

A contingency fund is cash or other assets reserved to address unforeseen circumstances or losses in a business. The role of the contingency fund is to improve a company's financial stability by.

Note that we would expect to have 16 percent of the counted valves left over, as these were for protection against running out and were expected to be used only for extraordinary circumstances. The results are shown in Table . This usage can cause confusion: Some project personnel, assuming the contingency addresses systematic error or bias, expect that they are entitled to use it all up, whereas others, who believe it is allocated to cover random error or chance, expect that contingency funds will be left over and ought to be returned to the project sponsor. Not surprisingly, those who expect to expend all contingency funds tend to be project managers, and those who expect to see at least some of the contingency allowance returned tend to be owners. In practice, relatively few projects return leftover contingency funds to the sponsor. In general, project directors regard contingency funds as theirs to use; if the risks fail to materialize, the funds are expended on something else, such as project improvements. Thus there is no agreement either on 1 how large a contingency should be or 2 the basic point of whether the contingency is an unassigned cost that is intended to be spent or a reserve that is intended not to be spent. Page 55 Share Cite Suggested Citation: The National Academies Press. The total authorized budget for accomplishing the program scope of work. It is equal to the sum of all allocated budgets plus any undistributed budget. Management reserve is not included. An amount of the total budget withheld for management control purposes rather than being designated for the accomplishment of a specific task or set of tasks. Management reserve, by contrast, is not included in the budget and therefore presumably is not expected or intended to be expended. Although the proper amount of contingency is debatable, if the contingency is set too low upper management will be in the position of micromanaging the project, and if it is set too high management may not be sufficiently involved. This point will vary with different organizations and different types of projects. However, if upper management takes the view that there are always uncertainties associated with estimating and executing projects and that competent people are hired to manage these activities, contingency can be set at a level that keeps upper management informed and involved but does not require repeated approvals for additional funding. A probabilistic view of risk can help to guide this approach. If a probability distribution that represents uncertainty in the cost or duration of an activity is assumed, contingency can then be viewed as an amount of money or time, in the case of project schedules added to the mean or expected value of the cost or duration of that activity. The risk of overrun is thus the probability that the actual cost or duration would be greater than the mean plus the contingency. If the project cost is considered a random variable with an associated mean value, the deterministic or single-point value that is typically quoted as the project or activity estimate may not bear any relationship to the mean or expected value of its probability distribution. The point estimate might be the mode of the distribution, or the median, but most commonly will not be based on the Page 56 Share Cite Suggested Citation: See Box for a discussion of the fallacy of point estimates. If the cost estimates for all the work packages in a project are known to be the mean values of their individual distributions, then the mean value of the total project would be the sum of these values and the contingency could be added to it. However, individual work package estimates are seldom the mean values of their distributions. As a result, the sum of these estimates is not the mean value of the total cost or duration but a BOX The Fallacy of Point Estimates The fallacy of point estimates has been immortalized by the legendary statistician who drowned while fording a river that was on average 3 feet deep. The fallacy of point estimates provides some insight on why projects are frequently late. Consider a project consisting of 10 parallel tasks, each of average duration 2 weeks. Many project managers are under the misconception that the average completion time of the project is therefore also 2 weeks. However, the project will finish in 2 weeks only if each of the 10 tasks finishes in average or below average time. Assuming independent symmetric distributions for each task, the chance of this is less than 1 in 1, The average of the maximum of 10 durations is greater than the maximum of the average of the 10 durations. This concept also provides insight on why projects are frequently over budget. Consider the example of a

