January 25, 2015
To: Professor David Harrison
From: Lizzie L. Evans
PA EX 512 – Assignment #3 – "Policy and Politics" Memo

Implementing Financial Literacy in Washington State K-12 Public Schools

Executive Summary

This analysis examines a hybrid dropout prevention pilot program implemented in a Seattle Public high school. The consultants at Policy and Politics have been contracted to evaluate the effectiveness of the program for state policymakers interested in expanding it. The policymakers would like to know whether the costs of the program have been worth the results and they may be considering alternative programs to achieve the same objective. A cost effectiveness analysis (CEA) and a (CBA) is provided to determine whether the program is better than nothing and how it compares to other programs.

The dropout prevention program is aimed at "at-risk" students and intended to reduce the incidence of early high school dropouts. This is an important national issue that was a target of President Obama's initial speech to Congress and is being addressed in many different ways in school districts across the United States. Although the analysis is based on a pilot program, we reserve the right to draw on data from other studies of similar programs (Ramsey, Rexhausen, Dubey, and Yu, 2008). Multiple assumptions about the valuation of costs and benefits are provided on the attached spreadsheet analyses.

This policy examines an ex post analysis of the pilot program after year one. Based on the increase in graduation rates, we found the program to be beneficial over the long-term, particularly for the program participants. See **Appendix H for the Cost Benefit and Cost Effectiveness Summary.**

Status Quo

All regular high school activities and programs continued as usual during the pilot program implementation. The analysis count the incremental changes in costs, dropouts prevented, and other benefits that can be reasonably attributed to the pilot program. The pilot program examined in this analysis is in partnership with The Princeton Review. Princeton's theme, "*Creating a College-Going Culture,*" focuses on student-teacher relationship and the experiences that inspire students to see college in their future. The pilot program also partnered with Operation Hope Banking on Our Future and the Federal Deposit Insurance Corporation (FDIC) Money Smart programs to offer free web-based and financial literacy curriculum to the students and teachers.

Evidence-Based Theory of Change Logic Model

Education needs to create opportunities that will help all children, from the time they enter the classroom to when they join the workforce. Real success means investing in learning that begins at birth, making sure that kids who are falling behind can catch up; leaving no child behind.[1] The future depends more than ever on the success of our youth. We cannot afford to have any potential new business builders' drop out of the economic race, and yet more than 1.2 million students drop out of high school each year.[2] The high school dropouts expose themselves to an almost certain lifetime of economic

[1] Adapted from the No Child Left Behind Act (Public Law 107-110), Section 1116.
[2] 2012 Gallup-Hope Index

hardship and jeopardize our nation's global competitiveness. Policymakers, educators, and community leaders must work collaboratively to close the gap between entrepreneurship aspirations and youth attitudes about lack of universal access to financial education (Bryant, 2014).

Financial education should start young. It is important to target specific groups in the population to best serve those most in need. Low levels of financial literacy are confirmed by related research by Jump$tart Coalition for Personal Financial Literacy, which focuses on U.S. high school students (Mandell, 2008). Students fare poorly on credit management and personal finance questions and know little about stocks, bonds, and other investment vehicles. A survey of Washington State residents by (Moore, 2003) indicated that people often do not understand the terms and conditions of consumer loans and mortgages. Further studies (Mitchell, 1988), examined worker knowledge of pension provisions showed that a significant percentage of employees were unable to identify key features of their company retirement schemes, including early/traditional retirement ages and how much their benefits would rise if they delayed retirement.

Some might contend that reverse causality is an issue: that is, financial literacy and retirement planning are both decisions variables, so that the act of planning may enhance financial knowledge, thus rendering financial literacy endogenous.[3] It is possible that those who seek to plan for retirement will invest in acquiring financial knowledge. To disentangle the causal relationships in this nexus, it is essential to rely on information beyond one's current levels of financial education. It is critical to conduct surveys and gather data on a consumer's past financial literacy prior to their entering the job market. This data collection provides evidence that those who were financial literate at a young age are also more likely to plan for retirement.[4] When financial illiteracy is so widespread in the population, small interventions such as offering one retirement seminar to all workers are likely to be ineffective. Those concerned with widespread illiteracy must find ways to simplify financial decision-making as much as possible. Thus, it is literacy that affects planning and not the other way around.

It is important to provide guidance in making financial decisions and provide specific steps that people can act upon, particularly for the least financial literate. "The first and most important step toward understanding public financial literacy is to "know what you don't know," (Marlowe, 2014). Because individuals make many financial decisions and these decisions are interrelated, it is important to equip people with some basic tools of money management. Given widespread illiteracy, people are prone to make mistakes and these mistakes can be costly.

