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## Unbudgeted Expense Reserve

There may be times when unplanned, non-discretionary expenses are incurred by UCR from time-to-time and no administrative allowance in the current and the following year's budget exists. In such cases, the UCR administrative allowance may become stressed, without providing a means by which the UCR Board of Directors (the Board) can fund the unplanned expense(s). If this happens, the Board may face periods of insolvency, or worse. When such unplanned expenses are not discretionary, and are unusual in nature, the Board believes it prudent to develop an alternative means by which to fund the expense(s) and avoid insolvency. For this reason, the UCR Board has established an Unbudgeted Expense Reserve policy.

This policy is intended to define situations when an unbudgeted expense has (i) occurred and is not discretionary, (ii) establish an amount to initially provide funding for the reserve, and (iii) establish a means by which the reserve may be replenished if necessary.

1. Unbudgeted expenses must be non-discretionary, unusual in nature, and significant in amount
  - a. Unplanned, Non-discretionary expenses are defined as those costs that the Board cannot avoid out of necessity and are not included in the current year's administrative cost allowance as identified in the approved annual budget
    - i. Non-discretionary expenses must arise from legal action (legal costs of UCR counsel and court awarded legal costs for plaintiff's counsel), or
    - ii. Court ordered costs for damages arising out of a legal proceeding, or
    - iii. Costs to maintain or repair a deficiency in the National Registration System (NRS) that are not for the creation of new features or software code and such activities are not capital in nature, or
    - iv. Labor costs for necessary support for the Board, such as an Executive Director, or
    - v. Any other significant and unusual expense that the Board must fund from the current year's budget
    - vi. "Unusual in nature" means it is outside of the normal course of UCR business and could not have been reasonably expected when recommending an administrative allowance
    - vii. "Significant in amount" means a total cost in excess of \$50,000 in the aggregate for each unplanned event

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2. Initial funding for the Unbudgeted Expense Reserve must be sufficient in amount to cover significant unplanned expenditures for the future
  - a. The initial funding must come from existing funds at the time this policy becomes effective, that are not yet pledged to be returned to industry through a fee change recommendation already issued by the Board to the Secretary of the US Department of Transportation (the Secretary) and the FMCSA. Under no circumstance can the initial funding come from a fee change recommendation
  - b. This funding must be deposited in the Daily Liquidity Account or some other highly liquid account that earns a modest rate of return for industry and is securely managed by the Board or its designee
  
3. The Unbudgeted Expense Reserve can be replenished if necessary
  - a. When the Unbudgeted Expense Reserve declines to an amount less than \$250,000 then the Board shall consider the replenishment of the reserve
  - b. The replenishment amount shall not increase the total amount of the reserve to a level in excess of \$2,500,000 without the approval from the Board