laboratory that must inventory cases of a perishable chemical, demand for which is uncertain but averages five cases per month. Accordingly, the lab plans to stock five cases. The cost of maintaining the inventory has two components: The additive cost associated with the average demand of five is zero, so most managers think this is the average cost. But the cost of five is the minimum cost. The actual cost is greater than the cost of the average demand. Adapted from Savage Page 57 Share Cite Suggested Citation: Therefore, summing the estimates for all work packages without the discipline of using their mean values will result in a total cost estimate that includes unknown uncertainty. For these reasons, work package estimates, even at the lowest level, often contain some contingency factor. First, there is built-in bias from the estimator, who may expect to be criticized more severely for an underestimate than for an overestimate. Second, there is a need to cover errors in estimating, which are usually errors of omission; for example, in taking quantities off drawings, a quantity estimator is more likely to undercount than to overcount. Even if a computer does the quantity estimates, some items may be missing from the drawings and others may be added later, all contributing to a bias toward undercounting. The addition of a contingency offsets this bias. Finally, the field construction operation will certainly take the position that having material left over due to overestimation is preferable to running out before the job is finished due to underestimation. For these and other reasons, estimators tend to add some contingency or safety factor to each work package estimate. For similar reasons, the next level upward typically also adds a contingency. Each person or organizational level that adds a contingency does so to provide protection from uncertainty, the consequences of which are generally considered to be more dire if the number is underestimated rather than overestimated. If each management level wishes to set the risk-adjusted cost estimate estimate plus contingency at some desired point on the underlying probability distribution, each manager must have some idea of the amount of contingency already incorporated in the estimates. For example, if a manager wishes to set the risk-adjusted cost estimate at approximately the 80th percentile and believes that the estimate is at the 50th percentile, then the difference in dollars or time between the 50th and the 80th percentiles must be added. However, if the manager believes the estimate is already at the 70th percentile, less will need to be added. This process does not require exact knowledge of what the lower level contingency or risk is, only that the manager is familiar with the basis for the estimation. Conversely, if a manager believes that the estimates have already been adjusted up to the 90th percentile, then the estimate can be reduced. The manager may desire a risk-adjusted cost estimate at the 80th percentile and the estimates provided may have been developed at that level. However, the subjective probability distributions used by the estimators and manager may not agree as to where the 80th percentile is. Or a contractor may feel that regardless of the desirable level of contingency or safety factor, competitive conditions do not permit itâ€”that is, although Page 58 Share Cite Suggested Citation: In general, as estimates flow upward through different levels of organizations, higher management levels will have better knowledge of strategic business or political conditions and so may make different decisions about contingencies than their subordinates. It is likely that knowledgeable owners can make better decisions about contingencies than owners who are inexperienced or who do not make the effort to become knowledgeable about the costs and duration of the projects they typically undertake. They should also include precise and consistent definitions for terminology. Equally important are discussions and examples of approaches to setting budget and schedule contingencies. Contingency is not like value engineering, change control, or other cost control methods: It is an allowance for error or a safety margin on budget overruns that does not reduce costs or risks but increases the budget. Thus, by itself, contingency is not a cost control method, as its purpose is to ensure adequate funds to pay for uncontrolled costs. The definition of contingency as a percentage of the estimated cost to complete a project, instead of a percentage of the original estimate, is an improvement, but it is a change from past practices in many cases. Project contingencies should be reported and reviewed in a consistent way that should be defined and emphasized in policy documents in order to achieve consistency across all projects. Consistency does not, however, mean the establishment of recommended or standard values or ranges for overall contingency allowances. The use of established values is a questionable practice as it encourages project managers to use these values instead of performing project-specific risk assessments. For example, a contingency percentage that might be adequate for some conventional infrastructure projects will be totally

inappropriate for big science projects, waste remediation projects, and one-of-a-kind or first-of-a-kind projects, for which the technology may be new and unproven or the volume and characterization of the wastes uncertain, and which may need to retain much larger contingencies even at the final design stage. Page 59

Share Cite Suggested Citation: First, one purpose of a contingency is to provide an allowance for unknowns in making estimates. Because these errors are predominantly errors of omission, some allowance must be added to cover them. Instead of counting all the valves, for example, one estimates them, and adds an allowance as a contingency. This type of contingency is bottom-up, i. Adding all these work package contingencies is not, however, supported by statistical analysis and can easily result in a very large number, which then becomes the project budget. Second, another purpose of contingency is risk mitigation, which is required not because of omissions in making estimates or any other uncertainty at the activity level but rather to allow for unknowns at the overall project level. For example, a capital acquisition project that is really a research and development project may depend on new technology, which requires more project-level contingency; or a waste remediation project may need a contingency to cover the possibility that the in situ waste may differ from the original characterization. These are not activity-level contingencies. This distinction is not merely semantic; there is an important difference in how such risks are estimated, and project policies and procedures should make this distinction clear. Moreover, there is a difference in how these different contingency factors are managed. But a project contingency or management reserve may cover risk factors that would have a very high impact if they occurred but that are highly unlikely to occur. Thus, for example, if the contingency allowance for a possible flood is not used because no flood occurs, then this contingency allowance should not be automatically transferred to the base budget to cover overruns in other areas. Who owns the contingency and what should happen to it if it is not expended are important issues that should be addressed in the policies and procedures documents. It can be argued that management reserves for high-impact, low-probability events should be held at the program level, not at the project level. At a minimum, these program-level contingencies alert management that there are large risks inherent in projects. Contingencies are known as risk funds in some organizations and are separated from all other budget funds unless needed for a specific project event. If a contract is for a fixed price, the contractor owns the contingency within the bid price and is entitled to it if there is any left at the end. But this is not the case with cost-plus contracts. Page 52

