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## The Invisible Hand of No Child Left Behind

Siobhan Gorman  
National Journal

Leaving No Child Behind?: Options for Kids in  
Failing Schools



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In the summer of 2002, Martha Fritchley was leafing through the Yellow Pages in search of tutoring companies. It had been about six months since the No Child Left Behind education reform bill had become law, and one of the bill's provisions required schools that failed repeatedly to offer their students outside tutoring. An Assistant Superintendent for the Hall County School System in Georgia, Fritchley needed to enlist companies to tutor children in four schools in her district. She was particularly interested in finding an in-home tutoring company, and she bumped into the local franchise of a company called Club Z.

Fritchley called the franchise's owner, Scott Morchower. While Morchower hadn't heard of the new federal law or its tutoring provision, he met with Fritchley and was immediately hooked on the idea. Morchower called several nearby districts and offered up his services, too. In Forsyth County, he became the sole provider of tutoring services for the county's 75 struggling students in the 2002-2003 academic year. Some of those students jumped as many as three grade levels. Few parents in Hall County chose to sign their children up for the federal tutoring program that year, but 14 enrolled with Club Z the following year.

Under the No Child Left Behind Act, these tutoring services, known as "supplemental educational services" in edu-speak, are paid for by school districts with part of the education money they receive from the U.S. Department of Education. Georgia was among the early states to implement this program. Most states are just getting on board in the 2003-2004 academic year.

This nascent marketplace has all the components of a high-school melodrama—there's the popular crowd, the bullies, the over-achievers, the earnest do-gooders, and the

geeks. (The leading roles are played, in order, by: large, corporate tutoring providers; school districts; smaller national providers; local, largely non-profit, organizations; and online tutors.) But without a chaperone in this new, free-market niche in public education, it's been a schoolyard free-for-all—with muddled results. This chapter offers an initial assessment of the new marketplace that is emerging in response to the federally-funded tutoring program.

“The results we came out with were awesome,” says Morchower, whose national parent Club Z is among the small, national over-achievers. So awesome, in fact, he worked himself out of a job—at least in Forsyth County. All the schools in Forsyth County leapt right off the failing schools list, so their students were no longer eligible for tutoring services. In the 2002-2003 school year, students in the supplemental services program made up 20 percent of his business, and Morchower figured that in 2003-2004 they would account for 40 percent. No so. As of Fall 2003, students in the program again made up 20 percent. With such an unpredictable volume of clients, how should Morchower factor children from the federal program into his business plan? “I wish I knew,” he says. “That’s the \$10 million question.”

By some estimates, it's actually the \$2 billion question. That's how much money some tutoring providers say could be up for grabs in this new federally-funded marketplace. But so far, only an estimated 2 to 3 percent of eligible students are electing to participate.

The supplemental services program is perhaps the federal government's largest free-market experiment going on in education. So far more than 1,000 tutoring providers have signed on to the program. But market uncertainty, combined with an enormous

variance in school districts' administration of the new federal law, has produced some extremely rocky terrain for these tutoring providers. While most providers maintain an optimistic if-you-build-it-they-will-come mindset, the unevenness of parent participation and program implementation is causing significant anxiety among providers.

### **In the Beginning**

Just days after his inauguration, President Bush sent Congress his bill to reauthorize the Elementary and Secondary Education Act, which he called “No Child Left Behind.” The reauthorization was long overdue because a politically polarized Congress hadn’t been able to produce a bill during the 2000 election year. To cut past partisanship, Bush convened a meeting with four key members of Congress— two Republicans and two Democrats, including Democratic stalwart Sen. Edward M. Kennedy of Massachusetts—for a meet-and-greet photo-op at a public school in Washington, D.C. While Bush’s No Child Left Behind bill ultimately proved bipartisan, it was the product of many ideological compromises. Now that the bill is in its implementation phase, it’s become painfully clear that those compromises made elements of the bill like the supplemental services program overly-complicated, confusing, and perhaps unworkable.

The No Child Left Behind bill required testing in reading and math for children in grades 3 through 8. Schools whose test scores showed their students couldn’t make adequate performance from year would be labeled “failing,” or more gently, “in need of improvement.” In their first year under that label, schools would receive an infusion of cash to help them make improvements. But schools that failed for two years in a row

would have to allow their children to transfer to higher-performing public schools. And students in schools that failed three years straight would be eligible for an “exit voucher” worth about \$1,500 to seek outside tutoring. Knowing that schools hated losing money more than just about anything, Bush figured this exit voucher could both punish a school for poor performance and give a struggling student another shot at learning the basics—with the benefit of being a conservative crowd-pleaser as a version of school choice.

During his campaign, Bush had proposed that students in schools that had failed for three years be offered vouchers to attend a private school. His decision to pare back that measure to cover only tutoring was a concession that the political climate wasn’t going to accept full-fledged vouchers. Even Bush’s centrist Democrat allies had sent early signals that vouchers were a no-go. The White House’s hope was that the tutoring voucher would be a sufficient sanction for failing schools because school districts had to pay for that tutoring out of the federal money they’d otherwise use in-house. He also hoped the outside tutoring would give students in struggling schools an educational opportunity beyond what they’d otherwise be able to afford, which might also make small inroads for the school-choice movement.

