 **DEPARTMENT OF ADMINISTRATIVE SERVICES (DAS)**

 **Office of School Construction Grants & Review (OSCG&R)**

**BULLETIN**

**Common Change Order Ineligibilities**

 **FORM SCG-3050**

This bulletin serves as clarification of typical ineligible project costs to school construction projects. All school construction costs that result in a change order, including those items or services which were not bid and/or have been procured under state contract, are subject to the procurement requirements stipulated in [Section 10-287 (b) (1](https://www.cga.ct.gov/current/pub/chap_173.htm#sec_10-287)) of the Connecticut General Statutes (CGS). This bulletin was revised 6/1/17 & 8/1/18.

1. **Allowances:** Project allowances are deemed to be ineligible for reimbursement until used; a zero cost ($0.00 dollar) change order submitted; the costs of the expenditure reconciled; and a change order determination letter is issued. Allowances may only be used for change orders submitted to the OSCG&R for review. Change orders paid for by allowances will not increase the Guaranteed Maximum Price (GMP) or total authorized project cost. The actual allowance used must be for the stated allowance purpose and documented on signed Time & Material (T&M) tickets with summaries or other applicable back-up materials submitted.

 The district must list allowances in the respective allowance line item of the cost estimate reporting template available at the State of Connecticut's [BIZ-NET](https://biznet.ct.gov/AccountMaint/Login.aspx) website. Additionally, all allowance values for a project shall be aggregated and recorded on the Ineligible and Limited Eligible Costs Worksheet (ICW) FORM SCG-4000; on the cost estimate submitted at the time of plan approval; and after project substantial completion. At the completion of the project, allowance funds which are eligible for reimbursement shall be totaled and the amount subtracted from the Allowance line on FORM SCG-4000 (ICW) and shown in the last column.

The actual allowance amount used shall be reconciled with the original allowance amount through the use of a change order, resulting in an addition or deduction. Clearly indicate ALLOWANCE WORK on change orders submitted using allowance funds. Contractor Overhead and Profit (OH&P) shall be included in allowances. Additional OH&P is not allowed for change orders using allowance funds.

The Local Education Agency (LEA), through the project’s Construction Manager (CM) is required to submit a **final list** **of all project allowances** to the OSCG&R no later than six (6) months from the date of bid award. This list must stipulate the allowance requirement and the total dollar value of each allowance. Only those allowances which have been submitted to the OSCG&R within the 6-month timeframe, and which clearly indicate the total allowance amounts shall be eligible for reimbursement. A **preliminary list** of allowances must be provided at the time of PCR review and sign-off.

**NOTE: Effective 7/1/2017, school construction projects receiving state grant funding in any amount are limited to a maximum of TWO (2) allowances per trade contractor bid package,** and **the Construction Manager (CM) will be limited to a maximum of SIX (6) allowances.** Total allowance amounts will be fixed at the value indicated on the final list of allowances required to be submitted within six (6) months of bid award. All bid package allowances are independent from each other, and unused allowance amounts from one bid package cannot be transferred to other bid packages. Projects will no longer be allowed to increase trade contractor allowance values after submission of the final list. Project requirements which exceed the allowance value originally submitted will be evaluated through the change order process. Whenever possible, allowances must be based on unit prices, established at the time of project bidding.

The reconciliation of allowances through a change order must be complete prior to the submission of FORM SCG-1049F (formerly ED-049F), the Final Grant Application for a School Construction Project. **Change orders for allowances submitted after the filing of FORM SCG-1049F are ineligible for reimbursement.**

**2.) As-Built Drawings**: are required in each contractor’s scope of work and is part of a contractor’s Overhead & Profit (O&P). As-built drawing costs relating to change order work is ineligible for reimbursement.

**3.) Attic Stock:** Equipment, materials, supplies or items for attic stock are ineligible for reimbursement.

**4.) Back-charges:** All costs associated with contractor back-charges must be cross referenced with the related credit change order.Unreconciled back-charge costs are typically ineligible until adequate documentation is provided to determine eligibility. Unreconciled back-charge credits will be eligible.

**5.) BANs Interest Payments**: Bond Anticipated Note interest payments made by the LEA are ineligible for reimbursement.

**6.) Bond Costs and/or Insurance Costs:** Bond cost and/or insurance costs adjustments are only permitted at the final reconciliation of the bond with an invoice from the contractor’s bonding company.

**7.) Contingencies:** The district must list contingencies on the respective contingency line item of FORM SCG-2000 the Public School Construction Cost Database (PSCCD) cost estimate, available on the State of CT [BIZ-NET](https://biznet.ct.gov/AccountMaint/Login.aspx) website, and on FORM SCG-4000, the Ineligible and Limited Eligible Cost Worksheet (ICW). Record contingencies on the cost estimate submitted at plan approval, and after project substantial completion. The actual contingency used shall be reconciled with the original contingency amount by a change order resulting in an addition or deduction.

