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### **Executive Summary**

Cost-benefit analysis is a type of program evaluation that compares the cost, in dollars, of operating a program; to the benefits, in dollars, gained from the program.

### **COST-BENEFIT ANALYSIS**

Anyone who operates, plans, funds, or is in any way responsible for a social or human services program will probably (if not already) be required to do some form of cost-benefit analysis. Cost-benefit analysis is an approach for evaluating the merits of existing programs, future programs, and alternative means of achieving a program's objectives. Cost-benefit analysis seeks to measure the program inputs, personnel, materials, supplies, as well as the programs outcomes in dollars, and than to compare the program's benefits with its costs. Generally speaking, programs which cost less than the benefits derived from them are viewed as successful. Programs which achieve a given dollar benefit at least cost are viewed as preferable to those which achieve this benefit at a higher cost. Thus, cost-benefit analysis requires that the impact of a program as well as its costs not only be measurable, but measurable in dollar terms. There are many benefits of a cost-benefit analysis.

1. Cost-benefit analysis is a powerful tool for evaluation. It forces program staff to examine and rate every program component, cost, direct benefit, indirect benefit, and negative effects. It yields comparisons of effort and effect that are based on a careful examination of every area of the program.
2. Cost-benefit analysis gives a detailed and dollar oriented way of determining if a program's often meager resources are being spent in a way that will yield the most results.
3. Cost-benefit analysis provides an accepted base for making planning and program changes.
4. Cost-benefit analysis gives an agency figures to use when justifying the program. The program can justify its existence to funding sources and especially to the private business sector with the results of a cost-benefit analysis.

### **SOME BASIC CONSIDERATIONS**

One basic decision in any cost-benefit study is deciding over what area costs and benefits are to be considered. For many studies the boundaries may be a city, state, or geographic region within a nation. But in any case, some boundaries must be established. The results of the study may vary greatly, depending upon how the boundaries are defined (Levy 138).

Within the boundaries of the study, it must be decided whether to take a general equilibrium approach or to hold the rest of the world constant (Levy 138). For example, one cost of a construction project is labor. Should the cost-benefit analyst only consider the cost of hiring labor for the project or should the analyst also consider the effects that hiring for the project will have on wage rates elsewhere in the economy.

The choice of discount rate is another major decision, which affects both the present value of the cost and benefits. And lastly, the decision of whether or not to value resources used in the project at their market price, or some other price.

### **CMS PROJECT OVERVIEW**

In 1998 the California State University (CSU) began the Common Management System (CMS) project to be complete in 2008. The mission of the CMS project is to “provide efficient, effective, high quality service to students, faculty, and staff (CMS Project Overview).” The CSU took on this project in order to achieve three goals:

1. Perform administrative services in concert with a common set of administrative “best practices” approaches (CMS Project Overview).
2. Support administrative functions with a shared, common suite of Peoplesoft applications software (CMS Project Overview).
3. Operate the administrative software suite at a shared data center (CMS Project Overview).

The Implementation of CMS at all the CSU campuses will happen in waves.

### **CONCLUSION**

The goal of a cost–benefit analysis study is to make as complete an accounting as possible of the benefits and costs to society of a proposed project or program (Levy 136). Both the benefits and the costs are presented in terms of their present value so as to permit direct comparison (Levy 136). The cost-benefit analysis is thus able to say what appears to be the net benefit, positive or negative, of that proposed action (Levy 136). Usually, not all of the costs and benefits can be quantified. It is the task of the analyst to quantify that which legitimately can be quantified and to present as clearly and as systematically as possible that which cannot be quantified (Levy 136). In the perfect cost-benefit analysis, all costs and benefits would be counted once, and no costs or benefits would be counted more than once. No accounting of costs and benefits can be complete, but double counting can be avoided.