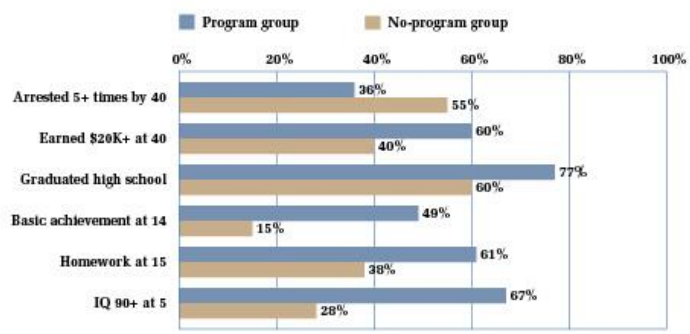
Financial education should be implemented in quality preschools to eradicate the high school dropout rate. The City of Seattle's Department of Early Learning is implementing the Quality Seattle Preschool (QSP) program.[5] This program was approved by voters in November 2014 through Proposition 1B, which the Seattle Chamber of Commerce supported, and will launch this September 2015. The goal of universal, quality public pre-K begins with smart planning, responsible funding, and measurable results. Additionally, the consultants at Policy and Politics have gathered further evidence and developed

[3] TIAA-CREF Institute Trends and Issues, May 2009
[4] https://www.fdic.gov/consumers/banking/youthsavingspilot/
[5] http://www.seattle.gov/council/issues/PreschoolforAll/default.html

strategies for the legislators in Olympia to implement financial literacy in public preK-12 in public schools throughout the state.

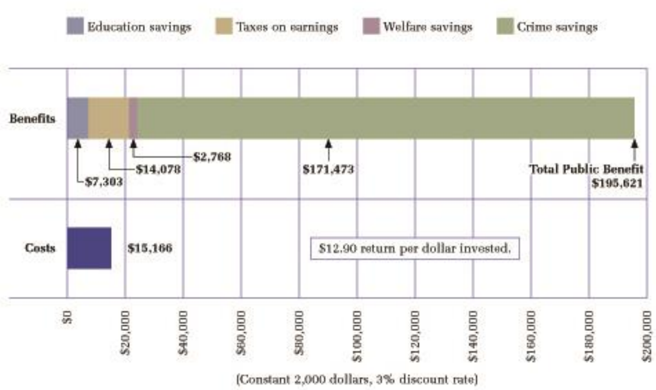
Studies have proved that early learning has an impact on future socioeconomic outcomes producing better high school and college graduation rates and overall quality of life. The Perry Preschool study is the eighth in a series of reports of longitudinal research on the long-term effects of participation versus nonparticipation in a program of high quality early childhood education. The study found that adults at age 40 who had the preschool program had higher earnings, were more likely to hold a job, had committed fewer crimes, and were more likely to have graduated from high school than adults who did not have preschool as shown in Figure 1 and Figure 2.

Figure 1
Major Findings: High/Scope Perry Preschool Study at 40



One of the reviewers of the study, Nobel-Prize-winning University of Chicago economist James J. Heckman, said, "This report substantially bolsters the case for early interventions in disadvantaged populations. More than 35 years after they received an enriched preschool program, the Perry Preschool participants achieve much greater success in social and economic life than their counterparts who are randomly denied treatment." Estimates of the rate of return to the Perry program are widely cited to support the claim of substantial economic benefits from preschool education program.[6]

Figure 2
High/Scope Perry Preschool Program Public Costs and Benefits



[6] The Highscope Perry Preschool BCA Study

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In Washington State, the class of 2013 had 10,305 students drop out of school.[7] On average, 60 students disappear from Washington schools every day. The data is even less promising for our most “at-risk” youth, including youth in foster care, the juvenile justice system, or without stable housing. A coordinated system for targeted prevention, intervention and reengagement is needed to keep students engaged in school and on track to graduate from high school. However, Washington State graduation rates have increased over the past 10 years. For the 2012–2013 school year, on-time (four-year) graduation rates reached 76.0 percent and extended (five-year) rates were 78.8 percent.

