

**Section 2 Funds****Section 2  
Funds****5-201 General**

Caltrans aims to complete construction projects within the planned scope, allotted time, and projected budget. The project allotment includes a contingency fund for unforeseen expenses or unknown factors encountered during construction. Occasionally, the magnitude and cost of unforeseen expenses or unknown factors are greater than the budgeted amount. In such instances, the contract allotment may be supplemented with additional funds to complete the project as originally planned. The California Transportation Commission adopted resolutions G-11 and G-12 in 1978 to allocate funds for emergency contracts and to delegate authority for Caltrans to adjust project allocations and modify project descriptions. Those resolutions have been amended and superseded over the years. The processes are still referred to as G-11 and G-12.

**5-201  
General****5-202 Managing Funds**

The resident engineer is responsible for managing the project construction costs within the current allotment, which includes item payments, state-furnished materials, contingencies, and supplemental work. The resident engineer must track project expenditures, forecast future costs, determine the need for additional funds, and immediately notify the construction engineer of any apparent funding shortfalls. The resident engineer must not allow work to proceed that would require the encumbrance of additional funds before those funds have been approved and added to the project allotment.

**5-202  
Managing Funds**

The resident engineer must update the project contingency balance continuously as changes occur and whenever additional costs are initially identified. For example payment for item overruns will come from the contingency fund, and extra money from item underruns will be returned to the contingency fund.

**5-203 Obtaining Additional Funds**

When the resident engineer determines that additional funds are needed, the resident engineer must consult with the construction engineer. Both engineers should discuss additional funds and potential alternatives to complete the project within budget.

**5-203  
Obtaining  
Additional Funds**

An assessment of financial status must show that the existing contingency balance will prove insufficient to complete the project within the approved contract scope. Do not request additional funds to settle disputes that are not yet resolved.

The resident engineer and the construction engineer must next meet with the construction field coordinator and the project manager to discuss the funding need and alternatives. For emergency contracts or for maintenance funded contracts, include in these early discussions the district maintenance major damage coordinator or the district maintenance engineer respectively, and the funding program adviser.

The construction engineer must then write the memorandum to request additional funds and send it to the project manager. The memo must include sections entitled “Financial Status of the Contract,” and “Justification for the Request.” The “Financial Status of the Contract” section must include information on the present contract allotments and estimated probable final expenditures for contract items, supplemental work, contingency fund, state-furnished material and expenses, and any previously approved additional funds. The “Justification for the Request” section must contain a clear explanation of the reason for additional funds to complete the project within the scope indicated in the approved contract. The justification must answer the following questions:

- Why are additional funds needed?
- What work will be performed with the additional funds?
- What alternatives have been considered to mitigate the unforeseen expenses?

The construction engineer ensures that informational copies of the request are e-mailed to the Division of Construction contract reviewer and the appropriate funding program adviser. For an example of the memorandum, “Request for Additional Funds,” see Example 5-2.1 at the end of this section.

The project manager must manage the project G-12 funding capacity. The project manager prepares a request for additional funds using the information in the request from the construction engineer. The project manager provides any additional information needed to complete the request, including any participation concurrence from other funding partners, and if applicable, an explanation of previously approved funding requests.

The request for additional funds must have signatures from the district construction deputy director, the project manager, and the district program/project management deputy director recommending approval. The Division of Budgets processes the request.

If the California Transportation Commission must provide a supplemental vote, the construction field coordinator, and the Division of Construction chief will also review the request for additional funds before it is forwarded in the approval process.

## **5-204 5-204 Segregation of Quantities for Fund Apportionment**

### **Segregation of Quantities for Fund Apportionment**

#### 5-204A General

The recording of total quantities of materials used on a project determines the final payment to contractors. However, this recording does not complete the data necessary to prepare the final billing when projects involve several different funding sources independent of state highway funds. Therefore, resident engineers must review the expenditure authorization (EA) for each project before work begins and be alert to the necessity for segregating quantities for fund apportionment. Details about cost segregation are covered in Section 9-1, “Local Assistance Projects and Projects Funded by Others,” and Section 5-309, “Fund Segregation Determination,” in the *Construction Manual* (manual).

