by the end of FY 05. We also developed a plan to address our long-term financial problems with a number of longer-term initiatives. I do understand that this will continue to be a challenge as we move forward with this budget.

Mark Maierle Testimony – 2

Dr. Cole gave you his take on the board communications issue. I would like to offer my own thoughts on the subject. From my perspective, this administration has extended itself to communicate with the board. Dr. Cole has always been available to me, and candid with me as well. The board has also worked to be clear about its information requests. The Board has made a number of suggestions for improvements recently that we are now working on with the administration.

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."

We did as the LAB suggested. I am confident that the board has adhered to the letter and spirit of the Open Meetings Law. Christy Brown, our vice president and general counsel, is an expert in these matters. The board is thankful for her advice and counsel. We are committed to continuing to follow the Justice Department guidelines.

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

The administration did prepare a summary of existing, relevant policies and agreements in this area. We accepted a report on this issue Tuesday night, and it should prove helpful. The board has had a series of board retreats with national experts to discuss our relationship with the CEO. We achieved a working consensus that personnel authority clearly rests with the president. Our policy spells out this authority, while giving the Board the ability to address specific personnel matters through our regular procedures.

Overall, I believe MATC has moved 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 as we retrain the thousands of people who have fallen out of the workforce.

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

Report to the Joint Legislative Committee on Audit

Milwaukee Area Technical College

June 24, 2004

Contracted Training

Audit Recommendation:

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

MATC Response:

We redesigned our policy to allow flexibility. The Office of Corporate Learning, our main provider of contracted training, now recovers 115 percent of full costs. Pricing is now consistent. Eligibility criteria are applied uniformly to all reduced-rate contracts, which now have to be rigorously justified. On a quarterly basis, we give the board a complete review of costs and recovery.

Enterprise and Auxiliary Services

Audit Recommendation:

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

MATC Response:

In the next fiscal year, our operating loss in dining services will drop to \$486,000, half its level at the time of the audit. We have taken a revenue-enhancing approach. New revenue streams are being created in our new Atrium Marketplace, scheduled to open for fall semester. One of these is a retail outlet of the MATC Bookstore. The Atrium Marketplace will be an inviting, textured environment that will support our strategy of enhancing revenue through attractive products and services. As recommended in the audit, our planning horizon now extends to 2007.

The audit also expressed concern about tax subsidy of child care at MATC. The administration proposes to phase out child care at our three regional campuses, reducing a current \$1.1 million operating deficit by about \$600,000. The MATC Board has opted for further study. We propose keeping the downtown Milwaukee child care center open as a learning lab for our Early Childhood Development Program. The operating deficit now is covered by general fund revenue, which comes from a variety of sources, including property taxes. We understand that the LAB's primary concern rests with the large operating subsidy required by child care.

Milwaukee Enterprise Centers

Audit 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 reviewed the operations of our enterprise centers and are developing graduation plans for qualified tenants, as recommended by LAB. Net income will break even next year and is projected to rise to \$30,000 in FY '06 and \$55,000 in FY '07. We are increasing income per square foot, improving collections of accounts and increasing the amount of space leased. As recommended by LAB, we provide our board with quarterly reports on finances and job creation.

Consulting

Audit Recommendation:

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

MATC Response:

We reviewed the use of consultants and found no overlap with internal resources. The MATC Board now receives quarterly reports on consultant use. We recently hired an assistant general counsel, which will allow us to lower our legal consulting fees by \$75-\$100,000 per year. We have retained our community relations consultant, who serves as a critical liaison to minority groups. This arrangement continues to be attractive from the standpoint of not creating another permanent, full-time, salaried position with health care benefits.

Similarly, we have maintained our relationship with Broydrick and Associates. Beyond the firm's ability to provide continuous communication with local, state and national legislators, it has also enhanced our ability to seek federal grant and earmark funds given its Washington, D.C. office.

Probationary Periods

Audit Recommendation:

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

MATC Response:

The instances cited were oversights. There have been no repeat incidents.