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Chapter 2 : Q & A: Contingency Fund | Office of Family Assistance | ACF

A contingencies fund or contingency fund is a fund for emergencies or unexpected outflows, mainly economic crises European Union. The European Union plans vast.

Written by Compton Construction on April 2, Posted in Blog When planning your construction project, establishing a budget is one of the first steps in planning a successful project. Setting a plan for where to spend the money, and budgeting for all the work takes both attention to detail and a complete scope of the project. However, there is often times unforeseen issues, or items that come up where additional work will be needed. This is where a contingency budget becomes critical. What is a contingency budget? A contingency budget is money set aside to cover unexpected costs during the construction process. How much contingency will I need? Typically that will cover any extra costs that might come up. However, it is often a bad idea to use a rate less than that, depending on the scale of the project. Identify Potential Risks Unknowns equal risks. Part of determining contingency is planning for the worst. By identifying risks, like weather and scheduling, you will get a better idea where the contingency budget might go, which will give you an idea of how much you might need. How can I minimize the risks? Preconstruction services and planning will help minimize your risks. A complete walk through with designers, engineers, architects, and contractors is a good first step. Clearly defined scope will help subcontractors know exactly what needs to get done! Other areas of Contingency spending: As projects progress, sometimes light can be shed on opportunities for future prevention, or opportunities for improvements. For example, while the project is happening, owners might suggest an upgrade to a better piece of equipment that is in perfect operating condition, but while walls are open, it is a good time to upgrade. At times, owners will often request a different finish design than was originally planned for. These can add costs, especially when the materials are upgraded. However, as long as there is budget available at the point of finish work, it can be a good idea to use the rest of the contingency budget for upgrades, and a nicer space. If my total project estimate is over my budget, should I cut my contingency? This would not be a suggested strategy. Removing this from the budget might mean you would have to find money elsewhere or pay out of pocket if an issue arises. This means, your project came in under budget and you saved money.

Chapter 3 : What is Contingency Fund? definition and meaning

Contingency fund definition is - an amount of money that can be used to pay for problems that might happen. an amount of money that can be used to pay for problems that might happen See the full definition.

