



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #170

Medical College of Wisconsin (Building Program)

[LFB 2013-15 Budget Summary: Page 528, #7]

CURRENT LAW

Building program projects with costs exceeding \$760,000 are required to be enumerated in the authorized state building program. To enumerate a project, the Legislature lists the project title and the budget as a non-statutory provision enacted as part of the biennial budget bill. In addition, the Legislature must authorize any new bonding needed to fund the project.

BUILDING COMMISSION

Enumerate the remodel, development, and renovation of two community education facilities in the cities of Green Bay and Wausau at total project cost of \$14,768,600 under the 2013-15 state building program. Authorize the Building Commission to provide \$7,384,300 in general fund supported bonding to aid in the remodel, development, and renovation of two community medical education facilities in the cities of Green Bay and Wausau.

Require that the state funding commitment be in the form of a grant to Medical College of Wisconsin and specify that before approving any state funding commitment for the construction of the facility, the Building Commission would be required to make a determination that the Medical College of Wisconsin has secured additional funding from nonstate sources for the project of at least equal to the amount of the grant. Require that if the Building Commission makes a grant for the remodeled, developed, and renovated facilities, the state would retain an ownership interest in the facilities equal to the amount of the state's grant if for any reason the facilities are not used as community medical education facilities.

DISCUSSION POINTS

1. The Medical College of Wisconsin (MCW) is in the process of developing two new satellite campuses, one in the Green Bay area and one in central Wisconsin. MCW plans to begin enrolling students at both campuses in fall, 2015, although initial enrollment at the central Wisconsin campus may be delayed until fall, 2016. Each campus is expected to enroll 15 first-year medical students in the first year and 25 first-year students in each subsequent year. Based on the traditional, four-year medical school curriculum, total enrollment at each campus would grow to 100 students. However, MCW staff have indicated that an accelerated, three-year curriculum may be developed for the campuses. Such a curriculum would benefit the students by reducing overall costs and time-to-degree. If such a curriculum is implemented, total enrollment at each campus would be less than 100 students.

2. The Green Bay area campus will be located in a new science building currently being constructed on the St. Norbert College campus in De Pere. MCW will have dedicated classroom and administrative space in the building and plans to lease laboratory space also located in the building from St. Norbert College. MCW will partner with the Bellin College School of Nursing to use their existing simulation laboratory. Additional simulation space, such as a patient evaluation room, may be required and MCW will work with Bellin College to create this space.

3. MCW has tentatively identified a building in Wausau as the location of its second satellite campus. MCW is currently assessing the building, which was donated by Liberty Mutual Insurance, to determine the level of renovation required to transform the building into suitable classroom and administrative space for the new campus. As in Green Bay, MCW will partner with another institution, in this case Northcentral Technical College, to use their existing simulation laboratory and an anatomy laboratory that NTC plans to build this year.

4. MCW is requesting state funding for capital costs related to these primary campuses only. MCW anticipates that there will be additional facilities and equipment costs related to space utilized by MCW at Bellin College and Northcentral Technical College. MCW has estimated total capital costs related to the new campuses at \$20,235,900. Of this amount, \$14,768,600 would be related to the two primary campus sites. MCW has requested that the state contribute 50% (\$7,384,300 GFSB) of the costs related to the primary campuses.

5. The majority of the primary campuses project costs are related to the acquisition and installation of equipment and technology. Of the \$14,768,300 budgeted for the primary campuses, \$6,824,200 (46%) has been budgeted for technology. MCW has indicated that these funds would be used to purchase laboratory equipment and distance education technology which would allow faculty at the Milwaukee campus to provide instruction at the satellite campuses.

6. The state has issued general fund supported bonds to support Medical College of Wisconsin building projects on three previous occasions. In 1975, the Legislature approved \$8,000,000 in general fund supported borrowing to aid in the construction of a basic science education facility to be built on the Medical College campus. In 1993, the Legislature approved an additional \$2,000,000 in general fund supported borrowing to aid in the construction of a health education technology center. Most recently, the Legislature approved \$25,000,000 in general fund

supported borrowing to support a biomedical research technology incubator. The total cost of this project, which was supported by both state and non-state funds, was estimated at \$132,000,000. In addition, the Legislature approved \$10,000,000 in general fund supported borrowing in 2007 to support the acquisition of a magnetic resonance imaging (MRI) machine and related building renovations. The total cost of the MRI machine and the renovations was estimated at \$12,000,000. GPR debt service related to debt issued for the benefit of the Medical College of Wisconsin totaled \$926,400 in 2011-12. Even though the state has supported MCW in the past, the proposed project would benefit a specific beneficiary and therefore meets the criteria established in 2011 Act 220, and was listed on the earmark transparency report to the Committee required under Act 220.

7. Similarly, the state has issued general fund supported borrowing to support two Marquette University School of Dentistry (MUSOD) capital projects. First, the 1999-01 biennial budget provided \$15,000,000 in general fund supported borrowing for the construction of a \$30,000,000 dental school facility to replace an existing facility, originally built in 1922. Second, the 2011-13 biennial budget provided \$8,000,000 in general fund supported borrowing for a \$16,000,000 addition to the dental school facility. In each case, the state provided 50% of the total cost of the project which is consistent with MCW's request. MUSOD is similar to MCW in that it is a private institution that has historically received state support; however, MUSOD is the sole dental school in Wisconsin while MCW is one of two medical schools in the state including the public University of Wisconsin-Madison School of Medicine and Public Health.

