

# The ‘Remedial Arithmetic’ Award

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Think Tank(s) **The Cato Institute**

*Review of They Spend WHAT? The Real Cost of Public Schools* **(The Cato Institute)**

The goal of this CATO Institute report was to calculate a comprehensive amount spent by k-12 public school districts. Yet, not being content with the actual legally required definitions and conventions used by trained and experienced finance specialists, researcher Adam Schaeffer calculated the “real” costs of public education using his own, extraordinarily creative formula. He found schools cost a lot more than he thought they should. In fact, his estimates of “real” costs vary from 3% to 151% of the government’s numbers.

The CATO breakthrough that we most honor with this award was the decision by Schaeffer to double-count expenditures by adding both capital construction and debt service to his calculation. As our reviewer explained, “most capital construction expenditures are not paid with taxpayer dollars. They are paid with proceeds from bonds. Taxpayer dollars then service the debt. This is key. The cost of a house bought with a loan is not the purchase price plus the cost of the loan. For a school district, what taxpayers are paying for in any year is debt service in that year.” Interestingly, Schaeffer then infers that it’s the National Center for Education Statistics method of cost-calculation that’s designed to mislead the public.