Bush and his aides weren’t sure how this downsized voucher would sell on Capitol Hill. But he’d made it clear he wanted to work with the Democrats on this bill. In an early meeting with two senior White House aides, Sen. Kennedy tossed out the possibility that he might support what was then being called a more politically palatable “supplemental services.” Once they recovered from the shock of Kennedy’s offer, White House aides huddled with Republican Senators to craft the provision.

It took several attempts to construct a measure that Kennedy's team would accept. Anything that allowed parents to receive money directly from the federal government for tutoring was out because Democrats felt it looked too much like a voucher. Eventually, lawmakers modeled the provision after the Reading Excellence Act, which put several layers of government between Washington and parents. While typical of the kinds of compromises struck in Congress, it didn't make for a terribly user-friendly program. "Most education proposals start off from a very practical standpoint, and when they go thru the bipartisan sausage maker, they become impractical because each side gets its two cents," one Senate Republican aide involved in the negotiations. Supplemental services was no exception.

Under the supplemental services program, states first approve a group of tutoring providers based on state criteria. Then, districts draw up their own contract with a subset of those providers. (Districts, themselves, can also be providers.) The contract spells out what services will be available, such as how many hours of tutoring they will provide for the district's set offering price. Districts then notify parents of their options. Parents must then enroll with the provider of their choosing. Meanwhile, tutoring providers try to be in the right place at the right time to take advantage of new business opportunities.

The bill's funding requirements give school districts great leeway in deciding how much of their federal money they would spend on tutoring. The amount of tutoring money each child receives for supplemental services varies from district to district. It can be anywhere from \$700 to \$2,000 per child. There were several reasons for this variance.

- First, the new law requires each district to spend no less than 5 percent of the money it receives from a section of the federal Title I program designated for educating poor children. This works out to anywhere between \$37 million in a large city like New York to a few thousand dollars in small districts.
  
- Second, the bill requires districts to set aside 20 percent of that pot of Title I money for all “school choice” costs, which includes money for transporting children who take advantage of public school choice as well as paying for tutoring services. Ultimately, school districts decide how much money they really want to spend on the tutoring program, so long as it falls somewhere within this broad range of 5 to 20 percent of the money it received to educate poor children.
  
- Third, whatever money goes unspent, due to lack of demand, districts keep. It’s important to keep in mind that districts see the requirement to spend money on outside tutoring as a sanction.

With so many responsibilities to delegate and so many ways to interpret funding requirements, there’s significant confusion over what the supplemental services provision really mandates. When a small number of states threw their hat in the supplemental services ring in the 2002-03 academic year, a host of problems came to light. States established very short deadlines for providers to get their seal of approval. School districts applied in droves to be providers, which set up a potential conflict of interest when district officials were responsible for both administering the supplemental services

program as a whole and promoting their own district-run program. Providers found it impossible to predict how many students they might have. And parents largely ignored the program.

As this year's program revved up with nearly full participation from the states, only a few of the previous year's problems were addressed. For the most part, states have smoothed out their approval process, and there are some early indications that a few more children may be taking advantage of the program. But most of the implementation problems still await solutions.

### **The New Marketplace: A Snapshot**

Before the No Child Left Behind Act, the marketplace for tutoring services was dominated by private tutoring businesses, which largely served well-off suburban children whose parents wanted them to get a leg-up on their peers. This market, known as the retail tutoring market, was about \$2 billion strong, according to Educate Inc., a national tutoring company formerly known as Sylvan Learning Systems.<sup>1</sup> In the retail-tutoring marketplace, half of the tutoring providers were small local companies and individuals offering tutoring services and the other half was made up of regional or national providers, like Sylvan Learning Centers. In addition to the retail tutoring market, there was also a small, informal effort by companies like Sylvan Education Solutions to promote public-private partnerships in tutoring, but it wasn't a well-defined marketplace.

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<sup>1</sup> Educate Inc. is the parent company of Sylvan Education Solutions and Sylvan Learning Centers. Sylvan Education Solutions offers school-based tutoring, while Sylvan Learning Centers provides tutoring at its centers located around the country.

The No Child Left Behind Act created a marketplace for publicly-funded tutoring, but it's been difficult for providers or the government to get a handle on its scope because the program is new and has so many moving parts. At this point, federally-funded tutoring represents a small and scattered marketplace with significant growth potential. In the early days of this program, there's been an explosion of tutoring providers—numbering more than 1,000 nationally. The biggest players are large tutoring companies and school districts. Still, what we do understand about the market is far outpaced by what we do not.