Change orders paid from the Construction Manager contingency will not increase the GMP or total authorized project cost. Change orders paid from the Owner’s contingency will not increase the total authorized project cost, but may increase the GMP. The reconciliation of contingency through a change order must be complete prior to the submission of FORM SCG-1049F (formerly ED-049F), the Final Grant Application for a School Construction Project. **Change orders for contingency submitted after the filing of FORM SCG-1049F are ineligible for reimbursement.**

**8.) Costs of Material and Labor:** Material and labor costs must be reasonable for the work performed, including deductions. Installation of new work will only be reimbursed once. Contractor proposals shall provide itemized breakdowns of materials with quantities and unit prices, labor hours and hourly rates for each trade.

**9.) Corrective Work:** Installed construction work that is damaged during the course of the school construction project should result in a back-charge to the contractor or entity causing the damage and be noted as such on a submitted change order. Corrective work is ineligible for reimbursement.

**10.) CM Fees:** Construction Manager (CM) fee adjustments reported on FORM SCG-042.CO, including overhead and profit, insurance, general conditions, etc. can only be made at the completion of a project, as the last adjustment to the contract cost after all change orders are reconciled.

**11.) Design Errors and Omissions:** Costs associated with corrective work due to design errors and omissions, as determined by SCG, are not reimbursable. The additional cost of correcting or changing an item already installed/purchased is considered rework and is ineligible for reimbursement.

**12.) Excessive or Unreasonable Costs:** Any project costs determined to be excessive or unreasonable by SCG shall be ineligible, regardless of the reason.

**13.) Fences:** Fences that only serve an ornamental or decorative purpose are ineligible for reimbursement. Fences that serve a functional purpose, such as fencing installed at hazardous areas (e.g.: around generators, electric meters, retention ponds or at gas meter enclosures) or fencing installed to meet specific recommendations related to FORM SCG-7000, the School Safety Infrastructure Council (SSIC) may be eligible for reimbursement, which will be determined on a case by case basis.

**14.) Final Cleaning:** Costs associated with final cleaning of the completed building should be included in the base bid contract work. Change orders for additional cleaning will be evaluated on a case-by-case basis and may not be eligible for reimbursement. On-going construction cleaning (daily clean-up) is a basic requirement of the project and is ineligible for reimbursement through a change order.

**15.) Five Percent Provision, CGS 10-286 (c) (4):** After July 1, 2009, for projects with total authorized project costs greater than ten million dollars, if total construction change orders or other change directives otherwise eligible for grant assistance exceed five per cent of the total authorized project cost, such change order or other change directives in excess of five per cent shall be ineligible for grant assistance. The five percent provision is inclusive of change orders paid out of allowance and contingency funds.

**16.) Grass Mowing and Turf Cutting:** Reasonable costs of mowing or lawn care may be eligible for reimbursement if back-up documentation is provided that clearly shows the work is specifically related to areas installed during the construction project. Grass mowing and lawn care for existing school grounds and surfaces, which are a maintenance item to be provided by school personnel, are ineligible for reimbursement.

**17.) Live Stream Video:** Web-cams and video hosting are ineligible for reimbursement.

**18.) Lump Sum Cost Proposals:** Overhead and Profit (O&P) on lump sum proposals may not be reimbursable. Additionally, all submitted change orders not providing line item pricing, T&M tickets and/or vendor quotes (i.e. – change orders submitted with “lump sum” costs) will be subject to a minimum 20% reduction in reimbursement eligibility.

**19.) Maintenance Work:** Maintenance work is ineligible for reimbursement.

**20.) Missing Back-Up Documentation:** All change orders submitted to the OSCG&R must include sufficient back-up documentation to provide for an informed determination of eligibility. Required back-up documentation includes signed and dated T&M tickets, invoices, labor rates, rental agreements, OH&P rates, sub-tier pricing and invoices, drawings, sketches (SK’s) with corresponding Request for Information (RFI’s), the SCG-042.CO, and/or any other documentation deemed reasonable by the OSCG&R.

**21.**) **Moving Costs and Move Management Fees:** Estimated moving costs and move management fees for school construction projects should be established as a base bid contract soft cost – refer to FORM SCG-2004. If project moving costs and move management fees are an allowance item (refer to item No. 1 – Allowances above), all costs must be tracked and reconciled via the no-cost ($0.00 cost) change order submission process. If the allowance is used completely, and a change order is issued for additional moving expenses, those costs will be evaluated for reimbursement eligibility on a case-by-case basis. Moving related work performed by school or district staff are ineligible for reimbursement. Work that is typically performed by school maintenance staff but was instead performed by trade contractors or CM personnel in also ineligible for reimbursement.