Weighted Alternatives

Analytical CRITERIA	Quality Seattle Preschool	Hybrid Dropout Prevention Program	After-School Mentoring Programs	College & Career Readiness Programs	GED or Alternative Education	Fin Lit in K-12 Public Schools
Legality	**High**	**Medium**	**Low**	**High**	**Medium**	**High**
Political Acceptability	**High**	**High**	**Low**	**Medium**	**Medium**	**Medium**
Robustness & Improvability	**High**	**High**	**Low**	**High**	**Low**	**Medium**
Affordability	**Medium**	**High**	**Medium**	**High**	**Low**	**High**

Evaluation Criteria To Measure The Outcomes

Fair/Equitable – For instance, Washington policymakers must come up with billions in more funding over the next few years to comply with the State Supreme Court’s decision in McCleary v. State, which mandated a significant boost in K-12 school funding. This is not only our constitutional obligation, it is necessary to ensure students have equal access to education.[8]

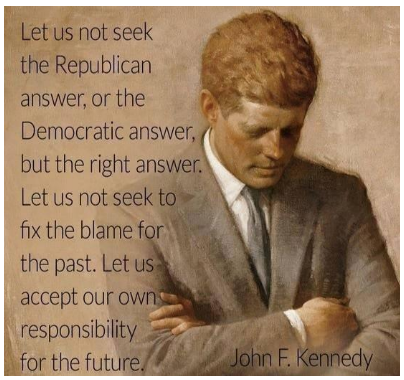
Efficiency- As an example, the FDIC has started collecting basic information from the Youth Savings Pilot participants for the past two school years to document innovative practices and assess success of the initiative. The FDIC will likely communicate with the bankers participating in the pilot, and possibly school representatives, to learn more about their experiences. This data would include, for example, the number of accounts opened, the average saved in the accounts, indications on whether the youth accounts helped the institution establish account relationships with the parents, the on-boarding process for the accounts, the financial education strategy used and its reception, the longevity of account relationships, whether banks felt satisfied with their work with the school, and whether the bank’s expectations were met. Data will be collected as an aggregate average from each bank. Benefits from the economies of scale may also reduce incremental costs because of operational efficiencies and synergies.

Administrative/Implementation Costs – Another pilot program example is Time Costs Efforts (Cost Effectiveness) Finance and Thrift Company, an FDIC-insured institution in Porterville, California -- that

[7] http://www.k12.wa.us/LegisGov/Reports.aspx. Bridges Program.

[8] http://www.youtube.com/attribution_link?a=HWEaozver74&u=%2Fwatch%3Fv%3DZGX69spelNY%26feature%3Dshare

has not only used FDIC Money Smart but is willing to offer specific details on how to be successful in offering financial education programs in local schools. We hope that their suggestions can be helpful for other bankers and their community partners to consider in implementing similar initiatives. FDIC staff can help pilot participants troubleshoot implementation challenges. Staff can provide technical assistance and can connect pilot participants to enable them to learn from one another. Staff also will offer participants workshops to introduce and support the use of new Money Smart resources for students, parents, and teachers that the FDIC is developing in collaboration with the Consumer Financial Protection Bureau.



Political Feasibility – Will it work? The Washington Student Achievement Council (WSAC) is chaired by Maud Daudon, the Metro Seattle Chamber of Commerce's president and CEO, proposes educational attainment goals as well as innovations and improvements in our education system that are necessary to reach those goals. In 2013, the WSAC successfully convinced the Legislature to pass two lofty statewide attainment goals for 2023:

(1)All adults in Washington, ages 25 to 44, will have a high school diploma or equivalent. (2)At least 70 percent of Washington adults, ages 25 to 44, will have a postsecondary credential.

The consultants at Policy and Politics have reviewed both theories of accountability and administration of the WSAC proposal and recognize some tensions between implementation of the educational system to hold public schools accountable. Liberation management is recommended in order to free agencies to accomplish and achieve these very high goals over the next eight years.

The FDIC has launched the Youth Savings Pilot to learn from school-based savings and financial education programs. The pilot may heighten awareness and understanding of how youth savings work can effectively be carried out consistent with Customer Identification Program (CIP) requirements and other regulatory expectations. The FDIC will preselect between five and 30 FDIC-insured financial institutions that are working to increase youth savings. The selected institution will be working in partnership with a school. Either the school should offer financial education, or it should collaborate with a nonprofit organization to provide financial education. While the importance of financial literacy in public schools is currently being measured and depicted in **Appendix A: The 2012 Gallup-Hope Index**, it has yet to be implemented as core curriculum.

