

Management Minute: How to Allocate Costs for Shared Services and Facilities

Natalie Williams: Cost allocation is the process of assigning two or more programs to the expense of an item.

The goal is to ensure that each program bears its fair share, and only its fair share, of the total cost. It is essentially a budget; a prediction of how shared costs and services are expected to benefit more than one program in an agency.

For example, my program receives funding from Early Head Start and a state-funded childcare program. There are 75 Early Head Start children and 25 children from the state-funded program who all share space in one facility.

My cost allocation plan has 75% of the facility costs paid by Early Head Start and 25% by the state-funded program. This way, each program pays for and receives a proportional benefit in the facility.