We will discuss each them in detail. You can also use this technique when the project is small and not complex. This can help you save money and resources. In this technique, you take a percentage of the cost of the project and calculate the contingency reserve. This technique is used in medium to high-cost projects where you have enough resources and cannot risk the failure of the project because the stakes are high. To find the expected monetary value, you calculate the probability and impact of each event. Once you calculate this data, you multiply probability and impact together to generate the EMV of each risk. Please note that you should calculate the EMV of all risks, regardless of whether they are positive or negative. Example Let us say you have four risks with probabilities and impacts as follows: From the above table, you could argue that you may need 4, USD to manage all the negative risks, but this would not be correct. Not all possible risks are going to happen. Some of them may happen and some may not. All risks will add their EMV to the pool. The risks that do occur will use the money from the pool, but the risks that do not occur will not use money from the pool. Their unrealized risk will help cover the cost of those risks that did occur. In the above case you may need to add 1, USD to your budget to cover all identified risks. The expected monetary value concept works well when you have a lot of risks, because the more risks you identify, the better the spread of the reserve will be among all risks. If you have identified fewer risks, you will not get enough spread and your reserve may dry up too soon. The expected monetary value technique has a few drawbacks, including: In the calculation, you assume that all risks are independent, though in reality this is many times not the case. If the number of risks is small, the spread will be less and the reserve may be insufficient. There is a chance of avoiding positive risks, which may lead to you a false result. Decision Tree Analysis Decision tree analysis is a quantitative risk analysis technique. This technique helps you select the best choice from many available options. This is a graphical technical which looks like a tree. Hence, it is known as decision tree analysis. In a decision tree calculation, you determine multiple choices and the probability of each occurring as well as the impact. You will also need to find the expected monetary value of each event and select the best choice. Calculate the expected monetary value of the best choice. In the given example, you have three choices: As you can see from the figure, all three choices are representing opportunities. Therefore, you will find the expected monetary value of three events and go with the most favorable. Normally you are trying to get the maximum profit. Okay, let us find out the EMV of all three events. In the diagram, you have been given the probability of one event. The probability of the other event is not given. Keep in mind that if all risks are negative, you select the least negative option. This is because you want to spend the least on managing the risks. Monte Carlo Simulation This technique was invented by an atomic nuclear scientist named Stanislaw Ulam in It was named Monte Carlo after the city in Monaco which is famous for its casinos. This technique gives you a range of possible outcomes and the probabilities for any choice of action. To perform the Monte Carlo simulation to determine the schedule, you must have duration estimates for each activity. You have three activities with the following estimates in months: In the best case, it will be finished in 15 months, and in the worst case it may take 23 months. Now, if we run the Monte Carlo simulation for these tasks five hundred times, it will show us results like this: The above information is for illustration purposes only, and is not taken from an actual Monte Carlo simulation test result. Likewise, you can run the Monte Carlo Simulation for the budget. For example, you can generate data like: So, you can see that with the use of this technique you can get valuable information which will help you make better informed decisions. As you move forward, the situation becomes clearer and you can review this contingency reserve again. If needed, this reserve can be reduced or eliminated. Contingency reserve is used to manage known risks including residual risks. Keep in mind that a fall back plan also uses the contingency reserve, as this is the plan used for identified risks. Management reserve is not an estimated reserve. Usually, the management reserve is estimated based on the uncertainty of the project. For example, if you are doing a project in which your organization has expertise, the

management reserve will be less. Management reserve is not controlled by the project manager; it is managed by the management of an organization. Whenever any unidentified risk occurs, the project manager should receive approval from management to use this reserve. Many organizations try to avoid using this kind of reserve. The opinion is that if the project manager has to come to them every time to get approval, then why keep it separate? The thinking is that the project manager can come any time they need extra money, so there is no need for any management reserve.

Project Budget You must understand the relationship between contingency reserve, management reserve, and the project budget. These are important concepts. Without these reserves, you cannot estimate the cost baseline and project budget. Let us discuss it in detail. This is the total cost of your project.

Cost Baseline When you add the contingency reserve to the cost estimate, you get the cost baseline. If you add the management reserve to the cost baseline, you will get the project budget. You should be able to differentiate between the situations and use the correct type of reserve. Below are a few cases where you should not use the management reserve. When you are over budget, you should never use the management reserve to compensate for cost overrun. The management reserve is for unidentified risks, not to cover cost overrun. Usually, in fast tracking you may encounter some risks. The first step is to identify those risks, prepare a response plan, and update the contingency reserve, though you may need to get it approved. You can also revisit your management reserve for a review. The situation will become familiar after following all these steps. For identified risks you will use the contingency reserve and for unidentified risks you will use the management reserve. However, in crashing you are authorized to use extra resources. After you complete the planning for crashing you must revisit your plan for any new risk.

Gold Plating Gold plating should be avoided and you should not use the management reserve for it.

Fall Back Plan I have mentioned it earlier and am reminding you again about this point. I often receive emails from my visitors asking why we cannot use the management reserve for the fall back plan. By definition, the management reserve is used for unknown risks. Therefore, you will use the contingency reserve for this plan, not the management reserve.

The Difference between Contingency Reserve and Management Reserve The following are a few differences between contingency reserve and management reserve: Contingency reserve is used to manage identified risks, while management reserve is used to manage unidentified risks. Contingency reserve is an estimated figure. Management reserve is a percentage of the cost or duration of the project. The project manager has authority over the contingency reserve. Contingency reserve is a part of the performance measurement baseline while management reserve is not.

