

## CONSIDERATIONS FOR COST ALLOCATION PLANNING

### COST ALLOCATION STRATEGIES

1. The percentage that each funding stream contributes to the total budget is calculated. Each line item expenditure is then cost allocated against each funding stream by that percentage. For example, if Head Start comprises 56% of the total funding package, 56% of each expenditure is allocated to the Head Start funding stream.
2. Each funding source pays for certain hours of the day. All expenses that occur during those hours are cost allocated against that funding stream. This may require dividing the day into percentages. For example, if services are offered ten hours of the day and Head Start pays for six of the ten hours, then 60%, or six hours, of the rent is costed against the Head Start funding stream.
3. In programs serving children from more than one funding stream in that center, e.g., Head Start and PreK children, the percentage of children funded by each funding stream is calculated. Each line item then is costed to the proper budget by that percentage. For example, in a classroom of eighteen children, nine of whom are Head Start/Head Start eligible, 50% of all expenses are costed against the Head Start budget.
4. Head Start and its program partners agree to split discrete expenses, with Head Start paying one set of costs and the partner(s) paying the other costs. For example, Head Start may pay the compensation package of a teacher and teacher assistant and the child care partner may pay the compensation package of another teacher assistant as well as the center's utilities.