Closed Sessions

Audit Recommendation:

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

MATC Response:

We did as suggested and determined that there have been no open meetings violations. The board had the benefit of a presentation by Assistant Attorney General Bruce Olsen, of the State Justice Department. We believe the board's use of closed sessions has been appropriate and lawful. We will continue to abide by the Justice Department guidelines.

Personnel Authority of the President

Audit 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:

The administration prepared a summary of existing, relevant policies and agreements in this area for the board's review. The board has also had a series of board retreats with national experts to discuss its relationship with the college president. The board has achieved a working consensus that personnel authority clearly rests with the president. Board policy spells out this authority.

Communication with the Board

Audit Recommendation:

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

MATC Response:

The college has increased its efforts to communicate with the board through more frequent reports on various financial, legislative, student and academic topics. Overall, the board has been supportive of these efforts. The college will continue to work toward improvement in this regard.

Ancillary Issues

While not making recommendations, LAB discussed a number of ancillary issues. The following section addresses those that are of continuing concern.

Debt Rating

Audit Discussion:

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.

MATC Comment:

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. Our temporary use of reserve funds this year is not expected to lower our bond rating.

Property Tax Revenue

Audit Discussion:

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.

MATC Comment:

Taxes have risen faster than expenses due, in part, to a decline in state aid revenue. This decline is related directly to smaller enrollment growth than expected and reduced debt costs from the college's 1990 referendum. 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. Levy increases in general have been driven by declining state aid and enrollment increases. MATC full-time equivalent enrollment has grown 10 percent since 2001.

In FY 2004, for the first time in 10 years, we dipped below our mill rate limit and held our overall levy increase to 4.9 percent. Our FY 2005 budget returns to the mill rate limit and increases the levy by the same amount as last year, 4.9 percent.

State Aid

Audit Discussion:

While state aid to technical colleges overall has increased, MATC has seen a slight decrease. State aid to MATC is expected to decrease again next 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.

MATC Comment:

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. We project the gap to widen significantly next year, with state aid declining .5 percent in actual dollars. The percentage decrease might look small, but amounts to a major cut when inflationary increases are taken into account.

Reserve Fund

Audit Discussion:

Since 1997, MATC has maintained its reserve fund just above or below the minimum 10 percent of its general fund balance.

MATC Comment:

Temporary use of reserves this year still leaves us at recommended levels, and we will replenish the fund transfer in the next budget year.

Employee Wages and Benefits

Audit Discussion:

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.

MATC Comment:

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 recently settled contracts calling for raises of 2.85 percent. Historically, the increase was one of the lowest ever negotiated at MATC.

Health Care

Audit Discussion:

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 administration negotiated significant plan changes that were approved by the board in October 2002 and took effect in January 2003. These did not involve premium participation, but did set substantial deductibles and require employees to begin making co-payments. As a concession, MATC signed two

LAB Update - 7

agreements not to seek additional changes for four years. This might hinder its flexibility to address future cost increases.

MATC Comment:

The breakthrough nature of the cost-sharing agreement justified the four-year deal. We will revisit the issue when the memorandums of understanding expire. The modest raises in our new labor contract were partially predicated on employee cost sharing of health care expenses.

President Richard Carpenter
Wisconsin Technical College System
Joint Legislative Audit Committee
Regarding the Legislative Audit Bureau Report 03-04,
An Evaluation: Milwaukee Area Technical College District
June 24, 2004

Senator Roessler, Representative Jeskewitz and members of the Joint Audit Committee, thank-you for your invitation to testify regarding Milwaukee Area Technical College.

As you know, within the last year, the WTCS Board and System Office have conducted a review of MATC's compliance with the Legislative Audit Bureau's recommendations and we have kept the Joint Audit Committee informed about that review. MATC-Milwaukee submitted a series of progress reports updating the WTCS Board on the status of its compliance efforts and has appeared before the Board twice since last fall to present those reports and respond to questions from Board members and staff.

