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 Details: Legislative Audit Bureau Letter Reports (August 2005): Dental Education Contract and Dental Services Grant, Marquette University School of Dentistry

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WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Joint

(Assembly, Senate or Joint)

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COMMITTEE NOTICES ...

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 - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
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- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)

Letter Report

Dental Education Contract
Marquette University School of Dentistry

August 2005



Legislative Audit Bureau

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STATE OF WISCONSIN

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Janice Mueller
State Auditor

August 5, 2005

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:

As required by s. 39.46, Wis. Stats., we have completed a limited-scope review of the dental education contract between the State of Wisconsin and the Marquette University School of Dentistry for fiscal year (FY) 2001-02 through FY 2003-04. In FY 2003-04, the State provided \$8,753 each to a maximum of 145 Wisconsin residents enrolled in the undergraduate dental education program, for a total of nearly \$1.3 million. The overall funding increased to \$1.4 million in FY 2004-05; however, the maximum number of students also increased, effectively keeping the per capita aid payment the same.

Overall, we found that Marquette University was in compliance with its contract with the State and with requirements set forth in s. 39.46, Wis. Stats. During our review, we found the students for whom Marquette University claimed tuition aid were certified by the Higher Educational Aids Board as Wisconsin residents and were eligible to receive this state aid. In addition, we found that Marquette University expended state funds only for the undergraduate dental school program, gave preference in admissions to Wisconsin residents, and promoted minority enrollment.

We appreciate the courtesy and cooperation extended to us by Marquette University staff during our review.

Sincerely,

Janice Mueller
State Auditor

JM/JG/bm

cc: Senator Robert Cowles
Senator Scott Fitzgerald
Senator Mark Miller
Senator Julie Lassa

Representative Samantha Kerkman
Representative Dean Kaufert
Representative David Travis
Representative David Cullen

Ms. Margaret Burns, Comptroller
Marquette University

Ms. Connie Hutchison, Executive Secretary
Higher Educational Aids Board

DENTAL EDUCATION CONTRACT

Marquette University operates the only dental school in the State of Wisconsin. Since 1973, the State, through the Higher Educational Aids Board, has contracted with the Marquette University School of Dentistry to provide dental education services for Wisconsin residents. As authorized under s. 20.235(1)(d), Wis. Stats., and in accordance with the terms of the contract with the School of Dentistry, the State provides a specified per capita aid payment for a prescribed maximum number of Wisconsin residents enrolled as full-time students in the undergraduate dental education program.

As required by s. 39.46(1), Wis. Stats., the Legislative Audit Bureau reviews the Marquette University School of Dentistry's compliance with contract provisions and with various statutory requirements. For fiscal year (FY) 2001-02 through FY 2003-04, we tested the residency and the enrollment status of dental students for whom Marquette University claimed tuition assistance, to ensure the students were Wisconsin residents and that they were claimed for no more than five years. In addition, we examined expenditures charged to the state contract account to ensure Marquette University spent state funds solely for the undergraduate dental education program. Finally, we reviewed the School of Dentistry's admissions and minority enrollment policies.

State Tuition Aid to Wisconsin Residents

Since academic year 2001-02, the maximum number of students who could be claimed for tuition aid steadily increased, while total program funding fluctuated. As shown in Table 1, the statutory limit of the number of students who could receive aid increased from 115 students in academic year 2001-02 to 160 in 2004-05.