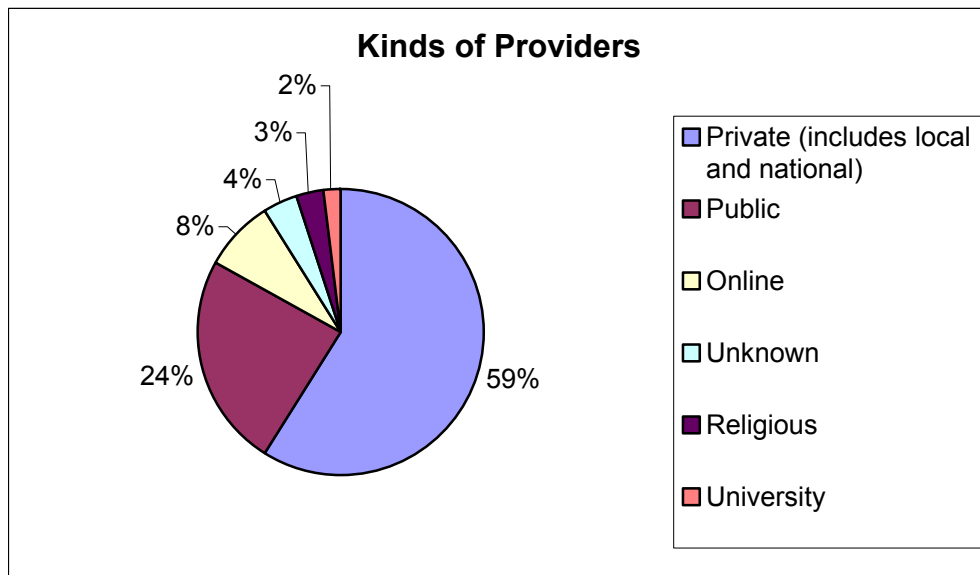
Much of this interest is driven by the potential money involved. The total market size could be as large as \$2.4 billion and serve as many as 1.5 million children, according to Sylvan Education Solutions, which has perhaps kept the closest tabs on this marketplace.<sup>2</sup> Still, in the 2002-2003 school year, only an estimated 30,000 to 40,000 children took advantage of the free tutoring, according to Sylvan. While 2002-2003 only represented a partial implementation of the program, many providers worry that this year's numbers won't shape up much differently because, by and large, parents still don't know about the program.

On the providers' side, at my last count in October and November 2003, there were close to 1,030 different tutoring providers approved to operate in the country. Because more than 60 national tutoring companies are approved in multiple states, a tally of the number of providers approved in each state produces a national total of more than 1,450.

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<sup>2</sup> Sylvan's calculations are based on the maximum amount that districts could spend on the program—20 percent of what is known as "Part A" of the Education Department's Title 1 program. Part A of Title 1 represents the bulk of federal funding a district receives for "educationally disadvantaged" children. Federal officials estimate the actual numbers to be somewhat smaller.

The Education Department has been tracking the total providers in each state. As of October 2003, 70 percent of those providers were private, which include 2 percent faith-based and 13 percent online providers. Another 24 percent of those providers were part of the public school system. Meanwhile, just 2 percent were affiliated with universities and another 4 percent couldn't be categorized.



*(Source: The U.S. Department of Education.)*

The Department has also found enormous variance in the kinds of providers within a given state. Depending on the state, public schools might represent anywhere from zero to 80 percent of the providers. Online providers could be anywhere from zero to 47 percent of the options available to students in a given state. Religiously-affiliated providers range from zero to 13 percent of the providers offered in a state and universities represent between zero and 20 percent in a given state.

There is also significant variation in the number of providers approved in a given state. In my count at the outset of the 2003-04 school year, they ranged from nearly 150 in Georgia to zero in Florida and appear to have only a mild correlation with the state's overall school age population, which is largest in California, followed by Texas, New York, and Florida. There also appears to be no major relationship between the number of approved providers in a state and its test scores—one might expect that states with the lowest test scores have the largest number of providers. Statistical correlations showed a very weak relationship between poor reading scores and the number of providers available in a state and a negligible one with math scores.

The number of providers in a state may track more closely with the states that have the largest number of schools that have been designated as failing for three or more years, which according to the American Institutes for Research, number around 2,400 schools. It and has not been able to get numbers for every state, but Georgia appears to lead the pack with more than 400 such schools and California has around 300. So far, Florida claims to have no schools that have failed three years straight. AIR has a research contract with the Education Department.

A caveat: Supplemental services statistics should be taken only as an estimate. All statistics on this program leave out at least four states—Florida, Maine, Nebraska, and Wyoming—which have yet to approve providers or have yet to compile their lists. The total number of providers fluctuates because the state lists of approved providers change constantly, and not all states are diligent about updating their lists. Plus, for providers, making the state-approved list is only the first step. Just because a provider is approved in a state, doesn't mean it has significant, or any, market penetration in that state.

Additionally, this numbers crunching revealed much about what we don't yet know. As of Fall 2003, some surprisingly basic information falls into the "what we don't know" category. Here are a few:

- There are no firm numbers on the total number of children eligible for supplemental services. Similarly, as of Fall 2003, neither the Education Department nor providers had a real sense of how many children were likely to enroll in the coming year.
- As for cost, there's been no calculation of how much the federal government spent last year on supplemental services nor is there a sense of how much it will spend this year.
- No one is counting new private providers—those who started up solely because of the supplemental services program. Anecdotally, one could conclude that there are some, but they don't currently seem to be a major component of the total providers because start-up costs are significant, and the return on investment is difficult to predict.
- There is no national tally of what proportion of children enroll in district programs versus other kinds of programs. Policy makers need one to help untangle important questions around districts that wear two hats—as an administrator of supplemental services and a tutoring provider.

