



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Cost Recovery Plan for Extension Programs *Extension Economics Notes #2013-2^a*

This *Note* describes a process for developing a two page cost recovery plan for an Extension program or event. The approach outlined here can be used by any program team, whether they are a new team with a new program or event or they are an established team with an established program. An example is provided in Appendix A.¹

Why Start with a Cost Recovery Plan?

The cost recovery plan is a two page document which explains the key factors influencing the most practical type of cost recovery and how it will be implemented.

For many teams, it might be best to do a cost recovery plan *before* doing a program business plan as suggested in *Extension Economics Notes #2011-1* (<http://purl.umn.edu/129276>).² The full program business plan is still the best approach for new statewide teams which have not worked together or for teams with a brand new program with an unknown reputation. Successful cost recovery depends on developing and delivering a high quality program which is in high demand and focusing on this first gives teams time to study the best type of cost recovery.

But many established teams with well-known programs do not see the need to develop a written program business plan. Further, those that do embrace program business planning often have the mistaken idea that it is largely about cost recovery. Since the two plans overlap in many respects, starting with the cost recovery plan might be a better option for some teams.

Major Elements of Cost Recovery Plans

The three most important features of the cost recovery plan are that the plan is:

1. a written document which is developed by the team implementing the program or event;
2. only two pages long (with 12 point font); and
3. an outline of “next steps” when necessary.

^a By George W. Morse (Professor Emeritus, University of Minnesota; morse001@umn.edu) and Jane E Haskell (Extension Professor, University of Maine Cooperative Extension; jane.haskell@maine.edu). *Extension Economics Notes* may not reflect the views of the University of Minnesota or the University of Maine. We appreciate the feedback from several colleagues but any errors or omissions are our responsibility. *Extension Economics Notes* are available at <http://ageconsearch.umn.edu/>

A written document is important because the process of writing it results in the team reaching consensus on the key elements of the program. Often teams think they have complete consensus until a draft plan is on paper. The discussions after an initial draft result in both stronger agreement and a stronger plan.

A two page plan is much more likely to be used by the team, read by administrators, and result in greater clarity. Planning is an ongoing process which is never complete. Hence, the plan should indicate the *next steps* on paper.

Description of Event: This is an overview of the nature of the educational event.

Target Audience: The target audience is the specific group you want to participate and estimates of their size. See *Notes #2011-1* (<http://purl.umn.edu/129280>) & *Notes #2012-4* (<http://purl.umn.edu/129292>).

Program Teams: Educators reported this as the second most important benefit of a written plan. State specialists rated it the most important one.³

Competition: If the audience thinks there are viable non-Extension alternatives to a program, then there are, even when you have solid evidence that the Extension program is much better and more effective than the competition. See *Notes #2012-4*.

Private and Public Value: If teams cannot articulate these, they cannot select or implement the best type of cost recovery for their program. See *Notes #2012-2*. (<http://purl.umn.edu/129286>)

Best Type of Cost Recovery: In addition, there are 10 other factors which can influence the choice between grants, contracts, gifts, user fees, or sponsorships. See *Notes #2012-1*.

Cost of Delivery: See *Notes #2012-3* (<http://purl.umn.edu/129289>) and *#2012-6* (<http://purl.umn.edu/129298>).

Sharing the Cost Estimates: Unless the public understands the full cost of delivery and sources of funding, cost recovery is difficult. While often participants do not need to pay the full costs, it is important for them to realize the costs. See *Notes #2012-3*.

Promotion: The costs per person generally depend on the number of participants per event, which depends on the promotion. Outline the plan here.

Evaluation: Cost effectiveness requires evaluation data. Hence it is important in this plan.

Willingness to Pay: See *Notes #2012-4* and *Notes # 2012-5* (<http://purl.umn.edu/129295>).

Mission and Money: Helping people by translating research into practical educational programs is the mission of Extension. Hence, we must ensure that the mission comes first and that the money is only a means to sustaining the ability to deliver the program to as many communities, firms, and people as possible. See *Notes #2012-1*.

**Appendix A:
Public Value for Your Library Workshop:
Cost Recovery Plan**

April 26, 2013

Description of Workshop: Public funding for libraries is flat or declining in many libraries while demand has increased. This workshop explores why library advocates need to identify the value of their local library not only to patrons but also to non-users; describes two economic concepts and tools which can be used to identify the public value for specific services in their library and gives participants time to use these for their own library. This 2 ½ to 3 hour workshop is for 20 to 60 library staff and advocates from one library or several.