8. A report released by the Wisconsin Hospital Association in 2011 projected that the state of Wisconsin would need an additional 2,200 physicians in 2030 to meet consumer demand for health care. This projection is based on a number of factors including demographic changes, projected changes in health care usage, changes in health care delivery, current medical school enrollments, trends in physician mobility, and predicted physician retirements. According to the study, the greatest increase in consumer demand will be in the area of primary care. WHA estimates that an additional 1,800 primary care physicians will be needed to meet demand in 2030. To address this predicted shortage of physicians, Wisconsin would need to produce, attract, or retain an additional 110 physicians annually including 88 primary care physicians.

9. The WHA report recommends a number of strategies that could be employed to address the predicted physician shortage. One of the recommended strategies is to increase the number of students who graduate from medical schools located in Wisconsin and, more specifically, the number of Wisconsin residents who graduate from those schools. The WHA report cited data from the American Association of Medical Colleges showing that 38% of all students who graduate from a Wisconsin medical school and 56% of resident students who graduate from a Wisconsin medical school practice medicine in the state.

10. MCW expects that the majority of students who will enroll at the new campuses will be Wisconsin residents, most of them coming from the regions in which the campuses will be located. MCW has already begun to build relationships with the two-year and four-year institutions in northeastern and central Wisconsin to develop a pipeline of possible applicants. It is also likely that some of the students will be older, nontraditional students for whom medicine will be a second career. These students may not have enrolled in medical school if it meant leaving their

community.

11. While both campuses will offer a full medical education, MCW will be able to identify students who are more likely to enter family medicine and primary care specialties through the admissions process. Of the 15 students who will enroll during the first year, it is expected that 5 to 10 will pursue family medicine residencies after graduation. By comparison, 17 of the 202 students (8.4%) who graduated from MCW in 2012 chose family medicine as a specialty which is consistent with the national average of 8.5%. While each satellite campus would graduate fewer medical students who choose family medicine as a specialty than MCW's main campus, the percentage of students expected to choose this specialty would be significantly higher.

12. Another recommendation included in the WHA report is to increase the number of residency programs in Wisconsin and the number of Wisconsin medical school graduates who complete residencies in Wisconsin. The percentage of resident students who graduate from a Wisconsin medical school and complete their residency in Wisconsin who later practice in Wisconsin is even higher at 86%.

13. A provision in the Governor's budget would provide \$292,500 annually to MCW to develop new family medicine residency programs in northeastern Wisconsin. Creating new family medicine residency positions in the Green Bay area would help address a potential shortage of such physicians in that area as well as allow MCW to guarantee students at the new De Pere campus residency positions upon graduation. Without such a guarantee, students may be hesitant to enroll at the De Pere campus because doing so might put them at a disadvantage when competing for residency positions with students from established medical schools. MCW anticipates that the first class of residents should begin training at Green Bay area hospitals and clinics during the 2016-17 year. If the new De Pere campus implements a three-year curriculum, the first class of students would graduate in 2018; if a four-year curriculum is used, the first class of students would graduate in 2019.

14. The state provides tuition assistance to resident students enrolled in MCW through a GPR appropriation with annual base level funding of \$1,926,600. The amount of tuition assistance provided to each resident student is determined by the number of resident students who are enrolled. In the current year, there are 329 resident students enrolled in MCW, each of whom receive approximately \$5,864 in state-funded tuition assistance. As a result, first-year students who are Wisconsin residents are charged \$43,236 while nonresident first-year students are charged \$49,100, with the difference between the two tuition rates being the amount of state-funded tuition assistance. (Due to a tuition increase that effected only new students, continuing MCW students pay a lower rate.) By comparison, tuition for medical students enrolled in the University of Wisconsin School of Medicine and Public Health is \$24,919 for resident students and \$34,815 for nonresident students.

15. As it is anticipated that the majority of students who enroll in the new MCW campuses will be Wisconsin resident students, MCW may request additional funds to provide tuition assistance to these students when they first enrolled during the 2015-17 biennium. If each of the campuses enrolls 15 students in 2015-16 and 40 students in 2016-17 and all of these students are Wisconsin residents, the Legislature would need to provide an additional \$175,900 in 2015-16 and

\$469,100 in 2016-17 to provide \$5,864 in tuition assistance to each of the students enrolled at the new campuses. If both campuses enroll 100 students in 2019-20, tuition assistance to students at the new campuses could total \$1,172,800. However, if the Legislature elects not to provide additional funding for tuition assistance in future biennia, the amount of tuition assistance per student would be reduced as enrollments in the new campuses increase. For example, if additional funds are not provided in the 2015-17 biennium, it is estimated that tuition assistance resident students would be reduced from \$5,864 in 2012-13 to \$5,367 in 2015-16 and \$4,711 in 2016-17.

16. As drafted, the building program amendment to the bill specifies that MCW's community medical facilities would be located in the cities of Green Bay and Wausau. At this time, MCW believes that the Green Bay area campus will be located in De Pere and the central Wisconsin campus will be located in Wausau. MCW has requested that the Committee delete the references to the cities of Green Bay and Wausau and replace them with references to northeast Wisconsin and central Wisconsin. This would provide MCW with flexibility regarding the locations of the primary campuses and allow them to consider other options if needed.

ALTERNATIVES

1. Approve the Building Commission's recommendation to enumerate Medical College of Wisconsin community medical education facilities as part of the 2013-15 building program at a total cost of \$14,768,600 under the 2013-15 state building program. Authorize the Building Commission to provide \$7,384,300 in general fund supported bonding to aid in the remodel, development and renovation of two community medical facilities.

ALT 1	Change to Bill Funding
BR	\$7,384,300

2. Modify the Building Commission's recommendation to replace the references in the amendment to the cities of Green Bay and Wausau with references to northeast Wisconsin and central Wisconsin.

ALT 2	Change to Bill Funding
BR	\$7,384,300

3. Delete the Building Commission's recommendation.

Prepared by: Emily Pope