Any good market analysis should tackle market share, but such an analysis isn't possible yet because there's no listing, nationally, of how many students are actually being served by a given provider or type of provider. Right now, the only way anyone can guess at market share is by counting the number of states in which a provider has been approved, which only offers the vaguest sense of market share.

It's understandable that there are many unanswered questions about this marketplace because the policy and practice are both very new. In discussions with researchers at institutions like AIR and WestEd, non-profit research groups evaluating supplemental services for the Department of Education, it appears that most research is currently focused on case studies of districts to begin to untangle questions of the best way to implement the new law.<sup>3</sup> Implementation studies are important, but so are examinations of the marketplace, which will shed considerable light on the strengths and weaknesses of this new policy.

### **Five Types of Providers**

As this new marketplace evolves, five major provider cliques are emerging: 1) large for-profit corporations; 2) school districts; 3) smaller for-profit firms; 4) non-profit community-based organizations; and 5) online companies. At this point, large corporate providers and school districts seem to be ruling the marketplace. Their shares are likely to increase as the program matures because both types of providers have the greatest ability to both scale-up and scale back with market demands.

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<sup>3</sup> The American Institutes for Research, which provides research services for a wide range of policy issues, has established a Supplemental Educational Services Quality Center to evaluate the program as part of its contract with the U.S. Department of Education. WestEd is one of the country's Regional Educational

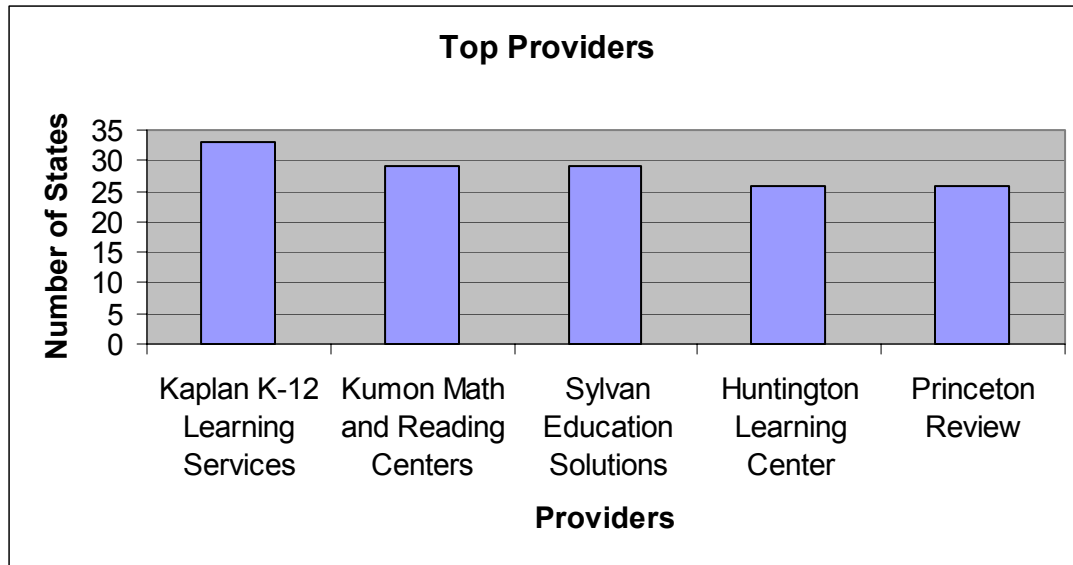
### *The Popular Crowd*

Jeffrey Cohen was following the supplemental services program long before it became law. As president of Sylvan Education Solutions, a subsidiary company of Sylvan Learning Solutions, Cohen saw enormous potential for expansion under a federally-funded tutoring program because it mirrored what he'd already been doing for 15 years—partnering with low-income schools to bolster their academic program.

With their brand-recognition, snazzy ads and glossy brochures, large corporate providers are the popular kids. While roughly 6 percent—around 60 of the more than 1,000 providers nationwide—could be considered national corporate providers, there are only a handful of real players in this category. Still, this small, elite group appears to have the greatest potential to garner a large market share because many of the companies in this category are approved in 20 to 30 states. Large corporate firms like Sylvan have been providing elementary and secondary tutoring in some form to paying clients—both parents and schools. So, these companies are well-positioned to scale-up their business without enormous start-up costs and they can take advantage of a growing, if unpredictable, market.

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Laboratories, which evaluates education policy, including a major contract with the Education Department to evaluate supplemental services.



*(Source: American Institutes for Research and original reporting)*

“We see the supplemental services legislation as an affirmation of what we’ve been doing,” Cohen says. Sylvan’s business model in this new marketplace is largely the same as it has been, with one exception: while Cohen deals solely with schools in his regular business, under supplemental services, he must get approved by the state, contract with a district and then sell his product directly to parents. He tries to work with the school district to allow Sylvan to offer its tutoring at schools, but when that’s not possible, he tries to find a location nearby. Prior to the supplemental services program, Cohen’s company was working with about 900 schools—about 100 of which were public.

