REPORT OF THE STANDING COMMITTEE ON FINANCE

**Background:** In January 2001, the Commission on Dental Accreditation (CODA) established a Standing Committee on Finance to assist the Chair in planning the Commission’s annual budget. In 2010, CODA reaffirmed the Finance Committee as a standing committee of the Commission. In Summer 2014, the Commission modified the charge of the Finance Committee to include oversight of the Commission’s Research and Development Fund. In Winter 2019, the Commission modified the charge of the Finance Committee to include review and recommendations regarding the Intercompany Memorandum of Understanding and Shared Services. In January 2020, the Commission modified the charge of the Finance Committee to replace “Research and Development Fund” with “Administrative Fund” as an oversight responsibility of the Finance Committee.

The Finance Committee’s charge is to: Monitor, review and make recommendations to the Commission concerning the annual budget, provide administrative oversight of the administrative fund, and review and make recommendations regarding the Intercompany Memorandum of Understanding and Services Agreement.

**June 12, 2020 Finance Committee Videoconference Meeting:** The Standing Committee on Finance met on June 12, 2020 via videoconference. Dr. Jeffery Hicks, chair, Finance Committee and vice chair, CODA, Dr. John Agar, Dr. Kevin Haubrick, Dr. Monica Hebl, Dr. Steven Levy, Mr. Charles McClemens, Dr. Bruce Rotter, and Dr. Marybeth Shafer were in attendance. Dr. Sherin Tooks, director, CODA; Ms. Michelle Smith, Ms. Jennifer Snow, and Ms. Peggy Soeldner, managers, CODA; and Mr. Naveed Mughal, budget manager, Education and Professional Affairs, ADA, were also in attendance.

The Standing Committee reviewed its charge as its first order of business.

**Update on 2019-2020 Budget Activity and Update on 2021 Budget:** The Standing Committee on Finance reviewed the Commission’s 2020 budget activity for CODA’s U.S.-based program, CODA’s international program, and CODA’s Preliminary Accreditation Consultation Visit (PACV) program, including year-end 2019 actuals. The Committee also discussed the 2021 Budget process along with a comparison of the CODA 2020 and 2021 budget for all three (3) programs within CODA. The Finance Committee noted that for its Winter 2021 meeting it would be helpful to have information on the year-end revenue and expenses for 2020 and 2021 in order to further assess CODA’s operational needs when establishing the 2022 budget. Additionally, the Finance Committee discussed the impact that COVID-19 may have on program closures. The Finance Committee noted that no trend in program closures could be identified at this time; however, CODA should monitor the impact of COVID-19 on program closures as it may relate to CODA’s future budget projections.

**Finance Committee Recommendation:** This report is informational in nature and no action is required.
Review of CODA Administrative Fund: The Finance Committee noted that the Commission, at its Winter 2020 meeting, renamed the CODA Research and Development Fund to the CODA Administrative Fund. The Committee noted that the prior fund (aka Research and Development) was uncapped in 2014, through an action by the ADA Board of Trustees to remove the monetary cap on the Commission’s Research and Development Fund and granted CODA administrative oversight of the Fund, with an annual informational report to the Board.

At its Winter 2020 meeting, and under the advice of the American Dental Association (ADA) and ADA-CODA Relationship Workgroup members, the Commission renamed its uncapped Research and Development Fund to the CODA Administrative Fund, with only two changes to the policy on use of this fund, which expanded its use for the following: 1) Expenses related to the Shared Services Agreement with the American Dental Association not previously budgeted, and 2) Other business purposes as applicable to the work of the Commission on Dental Accreditation.

The Commission reviewed the April 30, 2020 and May 27, 2020 letters from the ADA as well as the June ADA-CODA Relationship Workgroup Report (Commission Only, Appendix 1) stating that the pre-existing fund had been altered by the ADA-BOT during its April 3, 2020 meeting (B-56-2020) to impose a $300,000.00 cap on CODA’s Administrative Fund. The Finance Committee noted that the Administrative Fund is no different from the Research and Development Fund. Further, there was no indication to CODA that such a change would be mandated, and there was no discussion among the ADA-CODA Relationship Workgroup related to such a mandate. The Finance Committee also noted that another ADA Commission, whose Research and Development Fund CODA used as a model for its own fund, currently retains an uncapped Research and Development Fund while CODA’s Administrative Fund has been capped.

