

Oklahoma Department of Transportation

Procedure for Cost Reduction Incentive Proposals Construction Control Directive No. **920904**

February 15, 2002

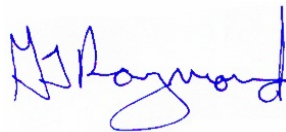
Scope: To establish the procedure for reviewing Cost Reduction Incentive Proposals/Value Engineering Change Proposals submitted by the contractor.

The Department has been asked to establish a two-phase procedure for processing Cost Reduction Incentive/Value Engineering Change Proposals, which will allow a review of the concept, prior to the preparation of a detailed proposal. Some types of proposals require a considerable investment by the contractor for the preparation, without knowing if the proposal will be accepted. The intent of the new procedure is to promptly advise the contractor as to whether the concept is acceptable. If accepted, the contractor would proceed to prepare a detailed proposal for final submittal.

The [procedure](#) which outlines this process is enclosed.

When you submit a Change Order for a Value Engineering Proposal, it must include a new item for the contractor's portion of the savings. Following is a suggestion for the wording of the item:

OVERRUN OR NEW QUANTITIES						
ITEM NUMBER	ITEM DESCRIPTION	QUANTITY	UNITS	UNIT PRICE	UNIT TOTAL	DAYS
Special	Contractor's Portion of VE Proposal	1.0	LSum	\$????.??	\$????.??	??
TOTAL AMOUNT					\$????.??	??



George Raymond, P.E.
Construction Engineer

Equal to 1/2 the
net savings