Cohen says the supplemental services program offers him two opportunities: 1) to reach many more children, whose schools would not otherwise pay for Sylvan’s services; and 2) to build relationships with schools districts, which could lead to further business outside the supplemental services program.

At the beginning of the 2003-04 school year, Sylvan was approved in 29 states and was projecting it would serve between 15,000 to 20,000 students that year through

the supplemental services program. In the 2002-03 year, Sylvan served 6,000 students, and it charges anywhere between \$40 and \$80 an hour. In the coming years, Cohen says his supplemental services enrollment will be in the “tens of thousands” and down the line, it could double his pre-supplemental services enrollment of 70,000 students. So far, though, Sylvan remains in investment mode. “The first year, the program certainly wasn’t profitable,” he says. But his strategy is to ensure that he’s in operation in as many locations as possible so his company is poised to take advantage of new business as parental demand picks up. And sees at least a 10 percent profit margin in its future.

Sylvan’s is not the only business model among large corporate providers, and given the potential market share for large corporate firms, it’s worth considering a few others. Princeton Review, which is now approved in 26 states, has taken a school-based tact in which it negotiates with districts in the hopes of becoming a district’s or school’s sole provider. “We’re looking to partner with districts that are actively interested in supplemental services,” says Rob Cohen, executive vice president of the company’s K-12 division. “I don’t look at this as a retail business, like putting up billboards on the highways. I’m looking for districts to call us up.”

Rob Cohen’s hope is that he can avoid some of the headaches of working with school districts that are dragging their feet in implementing the program by simply not working with them. In the 2003-04 school year, Princeton Review anticipates anywhere between 2,500 and 10,000 supplemental services students. Within the next few years, Rob Cohen says his company could be serving as many as 10,000. And he says ramping up to take advantage of the supplemental services program hasn’t required a great deal of expense because Princeton Review has 500 locations throughout the country through

which it can run supplemental services along with its other offerings. “I believe we’re running supplemental services, on a marginal basis, profitably today,” he says. And he’s projecting 50 percent growth in the next few years.

A third strategy among big tutoring companies—popular with retail tutoring companies that operate from a storefront like Huntington Learning Centers—is to continue just as they have been doing. These companies work to get approved by the state, contract with the district, and then open their doors to children with money from the supplemental services program. Transportation to these tutoring centers, which are often located in suburban strip malls, is up to the parents.

Prior to the supplemental services program, Huntington had outlets in more than 230 locations around the country. In the 2002-03 academic year, Huntington served 500 supplemental services children. In the 2003-04 year, Russ Miller, Huntington’s vice president for new business development, estimates an enrollment of more than 2,000. In a few years, he says that number could grow to 10,000. But the biggest challenge facing companies like Huntington, says Miller, is getting students to come. Huntington is evaluating two new options for reaching supplemental services students. One would establish centers in urban areas. The other would partner with schools, much the way Princeton Review is, to make the school a kind of learning center.

One player in this category has surprised the competition with his slow its been to get in on this new marketplace: Edison Schools. Edison is a national school management company, and many large firms expected it to be a big player. So far, it is only approved in nine states—about a third the number of its big corporate competitors. Edison’s strategy is much like Sylvan’s, but Edison got a later start than its competitors. After a

yearlong research effort, Edison began marketing itself as a tutoring provider in late-Spring 2003. Still, at the beginning of the 2003-04 year Joel Rose, a vice president at Edison who heads up Edison's supplemental services division called Newton Learning, projected an enrollment of 5,000 to 10,000 supplemental services students.

Edison is among the companies with the most to gain from a successful supplemental service program because its core business depends on building relationships with school districts. At this point, like his corporate comrades, Rose attributes his company's sluggish start to low parental participation and the unpredictability of getting selected by those parents that do participate. "Are we going to get half the school's population? Ten percent of the population?" he says. "It depends on who's got basketball practice and what other programs are going on at the school."

### *The Bullies*

John Liechty knows a market when he sees one. At the beginning of the 2003-04 school year, 186,000 of the nearly 750,000 students in the Los Angeles Unified School District were eligible for supplemental services. As the associate superintendent for extended day programs, Liechty sees tutoring as his district's "lifeblood," and he'd like to keep the money designated for it in the district. He also sees the program as a chance to tap new ideas from private companies and incorporate those ideas into the classroom. So, he applied to the state to be a supplemental services provider, and they designed a Saturday school program that would contract out the curriculum and teaching to private providers.

With their ability to be a provider and control the district-wide funding all supplemental services districts have an enormous amount of control over the tutoring options available. That level of control certainly offers up the opportunity for districts to bully other providers, and their wielding that power in both obvious and subtle ways. While each district's reach is limited in scope, school districts, as a group, are becoming major players in this new provider marketplace. Of the more than 1,000 providers nationwide, about one-third are school districts or other public-school providers. Some districts, like Los Angeles, use their provider status to contract with private providers. Others, like Toledo Public Schools, have opted to develop their own program.

In Los Angeles, the district tutored about half of the 13,000 students who signed up for the supplemental services program in Fall 2003. The district's main role is to provide administrative support and transportation services—and facilities. Liechty is responsible for running the district's tutoring program and for administering the supplemental service program that includes 26 different providers (of which Los Angeles Unified is only one) that have established contracts with the district.