Summary To successfully complete your project, you will have to manage all risks proactively. If you fail to do so, your project may not be able to be completed successfully. Try to identify as many risks as you can and calculate the contingency and management reserve. Once you get approval, the next job is to use them wisely in your project. Do not spend these reserves on gold plating, crashing or any other technique. Avoid gold plating and request a budget revision for crashing. Many times, project managers try to use contingency or management reserves for gold plating and crashing. They do so to avoid going to the management for more funds. This is a poor practice and you should refrain from doing it.

Chapter 4 : Contingency fund - Wikipedia

Small businesses suffer great losses whenever there is a natural catastrophe. In addition to damaging property, hurricanes and floods can lead to lost financial and customer records.

Families are best served if they make getting out of debt their first priority. Their second priority priorities one and two can be worked on simultaneously should be to establish contingency funds. This type of fund is not long-range savings for college or retirement; it is non-allocated short-term savings. Without contingency funds, if there were emergencies, families would have to rely on credit and, ultimately, end up deeper in debt. Simply put, without contingency funds, borrowing would be a foregone conclusion, the use of credit would become a lifelong necessity, and debt would become a way of life. Only after these two primary objectives are reached should families think about investing in stocks, bonds, or mutual funds. The need for contingency funds There are two reasons why families need contingency funds: A contingency fund is first an emergency fund for dealing with the unexpected. By having this money set aside and readily available, emergencies can be paid for without having to borrow. Unexpected expenses are not only bitter disappointments but they can cause a painful realization if people do not have funds set aside to cover the expenses. Even if some surplus has been set aside, there is little escape from personal or family difficulties that result from financial emergencies. When there are crises or unexpected emergencies, much frustration can be avoided if a contingency fund has been established to help absorb the distress of the crisis. A contingency fund also can be used to finance major expenditures that are not in the family operating budget: Whether contingency funds are used for emergencies or for major expenditures, a good rule to follow is that whenever funds are withdrawn from contingency accounts every effort should be made to rebuild the fund as quickly as possible. How much should be allocated? Families should allocate a percentage of their income to contingency funds. Although 10 percent is preferred, a minimum of 5 percent of Net Spendable Income should be placed in contingency funds. This does not mean that large amounts of money should be saved while failing to pay creditors, but a good habit to develop is to save a small amount on a regular basis. How to save Families should make specific guidelines on how they intend to fund contingency accounts. Then they must stick to those guidelines and not allow compromise or a lackadaisical attitude regarding funding the account. Therefore, it often helps to have money set aside automatically before families have an opportunity to spend it. There are two paths that are the most common to automated savings. Families can sign up to have part of their income automatically deposited into savings accounts at banks or credit unions. In these institutions, savings are insured and available for withdrawal without penalty. For a higher rate of return, families can set up automatic transfers from bank accounts to money market funds. The common attitude presented in the Bible is to save on a regular basis, and it is important that Christians develop good habits to replace bad habits. The discipline it takes to do that can be very difficult, but laying this foundation is vitally important; and, if it can be managed, contingency funds can give families the freedom to start again when they find themselves facing unexpected expenses. So, be diligent and be prayerful.

Chapter 5 : What is contingency fund? definition and meaning - theinnatdunvilla.com

Definition: Contingency Fund is created as an imprest account to meet some urgent or unforeseen expenditure of the government. Description: This fund was constituted by the government under Article of the Constitution of India. This fund is at the disposal of the President. Any expenditure.