**22.) Off-site Work:** Off-site work performed on school construction projects is ineligible for reimbursement. Costs estimates for required off-site work should be known prior to plan approval and documented on FORM SCG-4000, the Ineligible Costs and Limited Eligible Costs Worksheet (ICW), submitted by the LEA at the time of plan review.

**23.) Overhead & Profit (OH&P) Percentage Mark-Up on Labor and Material Costs:** The allowable percentage of mark-up to be applied to submitted change orders should be limited by contractual language. OH&P percentages must be clearly identified and provided to SCG prior to bidding in the Special / Supplemental Conditions section of the bid documents. Lump Sum amounts are assumed to include OH&P. The OSCG&R limits the total maximum mark-up on change orders to 20%, inclusive of mark-up on prime contractor work, sub-contractors, sub-subcontractors and rental equipment.

**24.) Overtime/Premium Time:** Costs associated with overtime are typically ineligible for reimbursement. Overtime and Premium time will only be considered if documentation is provided that clearly demonstrates that the required work could only be completed outside of the normal hours of operation due to health or safety reasons of the student population of the school. Overtime used to supplement an insufficient workforce or construction schedule acceleration is ineligible for reimbursement.

**25.) Payment and Performance Bond Cost Increase Reconciliation:** Bond costs for change orders are reimbursable only at project close out with an invoice from the bonding company. The district should submit the invoice when the work of the particular trade is complete and all the trade change orders have been approved by the SCG. As the OH&P was already paid for the work performed, no markup is allowed on the bonding invoice. The amount needs to be prorated for the ineligible cost of the change orders as determined by SCG.

**26.) Permit Fees:** In general, permit fees paid to a municipality are ineligible for grant reimbursement. However, if the project owner is a Regional Education Service Center (RESC), permit fees paid to a municipality *may* be eligible for reimbursement. Also see item No. 39 on this bulletin, regarding costs expended for the State Education Training Fee.

**27.) Price Increases:** Construction price increases after bid acceptance are ineligible for reimbursement.

**28.) Project Schedule Extensions:** Costs related to schedule extensions are typically ineligible for reimbursement. Project representatives should contact the Office of School Construction Grants & Review as soon as it appears that a project schedule extension will be required.

**29.) Pro-rated Professional Fees:** Professional fees shall be pro-rated for those project costs determined to be ineligible by the OSCG&R.

**30.) Repair or Replacement Work:** Repair or replacement work that is not specifically included in the project scope is typically ineligible for reimbursement with the following possible exception: Work specifically required for correction of code violations after project bidding in which a Citation of Deficiency has been issued by a local Authority Having Jurisdiction (AHJ).

**31.) Rental Equipment:** Expenses incurred for equipment rented for a specific purpose and required for project completion (example: dehumidifiers, scissor lifts, etc.) may be eligible for reimbursement if signed, executed rental agreements with total rental costs clearly indicated are provided as back-up documentation with the change order.

**32.) Re-stocking Fees:** Restocking fees are ineligible for reimbursement.

**33.) Rework:** Moving or re-moving, re-doing, re-painting, re-locating, re-ordering or re-installing items or materials previously installed or provided on a school construction project is considered rework and is ineligible for reimbursement.

**34.) Sales tax:** School construction projects are issued tax exempt certificates. Sales tax on change orders is not eligible for reimbursement.

**35.) Six (6) Month Provision, CGS Section 10-286 (d):** All change orders issued on or after July 1, 2008, must be submitted to the Office of School Construction Grants & Review within six (6) months of the date of issuance of such change order. The date of issuance of a change order shall be the date of the general contractor's or construction manager's signature authorizing the additional work to be performed or the date the trade contractor agrees to perform the work. FORM SCG-042.CO, the Notice of Change Order, must include original signatures of all parties that signed the original contract. **The date with which the signature is acquired on FORM SCG-O42.CO is not relevant** to the six-month provision. Refer to the OSCG&R website to review the MEMORANDUM dated April 22, 2016, RE: Project Change Orders and Construction Change Directives pursuant to CGS10-286 10(d), and for other additional information regarding the six-month provision.

**36.) Shipping and Delivery Fees:** Reasonable fees related to the delivery of required items necessary to complete the change order work may be eligible for reimbursement. Overnight, expedited or unreasonable fees as determined by the OSCG&R will not be eligible for reimbursement.

**37.) Small Tools, Consumables or Overhead items:** These items are considered to be part of overhead and profit and are ineligible for reimbursement.