Each of the district's six tutoring centers is run by a different company, like Kaplan or CompassLearning. "Each one of those centers becomes almost a lab," Liechty says. "I'm looking for everybody and anybody to partner with." Liechty says the benefit of this arrangement is that the district can exercise more quality control and can bargain down the price. Liechty hopes to double his enrollment in the next several years to between 20,000 and 25,000. He also needs to figure out how to turn a profit. So far, he's operating with net losses, which he estimated at somewhere between \$40,000 and \$400,000.

Smaller school districts may be on an even steeper learning curve. When Toledo Public Schools saw it might lose a lot of federal money, it decided to adapt its successful summer school program into an after-school course for supplemental services students. The program, says Georgianne Czerniak, a literacy support teacher with the Toledo Public Schools' Reading Academy, offers "an opportunity for the district to offer the service with trained teachers and to keep the money in the district." The summer school program posted great results: more than half the students gained grade-level proficiency after six weeks of classes 10 hours a week. The tutoring program is only three hours a week for six weeks because that's all they can currently afford to do with the \$1,500 per student they receive under supplemental services. Calculating readers will note this works out to \$83 an hour. Czerniak is struggling to find a business model that works.

In Fall 2003, the plan was to offer primary and intermediate reading sessions for groups of 10 students at a few locations around the district. But only 23 students signed up for the Reading Academy. (A total of 133 students enrolled district-wide a supplemental services program of the 1,544 eligible students.) She then discovered that every parent wanted their child's tutor at their school and scattered her program throughout the district with three or four children to a tutor. Another unanticipated cost was paying for an on-site administrator. The administrator's union forced the district to require that an administrator be paid to supervise the program.

Czerniak says her best chance to keep her program alive is to boost enrollment. She'd like it to reach 150 students in the next couple years, so she hopes to enlist her fellow teachers in her effort. Unlike Los Angeles, Toledo's administrator for the supplemental services program has gone to great lengths to distance herself from the

district-run program. But Czerniak talked her administrator into allowing her to tag along as the administrator tours classrooms this winter to educate teachers about the supplemental service program as a whole. Czerniak will have a few minutes to sell the Reading Academy to the teacher, so the teacher might recommend the Reading Academy during parent-teacher conferences. “We’d like it to be a money-making venture for us, too,” Czerniak says. “I don’t know what kind of profit we’re going to make. We may even lose money this time around.”

### *The Over-Achievers*

Mark Lucas was skeptical about the opportunities he would see in the new federal tutoring program. As the CEO and founder of Club Z’s national operation, he wasn’t sure the federal money would ever reach the pockets of for-profit providers. But when some Club Z franchises like Scott Morchower’s were awarded contracts, Lucas’ royalties increased tenfold, and that got his attention.

Meet the over-achievers, the entrepreneurs, the class presidents. Club Z is one of a number of smaller, national corporate players, who are less established, but have an opportunity to tap into an important market niche: parents who want the reliability of a national company but the feel of a local tutor. It’s difficult to gauge the proportion of the marketplace currently held by this group, but it’s small—probably no more than 1 percent of the total number of providers. Still, this group has a potential to claim a fair share of the marketplace.

Launched in 1995, Club Z’s claim to fame is that it offers in-home tutoring. Across the country, Club Z’s regular program serves 50,000 students a year. And after

Lucas saw the surge in royalty checks, he decided the whole company should get involved in supplemental services, and he began to apply for state approval. As of Fall 2003, Club Z was approved in 21 states. So far, Lucas says, Club Z is serving 5,000 children through the supplemental services program. That's more than competitive with his more-established counterparts.

“One of the reasons we're so popular is we go to the home,” Lucas says. How can he do it? Club Z trains a bevy of local tutors and then calls on them as needed and pays them only for the hours they work. Overhead costs are minimal, and Lucas says they are able to attract better tutors because they pay their teachers half of their \$35 hourly rate. He says that pay compares quite favorably to his larger competitors, which pay their tutors around \$9 an hour. And Club Z isn't much more expensive than, say Princeton Review, which charges around \$25 an hour. So, the choice Club Z offers parents is: fewer hours of tutoring, but it's one-on-one and at home

Lucas anticipates that within two years, he'll be serving around 10,000 students through supplemental services. “Our business model allows us to take advantage of programs like this because we're mobile,” he says. The model had caught the eye of researchers like Lorraine Roberts, a senior research associate at WestEd. “It's a unique approach,” she said. “They're like the McDonald's of tutoring centers, and they bring the hamburgers right to the house.”

### *The Earnest Do-Gooders*

The supplemental services program has been a boon for Pastor Darius Pridgen at True Bethel Baptist Church in Buffalo, N.Y. A former school board member, Pridgen

four years ago started a math tutoring program at his church to help students pass New York's math graduation requirement known as "Math A." But with a \$4,000 budget and an all-volunteer tutoring force, the program was "mediocre" Pridgen says. Pridgen, a former school board member, only recently learned about the supplemental services program. A state assemblyman contacted him and suggested he take advantage of the federal tutoring money and helped him apply for state and district approval. "Now the picture has changed dramatically," Pridgen says. Partnering with a local housing project next door, which is home to many children who attend a nearby failing school, True Bethel's program, within a just few months, doubled in size from 50 to 100 children.

