



To: Erica Maas, Executive Director of Parent Aware for School Readiness

From: Heather Schwartz and Lynn Karoly, RAND Corporation

Date: January 27, 2015

RE: Method for determining indirect costs of the school-based ECE program in the RAND cost study

In 2011, RAND conducted a cost study of the pilot program called St. Paul’s Early Childhood Scholarship Program. The RAND study was conducted as part of SRI’s evaluation of the scholarship program funded by the Minnesota Early Learning Foundation. The cost study results are publicly available for free at: http://www.rand.org/pubs/technical_reports/TR947.html

In response to a question about how we derived indirect costs of the school-based preschool program included in the study, we have reviewed our data, and we confirm that we accurately calculated the cost of the one school-based preschool program in our sample, using the best data that was available to us.

We performed the cost calculation using the resource cost model approach described in the Cost Analysis Methodology section of the report. Here is supporting detail from page 15 of the report (and an associated footnote):

The selected school-based program, as a part of the Saint Paul public school system, did not have access to school-level expenditures and instead applied districtwide average costs for most of the preschool's cost categories. Thus, costs for this program were derived by multiplying the number of preschool teachers and staff by average wages for those staff categories (rather than the actual wages for the individuals who worked at the ECE program at the given school).

Footnote: To illustrate, the interviewed administrator identified the qualifications and the number of preschool teachers at the school and then applied the relevant districtwide average salaries and benefits per teacher classification to derive estimates of the school-level preschool expenditures.

More specifically, we included two types of indirect costs in our expenditure accounting for the public school-based preschool program: (1) the average St. Paul school district expenditure, per job title, of non-wage employee benefits for a full-time staff member multiplied by the number of full-time equivalent employees in that job title in the sampled school-based preschool program; and (2) a \$661 per-pupil central district administration expense in school year 2009-2010 that we multiplied by the number of enrolled preschool pupils in the sampled school-based preschool program. All of these

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cost figures were provided to us by the administrator for the school district whom we interviewed.

The first category of indirect costs – the non-wage employee compensation – includes the average cost for the St. Paul school district over a 12-month period of FICA, unemployment insurance, worker compensation, disability insurance, life insurance, and health insurance for a full-time employee. The average expenditure for each job title on these non-wage benefits per full-time staff member in SY 2009-2010 was as follows:

Principal	\$35,582
Lead teacher	\$19,407
Teacher assistant	\$11,171
Education assistant	\$14,109

To determine the total non-wage benefits for the school-based preschool program, these non-wage benefit costs for a given job title were multiplied by the number of full-time equivalent staff in each of these job titles in the school-based preschool program. In other words, in each job category, we determined the percentage of each person’s time in the school-based preschool program (as opposed to other grade levels within the school), summed over the staff in that category to obtain the number of full-time equivalent staff in that job title, and then multiplied the number of full-time staff equivalents by the non-wage cost per full-time staff equivalent. These non-wage costs were then summed over all job titles. Thus, the non-wage employee compensation attributed to the school-based preschool program were apportioned according to the staffing mix in the program during the school year.

We believe this resolves the question regarding indirect costs at the public preschool program, but if there are any additional questions or concerns, please do not hesitate to contact Heather Schwartz at hschwartz@rand.org.

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