



# Incentive/Disincentive Clauses in SDDOT Contracts

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*Transportation Commission – May 28, 2026*

# Agenda

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- Background
- Types of Incentive/Disincentive Clauses
  - Asphalt Concrete Mix Quality (Air Voids & Density)
  - Asphalt Concrete Pavement Smoothness
  - PCC Pavement Smoothness
  - Bridge Deck and Approach Smoothness
  - Contract Time

# Background

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- Specifications define the general who, what, when, where, why, & how
- Material specifications (placement, timing, etc.) are specific in nature but provide a “range” for contractors
- Competition for contracts is **Critical**
- Incentives help foster bidding competition allowing for many bidders
  - Incentivizing high quality work
  - Disincentivizing lower quality work
  - Allowing for innovation in construction scheduling

# Background Continued

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- By Incentivizing higher quality SD gets:
  - Improved Construction Quality
  - Enhanced Contractor Capabilities
  - Decreased Maintenance (Public & Department)
    - Less variability which can lead to decreased asset life
    - Increase Customer Satisfaction
  - Shorter Construction Timeframes
- Generally, work higher in the specification “range” will cost the contractor more time, effort, dollars
- Some contractors will plan on earning the incentive when compiling their bid.

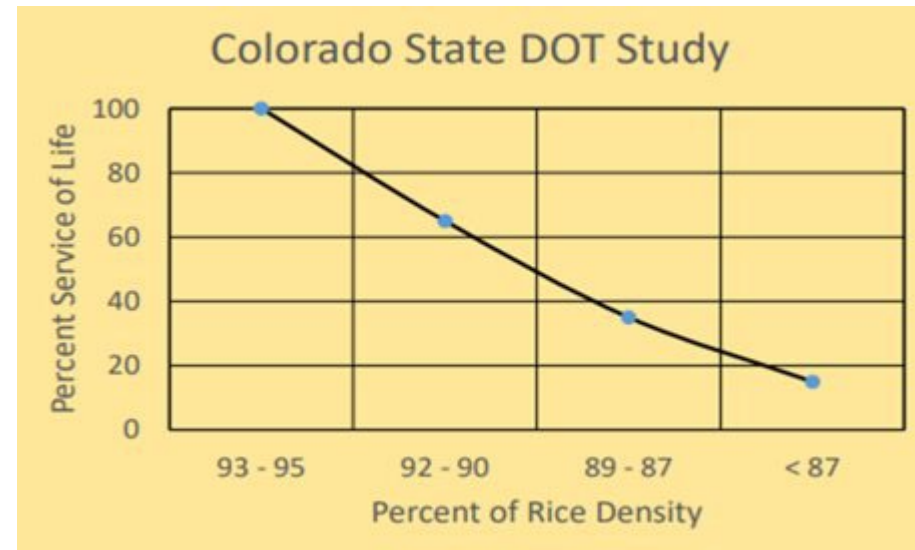
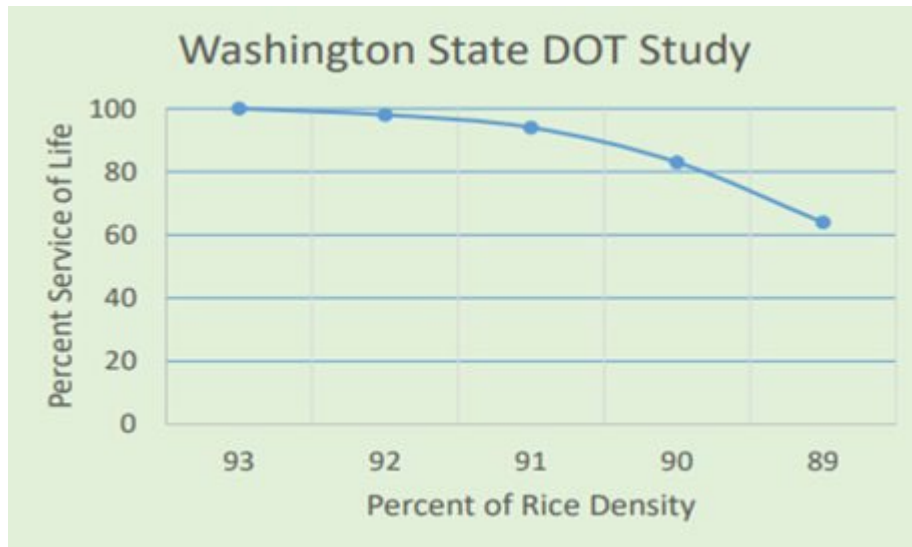
# Asphalt Concrete Mix Quality (Air Voids & Density)