Table 1

State Tuition Aid for Wisconsin Residents

| Academic Year | Number Of Students ¹ | Per Capita Aid Payment | Total Tuition Aid Available |
|---------------|---------------------------------|------------------------|-----------------------------|
| 2004-05 | 160 | \$ 8,753 | \$1,400,400 |
| 2003-04 | 145 | 8,753 | 1,269,050 |
| 2002-03 | 130 | 11,670 | 1,517,100 |
| 2001-02 | 115 | 11,670 | 1,342,100 |
| 2000-01 | 100 | 11,670 | 1,167,000 |
| 1999-00 | 100 | 11,670 | 1,167,000 |
| 1998-99 | 100 | 11,670 | 1,167,000 |
| 1997-98 | 100 | 11,670 | 1,167,000 |
| 1996-97 | 100 | 11,670 | 1,167,000 |
| 1995-96 | 100 | 11,670 | 1,167,000 |
| 1994-95 | 100 | 11,670 | 1,167,000 |
| 1993-94 | 100 | 11,330 | 1,133,000 |
| 1992-93 | 100 | 11,000 | 1,094,500 |
| 1991-92 | 93 | 8,500 | 786,250 |
| 1990-91 | 90 | 5,447 | 490,200 |
| 1989-90 | 100 | 5,217 | 521,700 |
| 1988-89 | 132 | 5,012 | 606,452 |
| 1987-88 | 175 | 5,012 | 839,510 |
| 1986-87 | 214 | 5,012 | 1,009,917 |
| 1985-86 | 265 | 5,012 | 1,258,013 |
| 1984-85 | 350 | 5,012 | 1,543,696 |
| 1983-84 | 350 | 4,866 | 1,605,780 |
| 1982-83 | 400 | 4,724 | 1,773,862 |
| 1981-82 | 450 | 4,374 | 1,810,836 |
| 1980-81 | 500 | 4,050 | 1,812,375 |
| 1979-80 | 500 | 3,920 | 1,871,800 |
| 1978-79 | 500 | 3,450 | 1,709,475 |
| 1977-78 | 500 | 3,300 | 1,620,300 |
| 1976-77 | 500 | 2,800 | 1,393,000 |
| 1975-76 | 500 | 2,800 | 1,373,400 |
| 1974-75 | No limit | 3,000 | 1,362,000 |
| 1973-74 | No limit | 3,000 | 1,305,000 |

¹ Number of students is limited by s. 20.235(1)(d), Wis. Stats.

Because total aid has not increased proportionately with the increase in number of students, the per capita aid payment provided to students has decreased. Each full-time resident student received \$11,670 in academic years 2001-02 and 2002-03. This level of per capita aid had been provided since academic year 1994-95. For academic years 2003-04 and 2004-05, the annual per capital aid payment decreased to \$8,753, which represents a decrease of 25.0 percent.

The dental education contract requires that the School of Dentistry request tuition aid only for full-time students who are Wisconsin residents, that tuition aid be provided for no more than five years to each student, and that the tuition rates for Wisconsin residents and nonresidents be equivalent before considering the tuition aid. The Higher Educational Aids Board certifies the residency status of all students claimed by the school.

We reviewed the residency status of students claimed for tuition aid by the School of Dentistry and evaluated the effectiveness of the system for monitoring tuition payments and the number of times students were claimed for aid. We concluded that the system, which involves both the Higher Educational Aids Board and Marquette University staff, is effective in ensuring that tuition aid is paid only for eligible students and that, for FY 2001-02 through FY 2003-04, the students for whom School of Dentistry claimed for tuition aid met the eligibility criteria. We also concluded that tuition rates for Wisconsin residents and nonresidents are equivalent before considering the tuition aid, as required by the dental education contract.

The Legislature has directed that, in return for receiving state aid, the School of Dentistry develop an admissions policy that gives Wisconsin residents preference in admissions. Marquette University staff noted that they actively recruit resident applicants by visiting several Wisconsin universities. Our review of student admissions procedures found the School of Dentistry gave preference by enrolling more Wisconsin residents than the student maximum levels for which the State provided tuition aid. For example, for the 2003-04 academic year, 26.7 percent of the 164 Wisconsin residents who applied as first-year students were accepted into the School of Dentistry, compared to only 6.2 percent of the 1,953 nonresident applicants.

Finally, the dental education contract stipulates that tuition aid will be used to fund undergraduate dental education. We reviewed expenditures incurred by the School of Dentistry from FY 2001-02 through FY 2003-04 and determined that it had complied with the contract and spent state funds solely on undergraduate dental education.

