**Cost Analysis Sample Narrative**

Excerpted from the RAND Corporation IES-sponsored report: *Analysis of Costs in an Algebra I Curriculum Effectiveness Study*

We examined the costs and affordability of implementing and maintaining \_\_\_\_\_\_\_\_\_\_\_ so that the school can evaluate the costs associated with adopting and sustaining the intervention. We also evaluated how those costs compare with the current \_\_\_\_\_\_\_\_\_\_\_ used in this school and across the nation. This information can assist school districts in assessing cost feasibility to determine whether implementing the intervention is feasible given their available resources and can provide educators and policymakers with essential information for future decisions regarding the adoption of \_\_\_\_\_\_\_\_\_\_\_.

We report annualized per-student costs that consider inflation, length of adoption, and

useful life of equipment and materials as well as the average number of students participating in the study. Overall costs of \_\_\_\_\_\_\_\_\_\_\_ are estimated to be, on average, about $\_\_\_\_\_\_\_\_\_\_\_ per student compared with $\_\_\_\_\_\_\_\_\_\_\_ per student for the comparison group.

Although the purchase price of student textbooks (and accompanying workbooks) is higher for the comparison curricula, those curricula did not require replacement of the textbooks each year. In contrast, the \_\_\_\_\_\_\_\_\_\_\_ must be replaced every year. Thus, we estimate the start-up cost to be \_\_\_\_\_\_\_\_\_\_\_. Over the course of adoption, the cost of maintaining \_\_\_\_\_\_\_\_\_\_\_ is estimated to be $\_\_\_\_\_\_\_\_\_\_\_versus $\_\_\_\_\_\_\_\_\_\_\_ of the comparison group.

Technology equipment, infrastructure, and support expenditures for the \_\_\_\_\_\_\_\_\_\_\_ are estimated to be higher $\_\_\_\_\_\_\_\_\_\_\_ compared to $\_\_\_\_\_\_\_\_\_\_\_ for districts using \_\_\_\_\_\_\_\_\_\_\_ in their classrooms. The software has greater technology infrastructure and support requirements than the comparison programs.

Teacher training also has a higher per-student cost. The combination of the instructional approach and software warrants additional teacher training. Investments in teacher training will lead to higher-quality implementation of the intervention and greater potential to improve student outcomes. Therefore, schools adopting \_\_\_\_\_\_\_\_\_\_\_ will be provided with a professional development component. The level of training recommended for this intervention is estimated to cost $\_\_\_\_\_\_\_\_\_\_\_. The comparison group provided little to no curriculum-specific training to their teachers.

If findings from this study suggest significant positive outcomes for students the additional costs associated with implementing \_\_\_\_\_\_\_\_\_\_\_ may be viewed as warranted.

**Cost Analyses Definitions**

Excerpted from the University of Arizona report *Using Cost Analysis in Evaluation*

**THREE TYPES OF COST ANALYSES IN EVALUATION:**

**Cost allocation, cost-effectiveness analysis, and cost-benefit analysis** are types of cost analysis which can have a place in program evaluation. They range from fairly simple program-level methods to highly technical and specialized methods. However, all have specialized and technical aspects. If you are not already familiar with these methods and the language used, you should plan to work with a consultant or read some more in-depth texts before deciding to attempt them.

**Cost allocation** is a simpler concept than either cost-effectiveness analysis or cost-benefit analysis. At the program or agency level, it basically means setting up budgeting and accounting systems in a way that allows program managers to determine a unit cost or cost per unit of service. Cost allocation provides some of the basic information needed to conduct more ambitious cost analyses.

**Cost-effectiveness analysis** assumes that a certain benefit or outcome is desired, and that there are several alternative ways to achieve it. The basic question asked is, “Which of these alternatives is the cheapest or most efficient way to get this benefit?” By definition, cost-effectiveness analysis is comparative, while cost-benefit analysis usually considers only one program at a time. Another important difference is that while cost-benefit analysis always compares the monetary costs and benefits of a program, cost-effectiveness studies often compare programs on the basis of some other common scale for measuring outcomes (e.g., number of students who graduate from high school, infant mortality rate, test scores that meet a certain level).

**Cost-benefit analysis** asks the basic questions, “Do the economic benefits of providing this service outweigh the economic costs?” and “Is it worth doing at all?” One important tool of cost-benefit analysis is the benefit-to-costs ratio, which is the total monetary cost of the benefits or outcomes divided by the total monetary costs of obtaining them. Another tool for comparison in cost-benefit analysis is the net rate of return, which is basically total costs minus the total value of benefits.

**The following example illustrates some of the differences between Cost-Effectiveness and Cost-Benefit analyses:**

Suppose the drop-out rate in an inner-city high school is 50%. Prevention Program A enrolls 20 students, costs $20,000, and 15 of the 20 students (75%) graduate. Thus Program A resulted in 5 additional graduates at a cost of $20,000, or one additional graduate for every $4,000. Prevention Program B enrolls 20 students, costs $15,000, and 12 of the 20 students (60%) graduate. Thus Program B resulted in 2 additional graduates at a cost of $15,000, or one additional graduate for every $7,500 spent. Although Program B is cheaper ($15,000 compared to $20,000), Program A is more **COST-EFFECTIVE** ($4,000/each additional graduate, compared to $7,500/additional graduate). A **COST-BENEFIT ANALYSIS** in this situation, instead of comparing unit costs, would require estimating the dollar value of high school graduation (for example, by projecting the difference in lifetime earning capacity of graduates over drop-outs, and lifetime social service costs), and comparing the monetary value of producing more graduates to the monetary cost of providing the program in the first place.