

CPM's Budget and Accounting Tip

May 20011:

How can you find money in your construction program?

Program Reserves

Every program must retain enough money to complete its projects, settle any outstanding claims, and close out projects with the responsible state agencies. The fundamental question is if there is any extra money, when can it be reallocated to new projects?

Construction programs require reserves, contingencies, and allowances to cover costs of unforeseen changes, anticipated but not fully identified changes, and outright disasters. When districts create budgets, they typically incorporate the reserves at the program level and contingencies and allowances at the project level. Industry standards provide a range of typical percentages for allotment. The amounts can vary due to the complexity of the program, the delivery method, the type of construction project, and even the dollar value of the project.

Steps to Saving Money

The first step is to look at the phase of your program. If your program is in the latter phase of construction, you may be able to draw down contingency funds as risks diminish over time.

The second step is to evaluate how much money has been set aside for reserves. Compare your allotments to industry standards. Maybe that money can be used today during the "low bid" construction environment.