Examples of progress the College has made in response to the LAB audit include:

- The College's bond rating has been maintained at an Aa2 level.
- The College has established pricing criteria for contract services.
- The College has restructured its enterprise activities to increase revenues.
- The College has established graduation criteria for the Milwaukee Enterprise Centers.

In March of this year, the WTCS Board voted to conclude its review of MATC's progress, but indicated that it would determine within 6 to 12 months whether additional review would be necessary.

The audit report disclosed considerable disagreement about the College president's discretion to make personnel decisions as well as concerns about the adequacy and timeliness of information provided by the administration to the MATC Board. In its audit response review, the State Board discussed the issue of relations between the district board and the administration with the new MATC Board Chair, Mark Maierle and Dr. Cole. Based on MATC's remarks, I believe progress has been made in intra-district communication. However, it is clear that MATC continues to struggle as it makes difficult financial choices. The updated report provided this week from the State Auditor indicates that the College's financial condition is similar to that of mid-2002.

For fiscal year 2003-04, MATC's revenues are \$2.15 million lower than projected and its expenditures exceed budgeted levels by about \$2.05 million. The MATC

Board took action to address the current year situation and close with a balanced budget by drawing upon its operating reserves and reallocating tax levy from enterprise and public television funds.

However, prior to the budget adjustments made by the MATC Board this week, MATC's budget projections indicated a funding gap of \$2 million for fiscal year 2004-05, growing to nearly \$6 million by fiscal year 2006-07. Furthermore, improvements to MATC's financial situation are threatened by a significant reduction to its reserve fund for general operations to less than 10% of budgeted revenue, which is the minimum target established by the District Board's policy. In May 2004, the MATC Board Finance Committee was notified that unless significant and permanent adjustments were made to its revenues and expenditures, the College's reserve fund would be completely depleted within three years.

I fully understand that it is very difficult to make the kind of budget cuts required, especially at a time when economic conditions are requiring MATC to respond to the growing education and training needs of its local community. Within the last several weeks, MATC administration has proposed a series of recommendations to address the budget shortfall. This past Tuesday evening (June 22, 2004), the district board adopted many of those recommendations with some revisions. I believe that MATC has established a budget reduction plan that will address their immediate shortfall, but converting their plan into action is the real challenge facing the MATC board and administration over the next year.

Moreover, as noted by MATC, the approved plan does not address the College's long-term budget deficit. Despite holding permanent positions vacant, MATC has not reduced its overall permanent position levels and, therefore, has not made significant reductions to its estimated personnel costs for fiscal year 2005-06 and beyond. In addition, while MATC will establish a taskforce to review childcare funding, the College has no plans to reduce the subsidy of this service this year as recommended by the LAB. I share the Audit Committee and the College's concern about the lack of a long-term fiscal stability plan for MATC. Therefore, I believe that the WTCS Board and System Office must play a more active role in both the fiscal year 2004-05 budget implementation process and the development of a long-term fiscal stability plan by taking the following actions:

- Until the budget shortfall is addressed and reserve fund balances reach minimum targets, System Office staff will conduct periodic reviews and inform the State Board of MATC's year-to-date revenues, expenditures, staffing levels and progress in achieving the specific components of its deficit reduction plan.
- MATC is in the process of hiring a new vice president for finance, a critical position in moving the College forward. System Office fiscal staff will be

made available to this individual for consultation, training and other resources.

- The future of childcare services has received much attention by the College with a difference of opinion on the District Board about what options should be explored and implemented. System Office staff will serve on the College's taskforce on childcare to develop alternatives to move this service toward greater financial self-sufficiency.
- Finally, it is important to have a clear and understandable public record of the MATC Board and administration's work to implement the deficit reductions. System Office staff will provide the College guidance on the establishment of this record.

Preserving and protecting the long-term fiscal viability of MATC is critical to Wisconsin's economic and educational vitality. You can be assured that the resources and technical expertise of the WTCS Board and System Office will be made available to assist MATC in this effort.