Motivated largely by a desire to help children, this group is earnestly working to improve local access to tutoring. Local organizations probably represent the largest proportion of the more than 1,000 providers because they're the clean-up crew. When the national companies decide a given area isn't going to boost their bottom line, local organizations are the only non-public-school option parents have. But local non-profits don't always offer the same reliability and accountability that their national counterparts do.

Organizations in this group take the form of local non-profits, small businesses and religious organizations. It's difficult to get reliable numbers on the total number of community-based non profits involved, but an educated guess would say 50 percent. This category seems to be the one that offers the greatest opportunity for new providers to emerge. There seem to be a great number of community-based groups—such as YMCA's, Boys and Girls Clubs, and even churches—that have added on or expanded tutoring operations because of the federal tutoring money. By my count, at least 14 local

Boys and Girls Clubs nine YMCA chapters have been approved. Similarly, a number of 21<sup>st</sup> Century Community Learning Centers, established by the federal government in the 1990s to provide after-school care, are getting in on the supplemental services market. Still because these organizations are so diffuse and each individual organization serves relatively few, this group is unlikely to collectively influence the marketplace.

At True Bethel, Pridgen has switched from volunteer to hired tutors and a certified teacher is on-site during the three-day-a-week after-school program. He says paid staff are far more accountable. A member of the congregation, a math teacher, offered to get together with a few colleagues and write up the curriculum. And Pridgen has expanded the program to include children as young as sixth grade. While the previous program was only available for members of the congregation, this one is open to everyone, and the church provides limited transportation with its own bus.

But expansion presented a new quandary for Pridgen: what to do about struggling neighborhood students whose schools aren't eligible for supplemental services? He couldn't turn them away. "It's a little like robbing Peter to pay Paul," he says. But it's easier with a \$100,000 budget—\$80,000 of which comes from the supplemental services money. And still Pridgen remains frustrated that more people and organizations in his community don't know about the supplemental services money. "I'm just learning about it this year, and I was a member of the school board," he says.

### *The Geeks*

In Spring of 2002, Massachusetts's education department rang Burck Smith. His startup company, SMARTHINKING, offered live, online, one-on-one tutoring 24 hours a

day to college students. Would SMARTHINKING be able to offer a similar service for the state's struggling 10<sup>th</sup> graders who needed to pass the state test? Smith, who had founded SMARTHINKING in 1999, thought he'd give it a shot. "We'd always thought we'd move into the high school tutoring," he said, adding that 90 percent of their college tutoring is in English and math. "The overlap between high school and college tutoring is really dramatic." The company worked with 2,000 high school sophomores and juniors and worked out problems along the way. So, when the supplemental services program came along Smith knew he had to get in the game.

The geeks are doggedly trying to make virtual tutoring as good as the real thing. Representing probably less than 1 percent of the more than 1,000 unique providers nationally and 13 percent of the 1,450 approved providers in each state, online providers are still an unknown quantity. But they could fill an important niche in serving students who don't want to or can't get to a site-based provider. Other major providers like Sylvan, are exploring ways to establish an online tutoring services. Online providers still have a long way to go to prove they are as effective as an in-person tutoring experience, but Smith sees the supplemental services program as a way to gain access to the public student market and to prove itself. "There's no line item in the district budget for online tutoring," he says.

Now that SMARTHINKING's supplemental services effort is up and running, it is approved in 15 states. In the 2002-03 school year, it served 200 children. In the 2003-04 academic year, Smith said he hoped to reach 800 students. Smith is facing the same low-participation problems that his competitors are, but one unique problem he and other online providers face is attendance. Smith learned from his program in Massachusetts

that students tend to attend more when they have to show up to a supervised center to log-in. So, he's pursuing that option where possible. And his staff also devotes considerable time to following up with parents and students who sign up for SMARTHINKING through the supplemental services program. But that can be a challenge with parents who work odd hours.

Still, Smith says his online business model is one that is perfect for the supplemental services program. While other companies need a critical mass of students to ensure profitability, Smith doesn't. Plus, he has no fixed costs associated with delivering his program—beyond what he's already spent to develop the software and the cost of hiring any additional tutors. SMARTHINKING has quality advantages, too, Smith says. With a decentralized business model, he can get higher quality employees. More than 80 percent of his tutors have masters or doctorate degrees. He also provides both English and Spanish-speaking tutors. And it's no trouble to bring his services to scale if there's a surge in interest. In a few years, he says he hopes to be serving 10,000 supplemental services students.

### **Location, Location, Location**

In determining where to locate, all national providers have one guiding principle: profitability. And in this black box-like supplemental services marketplace, providers are having a difficult time gauging the profitability of a given district. "There are a lot of moving pieces here that drive how profitable a particular district might be," says Edison's Rose. One major difference between supplemental services and most other federal education programs is that this program leaves it up to the invisible hand of the free

market to determine what kinds of tutoring services are available where. There are no guarantees that providers will be evenly dispersed throughout the country. In fact, prudent business planning has ensured that in this initial phase of the program, providers won't be evenly allocated.

