

## TOOLBOX TALK #7

# Allowances and Contract Price Adjustment

(5 minutes)

**QUESTION:** What are the project teams' responsibilities when allowances and contract price adjustments are made?

The *Code* says...

### 9.1. Contracts and Payment

- 9.1.1. For contracts that stipulate a lump sum price, the work that is required to be performed by the *fabricator* and the *erector* shall be completely defined in the *contract documents*.
- 9.1.2. For contracts that stipulate a price per pound, the scope of work that is required to be performed by the *fabricator* and the *erector*, the type of materials, the character of fabrication, and the conditions of erection shall be based upon the *contract documents*, which shall be representative of the work to be performed.
- 9.1.3. For contracts that stipulate a price per item, the work that is required to be performed by the *fabricator* and the *erector* shall be based upon the quantity and the character of the items that are described in the *contract documents*.
- 9.1.4. For contracts that stipulate unit prices for various categories of *structural steel*, the scope of work that is required to be performed by the *fabricator* and the *erector* shall be based upon the quantity, character, and complexity of the items in each category as described in the *contract documents*, and shall also be representative of the work to be performed in each category.
- 9.1.5. When an *allowance* for work is called for in the *contract documents* and the associated work is subsequently defined as to the quantity, complexity, and timing of that work after the contract is executed, the contract price for this work shall be adjusted by change order.

#### **Commentary:**

*Allowances*, if used, are not a true definition of the cost of work to be performed. By nature, an *allowance* is only an estimate and placeholder in the bid. Once the actual work is defined, the actual cost can be provided. It must be recognized that the actual cost can be higher or lower than the *allowance*. See Section 9.4.

*Allowances* required by the *contract documents* or proposed by the bidder should be as thoroughly defined as practicable as to the distinct nature of the work covered by the *allowance*, including whether the *allowance* is to include materials only, fabrication costs, and/or erection costs.



## TOOLBOX TALKS

If you're using structural steel, the *Code of Standard Practice for Steel Buildings and Bridges* (ANSI/AISC 303-22) applies to your contract.

Simply put, the AISC *Code* defines who's in charge of what, when, where—including before any potential conflict arises—and other members of your project team are already using it in their own contracts. Download it for free at [aisc.org/code](https://aisc.org/code).

**Section 9 of the Code** provides the requirements for allowances and contract price adjustment and should be referenced during preconstruction for managing these activities with your erector.

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### 9.3. Revisions to the Contract Documents

Revisions to the *contract documents* shall be confirmed by change order or extra work order. Unless otherwise noted, the issuance of a *revision* to the *contract documents* shall constitute authorization by the *owner* that the *revision* is *released for construction*. The contract price and schedule shall be adjusted in accordance with Sections 9.4 and 9.5.

### 9.4. Contract Price Adjustment

- 9.4.1. When the scope of work and responsibilities of the *fabricator* and the *erector* are changed from those previously established in the *contract documents*, an appropriate modification of the contract price shall be made. In computing the contract price adjustment, the *fabricator* and the *erector* shall consider the quantity of work that is added or deleted, the modifications in the character of the work, and the timeliness of the change with respect to the status of material ordering, detailing, fabrication, and erection operations.

#### Commentary:

The fabrication and erection of *structural steel* is a dynamic process. Typically, material is being acquired at the same time that the *approval documents* are being prepared. Additionally, the fabrication shop will normally fabricate pieces in the order that the *structural steel* is being shipped and erected.

Items that are revised or placed on hold generally upset these relationships and can be very disruptive to the digital modeling/detailing, fabricating, and erecting processes. The provisions in Sections 3.6, 4.4.2, and 9.3 are intended to minimize these disruptions so as to allow work to continue. Accordingly, it is required in *this Code* that the reviewer of requests for contract price adjustments recognize this and allow compensation to the *fabricator* and the *erector* for these inefficiencies and for the materials that are purchased and the detailing, fabrication, and erection that has been performed, when affected by the change.

- 9.4.2. Requests for contract price adjustments shall be presented by the *fabricator* and/or the *erector* in a timely manner and shall be accompanied by a description of the change that is sufficient to permit evaluation and timely approval by the *owner*.
- 9.4.3. Price-per-pound and price-per-item contracts shall provide for additions or deletions to the quantity, type, and character of work that are made prior to the time the *contract documents are released for construction*. When changes are made that affect the quantity, type, or character of work after the *contract documents are released for construction*, the contract price shall be equitably adjusted.

Need help understanding the *Code*?



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