This fund was intended to address some of the risks and hardships states would face as a result of the conversion of the former Aid to Families with Dependent Children program to an entitlement whose funding rose automatically in recessions to a block grant with a fixed federal funding level. Replenishing the fund would provide much-needed assistance to states as they respond to the heightened demand for assistance that results from the continued weak economy, but the additional resources could be used more effectively if the Contingency Fund were redesigned. Over one-third of the states relied on the Contingency Fund during the current economic downturn. A handful of states began drawing on it in 2008, and 21 states and the District of Columbia used it for one or more years in 2009, 2010, or 2011. The continuing need for a Contingency Fund is evident: Not surprisingly, TANF caseloads are higher than at the start of the recession, and while they have started to decline in some states, they are continuing to remain high in others. We know from previous recessions that poverty remains at high levels for a considerable period of time after the economy begins to recover. In addition, states are facing significant budget shortfalls that are likely to continue for several more years. The recent recession exposed flaws in the design of the Contingency Fund, which is unnecessarily complicated and poorly targeted to achieve its purpose. A redesigned fund could better fulfill the intended goal of temporarily providing states with extra federal help to meet increased need in hard economic times. We recommend redesigning and simplifying the fund, drawing on the lessons and state experiences under both the Contingency Fund and the Emergency Fund. To avoid some of the confusion that resulted from two similarly-named funds, we suggest renaming the redesigned fund. The key goals of a redesign are to make the fund more accessible to states and to ensure that states use the funds to provide additional assistance or services to help families meet their needs in tough economic times, either through subsidized jobs or cash benefits to families. Our recommended design has the following features: A simpler, updated economic hardship trigger to qualify a state for funds. We propose replacing the current triggers with a simple measure: The current triggers are increased SNAP food stamp caseload relative to the mid-2000s or increased unemployment relative to recent prior years; the former is outdated and the latter could penalize a state that experiences a prolonged period of high but not increasing unemployment. We also propose allowing a state that hits the trigger to receive extra funds for that calendar quarter and three additional quarters, which would allow states to maximize their use of the additional funds without worrying about whether they will lose their eligibility in the next month or two. More narrowly targeted funding. Currently, states can use Contingency Funds for any TANF purpose, many of which have no direct relationship to helping families meet needs in hard economic times. Requirement that a state increase its help to needy families. We recommend basing the amount of extra help for which a state is eligible on the amount by which it has increased its spending above a base year in the targeted categories. It ensures that a state receives additional funds only for increased expenditures and cannot simply use the funds to replace existing expenditures. Moreover, they do not require a state to actually increase spending to help families meet needs in hard economic times. A state that qualifies for an entire year can receive an amount equal to up to 20 percent of its annual block grant. Once a state receives Contingency Funds, it can spend them for any TANF purpose but must spend the funds during the fiscal year for which they are awarded. In the last few years, state SNAP increases have reflected economic circumstances. However, the design of the high unemployment trigger is problematic. Because the unemployment rate must continue to be higher than in the prior two years, a state with a prolonged period of high but steady unemployment could stop meeting the trigger. In the next few months, some states would no longer meet this trigger and might not meet it again for many years. For example, to meet the trigger in June 2011, California would need a 1.5 percentage point increase in its unemployment rate. States cannot necessarily rely on their continued eligibility over a period of time, making it difficult for them to plan. This is because states must also meet special Contingency Fund maintenance-of-effort and

