

## Conducting a Cost Evaluation of Your Fatherhood Program

Program managers and policymakers often want to know whether fatherhood services are cost effective. Funders are also interested because they want to use their dollars wisely. For example, an independent evaluation of job-focused fatherhood program piloted in Arapahoe County (Colorado) led to long-term support using county funds. The evaluation concluded that program services increased participant employment, earnings, and child support payments at significant levels. The program also benefited the local economy, with each dollar expended on the program increasing regional earnings by \$4.37 and regional sales/revenue by \$7.34.

This overview is an introduction into how you can assess the cost of operating a fatherhood program and its fiscal benefits. Program managers are encouraged to collaborate with experienced evaluators in university and research organizations for the actual conduct of a cost evaluation.

### Background Information

The most common types of cost analysis are cost-benefit analysis, cost-effectiveness analysis, and return on investment.

- **Cost-benefit analysis.** Cost-benefit analysis compares the cost of a program to the value of the program.
  - ▶ The costs typically encompass the direct cost of the program including the value of in-kind resources, but may or may not consider indirect costs (e.g., alternative uses of the funding and resources).
  - ▶ The benefits include benefits to an individual (e.g., increased wages) and society (e.g., reduction in children poverty rates).
  - ▶ A cost-benefit analysis attempts to identify all program costs and benefits to determine whether the total benefits exceed the total costs.
  - ▶ If total benefits exceed total costs, the program is deemed to be cost effective. For example, the South Carolina Center for Fathers and Families found that for every dollar invested in services to eligible fathers, \$5 was returned in savings and benefits to taxpayers and low-

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income families. This program provided employment services. The benefits were increased earnings, increased child support payments, and avoided incarceration.

■ **Cost-effectiveness analysis.** Cost-effectiveness analysis is generally more limited in scope than cost-benefit analysis. It focuses on the cost of producing a particular outcome.

- ▶ For example, the outcome that Pennsylvania expects from the New Opportunities for Noncustodial Parents Program (NEON) is more child support payments. NEON provides job readiness assessments and other services to help parents overcome employment barriers (e.g., hard skills training, drug and alcohol treatment referrals, transportation assistance, and legal assistance), workforce placement, intensive case management, and incentive awards for continued employment.
- ▶ A cost-effectiveness analysis of the NEON program found that the program achieved its desired outcome because for every dollar spent on the program, the children of program participants received \$2.41 in child support.

■ **Return on investment.** “Return on investment” is a concept borrowed from the private sector. It is similar to cost-benefit analysis in that it considers the benefits to investing in a certain resource but the timeframe is much longer. When applied to the public or non-profit sector, it is often restated as “return on public investment,” or ROPI.

- ▶ The results from the Arapahoe County evaluation mentioned above are a form of ROPI albeit over a shorter timeframe. The evaluation found that within one year, each dollar expended on the program increased regional earnings by \$4.37 and regional sales/revenue by \$7.34.
- ▶ Wilder Research used ROPI to evaluate the Father Project in Minnesota and estimated that the long-term benefits from the 380 fathers participating in the fatherhood program in 2009 will ultimately reach \$7.4 million. This includes increased income amounts (\$2.45 million), increased child support payments (\$50,180), increased tax revenues (\$183,000), the value of establishing paternity (\$97,000), the prevention of criminal activity (\$1.66 million), improved child literacy and development (\$45,000), engagement and involvement with early childhood programming (\$2.9 million), and increased community involvement and leadership of fathers (\$1,860).<sup>1</sup>

## Findings from Studies Examining Cost

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<sup>1</sup> Diaz, Jose & Chase, Richard (2010). *Return to Investment on the Father Project*, Wilder Research, MN: Minneapolis. Retrieved from <http://www.wilder.org/Wilder-Research/Publications/Studies/Return%20on%20Investment%20to%20the%20FATHER%20Project/Return%20on%20Investment%20to%20the%20FATHER%20Project,%20Full%20Report.pdf>.

There is a dearth of cost studies on programs serving low-income fathers. Program “cost” was reported in only 11 of the 77 studies of 63 programs for low-income fathers that were analyzed in a U.S. Department of Health and Human Services-sponsored catalogue of research on fatherhood programs published in 2011.<sup>2</sup> Only three of the reported costs were per case or per program slot. Most of the remaining reported costs were for the entire program, spanned several years, and totaled hundreds of thousands or millions of dollars.

The per-unit costs of the three studies varied.

- The cost per active participant was \$200 to \$1,200 depending on the program model for the Texas Fragile Family demonstration project, which was conducted from 2000 to 2004 and aimed at improving child outcomes through the provision of community services. The least expensive program model was conducted through family-centered programs serving the whole family, and the most expensive program model was based in health or hospital clinics.
- The cost per case was \$2,500 (in 1998 dollars) for the Los Angeles Jobs-First Gain, which was a welfare-to-work program that also treated fathers in two-parent families.
- The cost per program slot ranged from \$4,130 to \$5,050 per site for the Young Unwed Fathers pilot demonstration that aimed to help young fathers of the ages 16 through 25 achieve self-sufficiency and fulfill their parental responsibilities. Specific services varied across sites, but the basic model included job training, educational services, fatherhood development classes, case management, and counseling. The evaluations of the Young Unwed Fathers pilot were published in 1992 and 1994.

