



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 23, 2013

Joint Committee on Finance

Paper #366

Dental Education Contract (Higher Educational Aids Board)

[LFB 2013-15 Budget Summary: Page 261, #3]

CURRENT LAW

Up to 160 resident students enrolled in the doctor of dental surgery (D.D.S.) degree program at Marquette University may receive an annual tuition subsidy of \$8,753. Due to reduction in the 2009-11 budget, the amount of the tuition subsidy is currently \$8,665 per student. Annual base level funding is \$1,386,400 GPR.

GOVERNOR

Provide \$173,300 GPR in 2013-14 and \$346,600 GPR in 2014-15 and increase the statutory limit on the number of dental students who may receive a tuition subsidy to 200 in 2013-14 and thereafter.

DISCUSSION POINTS

1. Originally founded in 1894, the Marquette University School of Dentistry (MUSOD) is the only dental school in the state of Wisconsin. Since 1973, the Legislature has provided funds to reduce tuition charges to resident students enrolled at MUSOD through an appropriation under the Higher Educational Aids Board (HEAB). According to a report prepared for the Wisconsin Dental Association, 61% of Wisconsin dentists received their D.D.S. from Marquette.

2. The 1999-01 biennial budget provided \$15,000,000 general fund supported borrowing for the construction of the existing dental school facility. The facility, which was built at a total cost of \$30,000,000, opened in 2002 and replaced a facility built in 1922. Following the completion of the dental education facility in 2002, the dental school increased its class size from 75

students to 80 students. In addition, the 2001-03 biennial budget increased the number of resident students who could receive tuition subsidies through the appropriation under HEAB from 100 students (25 per class) to 160 students (40 per class) and increased the funding provided proportionally. Under the 2003-05 biennial budget, the amount of the tuition subsidy was reduced from \$11,670 per resident student to \$8,753.

3. The 2011-13 biennial budget provided \$8,000,000 in general fund supported borrowing for an addition to the existing dental school facility. The addition, which is currently under construction and has a total budget of \$16,000,000, would provide additional space for clinical service and patient care to allow the dental school to serve more patients and would provide faculty practice and research space, which would help the school recruit and retain faculty members. The addition would also include a larger simulation laboratory which would allow the dental school to increase its class size by 20 students from 80 to 100 beginning in fall, 2013. The simulation laboratory in the existing facility has 80 simulation stations; the new simulation laboratory in the addition will have 106 simulation stations.

4. MUSOD has indicated that half of the additional seats (10 per class) would be reserved for Wisconsin resident students increasing the number of seats reserved for those students from 40 per class to 50 per class. The additional students would first enroll during the 2013-14 academic year at which point total resident enrollment would be 170 students. It is anticipated that a total of 180 Wisconsin resident students would be enrolled in MUSOD during the 2014-15 academic year, 190 Wisconsin resident students would be enrolled in 2015-16, and 200 Wisconsin resident students would be enrolled in 2016-17.

5. The Governor's budget would increase the dental education contract appropriation by \$173,300 in 2013-14 and \$346,600 in 2014-15. As the current subsidy amount is \$8,665, these amounts would be sufficient to provide subsidies to an additional 20 Wisconsin resident students in 2013-14 and 40 Wisconsin resident students in 2014-15. However, the number of Wisconsin resident students enrolled in MUSOD is expected to increase by 10 in each year to 170 in 2013-14 and 180 in 2014-15. Providing subsidies of \$8,665 to these additional students would cost \$86,700 in 2013-14 and \$173,300 in 2014-15. To reflect the projected cost of providing subsidies to additional Wisconsin resident students in this biennium, the Committee could reduce the amount of funding provided in the dental education contract appropriation by \$86,600 in 2013-14 and \$173,300 in 2014-15.

6. However, if the Committee approves the amount of funding provided in the Governor's budget, the Committee would not have to revisit this issue while considering the 2015-17 biennial budget as there would be sufficient funding to provide subsidies of \$8,665 to 200 Wisconsin resident students, the number of such students expected to be enrolled in 2016-17, in HEAB's base budget. The funding provided beyond the amount required to provide subsidies of \$8,665 to Wisconsin resident students enrolled in MUSOD during the 2013-15 biennium (\$86,600 in 2013-14 and \$173,300 in 2014-15) will not be expended by HEAB and will lapse to the general fund at the end of each year.

