

MEASURING TRANSPORTATION COSTS IN CHILD CARE AND EARLY EDUCATION PROGRAMS

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An accurate measurement of the cost transportation costs requires the development of a **functional cost reporting system**.

The first step in the development of a functional cost reporting system is:

Determine the specific activities for which costs are to be collected and reported.

- ✓ *It is essential that these activities be mutually exclusive and exhaustive. More simply, it means that every cost incurred by a program must be included in one, and only one, of the defined activities; and, the list of activities must include all costs incurred by the program.*

Distinguish between the direct cost of service provision and the indirect or overhead costs.

Indirect or overhead costs are costs that are incurred in the support of other activities but which are too difficult or costly to directly measure or attribute to other activities. However, these costs must still be allocated to each of the direct service activities in order to measure the full cost.

To measure the indirect or overhead costs it is necessary to develop an **allocation algorithm**.

The most common allocation algorithm is the proportion of total staff time devoted to each activity. This time study normally requires the use of *self-administered time logs* completed on a real time basis (rather than retrospective).

Issues involved in the use of these time logs are:

- a) the training necessary for accurate completion;
- b) b) determining the number of days/weeks for which time logs need to be completed.

Separate algorithms may then be used to allocate each overhead cost such as occupancy costs and administrative costs. These costs can be accounted for by measuring space used and staff costs respectively.

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