Financial Education Public-Private Partnership (FEPPP) has significant traction in improving financial education in Washington State. The organization collaborates with school districts, educational service districts, public agencies, the Legislature, and the financial industry to improve financial education opportunities for students. FEPPP bridges all of the stakeholder groups to provide effective, efficient support and advocacy for financial education in our K–12 system. FEPPP has adopted Jump$tart's National Standards in K–12 Personal Finance Education.[9] Senate Bill 5483 and House Bill 1173 was written to amend RCW 28A.300. The following amendments were recommended:

[9] Jump$tart. *2009 Annual Report.* Washington, DC: The Jump$tart Coalition for Personal Financial Literacy, 2009

- Eliminate obsolete FEPPP duties and responsibilities
- Add the State Treasurer to the membership of FEPPP
- Clarify the usage of funds in the custodial account maintained by the State Treasurer
- Direct OSPI[10] to make financial education curriculum available to all school districts

This legislation was sponsored by Senators Hobbs, Rolfes, and Benton (SB 5483) and by Representatives Santos, Ryu, Roberts, Maxwell, and Bergquist (HB1173). The legislation was not adopted by the Legislature during the 2014 session.

Outcomes from a Successful Hybrid Pilot Dropout Prevention Program- (X=Outcomes y=Alternatives)

Evaluative Criteria F-Fair E-Efficiency A-Admin Costs P-Political Feasibility	Reduce the #of High School Dropouts	Professional Development	Reduce Dependency on Government Subsidies	Reduce Criminal and Other Social Problems	Higher Earnings and Tax Revenues	Greater Self-Esteem
Drop Out Prevention Program	F-High E-High A-High P-High	F-High E-High A-High P-High	F-High E-High A-High P-High	F-High E-High A-High P-High	F-High E-High A-High P-High	F-High E-High A-High P-High
Fin. Lit in K-12 Public Schools	F-High E-High A-High P-High	F-High E-High A-High P-High	F-High E-High A-High P-High	F-High E-High A-High P-High	F-High E-High A-High P-High	F-High E-High A-High P-High
College and Readiness Programs	F-High E-Med A-High P-High	F-High E-Med A-High P-High	F-Med E-High A-High P-High	F-Med E-High A-High P-High	F-Med E-High A-High P-High	F-Med E-High A-Med P-High
Quality Seattle Preschool	F-High E-Med A-Med P-High	F-High E-Med A-High P-High	F-Med E-High A-High P-High	F-Med E-High A-High P-High	F-Med E-High A-Med P-High	F-Med E-High A-High P-High

Trade-Offs – GED or Alternative Education and After School Mentoring Programs

If alternative certificates of high school completion were equivalent to regular on-time high school

[10] The Office of Public Instruction (OSPI) Secondary Education Data

graduation, the measurement problems noted here would be of limited interest. However, GED recipients and high school graduates differ not only in their early life experiences, but also in their subsequent labor market experiences. The employment patterns and earnings of GED recipients are more similar to high school dropouts than those of high school graduates, and GED recipients are less likely than high school graduates to finish a post-secondary education or training program (Cameron and Heckman 1993). Moreover, the employment and income gaps between high school dropouts and graduates have widened in recent decades (Hauser 1997: 154). If 25 to 40% of students drop out of high school before graduation—even if many eventually receive some sort of high school certification—there is an urgent need to measure and understand the process and causes of high school attrition.[11]

Over time, the number and scope of state-funded early childhood programs has grown. With few exceptions, state and local governments have invested in preschool programs aimed at serving at-risk children.[12] Many states and municipalities are instituting universal preschool and full-day preschool.[13] In addition to traditional, classroom-based preschool programs, states are also funding community-based organization (CBO) initiatives with a birth–K focus, dropout prevention/intervention programs, mentoring programs for at-risk youth, college and career readiness, GED or alternative education, and financial literacy curriculum.

Recommendation

By year five, the hybrid dropout prevention pilot program is costing the school $463,000 per year and is preventing 45 dropouts per year. At this point certain costs (i.e. consultant and evaluator) are now sunk costs. The capital costs previously incurred will not be used in the decision making process to move this pilot forward after five years. The fiscal cost to society per dropout is $10,311 at year 5 as shown in **Appendix E**. The pilot high school receives in-kind space which substantially reduce capital costs to the school. The hybrid dropout prevention program includes financial literacy, in-house PSAT/ACT college test preparation, and FAFSA college readiness info sessions. The program is built into regular curriculum; there is no opportunity cost. Funding is provided by local and state agencies. The benefits to continuing this program greatly exceeds the costs as noted in **Appendix H**, we can project the lifetime benefits that can be derived from crime reduction among youth. We calculate expected savings of $1,586 that result from lower juvenile incarcerations as a result of the dropout prevention program. We redistributed the public assistance costs between the program participants and taxpayer. Among the youth population who graduate from high school, we find fewer arrests, higher college attendance, and less dependence on public assistance. Based on our estimates, this resulted in a taxpayer benefit of $10.52 for every dollar spent on the program. The program provides $2.04 in benefits to both taxpayer and participant for every dollar spent. The consultants of Policy and Politics recommend to implement the hybrid dropout prevention program using community based organizations and free public financial literacy materials to improve graduation rates and reduce the number of high school dropouts.