MILWAUKEE CAMPUS
700 West State Street
Milwaukee, Wisconsin 53233-1443
414-297-6320
fax: 414-297-6553
e-mail: coled@matc.edu

matc

Milwaukee Area Technical College

Darnell E. Cole
President

SEP 01 2004

August 31, 2004

The Honorable Carol A. Roessler
Co-chairperson, Joint Legislative Audit Committee
State Capitol, Room 8 South
P. O. Box 7882
Madison, WI 53707-7882

MILWAUKEE CAMPUS
700 West State Street
Milwaukee, Wisconsin 53233-1443
414-297-6600

NORTH CAMPUS
5555 West Highland Road
Mequon, Wisconsin 53092-1199
262-238-2200

SOUTH CAMPUS
6665 South Howell Avenue
Oak Creek, Wisconsin 53154-1196
414-571-4500

WEST CAMPUS
1200 South 71st Street
West Allis, Wisconsin 53214-3110
414-456-5500

Dear Senator Roessler:

At our last appearance before the Joint Legislative Audit Committee in June, several members asked questions about recent news articles regarding MATC's volleyball team. I share your concern. There was a lack of oversight with respect both to eligibility issues and team expenses. We must be much more vigilant with regard to athletics and ensure that athletes are actively and successfully engaged in this college's academic mission. In that regard, we have taken appropriate disciplinary actions which include the removal of the volleyball coach from all team competition and a two-week suspension of that individual without pay.

As you know, the athletic budget at MATC is paid for exclusively by student fees and funds raised privately by sport clubs. These sources covered all costs for the men's volleyball team. No tax monies were spent. Even so, we believe that some expenses are clearly questionable. The clubs control the money, but have an obligation to make sure it is spent in ways that directly support athletics. That was emphasized to all coaches and players in our follow-up to the volleyball controversy. We have stepped up monitoring of team expenses to make sure this imperative is followed.

The rules for intramural-level competition do not require athletes to maintain a minimum grade point average or even complete their courses. Athletes are required, however, to be enrolled for nine credits throughout the season. Investigation of the 2003 and 2004 teams found that several athletes failed to meet this minimum. In 2003, two students were allowed to compete with no record of ever being enrolled. While participation is not conditioned on GPA or completion, we were troubled to find other examples of athletes paying token attention to academics.

Accordingly, MATC self-reported the violations to the National Intramural Recreational Sports Association. Upon further investigation, we forfeited both our 2003 Division II and 2004 Division I national club volleyball championships. NIRSA subsequently commended our proactive stance while imposing sanctions. The MATC volleyball team was suspended from national competition for two years and placed on probation for an additional two years.


The Honorable Carol A. Roessler
Page 2
August 31, 2004

The concerns raised by this incident were sufficient for us to disband the intramural men's volleyball team. If we ever do resume a volleyball program, it will be at the varsity level, as part of the National Junior Collegiate Athletic Association. The NIRSA sanctions are moot in that MATC no longer will be competing in club-level athletics.

For all sports, we have increased oversight by adopting more rigorous spending controls. We also will strengthen communication with the student committee that oversees athletic spending. We reviewed player eligibility across all sports, with no similar problems being found. Eligibility monitoring of student athletes has now been taken out of the coaches' hands and transferred to the registrar, where it properly belongs. Coaches will no longer be responsible for certifying eligibility of their own players, which is a potential conflict of interest.

This brings you fully up to date on issues regarding the men's volleyball team. If you have any further questions, please do not hesitate to call.

Sincerely,


Darnell E. Cole
President

cc: Mr. Mark S. Maierle
Mr. Daniel Clancy

6-24-04

MATC

Audit

- Jan called attention to table on last page of 6/22/04 memo.
- Health care ~~is~~ expend. for their staff nearly doubled from 97-98 to 03-04.
- No presentation by Audit. Available for questions.
- Darling: Her recollection that MATC Bd ~~was~~ predicted a 0% increase in their costs for H.C. costs.