**38.) Snow Removal:** Reasonable costs of snow removal may be eligible for reimbursement if back-up documentation is provided that clearly shows that the snow removal is specifically construction related. Snow removal is ineligible for reimbursement if provided for school access, which if required, is a maintenance item to be provided by school personnel.

**39.) State of Connecticut Education Training Fee:** The state fee of .26¢/$1,000 of construction value is ineligible for reimbursement, regardless of applicant status. The fee amount of .26¢/$1,000 is subject to change, and represents the value as of 6/1/2017. See [Fees-Assessed-on-Building-Permits](https://portal.ct.gov/DAS/Services/For-Agencies-and-Municipalities/Municipal-and-Other-Public-Entity-Resources/Fees-Assessed-on-Building-Permits).

**40.) Submission of Summary of Change Order Costs Spreadsheet:** All change orders must be submitted both in hard-copy format with back-up documentation, and electronically utilizing FORM SCG-043.CO - the State Change Order Summary spreadsheet, which can be downloaded from the OSCG&R website. A brief descriptive phrase for each trade change order must be included on the line labeled “description”. Not all change order items will be eligible for reimbursement.

**41.) Temporary Electrical:** Temporary electric service, if paid for through an allowance, shall be reconciled via a no-cost change order or through a line item in the CM contingency budget. The installation or removal of temporary electrical service to a Construction Manager’s (CM) job-site trailer or a Trade Contractor’s trailer is ineligible for reimbursement.

**42.) Temporary Facilities:** Temporary facilities such as construction site port-o-lets, if paid for through an allowance, shall be reconciled via a no-cost ($0.00 cost) change order or through a line item in the CM contingency budget. Construction Manager (CM) job-site trailers are part of the OH&P, reimbursable expenses or CM fee in the CM’s contract and are ineligible for reimbursement as a change order.

**43.) Temporary Security:** Costs for security at a project site such as temporary security cameras or hired security service personnel, if paid for through an allowance, shall be reconciled via a no-cost ($0.00 cost) change order or through a line item in the CM contingency budget.

**44.) Theft or Vandalism:** Costs incurred from theft or vandalism at construction sites are typically an insurance issue. These costs are ineligible for reimbursement.

**45.) Training:** Training typically falls into two categories:

A.) Training related to building systems, such as boilers, HVAC equipment, photo-voltaic array (PV) installations, etc., or

 B.) Training related to software, computer operating systems or FF&E furnished equipment.

Building systems equipment training must be a requirement written into project specifications; if additional building system components are required to be procured through the use of a change order, reasonable training costs related to the installation may be eligible for reimbursement.

Training related to software, computer operating systems or FF&E equipment is generally ineligible for reimbursement.

**46.) Winter Protection:** Winter protection, if paid for through an allowance, shall be reconciled via a no-cost ($0.00 cost) change order or through a line item in the CM contingency budget. If the allowance is used completely, and a change order is issued for additional winter protection expenses, those costs will be evaluated for reimbursement eligibility on a case-by-case basis. Reasonable costs related to additional winter protection requirements may be eligible for reimbursement.

**School Construction Project Forms:**

**1.) FORM SCG-042.CO:** Notice of Change Order is the form to use to submit all school construction project change orders. FORM SCG-042.CO is only for changes to publicly bid construction trade contracts. No alteration shall be made to FORM SCG-042.CO or the information contained therein. FORM SCG-042.CO is to be used to document changes to construction costs, contingency (one time reconciliation), and allowances.

**2.) FORM SCG-1046 (formerly ED-046):** Request for School Construction Progress Payment. School construction grant payments are requested by the Local Education Agency (LEA) via the electronic submission of FORM SCG-1046. To obtain more information on the progress payment process, please see the DAS/SCG website – School Construction Grant Applications section, FORM SCG-1046 – Request for School Construction Progress Payment. Any change in construction soft cost, i.e. site acquisition (site and/or facility), remediation, temporary facilities, swing space costs, off-site costs, professional design fees, testing and inspection fees, project management fees, construction management fees, Overhead and Profit (O&P), construction interest, escalation, and all other professional and design fees, and building alternates to the Request for Proposal shall be documented in FORM SCG-1046 and shall not be documented as a significant change to the project cost or project scope in FORM SCG-042.CO.

1. **FORM SCG-1049R (formerly ED-049R):** Notice of Change to School Construction Project. Any significant change to a school construction project cost or scope must comply with CGS Section 10-283(a) which states that “…authorized projects which have changed in scope or cost to a degree determined by the commissioner…” are required to be resubmitted to the General Assembly for approval of the increased scope or project costs. To obtain more information on the requirements of FORM SCG-1049R and the corresponding instructions on how to complete FORM SCG-1049R see the DAS website - School Construction Grant Applications.

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FORM SCG-3050 Rev. 8/1/18 KD