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[11] Joseph Willhoft, Office of the Superintendent of Public Instruction State of Washington and School of Education, University of Washington. June 19, 2006, https://depts.washington.edu/uwbhs/docs/HS_Graduation.pdf

[12] King County's Best Starts for Kids Proposal, Dr. Adrienne Quinn, Director of King County Department of Community and Health Services, www.kingcounty.gov/beststarts

[13] City of Seattle Department of Education and Early Learning, Rachel Schulkin, Community Outreach Manager

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A Founder's Story

There is a strong and monotonic relationship between financial literacy scores and parents' education.[14] I was born in poverty and my parents did not discuss finance or money at the dinner table. Throughout my early childhood I yearned to know, "Who was Peter and Paul?" The only conversations that I overhead about money was in the late night heated arguments that was incited by, "Robbing Peter to Pay Paul." As a contributor to the household income, I started working at age nine as a sharecropper in East Texas.[15] Within my first week of picking peas during a summer job, I was able to project my income at the end of each day. I knew how many rows I needed to pick in order to make a bushel and to weigh in each bushel for a price. Ironically, this is a classic case of financial analysis concept that I was not cognizant of at a young age. Yet, I was successful in making enough money to buy the school clothes, shoes, and other items required by extracurricular school activities. Imagine if only I had known about the rule of 72 at age nine. I wonder how many of my classmates would have graduated high school if our elementary teachers would have stressed the importance of saving and investing to become a potential millionaire by applying the rule of 72.

I became financially literate at age 34. Because I did not understand the importance of a budget, I struggled for 16 years of my adult life to survive on planet earth. The financial illiterate aha moment did not come until I started volunteering in the community and teaching credit awareness and the importance of the FICO score at inner city high schools with the Urban Financial Services Coalition Los Angeles Chapter. It was at this juncture in my journey that taught me the importance of buying what I needed versus what I wanted. It help me to literally ice 21 credit cards in a gallon milk jug in the refrigerator freezer and reboot my financial outlook on life. After cleaning up my credit, I was finally able to unthaw and Start Fresh.[16] At age 37, after attending a Fannie Mae first time homebuyers' workshop, I realized the "American Dream" and invested in real estate by purchasing my first condominium in Los Angeles, CA. This investment paid off in substantial dividends 14 months later with an $80,000 profit upon sale and opting for a corporate relocation to Seattle, WA.

Financial literacy is so important to teach our youth while they are in high school and to prepare them to make prudent decisions as consumers. Adjustable rate mortgages (ARMs) were the major cause of the housing market crash in 2007. Former Federal Reserve Chairman Alan Greenspan coined the behavior of consumers and investors that participated in the housing market as, "irrational exuberance." The asset bubble resulted in overvalued real estate prices and loan products indexed to ARMs that eventually led to a bust. It is important that the next generation does not reciprocate the miseducation of investing in homeownership fallacies that led to the largest economic disaster in history. How will the nation recover? First-time homebuyers and foreclosure prevention programs are key. Financial education should be provided before people engage in financial contracts. Specifically, financial education in public school can provide a base level of financial literacy to help navigate an increasingly complex financial environment.

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[14] Bernheim, B. Douglas, Daniel M. Garrett and Dean M. Maki. 2001. "Education and Saving: The Long-Term Effects of High School Financial Curriculum Mandates." Journal of Public Economics, Vol. 80, Issue 3, pp. 435-465.
[15] Full Founder's Story published at Urban Financial Services Coalition Puget Sound Chapter, www.ufscps.org
[16] Copyrighted 2014 by Bank On Louisville

