



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #495

Tuition Assistance (Marquette Dental School)

[LFB 2003-05 Budget Summary: Page 271, #5 and Page 296, #1]

CURRENT LAW

Marquette University School of Dentistry (MUSOD) receives the benefit of state funding through three appropriations housed in the Department of Health and Family Services (DHFS), the Higher Educational Aids Board (HEAB), and miscellaneous appropriations. Funding from DHFS is used to provide dental services to low-income individuals. Funding from HEAB provides annual capitation payments to Wisconsin residents enrolled in MUSOD. Debt service attributable to state bonds issued to fund a portion of the dental clinic and education facility for MUSOD is paid under miscellaneous appropriations.

MUSOD receives \$1,517,100 GPR annually from HEAB. Funding supports 130 students at the current annual aid level of \$11,670 and is limited to 160 Wisconsin residents. In addition, tuition for a Wisconsin student cannot exceed the difference between the tuition assessed a nonresident student enrolled and the capitation payment for Wisconsin residents enrolled.

GOVERNOR

Reduce funding for tuition assistance for Wisconsin residents enrolled in MUSOD by \$758,600 GPR annually. Delete current law that specifies the capitation amount of \$11,670. Delete the limit on the number of Wisconsin residents who may receive capitation payments. Delete the limit on tuition that MUSOD may assess for a Wisconsin resident who receives state capitation aid.

DISCUSSION POINTS

1. MUSOD, in operation since 1894, is the only dental school in Wisconsin. MUSOD

first requested state funding in 1970 through a contractual agreement with the state to provide dental education to state residents. After a legal ruling from the Wisconsin Supreme Court that the public funds were not for a religious purpose, the Legislature, in 1973, created an appropriation to fund an annual contract between HEAB and MUSOD to assist in the improvement of dental education in Wisconsin.

2. The attachment shows the history of the state capitation payments provided to MUSOD, including the capitation amounts paid each year, the number of resident students eligible for aid, and the total state appropriation for these payments. The number of Wisconsin residents eligible for tuition aid was reduced between academic year 1978-79 and academic year 1990-91 on the recommendation of HEAB due to concerns about a potential oversupply of dentists in Wisconsin. Increases occurred for the academic years of 1991-92 and 1992-93 in response to MUSOD's requests for additional funding to continue its operation. In addition, 2001 Act 16 increased the maximum number of Wisconsin residents from 100 to 160 and increased funding to allow for an additional 15 Wisconsin residents each year for four years.

3. In Wisconsin there is a problem with access to dental care, and the state will be facing a dental workforce shortage in the near future. Over 70% of Wisconsin dentists graduated from MUSOD. An average of 77% of alumni who were Wisconsin residents at the time they attended MUSOD remain in Wisconsin to practice after graduation. An average of 9% of those who were nonresidents at the time they attended MUSOD settle in Wisconsin after graduation. Capitation payments have allowed MUSOD to remain competitive in recruiting Wisconsin residents, who then contribute to the supply of dentists in the state.

4. The MUSOD capitation payment has been \$11,670 per resident student since 1994-95. Between 1994-95 and 2002-03, nonresident tuition has increased by \$9,700, from \$24,140 to \$33,840. Resident tuition has also increased by \$9,700, from \$12,470 to \$22,170. On a percentage basis, the increase in tuition from 1994-95 to 2002-03 has been significantly higher for residents (77.8%) than nonresidents (40.2%) because there has been no increase in the capitation amount. In 2003-04, under a projected tuition increase of \$1,560 (4.6% for nonresidents), the current capitation payment would result in a tuition increase of 7.0% for residents.

5. Total student enrollment in 2002-03 is 304, of which 113 resident students receive capitation support of \$11,670. MUSOD projects total enrollment at 311 in 2003-04. For 2003-04, MUSOD has already sent acceptance letters to 40 Wisconsin residents, which included the current capitation rate. MUSOD will accept a total of 80 new students. Of the 40 Wisconsin residents, 39 have already paid their deposit. MUSOD anticipates that all 40 Wisconsin residents will actually attend MUSOD.

