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Resources for Setting User or Sponsorship Fees *Extension Economics Notes # 2012-7*

This *Note* describes a variety of resources which you can use to decide whether or not to charge user fees and/or sponsorship fees, and if so, how to do it in ways that encourage participation and generate revenue.

While many of the earlier *Extension Economics Notes* have focused on user fees, many of the same principles apply to event sponsorships. Recall that an event sponsorship is when an organization pays a fixed fee to sponsor an educational event for an estimated number of participants and there are no direct user fees. The sponsorship fee remains the same even if the number of participants is less or slightly more. In addition, the sponsor publicizes the event and recruits the audience. Likewise, the sponsor handles almost all of the local logistics (location, facilities, AV, meals, etc.) For more on the sponsorship model, see *Extension Economics Notes # 2012-1*.

Resource People and Events

Colleagues Already Charging Fees: Many of your colleagues are already charging user or sponsorship fees for their programs. They are your best resource. They often have gone through the same set of questions you are now asking and can give you perspectives that might translate to your own programs.

Leaders in Your Target Audience: Leaders from your target audience organizations are another valuable resource in helping you understand the pros and cons of charging fees. Likewise, you will need to help them understand the costs of your programs and the consequences of not finding alternative sources of revenue.

Economists Working on Public Value: Economists can help you with conceptual definitions of public value. Typically fees are only charged for the private value portion of the program. However, some participants like to know the public value. Further, you can use the public value aspects to attract grants, gifts, and event sponsors, lowering the fees needed. See the articles by Laura Kalambokidis; Nancy Franz; and Paul Brown, Daniel Otto and Michael Quart.

Economists Working on Willingness to Pay (WTP): Economists can help you with the WTP estimates, especially in exploring how participation and revenues might change as fees change. Any economist who is interested in fees in Extension and has some background in econometrics would be an asset on your project. For more see *Extension Economics Notes # 2012-4* and the paper by Roe, Haab, and Sohngen.

Extension Economics Notes may not reflect the views of the University of Minnesota or its units. I appreciate the feedback from several colleagues but any errors or omissions are my responsibility. From 1974 to 2002 I was a faculty member and Extension economist at South Dakota State University, Ohio State University, and University of Minnesota. From 2002 to 2007 I served as the Associate Dean and Director for the University of Minnesota Extension.

Extension Economics Notes are available at <http://ageconsearch.umn.edu/>

Economist with Experience in Teaching Economic Literacy to Adults: Economists working with the Council for Economic Education have active learning lessons on how prices are determined by supply and demand. These are perfect for anyone who dreads economics but still wants to have a better understanding of the way people react to prices and fees. See: <http://www.councilforeconed.org/>

Program Evaluators: Program evaluators can assist in developing evaluations that help you demonstrate the value of your program - both to participants and to the public. In most cases, you will want to do enough evaluation prior to charging user fees that you understand what participants see as the primary value of your program and events. Ripple effect mapping can help you start the evaluation and provide some immediate feedback to both the audience and Extension (See Lynette Flage and Scott Chazdon reference listed below). Some of your best results come from having your program evaluator work closely with the public value economist. If your state does not have evaluators in Extension, check with the American Evaluation Association for resources at <http://www.eval.org/>.

Webinars for Extension Administration: I host periodic one hour webinars on the topics covered in the *Extension Economics Notes* for Extension administrators, including program leaders. These free webinars start with a 10 minute Power Point presentation followed by an open discussion. Participants are expected to read the relevant *Extension Economics Notes* prior to the session. If you wish to receive a notice of these webinars or are interested in a particular topic on program business planning or cost recovery, send me an email (morse001@umn.edu).

Webinars for Program Team Leaders: Upon request, I produce 60 to 90 minute webinars on cost recovery options (*Extension Economic Notes* # 2012-1 to # 2012-7) for state specialists and/or field educators who are providing leadership for a statewide program. While individual participants are welcome, the sessions are more productive when two or three people from a given state program participate because at least half of the time is group discussion. These webinars are designed in consultation with those putting in the initial request and can be open to others of limited to those requesting. To arrange these, call me at 207-799-1872.

Face to face sessions for program teams leaders: While I occasionally do face to face workshops on the above topics, the cost of these sessions is considerably higher and are harder to schedule than the webinars. Hence, my first reaction will be to help you explore doing it by webinar or suggesting other resource people who might be closer.

Readings Related to User Fees

There are lots of interesting articles available on user fees. Here are a few of them, organized by their intended audience and degree of technical complexity.

Extension Economics Notes – These four page *Notes* are written for Extension staff who are not economists.

2012-1	Which Type of Cost Recovery Fits Our Extension Program?
2012-2	Should We Charge User Fees for Our Extension Program?
2012-3	Estimating the Cost of an Extension Event
2012-4	Agreeing on Practical Extension User Fees (if any!)
2012-5	Factors Influencing the Willingness to Pay User Fees
2012-6	Travel Costs in User Fees and Equal Access to Extension

These can be found at <http://ageconsearch.umn.edu/>.