### Considerations When Designing a Cost Study

**Consideration 1: Identify your audience and its interests.** Cost studies are often conducted to justify funding. Ask potential funders what they want to learn from a cost study and what cost methodology and study scope they would find the most helpful.

**Consideration 2: Define the program, policy, or intervention being evaluated.** Is it a stand-alone program that is being evaluated? If so, the cost of operating the program may be tracked against a program budget that is readily available. If not, it may be more difficult to identify the cost of a particular intervention (see Consideration 6).

**Consideration 3: Decide on a study timeline.** The study timeline should coincide with the program’s timeline. For example, if the program is a demonstration, the study period should encompass the same time period as the demonstration. The time period may begin after the program first became operable if the focus is on the costs and benefits of ongoing operations. If a potential funder is on an annual or

multiple-year budget cycle, a one-year operations period may be appropriate. Timelines should also consider the appropriate timelines for follow-up. Do you expect program outcomes to be realized in six months, one year, or a longer time period?

**Consideration 4: Decide what type of cost study you want to do and its scope.** Focusing on the expected outcomes that are readily measurable and directly affect program participants and children (e.g., increased income and child support) is limited in scope but generally doable. Examples of cost evaluations that are broader in scope include the cost of avoiding incarceration, increased tax revenues, and other indirect benefits or expected benefits that are not readily measurable or obviously translated to dollar value (e.g., increases in a child's educational attainment). A longer study period can also increase the difficulty of the study, particularly if the cost and benefits are not realized in the same year. If they are realized in different years, the value of the benefits must be discounted for inflation since program costs were incurred.

**Consideration 5: Consider partnering with a university or research institution with experience conducting cost studies.** This may include a wide range of university departments ranging from social work schools to business schools. Some will be more or less experienced at specific price translations (e.g., multipliers for creating additional jobs in the local economy and cost avoidance from incarceration). The more complicated the cost study, the more consideration you should give to partnering. An experienced partner will know how to appropriately translate program benefits to dollar value.

**Consideration 6: Identify costs of the program or intervention.** Determine if you are analyzing costs per slot, case, participant, or service delivered. If it is cost per active participant, you need to have a clear definition of what active means to the program or intervention.

**Consideration 7: Identify program costs by itemizing the resources that the program or intervention uses.** This will likely include direct personnel costs, contracted services (e.g., contracted mediation services or employment-ready assessments), and non-personnel services such as office space, supplies, and materials. Personnel may include upper-level administrators even though they only devote a few hours per month to the program or intervention being evaluated. Personnel costs should include employee benefits such as health insurance and FICA paid by the employer. The cost of personnel and its benefits should be weighed by the percentage of time that each person devotes to the program (e.g., 10 percent of the salary and benefits of an administrator should be considered if the administrator only devotes 10 percent of her time to the program or intervention). Similarly, indirect costs (e.g., rent) should be weighed if not all of the office is devoted to the program or intervention that is being evaluated.

**Consideration 8: Identify the data source for determining the cost of each resource used for the program.** If expenditures are tracked against a budget for the program, this is straightforward. If they are not, work with staff and administrators familiar with program to determine other ways to obtain cost information (e.g., payroll data).

**Consideration 9: Translate outcomes to dollar values.** How can expected outcomes be translated to dollar values? The studies mentioned in this document provide a wide range of examples. Links to these studies are provided at the end of this document.

**Consideration 10: Effectively report cost findings.** Findings should be presented clearly and succinctly, but be well documented and in sufficient detail such that another researcher can replicate the study. Be sure to include an executive summary.

## Additional Resources

- Cost analysis in program evaluation: A guide for child welfare researchers and service providers.*  
Calculating the Costs of Child Welfare Services Workgroup (2013). Washington, DC: Children's Bureau, Administration for Children and Families, U.S. Department of Health and Human Services.  
[https://www.acf.hhs.gov/sites/default/files/cb/cost\\_analysis\\_guide.pdf](https://www.acf.hhs.gov/sites/default/files/cb/cost_analysis_guide.pdf).
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- OFA Evaluation Resource Guide for Responsible Fatherhood Programs.  
[http://www.jbassoc.com/reports/documents/rf\\_evaluation\\_final\\_v2-small.pdf](http://www.jbassoc.com/reports/documents/rf_evaluation_final_v2-small.pdf).
- Pearson, J., L. Davis & J. Venohr. (2011). *Parents to Work! Program outcomes and economic impact*. Denver, CO: Center for Policy Research.  
<http://www.centerforpolicyresearch.org/Publications/tabid/233/Default.aspx>.
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[http://www.scfathersandfamilies.com/impact/outcomes\\_and\\_cost\\_benefit/jobs\\_not\\_jail/](http://www.scfathersandfamilies.com/impact/outcomes_and_cost_benefit/jobs_not_jail/).
- Richard, Daniel & John Clark. (May 2011). "Pennsylvania NEON Program Marks \$10 Million Milestone," *Child Support Report*, Vol. 33, No. 5. Federal Office of Child Support Enforcement, Washington, D.C. Retrieved from: <http://www.acf.hhs.gov/sites/default/files/ocse/csr1105.pdf>.