



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #500

Tuition Assistance (Medical College of Wisconsin)

[LFB 2003-05 Budget Summary: Page 298, #1]

CURRENT LAW

Under current law, the state pays \$10,091 for each Wisconsin resident enrolled as a full-time undergraduate medical student at the Medical College of Wisconsin (MCW) from an appropriation for this purpose with \$4,105,100 GPR in annual funding. If funding is insufficient to pay \$10,091 for each Wisconsin resident enrolled, then the funds are prorated. In 2002-03, the capitation payment reduces the annual tuition paid by resident students from \$30,288 to \$20,197. The current funding level for tuition assistance supports approximately 407 students. Under current law, there is a limit on the number of Wisconsin residents who may receive these capitation payments, which is determined by multiplying the total number of students enrolled by 0.56, but with an overall cap of 416. Current law specifies that tuition for a Wisconsin resident who receives state capitation aid 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 MCW by \$2,052,600 GPR annually, which represents a 50% reduction to the adjusted base level. Delete current law that specifies the capitation payment amount of \$10,091, as well as a prorate provision if the funds are insufficient to pay this amount. Delete the current limit on the number of Wisconsin residents who may receive capitation payments. Delete the limit on the tuition that MCW may assess for a Wisconsin resident who receives state capitation aid.

DISCUSSION POINTS

1. In 1967, Marquette University terminated its sponsorship of its medical school due to financial constraints. The medical school, the Medical College of Wisconsin, continued as a private, nonsecular medical school. The Legislature determined that Wisconsin needed two medical schools to increase the ratio of physicians to population, which had been below the national average. The Legislature provided financial assistance to MCW to ensure its operation in Wisconsin and to make it competitive with the University of Wisconsin-Madison Medical School's in-state tuition.

2. Until the 1975-77 biennium, the state first funded MCW based on MCW's deficit balance, regardless of enrollment, and then used enrollment as a factor, regardless of residency. A statutory formula was implemented in the 1975-77 biennium based on enrolled Wisconsin residents. A statutory cap on the number of students receiving these capitation payments was established at 496 in the 1979-81 biennium. The attachment shows the total capitation support, capitation amount per resident student, and the maximum number of resident students funded for MCW from fiscal years 1975-76 through 2002-03.

3. The MCW capitation payment has been \$10,091 per resident student since 1989-90. Between 1989-90 and 2002-03, nonresident tuition has increased by \$12,788, from \$17,500 in 1989-90 to \$30,288 in 2002-03, while resident tuition has increased from \$7,409 to \$20,197. On a percentage basis the increase in tuition has been significantly higher for residents (172.6%) than nonresidents (73.1%) because the capitation payments did not increase during that time period. In 2003-04, under a projected tuition increase of \$907 (3.0% for nonresidents), the current capitation payment would result in a tuition increase of 4.5% for residents.

4. Total student enrollment at MCW in 2002-03 is 805 students with 410 resident students, 407 of which receive capitation support of \$10,091. For the 2003-04 academic year, MCW has already sent acceptance letters to 147 Wisconsin residents, which included the current capitation rate. MCW anticipates that approximately 100 Wisconsin residents out of the 147 accepted will actually attend MCW.

5. By comparison, resident tuition at the University of Wisconsin-Madison Medical School has increased by \$13,062, or 150.8%, from \$8,663 in 1989-90 to \$21,725 in 2002-03. Nonresident tuition has increased by \$20,286, or 161.5%, from \$12,563 in 1989-90 to \$32,849 in 2002-03. Total enrollment in 2002-03 is 593 students, of which 519 are Wisconsin residents. The 1989-90 tuition amounts include fees, so the percentage of tuition increase for both residents and nonresidents may be slightly higher.

6. Under the Governor's proposal, MCW'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 \$5,045, from \$21,104 to \$26,149, which would be an increase of 29.5% over 2002-03 resident tuition.

7. MCW could reduce the number of Wisconsin residents enrolled by one-half to

provide the same capitation amount. However, approximately 315 residents currently enrolled in 2002-03 would also be enrolled in 2003-04. In addition, MCW expects 100 additional residents, out of the 147 accepted, to begin in 2003-04.

8. There are policy issues that warrant consideration concerning the Governor's recommendation. First, the potential increase in tuition for resident students in 2003-04 (29.5%) would be significantly higher than the highest percentage increase (18.2%) that could occur under the proposed limits in SB 44 on increases in undergraduate resident tuition at UW-Madison. In addition, 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 MCW to compete for resident students may be impaired by the proposed reduction in tuition assistance. Although it appears that the location of a doctor's residency program has the strongest influence on where a doctor chooses to practice, it is believed that having state residents attend an in-state medical school enhances the likelihood that these students will eventually practice in Wisconsin.