reconciliation requirements, which are complicated and daunting. First, states need to meet a special percent MOE standard for the Contingency Fund; this requires a higher level of state spending than the regular TANF MOE requirement, which is 75 or 80 percent of historic spending depending on whether a state is meeting its Work Participation Rate target for the year. See Appendix I for details. A state must not only meet the percent MOE standard but exceed it sufficiently to match the Contingency Funds received, or the state may need to repay some of the funds. See Appendix I for details of this reconciliation calculation. When queried on why they were not accessing the Contingency Fund, a number of states indicated an inability or unwillingness to take funding that they might need to repay. The complexity, risk, and arbitrariness of these requirements have resulted in uneven access to the fund. Moreover, while it is reasonable to require states that receive extra federal funding to maintain at least their past level of effort, the current formula does not actually require states to spend at least the same amount of money. Instead, a state can be more aggressive about identifying funding that can count toward the MOE requirement—whether state or local government spending or spending made by nongovernmental organizations—while actually reducing state spending in programs that provide benefits and services to needy families. For example, Washington State recently worked with consultants to identify third-party spending in local communities and other spending that significantly exceeded the percent MOE standard for the state in . A redesign could address this by including a more reasonable and meaningful measure of state contributions. The funds can help states meet increased TANF program costs in response to increased need, but states can also use them for existing or even reduced TANF program costs. States also may withdraw an equivalent amount of funds from the TANF program to pay for eligible activities elsewhere in their budgets. And as discussed above, a state can meet the percent MOE requirement by becoming more aggressive in identifying other existing state or third-party spending that it can count toward the MOE. Thus, a state can receive Contingency Funds and actually cut benefits or eligibility at the same time, as Arizona did for each of the last three years and Washington State did this year. While a state must spend Contingency Funds in the year it receives them, a state could simply spend the Contingency Fund money first instead of TANF block grant funds and carry over an equivalent amount of block grant funds to future years. The bottom line is that the original goal of the Contingency Fund is not being carried out. A redesign could address this deficiency by targeting the extra federal funds more narrowly and appropriately to the areas of TANF spending that directly address increased need or higher unemployment during recessions. Its purpose was to provide benefits, emergency help, or subsidized jobs to families during the recession. Nationally, more than , people were placed in such jobs. The increased spending in each of these three categories was measured relative to a base year either or . Technically, there was a difference between how a state could qualify for Emergency Funds and how a state could use the money once it received it. To qualify for funding, a state needed to increase its spending in at least one of three Emergency Fund categories relative to its spending for the category in the base year. The state could receive 80 percent of the increase, up to the cap on the amount of Emergency Fund money the state could get. In practice, most states used the funds in the ways the Recovery Act had contemplated. The design of the Emergency Fund targeted the additional federal resources toward direct help to families, whether in the form of regular cash assistance, emergency assistance, or a wage-paying subsidized job. States could only qualify for funding based on increased spending in one of those categories. Consequently, they expanded their efforts to address the increased needs of unemployed families. Many of these efforts served a broader group of low-income families and were not limited to families that received cash assistance. An examination of state initiatives under the Emergency Fund provides useful guidance for a Contingency Fund redesign. Most of these state subsidized employment programs did not start until late in calendar year or early , so these impressive results were achieved in less than two years. The placements were split almost equally between year-round programs that served mostly adults and summer and year-round programs that served youth up to age . California, Illinois, Pennsylvania, and Texas each placed more than 20, individuals in subsidized jobs. Illinois operated the largest year-round program, placing almost 30, adults in subsidized jobs in less than six months. California and Texas operated the largest summer youth programs, placing about 27, and 22, youth in jobs, respectively. Over 40 states received funding based on increased spending for emergency assistance. The extra federal dollars available under the TANF Emergency

Fund spurred at least 20 of these states to create new initiatives to help families facing hard times these initiatives generally ended when the funding expired. Some of the new or expanded initiatives helped families with housing and utility expenses. For example, Georgia in collaboration with the United Way and other local partner agencies created a highly successful program that helped 23, families catch up on past-due housing-related debts, including rent, mortgage, and utility bills. Maine in collaboration with three utility companies created a program to pay off utility arrearages, preventing shut-offs to about 7, low-income families. While TANF caseloads were much less responsive to the recession than those in SNAP food stamps , they increased modestly in many states and significantly in a few. Importantly, the fact that states were getting additional federal help for increased basic assistance costs helped protect these benefits from widespread and deep cutbacks in most states. A few states cut cash assistance benefits or eligibility during or , but such moves generally brought little in state savings since they resulted in smaller Emergency Fund grants. In addition, California has enacted reductions that will take effect in July. TANF eligibility changes also have been adopted in a number of states. Taken together, these changes will result in termination or reduction of benefits for hundreds of thousands of poor families. These cuts in benefits are occurring at a time when more families are in need and the depth of need is greater than it has been in the past. The results demonstrate that the fund succeeded. Despite some complexities and barriers in the Emergency Fund design, its success demonstrates the role that Congress can play in shaping additional assistance to states during hard times. The Emergency Fund was targeted, and it required increased state effort. The targeting was achieved by limiting spending that would qualify a state to receive funds to three categories – subsidized jobs, basic assistance, and short-term, non-recurrent assistance. To show their increased efforts, states were required to boost TANF and MOE spending within the category, and the amount of their federal assistance was based on that increase. The success of the Emergency Fund is directly tied to these requirements. Without them, the additional federal help would have helped fill state budget holes but would not necessarily have translated into jobs or help for needy families and communities. The Emergency Fund also limited reimbursement to 80 percent rather than percent of increased spending in a category. This provision proved to be an obstacle to many states. In times of tight budgets, many states were unable to start or continue initiatives that required increased state expenditures. When states understood the extent to which they could use third-party funds to help cover the remaining 20 percent, many of them launched new initiatives and subsidized employment programs, and many indicated they could have done much more with more time. Ultimately, the 80 percent provision did not further the targeted, increased effort. Instead, it added complexity and delay, somewhat limiting access to the funds. The Emergency Fund also ended too soon. While the recession was technically over when the fund ended on September 30, , unemployment remained very high and demand for continued job assistance and emergency help remained strong. Historically, declines in unemployment rates and TANF caseloads have lagged behind a recovery. Consequently, the additional federal funding should have been extended. Moreover, for subsidized employment in particular, both states and employers need some assurance that additional funds will be available for a sufficient period before they will commit to establishing a program. Under the Emergency Fund, some states were hesitant to start new initiatives in when they were not sure if the fund would be extended, and ultimately it was not. States would have benefitted from more time and greater certainty that the money would be available for a somewhat longer period of time.