Construction projects may be funded from many different fund sources. These include the following state administered sources:

- The Interregional Transportation Improvement Program (ITIP)
- The Regional Transportation Improvement Program (RTIP)



- The State Highway Operation and Protection Program and Minor Projects (SHOPP & Minor)

Other funding sources for construction projects include the following:

- Federal Demonstration Funds
- Local tax measure funds
- Local developer fees
- State and local partnership funds, or even private funds

The project funding may come from a single source or from a combination of the above sources. The arrangements for multiple funding sources may involve each party paying a percentage of the project or each party paying for specific items or locations of work.

It is essential that the resident engineer understand the project's funding make-up and understand the agreement that establishes the funding and payment arrangements. This knowledge is important in the maintenance of records throughout the project including records for quantities, cost increases, change orders, and final apportionment. The resident engineer may need to notify, and get concurrence from, the appropriate funding source when the work changes. The project manager should make this funding information available to the resident engineer, who should then establish a contact with the funding source.

#### *5-204A (1) Requirements for Specific Types of Funding*

Here are the requirements for specific funding types:

##### 5-204A (1a) Federal Funds for State Highway Projects

Segregate the costs for federal participation only for major change orders (as defined in Section 5-311A, "Division of Construction Approval"), maintenance work, and work financed by others. See Section 5-3, "Contract Change Orders," of this manual for details about cost segregation. Quantity or cost segregation for all other planned work is handled on a percentage basis according to the detailed estimate. No special reporting is required by the field personnel.

##### 5-204A (1b) Federal or State Funds for Local Assistance Projects

Segregate the quantities and costs between various funds for all local assistance projects.

##### 5-204A (1c) Local Funds for State Highway Projects (Cooperative Projects)

Quantities must be segregated for the report of expenditures and for the final billing to contributing agencies. The resident engineer must submit to the accounts receivable and program accounting unit of the Division of Accounting Services a final statement of all quantities or costs incurred as a result of agreements with contributing agencies. Segregate in sufficient detail the quantities and costs (whether covered by contract change order or resulting from normal variations) so that an accurate final breakdown can be made and the proper costs applied to each funding agency. The report should reference the original and subsequent funding agreements and any contract change orders or other items that altered the work.

## Example 5-2.1 Request for Additional Funds

State of California

Business, Transportation and Housing Agency

### Memorandum

To : \_\_\_\_\_  
 Project Manager  
 (Dist - Co - Rte - PM/KP)

Date:

File:  
 (Dist - EA)  
 (Project Description)  
 (Prog Code / Elem / Proj Type)

From : **DEPARTMENT OF TRANSPORTATION**  
 District/Region - Division of Construction

Subject: Request for Additional Funds

Supplemental funds in the amount of \$●●●●●●●● are requested for the above-referenced project. As previously discussed, following are the details supporting this request:

#### Financial Status of Contract

	<u>Present Contract Allotments</u>	<u>Estimated Probable Final Expenditures</u>
Contract Items	\$ 00	\$ 00
Supplemental Work .	00	. 00
Contingency Fund .	00	. 00
State-Furnished Materials & Expense	00	. 00
Previously Approved G-12 Funds	<u>00</u>	<u>00</u>
Totals \$	00	\$ 00
Estimated Deficit		00
Call (G-12 Funds Request)		\$ _____ <u>00</u>

#### Justification for Request

- ↑ Why:
- ↑ What:
- ↑ Alternatives:

If you need additional information, please contact me at \_\_\_\_\_.



*Original Signed By*

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Construction Engineer

cc: Division of Construction Chief (e-mail, only for  
California Transportation Commission Vote)  
Contract Specialist (Scope of Work) (e-mail)  
Construction Field Coordinator (e-mail)  
Contract Reviewer (e-mail)  
Program Adviser (e-mail)  
District Construction Deputy Director  
Construction Manager (if applicable)  
Resident Engineer  
Project Engineer  
District Construction Office