Right?

Jan: Yes, some concessions made by union, such as higher co-payments etc. But Savings was overly optimistic. She believes that the Board & Union acted in good faith. It's just that the projections they thought would be realized, were not.

Darling: How do you compare MATC operations to other tech colleges in State.

Jan: They are the largest - one of the largest in the country.

Increase in salary to staff was just over 2%. This was lower than most others.

Darnelle Cole, Pres. MATC

- Submitted written testimony
- Acknowledges financial challenges but have made substantial progress.
- 6/22 Board passed a budget, putting MATC back in the black
 - Reduced part-time faculty costs by \$1.5 million.
 - Froze all pos. + some employees put on 43 wk schedules.

* These will yield a \$1.5 million surplus to be put back in the reserve fund.

Jeszkowitz: Concerned about them phasing out child care.

Answer: Have a Committee looking @ ways to support child care w/out taxpayer dollars.

One option, not yet approved by Committee, would be to maintain what is nec. to provide students w/ what they need to learn child ~~care~~ care education.

Dorling: Discussed the freeze the leg passed + other cost reduction things that were done in the 03-05 budget

Doesn't include 43 wk pos.

MARC increased prop. tax rev., questioned his salary increase.

2.85% increase retroactive 03-01

04-05 1% or a touch more. Total will equal 3.9%.

3.9% total is over 2 yrs.

As
Clark filed
the 3.9%
figure in
his
testimony

Darling not pleased. Doesn't feel MARC is living within its means.

She doesn't like them taking from their reserves even though they have a budget plan to replenish the reserve. The borrowing, according to ~~the Moody's~~ ^{Moody's}, will not harm their bond rating.

President feels they are making the tough decisions. Employees that have been with them for 20 yrs are facing ~~the~~ changes. Things like this are considered when making decisions - salaries etc. Are increasing spending on healthcare less than other ~~to~~ tech colleges.

Darling - still very upset with 7% increase in overall spending. She really isn't recognizing the strides they have made. She is arguing that Counties + others are operating at 0% increase.

Kaufert recognized the improvements MATC has made. He also pointed out that a lot of their \$ is tied up in salaries which is a bargaining issue - can't change until contracts are up.

- Goal in coming yr. is a 5% increase in enrollment.

in Plake

P. 6 of audit, table 22 - salary increases concerning to him.

Mark Maierle - unpaid member of the MATC Bd
- submitted written testimony.

Dorling again upset about 7.3% increase in spending + 4.9% increase in the levy.

Mark - with cuts in state aid and the tuition level set ~~at~~ at the state Bd, they need to get \$ from somewhere. They have made cuts.

Reduction of administrators ~~by~~ 30 positions for the entire college.

Dr. Carpenter Tech College System
- Submitted testimony.

Dorling - Should Brd members be elected rather than appointed? Add them more accountable to the taxpayer?

Ans - ⁱⁿ This state, an elected Brd is not going to cut taxes more than an appointed Brd. It is who is on the Brd.

TO: Jennifer/Carol
FROM: Karen
RE: Preparation for June 24 Audit hearing

Audit Committee Copy Code Number: 6715

1. ER MA Use:

Jan Mueller and Kelly Monroe, LAB
Mark Moody, DHFS
Senator Jauch
Alice O'Connor
Eric Borgerding
Jodi Bloch
Kelly Rosatti

Focus will be on how the department is going to address the volume of use among those participants. The Committee has an opportunity to ask the department how they are thinking about or ideas about curtailing/managing the number of services offered to that population.

Documents you should have are the letter report, my talking points, letter from DHFS, Emergency Physicians letter and Survival Coalition letter.

2. HIRSP

Jan Mueller and Diane Allsen, LAB
Mark Moody, DHFS
Tom Moore
Kelly Rosatti
Ron Kuehn

HIRSP is a financial audit (most hearings are done on programmatic audits) done by LAB so the issues are more systemic.

