

The Center for High Impact Philanthropy

School of Social Policy & Practice | University of Pennsylvania

HOW WE CALCULATED COST PER IMPACT IN EDUCATION

Cost per impact is a measure that is critical to the concept of high impact philanthropy. This “back-of-the-envelope” estimate helps a donor make decisions based on an empirical definition of success for a given objective, which is linked to the costs (as observed in previous implementations) required to achieve this success. It is intended to provide a starting point from which a philanthropist can evaluate an opportunity.

To consider how much change realistically costs, we estimated this figure for several organizations. These calculations were created in three steps by combining the program’s estimated costs with empirical results from past implementations:

1. *Costs*: Depending on the data available, nonprofits provided us with cost estimates. These figures were based on a budget for a future implementation in a given site of an appropriate scale (i.e., an investment of around \$1 million) or the historical figures from a past implementation for which *impact* data is available. In the best case scenario, the nonprofit was able to provide both, enabling us to consider a range of costs. Only direct costs, such as salaries, supplies and evaluation, were included. To reflect the actual costs for philanthropists, we also did not include costs covered by other partners, such as donated space and equipment, when such donations are part of the program’s model. Assumptions regarding costs, including what was and was


not included in the calculation, are described in an endnote. (E.G., SEE ENDNOTE 90 ON P.79).

2. *Results*: We obtained empirical results from past implementations of the model from the nonprofits and/or third party evaluations of their programs. For the sake of simplicity, we use a primary impact that the program produces (e.g., an additional high school graduate). Please note: successful programs often have multiple additional benefits that are more difficult to quantify or compare. These are listed separately as “secondary impacts” in the case description.
3. *Ratio*: With the above estimates, we divided the costs by the results, to produce a cost-per-(primary) impact figure.

Frequently, however, nonprofits were not able to provide detailed information regarding total cost, but were able to provide a cost-per-beneficiary figure. We then used the equation below to convert this figure into cost-per-impact ratio.

We calculated a success rate for the program by taking the number of students enrolled in a site implementation (for which impact data was available) and divided it by the number of students who showed improvement after participation. We then multiplied the success rate by the cost-per-beneficiary figure provided by the nonprofit to estimate a cost-per-impact ratio.

$$\begin{array}{l} \text{Cost per beneficiary} \\ \hline \text{Costs of delivering program} \\ \hline \text{No. of students in program} \end{array} \times \begin{array}{l} \text{Success rate} \\ \hline \text{No. of students in program} \\ \hline \text{No. of students “changed” by program} \end{array} = \begin{array}{l} \text{Cost per impact} \\ \hline \text{Cost} \\ \hline \text{Impact} \end{array}$$



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