Minority Enrollment

The dental education contract and s. 39.46(2)(g), Wis. Stats., require the School of Dentistry to make every effort to ensure that at least 5 percent of total enrollment consists of minority students, but neither the contract nor statutes define who is to be considered a minority student for this purpose. To assess whether the School of Dentistry met the 5-percent minority enrollment goal, we used the definition included both in s. 39.44 Wis. Stats., which relates to state grants to minority undergraduate students at institutions of higher education, and s. 39.40, Wis. Stats., which relates to the minority teacher loan program. By this definition, minority students are African Americans; Hispanics; Native Americans; and some former citizens of Laos, Vietnam, or Cambodia and their descendents.

The School of Dentistry does not have information readily available for the number of students from or having ancestors specifically from Laos, Vietnam, or Cambodia. Therefore, for the purpose of our analysis, we did not include students whose applications indicated Asian or Pacific Island heritage. As shown in Table 2, based on the number of students who identified themselves as African American, Hispanic, or Native American, minority enrollment at the School of Dentistry has exceeded the 5-percent goal in each year of our review period.

Table 2
Minority Enrollment
by Academic Year

| | 2001-02 | 2002-03 | 2003-04 |
|--|--------------|--------------|--------------|
| African American | 7 | 5 | 7 |
| Hispanic | 25 | 27 | 22 |
| Native American | 5 | 6 | 4 |
| Laotian, Vietnamese, or Cambodian ¹ | N/A | N/A | N/A |
| Total Minority Students | 37 | 38 | 33 |
| Total Enrollment | 303 | 305 | 308 |
| Percentage of Total Enrollment | 12.2% | 12.5% | 10.7% |

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

Marquette University staff indicate that the School of Dentistry continues its efforts to recruit minorities throughout the state, as well as from college campuses throughout the country. In order to enlarge the pool of qualified Wisconsin minority applicants, the School of Dentistry participates in local high school and middle school programs that focus on minorities and dental education.



Letter Report

Dental Services Grant

Marquette University School of Dentistry

August 2005



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August 5, 2005

Janice Mueller
State Auditor

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:

As required by s. 13.94(1)(dg), Wis. Stats., we have completed a limited-scope fiscal and compliance review of the dental clinics grant provided by the Department of Health and Family Services to the Marquette University School of Dentistry for fiscal year (FY) 2001-02 through FY 2003-04. Under this grant program, Marquette University received general purpose revenue funding of \$2.8 million in each year to provide dental services to low-income individuals at clinics in various locations throughout Wisconsin.

Overall, we found Marquette University has developed and implemented adequate procedures to ensure compliance with statutory and grant requirements. In addition, we found state funds were expended for services normally considered a part of comprehensive general dental treatments.

We note that dental clinic expenses exceeded revenues by nearly \$2.5 million in FY 2001-02, \$1.6 million in FY 2002-03, and \$1.5 million in FY 2003-04. Marquette University staff note that clinic revenue is not intended to cover all costs, and that the clinics also depend upon financial support from other sources, such as tuition. We note that the new dental school facility, which opened in August 2002, is more efficient in delivering dental services to patients.

We appreciate the courtesy and cooperation extended to us by the Marquette University staff during our review.

Sincerely,

Janice Mueller
State Auditor

JM/JG/bm

cc: Senator Robert Cowles
Senator Scott Fitzgerald
Senator Mark Miller
Senator Julie Lassa

Representative Samantha Kerkman
Representative Dean Kaufert
Representative David Travis
Representative David Cullen

Ms. Helene Nelson, Secretary
Department of Health and Family Services

Ms. Margaret Burns, Comptroller
Marquette University

DENTAL SERVICES GRANT

The Wisconsin Department of Health and Family Services (DHFS) provides an annual grant to the Marquette University School of Dentistry in support of dental services provided through its dental clinics. These clinics, which are staffed by students and faculty members of the Marquette University School of Dentistry, are located in areas identified as having underserved populations, including the cities of Milwaukee and Racine; Brown, Dane, and Outagamie counties; and correctional centers in Milwaukee County.