Chapter 6 : How Much Contingency Is Enough?

Monthly TANF Contingency Funds Awards by State and Federal Fiscal Year for

How Much Contingency Is Enough? October 18, By Ten Six Contingency is resources set aside at the start of the project to be used in case the project needs them. Typically, project managers allocate a contingency fund in the budget planning, and contingency is also used in scheduling tasks. In this case, contingency forms a buffer of additional days in case project activity takes longer than planned. Despite all our years of working with projects at Ten Six, unfortunately we have never come across a foolproof, scientific method of working out the best amount of contingency time to add to project tasks. This is very much down to the individual project manager, the confidence that the team has about the deliverables, the complexity of the project and how much experience the company has in this type of work. A project that is unique, difficult, using new or untested technology or has other complex factors will necessarily need more contingency than a project that is a regular occurrence and being run by a project manager who has done this type of work several times.

Hidden Contingency This is the type of contingency that wheedles its way into task estimates. They artificially inflate the estimate to give them more time, and this provides a layer of hidden contingency in the schedule. It can also happen where a junior member of staff is asked to provide estimates and because they do not know enough about the work they add in extra days in case it takes longer than the expected because they have no experience themselves. This is not recommended. It bloats the schedule and hints at a lack of trust in the team. Find the right people to estimate, or estimate task durations in groups.

Project Contingency This type of contingency is added to the whole project. The difficulty with this is knowing where to allocate it to the schedule. You could add it to the end but then as soon as you use a portion of the extra days your tracking will show that the project is behind schedule, even if the final milestone is still very achievable. This is where the third type of contingency is the most useful.

Phase Contingency This type of contingency is added to project phases in reflection of the risk associated with this phase. For example, things on a project are most flexible in the early days, so the initiation phases and requirements gathering work will have a greater amount of contingency added than the close down phase. This contingency is normally calculated as a percentage. As the project progresses, the level of risk reduces as the requirements and issues become known, so the percentage will be reduced. Does it get carried forward to the next phase, or is it lost forever? It is good to establish how you will handle contingency usage at the beginning of the project, so you know what rules to apply when you reach a contingency situation. Ask your PMO for guidance if you are unsure.

Reporting Contingency It is also worth establishing how you will report the use of contingency. After all, it is supposed to be there in case of emergency or unforeseen issues. You should not routinely be using up all your contingency. If this is the case, your estimates are wrong to begin with. Therefore, if you are using up contingency time, your project sponsor will want to know about it. You may want to include a line in your project status reports to show how much contingency has been used throughout the project. Keeping these records for your own use is also helpful, so you can see what percentage contingency was used in every phase. There are a number of ways of calculating contingency. These are three ways we have seen in the past. What other strategies for schedule contingency do you use?

Chapter 7 : Contingency Funds Informational Video - Child Development (CA Dept of Education)

Contingency fund definition, money or securities set aside to cover unexpected conditions or losses in business, usually supplementing a contingency reserve. See more.

Chapter 8 : What is a Contingency Fund? (with pictures)

Whether contingency funds are used for emergencies or for major expenditures, a good rule to follow is that whenever funds are withdrawn from contingency accounts every effort should be made to rebuild the fund as quickly as possible.

Chapter 9 : Budgeting for Contingency Funds | Pocket Sense

Having contingency funds in the budget helps a company keep its operations running smoothly in the face of changes in the business environment that result in revenue shortfalls or higher than planned expenses.