9. 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 MCW tuition paid by resident students. If funding in SB 44 would be increased by an additional \$1,600,000 in 2003-04 and \$1,277,000 in 2004-05, tuition for state residents attending MCW would increase by an estimated 10% per year, rather than an estimated 29.5% and 3.6% under SB 44. This would limit tuition increases for state residents to a lower level consistent with potential increases at the UW-Madison Medical School.

10. There is no legal impediment to the state reducing the level of tuition assistance provided to residents attending MCW. However, students there, including the incoming first-year class, made the decision to go to medical school at MCW, in part, with the expectation of receiving the state's tuition assistance, which has remained unchanged at \$10,091 per year for 14 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 MCW, including the first year students who have been accepted for 2003-04. Under this alternative, the capitation support would be reduced by 50% (to \$5,045), 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.

11. 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 MCW 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 consistent with the funding provided and the maximum number of students in the statutes to maintain oversight over the program.

ALTERNATIVES

1. Approve the Governor's recommendation to reduce funding for tuition assistance for Wisconsin residents enrolled in MCW by \$2,052,600 GPR annually. Delete current law that specifies: (a) the capitation amount; (b) the maximum number of students that can receive capitation aid; and (c) that MCW lower the tuition paid by state residents dollar-for-dollar for the capitation aid. *(Tuition increase percentages for Wisconsin residents would be an estimated 29.5% in 2003-04 and 3.6% in 2004-05).*

2. Modify the Governor's recommendation to retain: (a) a statutory capitation amount (\$5,045) equal to 50% of the current law amount; (b) the current law limit on the number of students eligible for capitation aid; and (c) the current law requirement that MCW lower tuition paid by state residents dollar-for-dollar for the capitation aid.

3. Modify the Governor's recommendation by providing an additional \$1,600,000 GPR in 2003-04 and \$1,077,000 GPR in 2004-05, and set capitation payments at \$8,978 in 2003-04 and \$7,693 in 2004-05 and thereafter for Wisconsin residents enrolled at MCW. Retain the current law limit on the number of students eligible for capitation aid and the requirement that MCW lower tuition paid by state residents dollar-for-dollar for the capitation aid. *(Tuition increase percentages 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)	\$2,677,000

4. Modify the Governor's recommendation by providing an additional \$2,052,600 GPR in 2003-04 and \$1,548,000 GPR in 2004-05, and set capitation payments at \$5,045 in 2004-05 for students who first attend MCW in that year. Specify that students who first attend MCW 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 MCW lower tuition paid by state residents dollar-for-dollar for the capitation aid. *(Grandfathers current students at MCW 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)	\$3,600,600

5. Delete provision.

<u>Alternative 5</u>	<u>GPR</u>
2003-05 FUNDING (Change to Bill)	\$4,105,200

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Attachment

ATTACHMENT

**State Capitation Support for the Medical College of Wisconsin
Fiscal Years 1975-76 through 2002-03**

<u>Fiscal Year</u>	<u>Capitation Support</u>	<u>Capitation Per Resident Student</u>	<u>Maximum Number of Students Funded</u>
1975-76	\$2,421,300	\$7,846	none
1976-77	2,710,400	8,048	none
1977-78	2,927,500	8,327	347
1978-79	3,381,200	7,998	418
1979-80	3,967,000	7,998	496
1980-81	4,398,800	8,558	514
1981-82	4,880,300	9,243	496
1982-83	4,751,400	9,262	496
1983-84	4,499,000	9,540	496
1984-85	4,755,800	9,826	448
1985-86	4,539,600	9,826	448
1986-87	4,355,800	9,826	416
1987-88	4,107,300	9,826	416
1988-89	4,107,300	9,826	416
1989-90	4,107,300	10,091	416
1990-91	4,122,300	10,091	416
1991-92	3,733,700	10,091	416
1992-93	4,056,600	10,091	416
1993-94	3,975,900	10,091	416
1994-95	4,278,600	10,091	416
1995-96	4,171,600	10,091	416
1996-97	4,105,100	10,091	416
1997-98	4,105,100	10,091	416
1998-99	4,105,100	10,091	416
1999-00	4,105,100	10,091	416
2000-01	4,105,100	10,091	416
2001-02	4,105,100	10,091	416
2002-03	4,105,100	10,091	416