Other Articles & Resources for Non-Economists:

- Ahmed, Adeel and George W. Morse. 2010. "Opportunities and Threats Created by Extension Field Specialization." *Journal of Extension*. <http://www.joe.org/joe/2010february/rb3.php>.
- Brown, Paul W., Daniel M. Otto, and Michael D. Ouart. 2006. "A New Funding Model for Extension." *Journal of Higher Education Outreach and Engagement*. 11(2), p. 101-116. <http://openjournals.libs.uga.edu/index.php/jheoe/index>
- Flage, Lynette and Scott Chazdon, "Ripple Effect Mapping of Extension" Webinar sponsored by the North Central Regional Center for Rural Development, Michigan State University, 2/28/12 <http://ncrcrd.msu.edu/ncrcrd/webinars>
- Franz, Nancy K. 2011. "Advancing the Public Value Movement: Sustaining Extension During Tough Times." *Journal of Extension*. 49(2) <http://www.joe.org/joe/2011april/comm2.php>
- Kalambokidis, L. 2002. "Funding Extension Services with User Fees" Minnesota Public Finance Note # 2003-01. University of Minnesota Extension, <http://faculty.apec.umn.edu/lkalambo/documents/MNPFN2002-01.pdf>
- Kalambokidis, L. 2003. "Using Tax Policy Principles to Guide a Proposal for a Statewide 4H Fee" Minnesota Public Finance Note # 2003-02. University of Minnesota Extension, <http://faculty.apec.umn.edu/lkalambo/documents/MNPFN2003-02.pdf>
- Kalambokidis, L. 2004. "Identifying the Public Value in Extension Programs." *Journal of Extension* 42(2). See www.joe.org and her Public Value blog at <http://blog.lib.umn.edu/kalam002/publicvalue/>
- Loomis, John. 2005. "Economic Values without Prices: The Importance of Nonmarket Values and Valuation for Informing Public Policy Debates." *Choices*, 20 (3) <http://www.choicesmagazine.org/2005-3/nonmarket/2005-3-01.htm>
- Morse, George and Thomas K. Klein. 2006. "Economic Concepts Guiding Minnesota Extension's New Regional and County Delivery Model." *Journal of Higher Education Outreach and Engagement* 11 (4). <http://openjournals.libs.uga.edu/index.php/jheoe/article/view/143/131>
- Morse, George W., Jeanne Markell, Philip O'Brien, Adeel Ahmed, Thomas Klein, and Larry Coyle. 2009. *The Minnesota Response: Cooperative Extension's Money and Mission Crisis*. iUniverse Publishing. Bloomington, IN.
- Stevens, Thomas, 2005. "Can Stated Preference Valuations Help Improve Environmental Decision Making?" *Choices*, 20 (3) <http://www.choicesmagazine.org/2005-3/nonmarket/2005-3-03.htm>

State Policies & Tools for Calculating Costs:

- Iowa State University Extension. "Guiding Principles for Revenue Generation" http://www.extension.iastate.edu/NR/rdonlyres/4FD3E907-C978-4447-9C29-CE5A83C075C1/145781/Rev_Gen_Guiding0411.pdf (Accessed 2/21/12)
- Joint Task Force on Managing the Changing Portfolio of the Cooperative Extension Service. 2006. "The Changing Portfolio of the CES." Final Report, January 2006. <http://www.aplu.org/NetCommunity/Document.Doc?id=427>

Michigan State University, undated. "Program Cost Recovery Initiative Guiding Principles," <http://web2.msue.msu.edu/pcr/> (Accessed on 6/21/2012)

Miller, Rick. 2004. "Revenue Generation: A snapshot of revenue generation policies and practices in Cooperative Extension," 2004. Manhattan, KS: K-State Research and Extension.

Ohio State University Extension. 2004. "Cost Recovery Policies," www.extadmin.osu.edu/cost-recovery-policies/pdfs/policies.pdf

O'Neill, Barbara, et. al. 2006. "Cost Recovery and Revenue Enhancement: Taking Ownership of Our Future." Report of the Rutgers Cooperative Research and Extension Revenue Enhancement Task Force, April. <http://njaes.rutgers.edu/revenue>

Texas AgriLife Extension Service. 2011. "Agency Guidelines for Partial Cost Recovery." The Texas A&M University System. <http://agrilifeas.tamu.edu/library/pdf/cash-mgmt/agency-guidelines.pdf>

University Of Maryland Extension. 2010. "Cost Recovery Guidelines." Amended June 2010. http://umeanswers.umd.edu/Documents/UME_Cost_Recovery_Guidelines.pdf

University of Nevada. "Extension Guidelines for Registration Fees." http://www.extension.unl.edu/c/document_library/get_file?uuid=a090c62e-0571-434c-9bc4-fbbf61df1602&groupId=1873

Articles for Economists:

Dinar, Ariel. 1996. "Extension Commercialization: How Much to Charge for Extension Services." *American Journal of Agricultural Economics*, 78, February, pp. 1-12/

Dinar, Ariel and Gabriel Kaynan. 2001. "Economics of Paid Extension: Lessons from Experience in Nicaragua" *American Journal of Agricultural Economics*, 83(3) August. Pp. 767-776.

Garth John Holloway and Simeon K. Ehui. 2001. "Demand, Supply and Willingness-to-Pay for Extension Services in an Emerging-Market Setting" *American Journal of Agricultural Economics* 83 (3) August. Pp. 764-768

Hanson, James C. and Richard E. Just. 2001. "The Potential for Transition to Paid Extension: Some Guiding Economic Principles." *American Journal of Agricultural Economics*, 83(3), August, pp. 777-784.

Roe, Brian, Timothy C. Haab, and Brent Sohngen. 2004. "The Value of Agricultural Economics Extension Programming: An Application of Contingent Valuation." *Review of Agricultural Economics*. 26(3) pp. 373-390.

Program Team Discussion Questions

1. Which of these resources look most relevant to our program?
2. Who is going to investigate the ones we have identified as potentially useful?
3. What is the timeline for these tasks?

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