

# Memorandum

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a California Way of Life.*

To: DEPUTY DISTRICT DIRECTORS, Construction  
DEPUTY DIVISION CHIEF, Structure Construction  
CONSTRUCTION MANAGERS  
SENIOR CONSTRUCTION ENGINEERS  
RESIDENT ENGINEERS

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File: Division of Construction  
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From: RAMON HOPKINS, Chief  
Division of Construction

Subject: **INNOVATION CHANGE ORDERS - CATEGORY CODING**

This directive provides new guidance on category coding for innovation change orders initiated by the Department that result in construction cost savings, but do not reduce the delivered project's original function or performance.

Currently, the Department tracks construction cost savings from value engineering cost proposal (VECP) change orders, which are initiated by contractors. VECP construction savings are included in annual reporting in accordance with Senate Bill 1 (2017). The reporting does not capture savings that result from innovative changes initiated by the Department that maintain project function and performance. Effective immediately, these change orders are to be coded with "INOV" in the category fields on Forms CEM-4903, "Change Order Memorandum," and CEM-4901, "Change Order Input." VECP change orders will continue to use the coding described in Section 5-307, "Change Order Memorandum," of the *Construction Manual*.

Department-initiated changes that create savings through efficiencies in the work by modification of contract staging, means and methods, or materials; and that provide equivalent function and service life at lesser construction cost, are examples of innovation change orders to receive the "INOV" category coding.

Do not use the "INOV" category code on cost-saving changes that reduce the project's function or performance. Changes that reduce material quality, service life or functional scope may result in construction cost savings but are not considered innovations.

If you have questions or comments regarding this directive, contact Ken Darby, Division of Construction, at [Ken.Darby@dot.ca.gov](mailto:Ken.Darby@dot.ca.gov) or (916) 764-6929.