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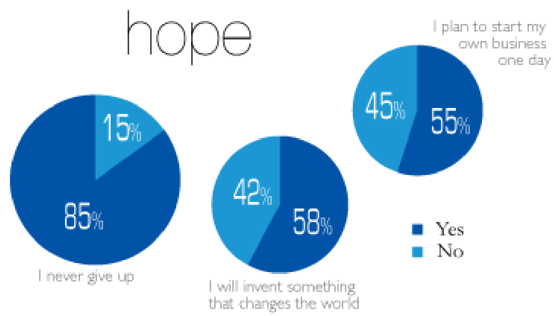
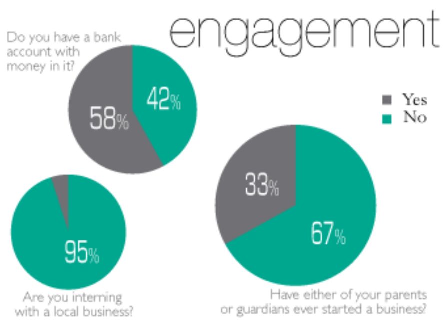
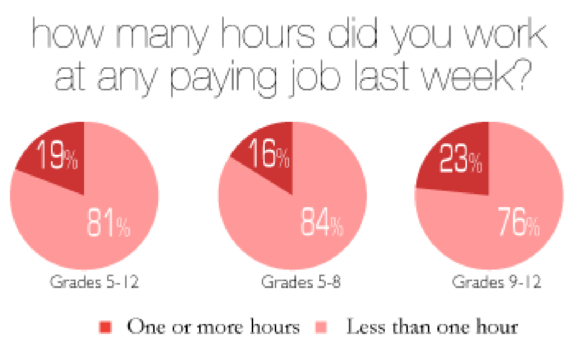
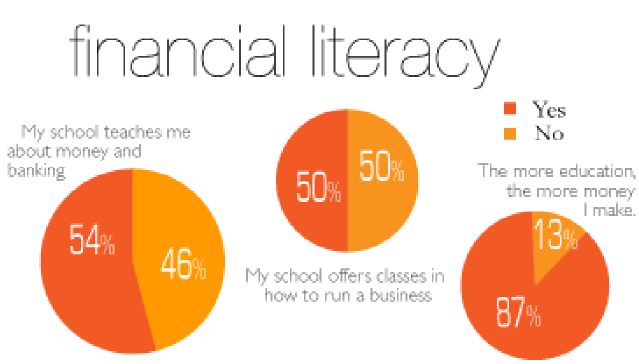
Appendix A: The 2012 Gallup-Hope Index









Appendix B: HYBRID PILOT DROPOUT PREVENTION PROGRAM COST BREAKDOWN

Costs to Program Participants

- Opportunity cost to students participating in the after-school program are not considered due to the courses being offered through the regular school curriculum.

Cost to Society and to the High School (One-Time or Up-Front Costs)

- Cost of the consultant who provided teacher training and information on how to set up the school curriculum
- Computer software (Payroll QuickBooks) purchased for use in the program to offer financial incentives to achieve attendance.

Ongoing Investment Costs

- Use of existing classroom facilities
- Purchase of computers of use in the school
- Purchase of academic texts that are used for more than one year

Recurring Costs

- Full-time salaries and benefits of teachers dedicated to the school
- Extra maintenance costs associated with use of the facilities(In-Kind Space)
- Materials and supplies, including workbooks and other materials used up during the program
- Financial Incentives/Awards for Successful Students
- Travel expenditures for field trips
- Overhead costs, such as general supervision and finance
- Increased insurance
- Cost of volunteers
- Opportunity cost to parents (loss of time in transporting students)

Appendix C: HYBRID DROPOUT PREVENTION PROGRAM BENEFITS

Benefits to Program Participants

- Higher lifetime earnings (reduced by paying more taxes and receiving less welfare payments)
- Greater self-esteem

Benefits to Society in General

- Decrease in government subsidies
- Increase in taxes paid by program participants
- Decrease in crime and other social problems

Appendix D: Hybrid Dropout Prevention Pilot Program Lifetime Costs ($$$)						
	Year1	**Year2**	**Year3**	**Year4**	**Year5**	**Total**
Fiscal Costs to the School						
Upfront Costs						
Consultants	3600	3600	3600	3600	3600	18000
Program Evaluator	720	720	720	720	720	3600
Software	200	200	200	200	200	1000
Capital Expenses						
Computers	4800	4800	4800	4800	4800	24000
The Princeton Review Materials	4057	4057	4057	4057	4057	20284
Textbooks/Fin Lit Curriculum	200	200	200	200	200	1000
Completion Incentives/Awards	8000	8000	8200	8600	9000	41800
Salaries w/Benefits						
FTE Principal	120000	120000	120000	120000	120000	600000
FTE Teachers (3)	225000	225000	225000	225000	225000	1125000
FTE Office Support (2)	90000	90000	90000	90000	90000	450000
Maintenance(In-Kind)	0	0	0	0	0	0
Materials & Supplies	4400	4400	4400	4400	4400	22000
Travel	1000	1000	1000	1000	1000	5000
Overhead						
Administrative	500	500	500	500	500	2500
Insurance	500	500	500	500	500	2500
Total Costs to School	462977	462977	463177	463577	463977	2316684
Social Costs to Others						
Facilities: After hours usage	0	0	0	0	0	0
Participants (In School Curriculur	0	0	0	0	0	0
Parents (In School Curriculum)	0	0	0	0	0	0
Total Costs to Volunteers	25651	25651	25651	25651	25651	128256
Total Costs	488628	488628	488828	489228	489628	2444940