The Finance Committee believed that the cap does not demonstrate equity among the ADA’s Commissions. The Committee also noted that prior to renaming the Administrative Fund, the fund was uncapped. Additionally, the primary concern and rationale provided by the ADA for the cap (potential impact on student/resident/fellow tuition) appeared to the Finance Committee to be unsupported. The Committee noted the ADA’s statement that if the Commission needed financial resources, beyond the capped Administrative Fund, CODA could in extraordinary circumstances make an expedited request for funds through the ADA’s own reserve or contingent funds. The Finance Committee concluded that the cap dictated by the ADA appeared to have no rationale to support the designated amount of $300,000.00.

Following extensive discussion, the Finance Committee believed that the Commission should communicate with the ADA the concerns that: 1) there appears to be a lack of understanding of CODA’s revenue and expenses related to the impact on dental education, 2) the imposed cap on the Administrative Fund is not reflective of CODA’s needs, and 3) the expectation that CODA apply for funding through the ADA for projects that exceed its cap can create delays and can be subject to the ADA’s own priorities.
Finance Committee Recommendation: It is recommended that the Commission on Dental Accreditation direct a formal communication to the ADA to express the Commission’s concerns (noted above) related to the action by the ADA Board of Trustees to impose a cap on the Commission’s Administrative Fund and to request further consideration by the ADA-CODA Relationship Workgroup.

The Standing Committee also reviewed the CODA Administrative Fund Balance Sheet and Disbursement Accounting Form. The Committee noted approved expenditures for two (2) projects in 2016. No expenditures were made 2017 through 2019. The Commission expected to use Administrative Funds to support a Mega Issue discussion in Summer 2020; however, due to a shift in operational priorities as a result of COVID-19, CODA canceled the Mega Issue Discussion in 2020. The Standing Committee noted that the year-end balance for 2019 was $256,025, and the estimated year-end balance for 2020 is $306,075, which has the potential to exceed the ADA-imposed cap by $6,075.

The Finance Committee discussed projects associated with CODA’s 2017-2021 Strategic Plan and other initiatives that may require funding through the Administrative Fund. These projects could include mega issue discussions, development of CODA’s 2022-2026 strategic plan, electronic enhancements, and other accreditation-related initiatives. The Standing Committee will also monitor usage of the Research and Development Fund to ensure that CODA’s policy aligns with CODA’s needs for use of the research and development funds.

Review of Intercompany Memorandum of Understanding and Services Agreement: The Standing Committee reviewed the Shared Services allocations for 2019, noting that the expected year-end allocation of $746,749 is consistent with the 2018 allocation amount. The Standing Committee discussed the history of the Shared Services Agreement, noting that the Commission made suggested edits to the agreement which appeared to be accepted by the ADA Board of Trustees (BOT). The Finance Committee also noted that the Board of Trustees applied language to the agreement, which states “Notwithstanding the foregoing, at no time shall the balance of the Administrative Fund contain more than $300,000.00.” The Finance Committee believed that the Commission should express its disagreement with the cap noted within the Shared Services Agreement.

Finance Committee Recommendations: It is recommended that the Commission on Dental Accreditation direct a communication to the ADA that the Commission agrees to the Shared Services Agreement, except for the language imposed by the ADA that places a cap on the Commission’s Administrative Fund.

It is further recommended that the Commission on Dental Accreditation engage in discussion and negotiation with the ADA-CODA Relationship Workgroup related to the ADA-imposed cap on CODA’s Administrative Fund.

Timeline (Long-Term Plan) to Assume Total Expenses: The Finance Committee discussed CODA’s long-term plan to assume total expenses. The Committee believed that CODA had assumed all direct and indirect expenses since 2015, the year that the Commission and ADA
began to calculate annual shared services (indirect expenses) based on actual expenses, prospectively within the Commission’s budget. The Standing Committee noted CODA’s actions of Winter 2020 to rename the Research and Development Fund to the Administrative Fund, with appropriate revision to CODA’s policies and notification to the ADA-CODA Relationship Workgroup and ADA Board of Trustees. Further discussion on the long-term plans to assume total expenses are noted within the review of CODA’s Administrative Fund section of this report.