Target Audience: Library staff, foundation members, trustees, and friends of the library. Maine and New England have 272 and 9,221 public libraries respectively. If only 20 percent of these libraries do this over the next five years, this would be 54 in Maine and 1,884 libraries in New England, or 11 and 360 libraries per year respectively.

Program Team: George Morse, Professor Emeritus, Applied Economics, University of Minnesota and Jane Haskell, Extension Professor, University of Maine Cooperative Extension. Others will be invited to join the team if demand exceeds the supply.

Competition: Neither private consultants nor non-profit agencies are providing public value workshops for libraries in New England. However; several private consultants do closely related marketing and branding work for libraries, which might erroneously be seen by the target audience as the same. This is particularly true before local sponsors understand the differences in branding and public value. **Next Steps:** Explore whether libraries with strong branding efforts are better able to implement public value communications projects.

Private and Public Value: Private value: After the workshop, attendees feel more empowered to do their job of advocating for the library. This private value increases as more people from the same library participate because it increases the odds of successful implementation. Public value: If this workshop leads to better local funding for the library, either through private gifts or public spending, the local libraries provide greater service to the community, enhancing their public value

Best Type of Cost Recovery: *The costs of three pilot workshops* are covered by an anonymous grant in order to test the effectiveness of this approach, to collect evaluation and willingness to pay data, to help spread awareness of this approach and to build its reputation. However, to avoid setting expectations of continuing “free” workshops, the expected fee will be announced from the beginning. *After three pilots*, a sponsorship model by library foundations appears to be the best option for the following reasons: 1) the instructors will not need to collect funds from each individual, 2) the local sponsor will be responsible for recruiting attendees and handling other local logistics, 3) the public to private value ratios are high, and 4) most of the public value benefits are internal to the community holding the workshop.

Cost of Delivery: Given the sponsorship model, the cost per workshop with 20 to 60 participants is estimated as \$500, including time, materials, and average travel costs.

Sharing the Cost Estimates: A statement similar to this will be on the agenda: “*This educational event was sponsored by the [insert name of local sponsor]. This workshop is being delivered to you by [name, title and affiliation of the program team] at a cost of \$500 and is funded by the University of Maine Cooperative Extension, an anonymous grant, and the [insert name of local library’s foundation].*”

Promotion: Word of mouth is being used during the pilot phase. **Next Steps:** After the pilots, a face to face meeting with state and local library leaders will go through the agenda, pilot program evaluations, and the cost estimates. After discussing their suggestions for changes and their assessment of potential demand, they will be asked for suggestions on promotion.

Evaluation: A retrospective pre and post-test will be administered at each meeting, plus a six month online survey of use of the public value statements. In several months, a ripple effect mapping meeting will be held with prior participants.

Willingness to Pay: Although the sponsorship model works best for this, the event evaluation will ask participants: “*As you know there was no registration fee for this workshop, due to the sponsorship of the University of Maine Cooperative Extension, in-kind contributions by the __name of local sponsors__, and an anonymous grant. In these times of tightening budgets, funding this workshop might be decreased such that an increase in registration fees is necessary. Would you have attended this event if there had been a registration fee of \$__X__?*” The “X” value for the registration fee used is \$10, \$15, \$20, \$25 and \$30 with one-fifth of the group receiving each level.

Mission and Money: *Mission First:* Our goal is to help as many local libraries as possible build their understanding of their public value and their ability to articulate it. We will seek to achieve this by careful selection of libraries with a passion to implement the use of the public value statements; by extensive evaluation of these efforts, modifications as necessary; and articles in both professional and academic journals. After the pilot programs prove successful and demand exceeds our resources, others will be invited, both from Extension and from other institutions, to learn to be instructors and facilitators. *Money Second:* Continuation of this workshop will require some cost recovery, regardless of whether private or public entities deliver it. Hence, we will continually evaluate the willingness to pay both of individual participants and of local sponsors.

¹ Appendix A is an example of this type of plan. However, generally this is an internal document to help the program team reach consensus on their approach and to communicate it internally to leaders within their organization. Use of these cost recovery plans as an external document needs to be decided on a case by case basis.

² Scroll down to shaded box and click on “View/Open.”

³ 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, Bloomington. p. 162. Available free at: <http://www.apec.umn.edu/people/EmeritiFacultyDirectory/GeorgeMorse/index.htm>.

Copyright (c) (2013) by George W. Morse. All rights reserved. Readers may make copies of this document for non-commercial purposes by any means, provided that this copyright notice appears on all such copies.