Appendix E: Hybrid Dropout Prevention Pilot Program Cost-Effectiveness Analysis						
	Year1	**Year2**	**Year3**	**Year4**	**Year5**	**Total**
Dropouts per 88 at-risk students	48.00	48.00	48.00	48.00	48.00	240.00
Dropouts per 40 participants	8.00	8.00	7.00	5.00	3.00	31.00
Dropouts prevented	40.00	40.00	41.00	43.00	45.00	209.00
Fiscal Cost to School	462976.80	462976.80	463176.80	463576.80	463976.80	2316684.00
Fiscal cost per dropout prevented	11574.42	11574.42	11297.00	10780.86	10310.60	55537.29
Total cost to society (including participants' costs)	488628.00	488628.00	488828.00	489228.00	489628.00	2444940.00
Total cost per dropout prevented	12215.70	12215.70	11922.63	11377.40	10880.62	58612.05

Appendix F: Estimated Benefits of the Hybrid Dropout Prevention Pilot Program

	Annual Benefit per Dropout Prevented	**30 Year Projection for 209 Dropouts Prevented**
Direct benefits to participants		
* Increase in Earnings	10,071	56,250,650
-Reduction in welfare rec'd	(564)	(3,150,134)
-Increase in Taxes Paid	(2,240)	(12,511,172)
Total benefits to participants	7,267	40,589,343
Indirect Benefits to others		
Increase in welfare rec'd	564	3,150,134
Reduction in taxes paid	2,240	12,511,172
Reduction in Incarceration Costs	1,586	8,858,357
Total benefits to others	4,390	24,519,664
Total Benefits	11,657	65,109,007

*U.S. Bureau of Labor and Statistics Data for 2013

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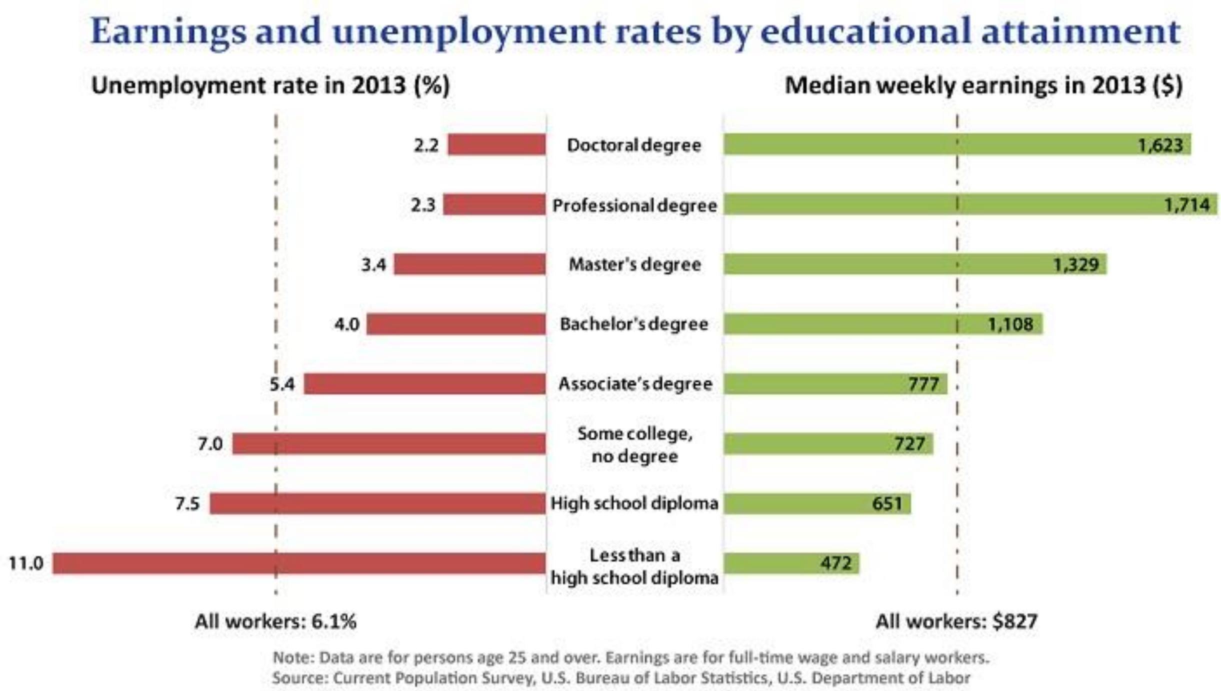

