

Construction Projects on Budget

Construction Projects on Budget: The percentage of state administered projects for which total construction expenditures do not exceed the original construction budget by more than 10%

Our strategy

ODOT's goal for any given construction project is to ensure that total construction costs do not exceed the project's original construction budget, also known as the construction authorization, by more than 10%. We achieve this through effective schedule and budget development and contract and risk management throughout the life of the project.

ODOT categorizes contract change orders (CCO) that affect project budgets into different types, allowing us to categorize a given change as avoidable, unanticipated, or

elective. By reporting on the frequency of and reasons for different CCO types, ODOT can provide greater transparency of its change management practices and take actions to reduce the number of avoidable contract change orders that can negatively impact project budgets and schedules.

About the target

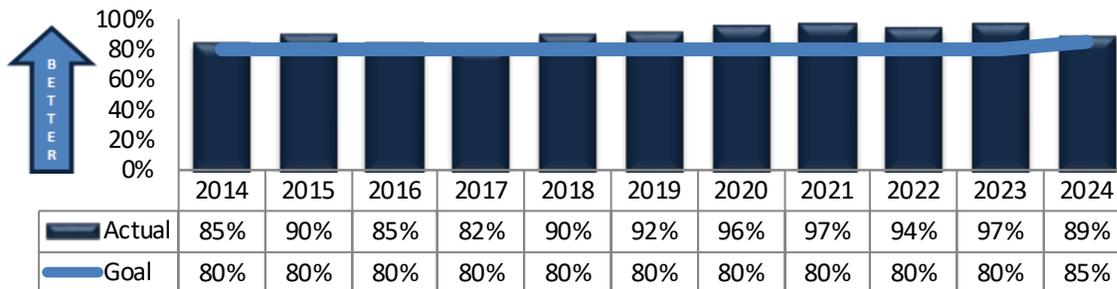
The target is set at 85% of projects, which is a change from previous years. We established this target to be consistent with peer DOTs, but it will be revised as our capability increases to reduce avoidable contract changes.

Our performance and how we compare

For state fiscal year 2024 (July 1, 2023 – June 30, 2024), performance is at 89% of projects on budget. Over this time, one project was re-baselined for budget. Performance has greatly exceeded the target of 80% since 2011 which resulted in adjusting the target to 85% for the 2024 fiscal year and forward.

The metric for 2024 shows a drop in performance in comparison with recent years. In 2024 we improved our data review process to ensure the measured data set only includes projects that were reviewed during the reporting period. This more accurate pool of projects shrank the overall project count from 192 to 65, and the on-

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Fact

Since 2010, performance has fluctuated around an average of 89% projects on budget. No trends are evident at this yearly level view.

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budget percent for this period shifted from 98% to 89% on budget for SFY 2024.

ODOT's construction on-budget measure is consistent with peer DOTs and accounts for contract completion dates *re-baselining* for on-budget measurement with justification as outlined below.

Any project on-budget measure must have a final expense figure to compare to a baselined budget. For this performance measure, the baselined budget is the net construction authorization set at contract award. For most projects, total construction expenditures are used to determine on-budget performance; however, there are circumstances described below where ODOT would re-baseline this figure based on the type of expenses incurred.

Factors affecting results and what needs to be done

Final construction costs can incorporate several components not included in the original authorization amount. These cost components can include variance between actual and planned bid item quantities, contract change orders, extra work orders, force accounts (method used when a negotiated price cannot be reached for extra work), pay factors, escalation/de-escalation, anticipated items and construction engineering. These

components can result in positive or negative cost adjustments to the budget.

While such components are estimated when project budgets are established, uncertainties are inherent in any complex construction project. For example, market trends such as higher than expected inflation and rises in steel, oil, and asphalt prices can contribute to cost increases. Unanticipated geological features, archeological finds, or environmental impacts can also lead to increased costs. Not all unanticipated costs are a bad thing, however. The expansion of a project's scope in construction, for example, can meet agency goals and regional needs despite increasing overall project costs. ODOT's new on-budget measure accounts for this by adjusting the final expense figure in the case of elective actions resulting in contract changes.

For this on-budget measure, circumstances allowing for the adjustment of the final expense figure include:

- Elective expansion of project scope by ODOT.
- New requirements or interpretations from regulatory agencies, including FHWA, affecting the construction contract.
- Unanticipated budget impacts due to natural events (weather or emergencies).

Circumstances that would not result in adjusting the final expense figure include:

- Errors in plans, specifications, and/or design.
- Unacceptable traffic impacts.
- Construction engineering errors.

About the measure

We consider all ODOT administered projects that have issued final payment when determining which projects are on budget. Total construction expenses (adjusted to account for elective and unanticipated change orders) for each project are compared to the project's original authorization (also known as the net construction authorization). If the adjusted total expense figure does not exceed the original authorization by more than 10%, the project is considered on budget. Performance is reported as a percentage of completed construction projects that are on budget in any given state fiscal year. (A state fiscal year runs from July 1 of the previous year to June 30 of the current year.)

Data source
ODOT CService

Contact information

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