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- Used on most large asphalt paving projects
- Results based on laboratory tests for air voids and density
- Maximum incentive = 5% of unit price
- Maximum Disincentive = remove and replace

# Why is Density Important?

## In-Place Density vs. Loss of Pavement Service Life



# Asphalt Concrete Mix Quality Results

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Year	Incentive	Disincentive	Net
2021	\$590,613.07	(\$48,145.00)	\$542,468.07
2022	\$521,595.70	(\$194,236.00)	\$327,359.70
2023	\$634,069.00	(\$60,795.00)	\$573,274.00
2024	\$782,042.50	(\$36,016.00)	\$743,816.50
2025	\$843,634.00	(\$13,355.00)	\$830,279.00



# Pavement Smoothness Profiler

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- Smoothness measured with high speed inertial profiler on asphalt concrete and PCC pavements and new bridge decks and approaches.
  - International Roughness Index (IRI)
  - Areas of Localized Roughness (ALR)

# Pavement Smoothness

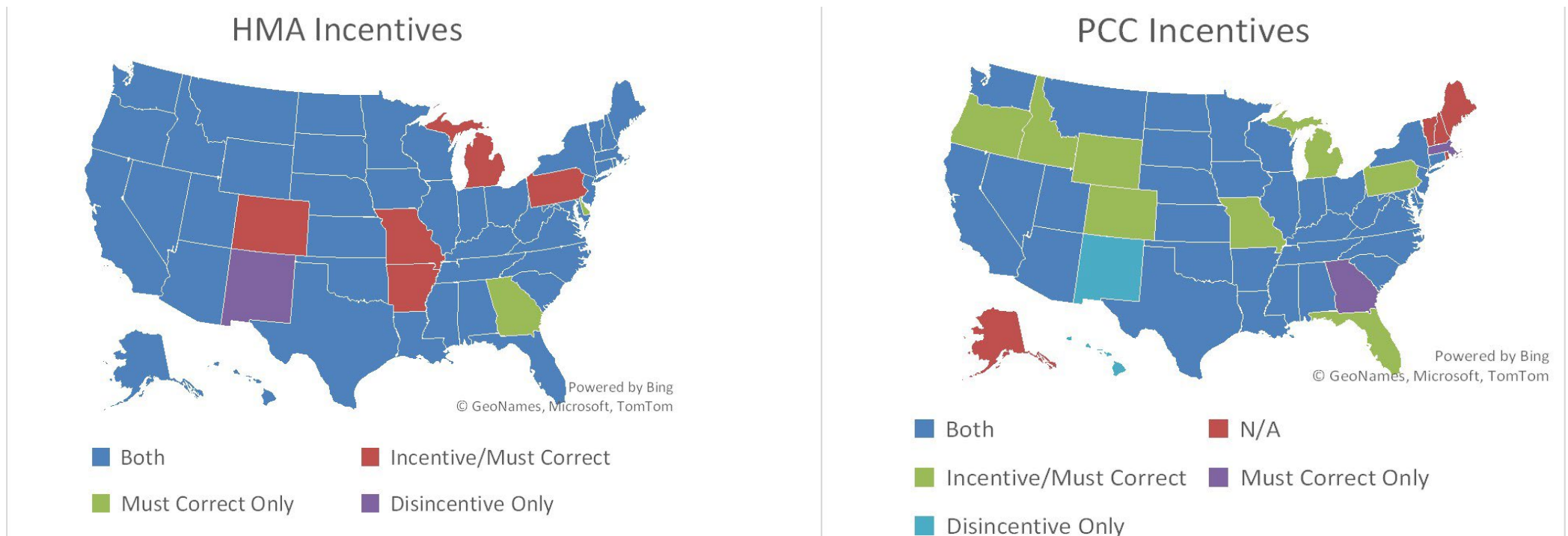
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- Use Criteria
  - Large rural paving projects at least 3 miles in length
- Defined \$ amount of Incentive or Disincentive for each 0.1 mile segment
  - In addition to defined disincentive, corrective grinding and remove & replace specified