6. Under the Governor's proposal, MUSOD's options include: (a) decrease the capitation amount paid to students; (b) decrease the number of Wisconsin residents enrolled who receive capitation payments; or (c) some combination of (a) and (b). Decreasing only the capitation amount would increase tuition for Wisconsin residents in 2003-04 by \$5,835, from \$23,730 to \$29,565, which would be an increase of 33.4% over 2002-03 resident tuition. Wisconsin residents

attending MUSOD currently graduate with over \$95,000 of debt. In addition, many Wisconsin residents apply to both MUSOD and the University of Minnesota. These students typically select MUSOD as their first choice. Tuition at the University of Minnesota is currently \$23,394. Reducing the capitation payments would make MUSOD a less attractive option.

7. MUSOD could reduce the number of Wisconsin residents enrolled by one-half to provide the same capitation amount. However, approximately 90 residents currently enrolled in 2002-03 would also be enrolled in 2003-04. In addition, MUSOD expects 40 additional residents to begin in 2003-04.

8. MUSOD indicates that it does not have the financial resources to offer its resident students tuition assistance to compensate for the reduction proposed in the bill. Each year, MUSOD receives over 2,000 applications for 80 slots. The vast majority of these applications are from nonresidents. MUSOD could fill its entire class with nonresidents and would continue to operate with reduced capitation payments. However, increasing the number of nonresident students attending MUSOD could decrease the number of dentists who practice in Wisconsin. A recent dentist workforce report estimates that the number of dentists retiring in the next ten years will exceed the number of new dentists entering the field. The Committee could restore funding for capitation payments to the current level to limit potential access and shortage problems.

9. Under the Governor's recommendation, the potential increase in tuition for resident students in 2003-04 (33.4%) would be significantly higher than the highest percentage increase (18.2%) that would occur under the proposed limits in SB 44 on increases in undergraduate resident tuition at UW-Madison. In addition, although it is a different type of medical education, if past tuition increases at the UW-Madison Medical School are a guide, it is unlikely that resident tuition at the Medical School at UW-Madison will increase by more than 10% in 2003-04, although the Board of Regents will make this determination. Second, the ability of MUSOD to attract resident students may be impaired by the proposed reduction in tuition assistance. MUSOD is an important source of new dentists, as most dentists in Wisconsin attended school at MUSOD.

10. As an alternative to SB 44, a lesser reduction to the tuition assistance amount could be made, to reduce the magnitude of the likely increases in tuition paid by resident students at MUSOD. If funding in SB 44 would be increased by an additional \$672,800 in 2003-04 and \$564,900 in 2004-05, tuition for state residents attending MUSOD would increase by an estimated 10% per year, rather than an estimated 33.4% and 5.4% under SB 44.

11. There is no legal impediment to the state reducing the level of tuition assistance provided to residents attending MUSOD. However, students there, including the incoming first-year class, made the decision to go to dental school at MUSOD, in part, with the expectation of receiving the state's tuition assistance, which has remained unchanged at \$11,670 per year for nine years. To address this concern, the Committee could restore \$2,052,600 GPR in 2003-04 and \$1,548,000 GPR in 2004-05 to grandfather in the current resident students at MUSOD, including the first year students who have been accepted for 2003-04. Under this alternative, the capitation support would be reduced by 50% (to \$5,835), beginning for students who first enroll in 2004-05. This would

gradually phase in the Governor’s proposed reduction in capitation aid, and would allow all current students to receive the aid they anticipated under the current program.

12. SB 44 would eliminate the limits on the number of students who may receive capitation aid and the current law requirement that the tuition charged to Wisconsin residents cannot exceed the difference between the tuition assessed a nonresident student enrolled and the capitation payment for Wisconsin residents. This would allow MUSOD discretion over the allocation of capitation funding and the tuition charged to Wisconsin residents. In order to ensure that all of the benefit of the capitation funding is passed along to the students, it may be desirable to retain the current law pass-through requirement. In addition, the Legislature could continue to specify a lesser capitation amount and the maximum number of students in the statutes consistent with the SB 44 funding level to maintain oversight over the program.