Issues to discuss/question DHFS and others about:

- Issue is of governance structure - whether or not the governing board should be a separate entity or become part of DHFS or more aligned?
- Who should this program be serving?
- Who should be paying for it and how should it be funded?

Documents you should have are the audit, a letter you received from Representative Rhoades, Wisconsin Medical Society press release. The audit was issued on April 2004 and the letter from Rhoades was received on December 2003.

3. Nursing Home/Assisted Living

Sue Jeskewitz opening remarks - doesn't need to call LAB up

Sinikka Santala, DHFS

Forbes McIntosh

Bob Donaldson

Tom Ramsey

Jim McGinn

This LAB report came out the end of 2002 and looked at nursing home and assisted living regulations. LAB compared and contrasted these two types of facilities, but recognized they are very different. They counted different things in each type of area.

2-5-03 Joint Audit Committee held a hearing on the audit

The Department was cooperative in talking about these issues. The Department thought about the audit and how they could make improvements and implement the new regulatory model. Double jeopardy (facility being cited for both federal and state law violations) was an issue raised.

8-19-03 Met with department because of concerns with complaints about assisted living facilities, especially in Milwaukee. The Department thought about the audit and how they could make improvements and implement the new regulatory model. Department said give us some time. So, they have been operating for a year and now we are asking that the department give us updated data on assisted living facilities, especially in Milwaukee.

Co chairs may want to follow-up on their offer to be of assistance on changes needed at the federal level.

Reminder: Assisted living facilities are not regulated by the federal government (only state) like nursing homes are.

Documents you should have are the audit report, previous letters sent to Secretary Nelson, invitation letter to Secretary Nelson and a copy of the new regulatory procedures.

4. MATC

Jan Mueller and Kelly Monroe, LAB

Dr. Carpenter, Technical College System

Dr. Cole, President MATC

Mark Maierle, Board Chair

LAB is updating tables from the report on such things as enrollment and health care costs. They will have a packet of this information available at the hearing and two the co-chairs will get it the early part the week of the hearing. Issues that have surfaced since the previous hearing are budget concerns and athletic funding. Originally, one of the major concerns was how much information the board had when making decisions – Carol may want to ask the Board chair about this issue.

Documents you should have are the MATC audit, and two packets from Dr. Carpenter dated November 2003 and March 2004.

As an fyi, Sue is very interested in getting from them how much each of the programs costs.

MATC 7-29-03

①

- new chair elected
- DOJ atty has consulted
- 2.8 mil inc for enterprise act.
- 17.9% ↑ 03 beyond 15.3% budgeted for HC
next 3 years 13.5% ↑
14.6% ↑
11.2% ↑ 05-06

of financial + management improved financ.

CR

1. level of accountability
2. not appropriate for times we are in

- critical info provided info was incomplete hampered by not having gd. info.
- existing policy - prob. period not be followed - full cost recovery contracts
- compounding HC costs - contrary to times we are in

* expectation zero % HC inc. not realistic
1-yr to next
significant financ. challenges.

- HC more serious we face

AD

- wages + benefits - by

nothing budgeted for an increase
significant costs - incr in future
based on these agreements

JM - \$ not available for other uses

- smaller \$ incubators w/c drain on
prop tax \$

- if can't renegot, have to find \$
from elsewhere

MATC - fewer staff or fewer progs
if prop tax freeze

4% increase - wages only

Pocan - HC the big issue

JM - projections understating
can't reopen negotiations till 2007
single plus family

~~72~~ pg 53 - 72 instructors

FT load - 6.4 hrs. → this is in
contracts
72 of 386 pd > 100,000
b/c above & beyond FT load

Plale - beefed up legal

AD - accept 0% HC by the board

talk w/ bid members - not get all info in time
others recd.

