CAP Project

MODULE 1 VIDEO 2B TRANSCRIPT: INTRODUCTION TO COST ANALYSIS: FLOWCHARTS

Let's walk through the decisions you'll need to make to help you decide what kind of economic evaluation you should pursue. We'll break this into two parts – first the investments needed in the program and, second, the returns or outcomes produced by the program.

To begin, decide whether you are estimating only the expenditures needed for a program or the economic value of the resources required to implement it.

If you only need to document expenditures,

You'll simply be looking for new outlays of funds in an **expenditure analysis**.

If you need the economic value of the resources,

You'll need a **cost analysis**.

Now, are you comparing the costs of the program you are evaluating to the costs of another program or to business as usual?

If it's another program, you'll need **incremental or differential costs** – that is the extra costs or savings associated with the program above or below the costs of the comparison program.

If there isn't another program, you'll simply be comparing to business as usual, you'll be estimating **total costs** – that is, the value of all new and reallocated resources needed to implement the program.

In either case, you can then ask yourself if you need to assess whether the school or district has adequate capacity, funding, and resources to implement the program.

If yes, you'll need a **cost-feasibility analysis** which extends cost analysis by comparing the resources needed to implement a program with the resources that are already available or can be procured within budget constraints.

If no, you don't need to go beyond the cost estimate you already produced.

That covers the types of analyses focused on the resource requirements or investments in a program.

Now, are you also trying to compare costs with what is gained or lost as a result of the program?

If not, no need to look further, stick with the analysis you landed on in the previous slide.

If you *do* need to consider the returns in addition to costs, the first question is: are you measuring the returns from a program relative to a control group?

If not, you can conduct a **cost-efficiency analysis** in which you are estimating total costs per unit of outcome, for example cost per point increase in a test score from beginning to end of year.

If you are measuring returns relative to a control group, you need to ask yourself whether you are only considering the gain or loss on a single outcome, for example, a student academic outcome or an educator outcome, or on multiple outcomes?

If on multiple outcomes, consider whether you can monetize each outcome.

If yes, you could conduct a **cost-benefit analysis** in which you compare the dollar value of the incremental gains to the incremental costs to see if the benefits exceed the costs.

If no, you may be able to conduct a **cost-utility analysis** in which you find some way to quantify each of the returns to stakeholders and weight them by importance to these stakeholders in order to provide an overall measure of utility or stakeholder satisfaction. You can learn more about this type of analysis and how it's useful in education at www.decisionmakertool.org.

Now, if you are only considering the gain or loss on a single outcome, you can conduct a **cost-effectiveness analysis** in which you compare costs and outcomes of the treatment condition or, better still, condition***s,*** to the control condition and estimate incremental costs to produce incremental effects.

Once you've done that, you can again consider whether this outcome can be monetized.

If yes, again, you could conduct a cost benefit analysis.

And that's it for the returns.

In the next video, you'll hear how each of these types of analysis can be applied to address an education decision-maker's question.