

METHODOLOGICAL ISSUES IN MEASURING EARLY EDUCATION FACILITIES COSTS

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The term *cost*, when used in economic cost analysis of early education programs, refers to **opportunity or foregone costs** associated with providing these services. The use of school accounting budgets as the only tool for analyzing early education facilities costs is problematic for the following reasons:

- School budgets do not account for costs of facility space that is either subsidized or donated.
- School budgets do not include costs of facilities that already have been purchased (not rented or leased)

Solution: The **ingredients method** (Levin & McEwan, 2001¹) is a useful framework for evaluating the costs of early education programs.

The ingredients method involves listing the “ingredients,” or program cost components, and assigning a value to each. A basic list for an early education program would include:

- Instructional costs
- Equipment costs
- Facilities costs

ASSIGNING COSTS TO FACILITIES

Costs related to facilities that are incurred on a regular basis are relatively simple to collect; some, such as rent, may be obtainable from program expenditure records. However, issues arise under the following situations:

Issue: The facility is fully owned and paid for (not rented or leased).

Method #1: estimate the rental value of a similar facility in the same location (comparable rent).

Method #2: Apply an *annualization factor* (Levin & McEwan, 2001, pp. 68-69²) to the market value of facilities to obtain a cost estimate.

COST OF DONATED SPACE

For early education programs that use donated space, the methods described earlier have been questioned by Glantz and Layzer (Abt, 2000³) for their failure to account for space that is in excess of what would otherwise have been purchased in the market without the donated resources.

When estimating the value of donated space, the market value serves as an upper bound estimate. Assume the estimated value will lie between \$1 and the upper bound.

Tip: Ask program staff what they would have been willing to pay for program space, in the absence of the donated resources.

Tip: consider the application of a sensitivity analysis that compares more than one estimate within the upper and lower bounds.

- ✓ Remember to account for the relationship between the actual value of the donated space and child outcomes. In other words, the children or program may benefit from the donated resource, even though it would not have otherwise been purchased.

PROGRAM SPACE SHARED WITH ANOTHER AGENCY

Some early education programs share space with another agency or are part of a larger organization or school system.

Issue: The early education program facilities cost are not separated from those of the larger organization.

- ✓ Prorate the school facilities costs based on:
 1. proportion of preschool enrollment to the total school enrollment.
 2. proportion of facilities usage time represented by the preschool program to that of the grades K-6

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1. Levin, H.M. & McEwan, P.J. (2001). *Cost effectiveness analysis: Methods and applications*. Thousand Oaks, CA: Sage.
2. Ibid.
3. Abt Associates, Inc. (2000, September). *The cost, quality, and child outcomes study: A critique*. (Final Report). Cambridge, MA: Glantz, F.B. & Layzer, J.