

NON-CLASSROOM COSTS IN EARLY EDUCATION PROGRAMS

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Non-classroom costs include all costs that are not incurred directly in the classroom.

For example:

- Labor costs and fringe benefits for administration
- Supplies and materials for administration
- Equipment for common use
- Overhead costs
- Food costs, facilities costs, and transportation
- Value of volunteer time and program donations

Non-classroom costs should be allocated according to their proportional relationship to the following: *Individual classes, direct labor costs, FTE caregivers, FTE children, total licensed capacity, estimated time spent on each activity.*

An accurate estimation of non-classroom labor costs may require a disaggregation of staff administrative time spent across classroom and non-classroom duties.

For example:

- Program directors and assistant directors who spend part of their time teaching.
- Director time spent supervising specific staff
- Specialty staff, medical staff, resource room staff, etc.

These costs should be allocated directly to the classroom or FTE (“Full-Time Equivalent”) children.

- ✓ **Recommendation:** when time allocation data is unavailable, divide administrative labor costs in half and allocate one-half proportional to FTE direct class staff and one-half proportional to FTE children.

TRANSACTIONS BETWEEN CENTERS AND PARENT ORGANIZATIONS and OVERHEAD COSTS

1. *For-profit chains* are often charged for overhead. Cost allocation should follow the chain’s procedure for charging the overhead. Overhead cost allocation may also represent a percentage of revenue.

2. *Public-schools* are not usually charged overhead, however services may be provided by the district.

3. *Nonprofit centers* may receive services from a parent organization with little or no record of either the service or its value. *Examples include:* insurance, director’s salary, facilities, cleaning, bookkeeping.

- ✓ **Recommendation:** If information is unavailable, these costs can be imputed using average costs in centers that itemize them.

SUPPLIES, MATERIALS, EQUIPMENT

- Supplies and materials should be allocated by whether they are used for administration or classroom use.
- Equipment and facilities costs are easiest to estimate when in the form of rent. More often, they are purchased by the center and must be depreciated. It is unreasonable to believe that differences in use of equipment would balance out across programs. An accurate method of allocating costs for equipment use requires disaggregating and identifying the use of each item. For example, swings should not be charged to infant programs and cribs should be charged exclusively to infant programs.

VOLUNTEERS AND DONATIONS

Volunteer and donation costs are simplest to estimate if their use replaces a market purchase at an equivalent quality: the cost is the replacement cost of the volunteer.

An adjustment must be made if the quality is different or if the center would not have purchased the labor or donated item.

[Click here for full paper on Non-Classroom Costs](#)