AD
KW - all board members get name info +
at sometime

Keck -

Plate - debt rating 19-21
Moody bond rating copy to comm

AD

changed b/c - accountability & open
applaud them

• strive for financ. viability

new pres. hope

• board - insiders & outsiders

not away a bid shd. operate

3 goals ~~now~~ ensure financ
risk - vulnerable w/ jobs
& records - need it but
credit governed.

1 FT for every
6 students

1. public scrutiny - future
fiscal reforms *keep spotlight*

2. working + pers. relat w/
public, board, staff.
openness become a caner
So if I resigned or not seek
another term.

all bids be elected to keep
3. governance + state laws *accountability*

- wages + benefits
+ agreements
- fear MPPC when
handcuffed - you
fault we didn't get
enough
reason of fragile financ.
governance
impacting
MC shortages

SS - * smile back at end - integral
not want HC cuts
board - have freedom to decide
not cookie cutter

Place to AD -

CR to AD - local concern - system statewide
you felt concerned strong enough
substantial & substantiated

1. member of comm.

2. characteristic -

election - not convinced

this partic. tech college - govern.

resources & of other techn. colleges

supportive of mission - we have justified
want dedicated following

3-6-9 mos?

Dr. Cole -

pres. MATC

several key issues

3.5 million

- turned situation around

more

enrollments are up

50% expected this fall

personally appreciate CAB rec.

taken them constructively

... not come on board to do what is in university

Dr. Cole - 'ave annual 32,000

assoc deg 36,000 44% more than US avg

\$333 mill a yr. - annual

cumulative

public dollars don't vanish return in higher wages, workers,

child care taxpayer subsidized always been subsidized

these ctrs have run at a deficit child care linked to a child care program (st)

central part of mission

over 50% of people are female

taxpayers subsidizing

low income students

AD

~~Board~~ 4 board members - exit interviews w/ them

→ experienced + longevity

CL 1. deviation need to

2. focus on apprenticeship

↳ followup on child care

each person who enrolls check off

for w-2 child care subsidies

220% of poverty → reportable + reconciled

3. bus incubator

followup enterprise recommendation

Cole

he plan not redesigned in 30 yrs.

bal. budget - a must

decline in budget in last 3 yrs.

- door not closed - pres union + pres need to agree to reopen

come to upgrade schools

What your plan to incr. grad. rates

- base salary 70,000

- on add'l adm. or add. class or summer school

- larger 30+ students - we can't hire

100,000 175 days a year

260 days - 5 weeks

70,000 base

↳ work during summer to

↳ adm. duties

163 people in adm + managerial

236 clerical

Chery

personal

on ave year - how many years

23,000 mer. in salary - hold her accountable

Kenosha News article

~~consultants~~ consultants

we don't have VP making 150,000

Plale
most of operating budget
is of recommend's

Lawrence Baker

Dr. Carpenter -

- appreciate monitor progress on audit -
- yrs. do that formally
- system - system
- tot. system - \$6 billion system budget
- unacceptable 99% when flat income

Paul Pederson

accountability - need an elected board
or authorize when have ability
to tax
also sits on tech coll. board

Kirstie Brown

- VP & General Counsel MATC
at request of Plale hear to speak
- analyze use of coll. legal services
since not meet procedures
quorums, mat'd on time - planning
process end of each board mtg
agenda planning
know what be on the agenda - disseminate
the board agenda materials w/ 48 hours
+ 200 accessible

there since last April
VP + General Counsel -

- Spending > \$500,000
reduced by 100,000
- Expertise is not real estate
labor + employment

55

re-examine courses + mission - re-evaluate
programs + recovering those costs

have "hobby" courses in tech. colleges - ~~stop~~
+ have YMCAs + community rec progs

hint

only staff atty - transferring another atty

for most of examples - present for issues addressed
did follow rules w/ closed

your counsel to board + adm. - confident
going forward

I am confident to mitigate problems
w/o legal counsel for 2 years
investment

- see all of you again
- will follow up

- family care follow-up, hearing
Kertman/Darling