7. MUSOD is increasing its class to proactively address a potential shortage of dentists in the state caused by an anticipated increase in retirements. Data from the American Dental

Association shows that, in 2009, 48% of dentists practicing in Wisconsin (1,512) were over the age of 55 making them likely to retire in the next five to ten years. MUSOD cites the high percentage of Wisconsin dentists who may retire by 2020 as the primary reason for increasing its enrollments.

8. Increasing the number of Wisconsin resident students in particular should have greater impact on the potential dentist shortage because Wisconsin resident students are more likely to remain in Wisconsin to practice dentistry than nonresidents. According to MUSOD, 83% of Wisconsin resident students who graduated between 1997 and 2009 remained in Wisconsin to practice dentistry compared to 15% of nonresident students. MUSOD also gives Wisconsin resident students preference in terms of admission. According to data provided by MUSOD regarding 2011-12 admissions, 189 Wisconsin residents applied for the 40 seats reserved for resident students. By comparison, 2,393 nonresidents applied for the remaining 40 seats.

9. The tuition subsidy provides an incentive for Wisconsin resident students to attend dental school in Wisconsin and reduces the amount of student debt that those students graduate with. The resident tuition rate charged by MUSOD is the difference between the nonresident rate and the amount of the state-funded tuition subsidy. In 2012-13, the nonresident tuition rate is \$49,650 and resident tuition rate is \$40,990. Data provided by MUSOD shows that the resident tuition rate charged by MUSOD is less than the nonresident rate charged by 12 dental schools located in nearby states thus providing a financial incentive for Wisconsin resident students to attend MUSOD. The average nonresident rate charged by these dental schools was \$58,748; the University of Michigan charged the lowest nonresident rate at \$44,532. This comparatively low tuition rate may have contributed to MUSOD's success in retaining dental students in this state. According to data provided by MUSOD, an average of 66 Wisconsin residents enroll in dental schools each year; of this number, 40 enroll at MUSOD. Over four years of enrollment, resident students receive tuition subsidies totaling \$34,600 which should reduce their total student debt load by the same amount.

10. In contrast to the potential dentist shortage identified by MUSOD, a study conducted by researchers at the University of Connecticut for the Wisconsin Dental Association (WDA) and released in January, 2010, found that Wisconsin residents with the resources to purchase dental services in the private sector will have the same or better access to dental care in 2020 as they did in 2010. This is largely the result of comparable projected percentage increases in both the number of dentists and the state population. However, the University of Connecticut research team based their estimate of the number of dentists in Wisconsin in 2020 on the average annual increase in Wisconsin dentists from 2000 to 2009 instead of on estimates of the number of dentists who would be trained in the state, the expected migration of dentists into and out of the state, and estimated future retirements. Given the large number of dentists who are expected to retire by 2020, it is possible that their model overestimated the number of dentists who would be active in the state in that year.

11. In addition to training more dentists to address a potential dentist shortage, increasing enrollments at MUSOD would benefit the state by increasing dental services provided to low-income patients. MUSOD operates three dental clinics in Milwaukee and MUSOD faculty and students provide dental services through partnerships with clinics located in Appleton, Beloit, Eau

Claire, and Stevens Point. Each of those clinics provides dental services to low-income patients including patients covered by Medicaid. Increasing the number of students enrolled in MUSOD would also increase the number of students working in these clinics resulting in an increase in services provided.

12. MUSOD receives funds to provide dental services in underserved areas and to underserved populations through an appropriation for dental services under the Department of Health Services (DHS). In 2011-12, MUSOD received \$2,378,160 for dental services in underserved areas and to underserved populations through the DHS appropriation; MUSOD estimates the total value of such services provided at more than \$13.8 million in that year. MUSOD also receives \$53,806 annually through the DHS dental services appropriation to support a school-based sealant program on Milwaukee's south side.

13. Under 2009 Act 28, funding for the dental education contract was reduced by \$14,000 as part of a 1% across-the-board reduction of most nonfederal appropriations. As a result, the tuition subsidy provided to resident students enrolled in MUSOD was reduced from \$8,753, the amount specified in statute, to \$8,665. If the Committee approves this increase in funding, which would provide tuition subsidies of \$8,665 to an additional 40 resident students annually, then it should also modify the statutes to reflect the current value of the subsidy. Alternatively, the Committee could provide an additional \$14,900 in 2013-14 and \$15,800 in 2014-15 which would be sufficient to provide tuition subsidies of \$8,753 to each Wisconsin resident student.

