



# DBIA POSITION STATEMENT USE OF STIPENDS

*Shaping the future, one successful collaboration at a time.*

## BACKGROUND

A stipend is an amount paid by the Owner to those shortlisted responsive proposers who are unsuccessful in obtaining contract award. Many Owners use stipends as an integral part of their design-build procurement process, based on the fact that stipends:

- Enhance competition to generate market interest in the project from most highly qualified design-build teams;
- Help defray costly proposal development incurred by the design-build teams;
- Signal the intent that Owner is serious about carrying the project forward; and
- Encourage proposers to expend the time, money and resources to provide a more creative and comprehensive solution.

## POSITION

The cost of preparing proposals for best value design-build competitions can constitute a considerable burden upon the proposers. The stipend helps cover a portion of the design-build proposal costs and can provide an effective financial incentive to increase competition. While many firms will submit proposals in the absence of a stipend, some qualified firms may evaluate the proposal process skeptically, particularly when the RFP contains substantial submittal requirements that necessitate the expenditure of significant monies by the design-build proposers. In view of all these factors, DBIA believes that payment of a stipend is a best practice on most design-build projects.

While DBIA endorses the use of stipends, DBIA does not view the awarding of a stipend as a justification for making excessive demands upon the proposers. A stipend rarely covers the cost of proposal preparation which in some cases represents a substantial investment on the part of the proposers. In the case where the RFP requires significant preliminary design work and submittals, the difference between the stipend and the cost of creating the proposals may become so substantial that the stipend is relatively meaningless.

The amount of the stipend offered by Owners should be dependent upon a variety of factors. Various industry surveys have shown stipends ranging from 0.01% to 0.25% of the project budget to each responsive proposer, although there are also examples of stipends greater than these values. DBIA believes that an Owner should make its decision on the amount of a stipend based on the particular needs and complexities of a project, considering what is required to generate sufficient market interest from the most highly qualified design-build teams and the level of effort involved in proposal preparation.

DBIA believes that there is substantial value received by the public Owner through the proposal process and that the public interests are well-served when an Owner offers a stipend. In the Federal sector, OMB Circular

*(cont.)*

No. A-11 (2006) encourages the use of stipends for reasons described above. Some other public Owners take the position that they are precluded by applicable law from giving a stipend, based on arguments of the misuse or imprudent use of public funds.

While this is an Owner decision that will be governed by the applicable laws for the procurement, DBIA suggests that the policies reflected in the OMB Circular be considered by procurement authorities.

Some Owners have conditioned their provision of a stipend upon a requirement that the proposer grant the Owner the right to use the ideas in their technical proposals. However, DBIA does not believe that the payment of the stipend should be tied to the Owner obtaining ownership rights in the proposal documents. Regardless, the availability of a stipend and the terms governing its use should be identified in the RFQ and RFP.

In summary, DBIA believes that stipends are but one means for encouraging participation in a proposal process. DBIA also believes that Owners will be well-served by looking beyond stipends and carefully examining the totality of their process of soliciting proposals. In this regard, DBIA recommends that Owners incorporate all of DBIA's best practices regarding the source selection process, as contained in the DBIA Policy Statement on Principles of Best Value Selection. These measures will not only reduce the burden upon proposers, but will also meet the legitimate needs and interests of the Owner by encouraging active interest among quality design-build teams in competing for the project.