Appendix G: ASSUMPTIONS USED IN COSTING THE HYBRID DROPOUT PREVENTION PILOT PROGRAM

Financial Costs to the School	**Estimate and Method of Valuation**
Up-front Costs: use of consultants, program evaluator, and computer software	Actual costs of the program in its first five years, Assume $3,600 for Policy and Politics consultants, $720 for Program Evaluator and $200 for software per year for 5 years.
Capital Expenses: Purchase of materials with est. useful life of 5 year – textbooks and computers	These costs are usually spread out over their useful life – textbooks and computers (5 year life), Assume 12 computers at $2,000 for 5 years (annual cost $4,800) and 20 texts at $50 with a 5 year life. Annual cost $200. Straight line depreciation.
The Princeton Review Proctor PSAT Tests	These costs are estimated at $46.10 per student. These are one-time non-reusable tests with a useful life of 1 year. The materials include one Info FAFSA Session for Parents and Students per year.
Financial Incentives/Awards	Each student that successfully complete the PSAT is awarded $100 and each student that successfully complete financial lit is rewarded $100 with a matching $100 youth starter savings account.

Salaries: both FTE and PTE Salaries include annual costs and benefits	Assume 1 FTE Principal at $120,000 including 30% benefits ($36,000), plus 3 FTE Teachers for 9 months at $75,000 per year including 30% benefits ($22,500). 2 FTE Office Support for 9 months at $45,000 per year including 30% benefits ($13,500). Annual cost $435,000 including benefits.
Maintenance: Extra costs for maintaining facilities after normal hours, may include energy cost, janitorial, and maintenance	These would be incremental costs incurred over what costs would have been without the program. In-Kind Donation by Simon Youth Community. Annual cost $0
Materials and supplies, paper, pencils, chalk, etc.	Assume $50 per participant per year, with 88 participants, Annual cost $4,400
Travel: cost of buses for field trips, car mileage, and so forth	Annual assumed costs: $1.000
Overhead: Administrative, including any costs of supervision; insurance	Appropriate measure is an incremental cost; for example, if insurance went up because of the new program or if cost of auditing program increased cost of annual audit. Annual assumed costs: $1,000
Social Costs	**Estimate and Method of Valuation**
Facilities: use of classroom after school	Opportunity cost of classroom use. All classes are delivered through regular curriculum. Assume there is no other use: $0
Participants’ cost: opportunity cost of students’ time	Although this is a nonbudget cost, it represents a real cost to participants. Assume $0 per participant per filled seat during regular hours.
Parents’ cost: opportunity cost of parents’ time.	Parents may take time-off from work or may incur additional transportation costs. If this is the case, their average wage should be used to value this cost. This example assumes no cost: $0
Volunteers’ cost: opportunity cost of volunteers’ time.	Washington State Volunteer rate is $26.72. This analysis assumes benefits are calculated for the financial literacy volunteers at 160 hours per year conducted by 6 professional certified trainers. Annual costs $25,651

Appendix H: Hybrid Dropout Prevention Program Cost Benefit and Cost-Effectiveness Summary

	Primary Program Participant Benefits and Cost from Different Perspectives				
	Program Participants	Non-Program Participants As:			Total Per Dropout Prevented
Benefits By Area		**Taxpayers**		**Nontaxpayers**	**(209 Total)**
Public Assistance	564	329			893
Reduction in Crime	1,586	1170		1556	4312
Higher Earnings	7,831	8509		5256	21596
Benefit to Others	4,390				
Total Benefits	**14,371**	**10008**	**0**	**6812**	**26801**
Costs					0
Fiscal Costs to School	12216	463			12679
Social Costs to Participants		488			488
Total Program Cost	**12216**	**951**			**13167**
Net Benefit (NPV)	2155	9057		6812	18024
Total Benefit/Cost Ratio ($$$ of Benefits per $$$ of Costs)=					2.04
Addendum: Non-participant benefits divided by taxpayer costs					$10.52