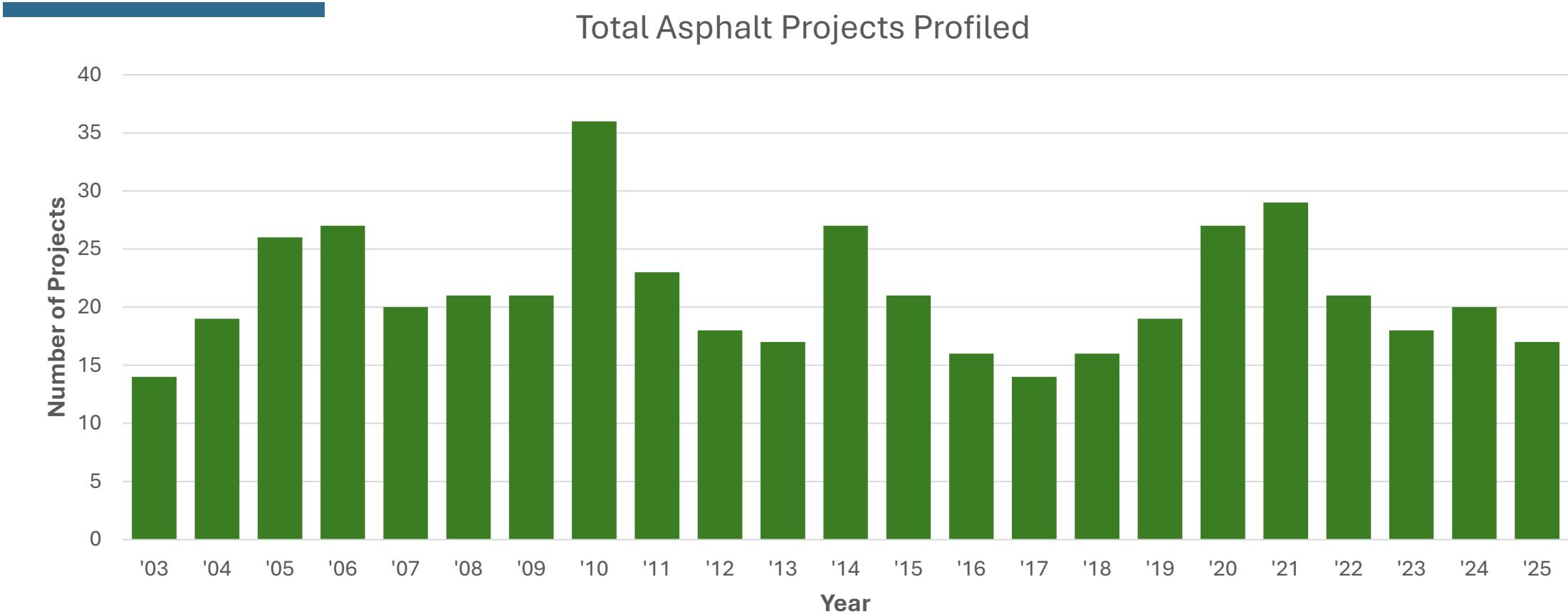
# Pavement Smoothness Across USA

Most State DOT's have Incentive/Disincentive  
Clauses for Asphalt and PCC Pavement Smoothness