ALTERNATIVES

1. Adopt the Governor's recommendation to reduce funding for tuition assistance for Wisconsin residents enrolled in MUSOD by \$758,600 GPR annually. Delete current law that: (a) specifies the capitation amount of \$11,670; (b) limits the number of Wisconsin residents who may receive capitation payments; and (c) limits tuition that MUSOD may assess for a Wisconsin resident who receives state capitation aid. *(Tuition increases for Wisconsin residents would be an estimated 33.4% in 2003-04 and 5.4% in 2004-05.)*

2. Modify the Governor's recommendation to: (a) retain a statutory capitation amount (\$5,835) equal to 50% of the current law amount; (b) limit the number of students eligible for capitation aid to 130; and (c) retain the current law requirement that MUSOD lower tuition paid by state residents dollar-for-dollar for the capitation aid.

3. Modify the Governor's recommendation to provide an additional \$672,800 GPR in 2003-04 and \$564,900 GPR in 2004-05 and set the capitation payment amount at \$11,010 in 2003-04 and \$10,180 in 2004-05 and thereafter. Limit the number of students eligible for capitation aid to 130 and retain the current law requirement that MUSOD lower tuition paid by state residents dollar-for-dollar for the capitation aid. *(Tuition increases for Wisconsin residents would be an estimated 10% in 2003-04 and 10% in 2004-05).*

<u>Alternative 3</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$1,237,700

4. Modify the Governor’s recommendation by providing an additional \$758,600 GPR in 2003-04 and \$569,000 GPR in 2004-05, and set capitation payments at \$5,835 in 2004-05 for students who first attend MUSOD in that year. Specify that students who first attend MUSOD in 2003-04 or earlier would continue to receive capitation aid under the law currently governing the program. Retain the current law limit on the number of students eligible for capitation aid and the

requirement that MUSOD lower tuition paid by state residents dollar-for-dollar for the capitation aid. (*Grandfathers current students at MUSOD and begins reduction in capitation aid for students first attending in 2004-05*).

<u>Alternative 4</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$1,327,600

5. Delete provision.

<u>Alternative 5</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$1,517,200

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Attachment

ATTACHMENT

State Dental Capitation Funding Amounts

<u>Academic Year</u>	<u>Capitation Statutory Limitation</u>	<u>Number of Residents Aided</u>	<u>Rate Per Resident</u>	<u>Total State Tuition Aid</u>
1973-74	No limit	435.0	\$3,000	\$1,305,000
1974-75	No limit	454.0	3,000	1,362,000
1975-76	500	490.5	2,800	1,373,400
1976-77	500	497.5	2,800	1,393,000
1977-78	500	491.0	3,300	1,620,300
1978-79	500	495.5	3,450	1,709,475
1979-80	500	477.5	3,920	1,871,800
1980-81	500	447.5	4,050	1,812,375
1981-82	450	414.0	4,374	1,810,836
1982-83	400	375.5	4,724	1,773,862
1983-84	350	330.0	4,866	1,605,780
1984-85	350	308.0	5,012	1,543,696
1985-86	265	251.0	5,012	1,258,012
1986-87	214	201.0	5,012	1,009,918
1987-88	175	167.5	5,012	839,510
1988-89	132	121.0	5,012	606,452
1989-90	100	100.0	5,127	521,700
1990-91	90	90.0	5,447	490,200
1991-92	93	92.5	8,500	786,250
1992-93	100	99.5	11,000	1,094,500
1993-94	100	100.0	11,330	1,133,000
1994-95	100	100.0	11,670	1,167,000
1995-96	100	100.0	11,670	1,167,000
1996-97	100	100.0	11,670	1,167,000
1997-98	100	100.0	11,670	1,167,000
1998-99	100	100.0	11,670	1,167,000
1999-00	100	100.0	11,670	1,167,000
2000-01	100	100.0	11,670	1,167,000
2001-02	160	100.0	11,670	1,342,100
2002-03	160	113.0	11,670	1,517,100