



**Office of School Construction Grants (SCG)
Memorandum**

To: Superintendents of Schools
Business Managers of Schools
From: Craig Russell
Date: October 1, 2015
Subject: School Construction Projects

This memo serves as clarification and reminder of the review of project costs and scope changes to school construction projects. All school construction costs that result in a change order, including costs not bid or purchased under state contract, are subject to the procurement requirements stipulated in [Section 10-287 \(b\) \(1\)](#) of the Connecticut General Statutes (CGS).

Common Change Order Ineligibilities:

- 1.) **Allowances:** The district must list allowances in the respective allowance line item of the Uniformat Level II cost reporting Excel template available at the Department of Administrative Services (DAS) / School Construction website under the “Supplements to the Plan Review Procedures and Forms: [Cost Reporting Excel Template](#).” **Allowances shall be recorded on the cost estimate submitted at plan approval, and after project substantial completion.**

Allowances may only be used for change orders submitted to SCG 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 and Material (T&M) tickets with summaries. The actual allowance used shall be reconciled with the original allowance amount by a change order resulting in an addition or deduction. Overhead and profit is presumed to be included in allowances and therefore will not be allowed in change orders paid from an allowance.

The Local Education Agency (LEA) is required to submit a spreadsheet detailing **ALL** allowances that are to be submitted to SCG no later than six (6) months from the date of bid award. Allowances shall be documented in the “[State Change Order Summary](#)” spreadsheet which can be downloaded from the DAS, Office of School Construction Grants (SCG) website under the “Supplements to the Plan Review Procedures and Forms / Bulletins / State Change Order Summary”.

The reconciliation of allowances through a change order must be complete prior to the submission of Form SCG49F – Final Grant Application for a School Construction Project. Change orders for allowances submitted after the filing of Form SCG049F 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 back-charges must be cross referenced with the related credit change order. Unreconciled back-charges are ineligible until adequate documentation is provided to determine eligibility.
- 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.) **Contingency:** The district must list contingencies on the respective contingency line item of the Uniformat Level II cost reporting excel template, available on the DAS Office of School Construction Grants website under the “Supplements to the Plan Review Procedures and Forms: [Cost Reporting Excel Template](#)”. **Record contingency 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 for by the Construction Manager contingency will not increase the GMP or total authorized project cost. Change orders paid for by 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-049F – Final Grant Application for a School Construction Project. Change orders for contingency submitted after the filing of Form SCG-049F 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:** CM fee adjustments reported on the 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 purpose are ineligible for reimbursement. Fences that serve a functional purpose, such as fencing installed at hazardous areas (for example, around generators, electric meters, retention ponds or at gas meter enclosures) or fencing installed to meet specific requirements related to School Safety Infrastructure Council recommendations may be eligible for reimbursement. Fencing reimbursement eligibility will be determined on a case by case basis.
- 14.) **Final Cleaning:** Costs associated with final cleaning of the completed building may be eligible for reimbursement.
- 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 SCG 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 RFI’s, the SCG-042CO, and/or any other documentation deemed reasonable by SCG.
- 21.) **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 in the Ineligible Cost Worksheet (ICW) submitted by the LEA.
- 22.) **Overhead & Profit (O&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. O&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 O&P.
- 23.) **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 school staff or students. Overtime used to supplement an insufficient workforce or for construction schedule extensions is not a reimbursable expense.
- 24.) **Payment and Performance Bond Cost 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.
- 25.) **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.
- 26.) **Price Increases:** Construction price increases after bid acceptance are ineligible for reimbursement.
- 27.) **Project Schedule Extensions** – Costs related to schedule extensions are ineligible for reimbursement.



- 28.) **Pro-rated Professional Fees:** Professional fees shall be pro-rated for those project costs determined to be ineligible by SCG.
- 29.) **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 in which a Citation of Deficiency has been issued by a local Authority Having Jurisdiction (AHJ).
- 30.) **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 are provided as back-up documentation with the change order.
- 31.) **Re-stocking Fees:** Restocking fees are ineligible for reimbursement.
- 32.) **Rework:** 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.
- 33.) **Sales tax:** School construction projects are issued tax exempt certificates. Sales tax on change orders is not eligible for reimbursement.
- 34.) **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 Facilities (now the Office of School Construction Grants) 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, whichever is later, provided that the dates of the two signatures are within six months of each other. Form SCG-042CO, 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 the SCG-042CO is not relevant** to the 6 month provision.
- 35.) **Small Tools, Consumables or Overhead items:** These items are considered to be part of overhead and profit and are ineligible for reimbursement.
- 36.) **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.
- 37.) **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 the "[State Change Order Summary](#)" spreadsheet, which can be downloaded from the DAS/SCG website under the "Supplements to the Plan Review Procedures and Forms / Bulletins / State Change Order Summary. A brief descriptive phrase for each trade change order must be included on the line labeled "description".
- 38.) **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 Trade Contractor's trailer is ineligible for reimbursement.
- 39.) **Temporary Facilities:** Temporary facilities such as construction site port-o-lets, 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. Construction Manager (CM) job-site trailers are part of the OH&P in the CM's contract and are ineligible for reimbursement as a change order.

- 40.) **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 change order or through a line item in the CM contingency budget.
- 41.) **Theft or Vandalism** – Costs incurred from theft or vandalism at construction sites are typically an insurance issue. These costs are ineligible for reimbursement.
- 42.) **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 should 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.
- 43.) **Winter Protection:** Winter protection, 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.

School Construction Project Forms

- 1.) **State Form SCG-042CO – Notice of Change Order** is the form to use to submit all school construction project change orders. Form SCG-042CO is only for changes to publicly bid construction trade contracts. **No alteration shall be made to Form SCG-042CO or the information contained therein.** Form SCG-042CO is to be used to document changes to construction costs, contingency (one time reconciliation), and allowance (one time reconciliation).
- 2.) **State Form SCG-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-046. To obtain more information on the progress payment process, please see the DAS/SCG website – School Construction Grant Applications under the “Forms, Worksheets, and Instructions” section, [Form SCG-046 – 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, 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-046 and shall not be documented as a significant change to the project cost or project scope in Form SCG-042CO.
- 3.) **State Form SCG-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 SC-049R and the corresponding instructions on how to complete Form SCG-049R please see the DAS SCG website – School Construction Grant Applications under the “Forms, Worksheets, and Instructions” section / [Form SCG-049R – Notice of Change to School Construction Project.](#)”