smoothpavements.com



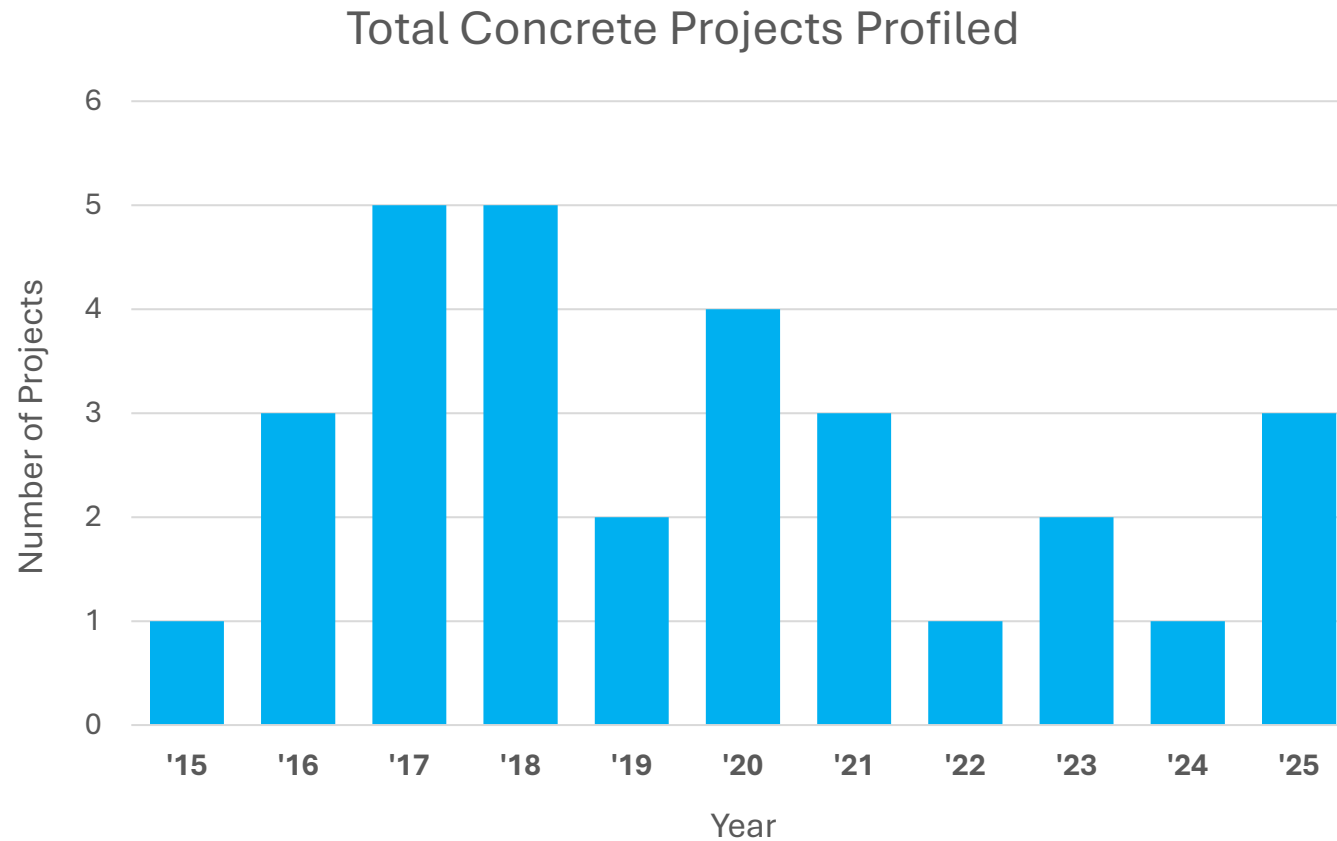
# Asphalt Pavement Smoothness Projects



# Asphalt Pavement Smoothness Quality

Year	Incentive	Disincentive	Net
2021	\$1,341,075.00	(\$75,350.00)	\$1,265,725.00
2022	\$821,679.00	(\$118,500.00)	\$703,179.00
2023	\$654,075.00	(\$58,580.00)	\$595,495.00
2024	\$886,252.00	(\$65,430.00)	\$820,822.00
2025	\$449,224.00	(\$304,746.00)	\$144,478.00

# PCC Pavement Smoothness Projects



# PCC Pavement Smoothness Quality

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Year	Incentive	Disincentive	Net
2021	\$193,739.00	(\$25,256.00)	\$168,483.00
2022	\$18,918.00	(\$4,220.00)	\$14,698.00
2023	\$24,300.00	(\$36,220.00)	(\$11,920.00)
2024	\$28,249.00	(\$4,690.00)	\$23,559.00
2025	\$78,225.00	(\$10,672.00)	\$67,553.00

# Bridge Deck and Approach Smoothness

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Year	Bridge	Incentive/Disincentive
2022	1A	\$9,900.00
2022	1B	\$0.00
2023	2	(\$4,320.00)
2024	3	\$0.00
2025	4A	(\$8,460.00)
2025	4B	(\$4,120.00)

# Contract Time

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- Clauses are used in all A+B, Lane Rental, Block Rental, & Incentive/Disincentive Contract Time Provisions
  - Use is based on project specific items including:
    - Sequence of construction
    - Traffic control
    - Area office recommendations
    - Timeframes available for construction
- Frequently Specified as only Disincentive by other types of Contract Time Provisions
- Incentives and Disincentives are based on calculated Road User Cost (RUC)

# Contract Time Incentives and Disincentives

Year	Incentive	Disincentive	Net
2021	\$721,100.00	(\$196,500.00)	\$524,600.00
2022	\$762,025.00	(\$339,025.00)	\$423,000.00
2023	\$1,105,625.00	(\$2,300,500.00)	(\$1,194,875.00)
2024	\$1,496,250.00	(\$545,000.00)	\$951,250.00
2025	\$546,150.00	(\$491,750.00)	\$54,400.00

# Thank You

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