**Finance Committee Recommendation:** This report is informational in nature and no action is required.

Authority to Determine and Manage Annual Operating Budget: The Finance Committee briefly discussed Strategic Plan Goal 2-Objective 2, noting that it continues to move forward with plans to submit a resolution to the ADA Board of Trustees and/or House of Delegates (as appropriate) to grant CODA autonomy in setting and managing its annual budget. The Finance Committee noted that in Summer 2017, the Commission directed postponement of the request until the year 2020. Subsequently, at its Winter 2020 meeting, the Commission directed a delay of two (2) additional years, until 2022, of its plan to obtain sole authority to set and administer its annual operating budget. This delay was made so that CODA could establish a proven track record of its ability to be fiscally responsible and cover all of its expenses (direct and indirect), given the corresponding term length of a new Shared Services Agreement to extend until the year 2022. The Finance Committee believed that the Commission should continue to monitor this strategic goal through the ongoing discussions of the ADA-CODA Relationship Workgroup.

**Finance Committee Recommendation:** This report is informational in nature and no action is required.

Update on ADA-CODA Relationship Workgroup: The Finance Committee further discussed the most recent ADA-CODA Relationship Workgroup meeting activity, include the report of the Workgroup to the ADA Board of Trustees, as noted elsewhere in this report. Since 2014, the ADA-CODA Relationship Workgroup has met annually to maintain open lines of communication regarding the financial and governance relationship between CODA and the ADA. The Finance Committee noted that additional Workgroup meetings will occur in August 2020 to further the discussion on the Intercompany Memorandum of Understanding and Services Agreement.

**Finance Committee Recommendation:** This report is informational in nature and no action is required.

New Business: Administrative Fund Fee for 2021: As noted elsewhere in this report, the Standing Committee noted that the year-end Administrative Fund balance for 2019 was $256,025, and the estimated year-end balance for 2020 is $306,075. Since the ADA Board of Trustees has placed a cap of $300,000.00 on CODA’s Administrative Fund, there is a potential to exceed the ADA-imposed cap by $6,075 in 2020. The Finance Committee noted that the excess CODA Administrative Funds would be deposited in the ADA’s operational budget. The Finance
Committee also noted that, in Winter 2020, the Commission directed there be no (0%) increase in CODA’s annual accreditation fees for 2021, which would result in projected revenue covering approximately 150% of its direct expenses and 117% of its total (direct and indirect) expenses. Additionally, in Winter 2020, the Commission further directed that the CODA Administrative Fund administrative fee be increased from $35 to $100 per program in the year 2021. The Committee noted that the Commission considers the annual and administrative fees on an annual basis as part of its budget preparation process a full calendar year in advance of its budget operational year, and the Administrative Fund fee was established in Winter 2020 in relation to the 2021 CODA budget.

At this meeting, the Finance Committee reconsidered these actions in light of the ADA Board of Trustee’s April 2020 action to cap CODA’s Administrative Fund, as well as CODA’s expected attainment of the maximum fund limit in 2020. The Finance Committee also noted the impact of COVID-19 on educational programs, which may result in difficult financial times for programs in 2020 and 2021. The Commission has already refunded the doubled annual accreditation fee to programs that were scheduled for a 2020 site visit, which were delayed until 2021, noting that doubling of the fee will be applied in the year in which the site visit occurs. In an effort to further support educational programs, the Finance Committee recommended that CODA retain the $100 per program administrative fee moving forward but waive the fee for all programs in 2021. The Committee noted that this change, should it be approved by CODA, will have no budgetary impact to the Commission’s 2021 operational budget.

**Finance Committee Recommendation:** It is recommended that the Commission on Dental Accreditation direct that in 2021 the annual $100 per program Administrative Fund fee be waived for all Commission-accredited dental and dental related education programs.

**Commission Actions:**

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Page Holder for Appendix 1, Commission Members Only

Letters & ADA-CODA Relationship Workgroup Report