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Financial Reserve

Overview

Due to the unique provisions of the UCR Act (“the Act”) there is a significant risk that administrative operating funds, needed to maintain the Plan, will not be available. Therefore a financial reserve fund is both necessary and prudent to safeguard the normal day-to-day operations of the Plan.

The Act provides for annual operating funds, but only after all participating states have achieved their revenue entitlements for each registration year. However, the total amount of proceeds necessary to fully fund all 41 states in the program is not guaranteed and may not occur. In this situation, the Plan will need to have sufficient reserves to sustain operations. In addition, there is a liquidity challenge because the Plan must fund administrative activities ratably throughout the year, but will not receive any funding until late in the year, after all states have received their statutory entitlement.

For these reasons, the UCR Board has enacted the following Financial Reserve Policy:

- 1. Liquidity:** A reserve equal to the current year’s operating budget as authorized by the UCR Board is necessary to provide liquidity to the Plan. The Act requires that all participating states must receive their own revenue entitlements before the Plan can receive any administrative funding. Therefore, those funds do not typically start to become available until very late in the calendar year of the current registration period and often will not be received until the following year.
- 2. Risk of Not Obtaining Administrative Funds:** A reserve equal to the projected operating budgets for the next two succeeding years is necessary to provide continuity to the Plan’s operations in the event that total depository receipts for the current registration period do not exceed the total combined fee entitlement for all participating states. When this occurs, the Plan is not entitled to any administrative funding for the year. In such an instance, the Plan’s sole remedy is to seek a rate increase from the FMCSA for the next subsequent year in accordance with the procedures set forth in the Act. Consequently, it will require at least a third full year before any administrative operating funds are received by the Plan. This reserve is in addition to the “Liquidity” reserve.

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3. **Special or Capital Projects:** A special reserve may from time-to-time be authorized by the Board, at its sole discretion, to fund special or capital projects. The purpose for this reserve is to allow the Board flexibility to plan for future capital requirements for large projects over a period of years. This reserve cannot exceed one-half of the amount of the annual administrative costs authorized by the most recent fee rule. Funding of this reserve requires a majority vote from the UCR Board present (in person or by telephone) at a meeting of the Board where a quorum has been achieved. This reserve is in addition to the “Liquidity” and the “Risk of Not Obtaining Administrative Funds” reserves.