14. If the purpose of the tuition subsidy provided to Wisconsin resident students enrolled in MUSOD is to increase the number of dentists in the state, the Committee could consider creating a dentist loan assistance program instead of expanding the existing subsidy program. A dentist loan assistance program, which would be similar to existing loan assistance programs for physicians, dentists, and health care providers under the UW System, would partially repay the student loans of dentists practicing in this state. The advantage of a loan assistance program is that all of the funds would go to dentists practicing in Wisconsin whereas dentists who received tuition subsidies while enrolled in MUSOD may practice wherever they wish following graduation. In addition, these funds could be used to attract dentists from other states or to retain nonresident students enrolled in MUSOD.

15. However, without the tuition subsidy, fewer resident students may enroll in MUSOD. If the tuition subsidy had not been provided in 2012-13, resident students at MUSOD would have been charged the nonresident rate of \$49,650. This would have been higher than the nonresident tuition charged by two dental schools in nearby states, the University of Michigan and the University of Pittsburgh, which charged \$44,532 and \$46,566 respectively. In addition, 83% of dentists who receive tuition subsidies later practice in this state meaning only a fraction of students who receive the tuition subsidy do not later practice in the state. Lastly, a dentist loan assistance program would be significantly more difficult to administer than the current tuition subsidy program.

16. If the Committee does not wish to provide additional funding for tuition subsidies for Wisconsin resident dental students, the Committee could either keep the statutory cap on the number of students who receive the tuition subsidy at 160 or increase the statutory cap and decrease

the amount of the subsidy per student. If the Committee does not increase the statutory cap on the number of students who may receive the tuition subsidy, the amount of the subsidy would remain at \$8,665. In that case, it would be up to MUSOD to decide whether to admit 10 additional resident students who would be charged the full, nonresident tuition rate or to fill those seats with nonresident students. If the Committee were to increase the statutory cap on the number of students who may receive tuition subsidies from 160 to 200 but not increase the amount of funding provided, it is estimated that the amount of the tuition subsidy provided to Wisconsin resident students enrolled at MUSOD would decrease from \$8,665 in 2012-13 to \$8,155 in 2013-14, \$7,702 in 2014-15, \$7,297 in 2015-16, and \$6,932 in 2016-17. If the tuition subsidy had been \$6,932 in the current year, resident tuition at MUSOD would still have been lower than the nonresident rate charged by 12 dental schools in nearby states. In that case, resident tuition at MUSOD would have been \$42,723 compared to \$44,532 for nonresident students at the University of Michigan which had the lowest nonresident tuition rates of dental schools in nearby states.

ALTERNATIVES

1. Approve the Governor's recommendation.
2. Modify the Governor's recommendation to increase the number of dental students who may receive a tuition subsidy to 170 in 2013-14, 180 in 2014-15, 190 in 2015-16, and 200 in 2016-17 and thereafter. This would be consistent with estimates of the number of resident students who would enroll in the D.D.S. program in those years.
 - a. Reduce the statutory subsidy amount from \$8,753 to \$8,665 to reflect the current amount of the subsidy. Reduce the amount of funding provided by \$86,600 in 2013-14 and \$173,300 in 2014-15. Under the alternative, it is anticipated that MUSOD would request an additional \$86,700 in 2015-16 and \$173,300 in 2016-17 for the dental education contract in the 2015-17 biennium.

ALT 2a	Change to Bill Funding
GPR	- \$259,900

- b. Maintain the statutory subsidy amount at \$8,753. Reduce the amount of funding provided by \$71,700 in 2013-14 and \$157,500 in 2014-15. Under the alternative, it is anticipated that MUSOD would request an additional \$87,500 in 2015-16 and \$175,100 in 2016-17 for the dental education contract in the 2015-17 biennium.

ALT 2b	Change to Bill Funding
GPR	- \$229,200

3. Delete the Governor's provision and instead create a dentist loan assistance program. Provide \$173,300 in 2013-14 and \$246,600 in 2014-15 for the new program.

4. Increase the number of dental students who may receive a tuition subsidy to 200 in 2013-14 but delete the additional funding provided. Under this alternative, it is estimated that the amount of the tuition subsidy would be \$8,155 in 2013-14, \$7,702 in 2014-15, \$7,297 in 2015-16, and \$6,932 in 2016-17.

ALT 4	Change to Bill Funding
GPR	- \$519,900

5. Delete provision. The number of dental students who could receive a tuition subsidy would remain at 160 and the amount of the tuition subsidy would continue to be \$8,665. Under this alternative, it would be left to MUSOD to determine whether to admit 10 additional resident students each year who would be charged the full, nonresident tuition rate or to fill those seats with nonresident students.

ALT 5	Change to Bill Funding
GPR	- \$519,900

Prepared by: Emily Pope