The Legislature established the dental services grant in 1989. Subsequent statutory revisions included increases in state general purpose revenues funding for the grant, as well as a requirement for the Legislative Audit Bureau to review grant expenses. State funding increased from \$1.7 million in fiscal year (FY) 1991-92 to \$2.3 million in FY 1992-93 and to \$2.8 million in FY 1997-98. It remained at that level through FY 2003-04.

According to the grant agreement between DHFS and the Marquette Dental School, dental services provided under the grant include those services normally considered a part of comprehensive general dental treatment and which, in the judgment of faculty, can safely and effectively be provided by undergraduate and/or graduate dental students. The clinics served approximately 19,000 patients in FY 2001-02, 16,500 patients in FY 2002-03, and 18,500 patients in FY 2003-04. Based on demographic information maintained by the Marquette Dental School, a significant number of these patients are elderly and low-income individuals.

To ensure proper recording and reporting of costs charged to state grant funds, we completed a limited-scope fiscal and compliance review of dental clinic expenses from July 1, 2001 through June 30, 2004. We also reviewed compliance with other grant requirements, such as nondiscrimination in employment, during this period.

Overall, we found that Marquette University has developed and implemented adequate procedures to ensure compliance with statutory and grant requirements and that state funds were expended for services normally considered a part of comprehensive general dental treatments. We also note that, since FY 1997-98, Marquette University has reported that the dental clinics' revenue has been less than expenses, therefore requiring revenue from other sources to partially fund clinic operations.

As shown in Table 1, Marquette Dental School expended approximately \$10.7 million to provide dental services within its clinics in FY 2001-02, \$11.8 million in FY 2002-03, and \$13.7 million in FY 2003-04. These expenses included salaries and fringe benefit expenses for supervising faculty members; operating costs, such as supplies and telephone services; and indirect expenses, such as accounting and administrative services.

Table 1

Marquette Dental Clinics' Revenues and Expenses
(in thousands)

| Fiscal Year | Revenues | Expenses | Difference |
|-------------|----------|----------|------------|
| 1999-2000 | \$ 5,265 | \$ 8,397 | (\$3,132) |
| 2000-01 | 5,281 | 9,540 | (4,259) |
| 2001-02 | 8,254 | 10,749 | (2,495) |
| 2002-03 | 10,145 | 11,780 | (1,635) |
| 2003-04 | 12,178 | 13,692 | (1,514) |

In addition to the state grant, the clinics' revenues consist of patient fees, which are lower than those in private practice and structured to be affordable to all patients, and federal Medicare reimbursements, which are received as part of a Medicare Waiver program. In FY 2001-02, Marquette Dental School also began considering a portion of its contributions and student revenue, such as tuition, as revenue meant to offset costs associated with clinical operations.

Expenses incurred from clinic operations have exceeded revenues in each of the past five years. As previously shown in Table 1, expenses exceeded revenues by \$1.5 million in FY 2003-04. However, while Table 1 includes the best available figures, Marquette University staff indicate the clinic revenues and expenses are problematic for two reasons.

First, calculating the amount by which expenses exceed revenues may imply to some that the clinics are intended to generate a profit or should, at a minimum, break-even. Marquette University staff note that this is not the case and that a significant portion of a dental student's tuition is meant to cover clinic costs. Second, Marquette University staff note that the designation of certain expenses as purely clinical or non-clinical is difficult to make.

The dental clinics' future financial condition may be affected by the construction of a new Marquette Dental School facility that opened in August 2002. The \$35 million dental school was constructed using \$5 million in federal funding, \$15 million in private donations, and \$15 million of the State's General Fund-supported bond proceeds. As of June 30, 2005, total debt service payments for the State were expected to be \$23.5 million from FY 2005-06 through FY 2021-22. The State's annual debt service payments related to these bonds will be approximately \$1.0 million through FY 2011-12. The new facility includes a 96-chair clinic, compared to 120 chairs at the previous facility. However, with the purchase of additional dental and computer equipment, students provide services to more patients than they previously did.
