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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, or 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: (i) define situations when an unbudgeted expense has occurred and is not discretionary or is unusual in nature, (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 or unusual in nature, and significant in amount
  - a. Unplanned, non-discretionary or unusual expenses are defined as those costs that the Board cannot avoid out of necessity or are deemed by the Board to be necessary to support the operations of the UCR Plan and are not included in the current year's administrative cost allowance as identified in the approved annual budget. Examples of such expenses include, but are not limited to:
    - i. Non-discretionary expenses arising from legal action (legal costs of UCR counsel and court awarded legal costs for plaintiff's counsel), or
    - ii. Court ordered costs for damages or settlement costs arising out of a legal proceeding or potential 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, or
    - v. Any other significant and unusual expense that the Board must fund in the current year.
  - b. "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

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- c. "Significant in amount" means a total cost in excess of \$50,000 in the aggregate for each unplanned event
2. Initial funding for the Unbudgeted Expense Reserve must be sufficient in amount to cover significant unplanned expenditures for the future. 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
3. The Unbudgeted Expense Reserve may be replenished if necessary
  - a. When the Unbudgeted Expense Reserve declines to an amount less than the authorized cap, then the Board may 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