When it comes to deciding where to set up shop, some of the criteria are obvious: consumer base and revenue. But several other criteria are more specific to supplemental services: ease of working with a given district, the company's existing operation sites, and informal personal networks.

For providers, the first step is to get approved by the state. In the 2002-2003 academic year, the process was largely haphazard because states set deadlines for their applications in very short, and seemingly arbitrary, windows of time. Among providers, there was a standing joke that New York gave providers a half-hour window in which to apply. Applications also varied in terms of information they required. While Wisconsin's application took three hours to complete, Louisiana's took a week. But that hasn't stopped large providers. Like most large, national providers Princeton Review "took the approach to basically apply everywhere," says Kutno, who until recently ran Princeton Review's K-12 division and is now with Scholastic Inc. That way, if a district emerges as a good business opportunity, at least they have taken care of the paperwork at the state level.

State requirements for approval also vary widely. According to the Supplemental Educational Services Quality Center at AIR, 22 states have set out criteria against which to judge provider quality in "scoring rubrics." Colorado, which is in many ways seen as a model for implementing this tutoring provision, developed almost two dozen separate

measures by which an applicant's quality is judged, including the program's record of effectiveness and its plan to monitor future performance. Georgia is the only state that has made distinctions between "emerging" and "standard." That differential status allowed Georgia to approve many more providers by lowering the standards of proven quality for emerging providers. Yet, officials in other states, like Colorado, say they were told by the federal government that such provisional approval wasn't allowed.

#### *Basic Criteria: Volume and Revenue*

Once approved in a state, a provider has a license to operate, but it must still write up a contract with each district in which it wants to tutor children. In targeting the districts in which they want to locate, providers' top considerations are potential business volume and pricing. To gauge volume, providers first look for districts that will offer the highest concentration of eligible children, and urban districts have the most to offer with their high concentrations both of students, in general, and poorly-performing schools, specifically. This is why Los Angeles found a throng of providers on its doorstep. But because the ultimate decision lies with parents, even establishing a contract with a district doesn't guarantee a steady clientele. If a provider can't attract enough students, it pulls out. "There is a threshold," says Sylvan's Cohen, but he adds that threshold varies widely depending on the location and the cost of doing business there. Sparsely populated states are at a disadvantage.

The revenue analysis is more complicated. Each district's offering price for annual spending on tutoring for each child will vary because the program is funded as a percentage of its federal Title 1 money. That means that some states and districts may not

offer enough to attract larger firms. For example, when Hawaii offered less than \$700 per student, Princeton Review decided not to provide services there. “In that particular case, it was obviously not profitable,” Kutno says. Princeton Review’s approach is typical of large providers.

In addition, while providers were under the impression that each district would set a per-capita amount for a child’s tutoring expenses, many districts have told providers that they will only pay an hourly rate for a child’s tutoring. So, rather than receiving a flat per-child payment, a number of providers are paid only for the time the child uses rather than the amount of time the child signs up for, which has made it difficult for providers to gauge how much they will make in a given district. Some providers claim this practice is in violation of the law. The Education Department isn’t taking sides. “This is a can of worms that ought to be worked out at the local level or with the states,” says Tom Corwin, an associate deputy undersecretary in the Education Department’s division that oversees supplemental services implementation.

*Specific Criteria: District Relations, Infrastructure, Networks*

One of the toughest elements to gauge in this decision-making process is the ease with which a provider can work with a district. The biggest red flag, say providers, is whether the district, itself, is a provider. That alone, might be enough for a private provider to look for business elsewhere for fear the district will monopolize the local market. Providers meet with the district representatives and gauge a personality fit. They also do their homework on the district’s history of working with outside vendors and they

scrutinize the contract. “Sometimes [Princeton Review] spent a lot of energy on the contract negotiation [with a district] only to have something not materialize,” said Kutno.

For example, once approved in Tennessee, Princeton Review sought to work in Memphis and Nashville. But when it came time to draw up a contract, each school district interpreted the regulations differently. While Memphis decided to assign one provider to each school, Nashville allowed a free-for-all among its schools and wanted to negotiate hourly rates with each provider rather than pay a flat per-student fee. Princeton Review stayed with Memphis and dropped Nashville.

Another important part of the location calculation is existing infrastructure. For example, Sylvan’s Cohen had planned to work with the San Diego Unified School District in 2002-2003, but he decided to pull out. “We weren’t prepared with the right folks on the street in San Diego to develop the program and the site network and the relationship with the community,” he said. “In that instance, we thought it was better to withdraw and come back to San Diego when we knew we had a game plan.” Chicago, on the other hand, was perfect for Sylvan last year because it had been working with Chicago Public Schools before the supplemental services program. “It was just a prudent business decision,” Cohen explained. Sylvan started up in San Diego the following year.

Another key piece of the location puzzle is the personal network a company has established in a community. Edison, for example, tapped one of its board members, Reverend and former U.S. Representative Floyd Flake, for connections he had with a key educator in New York City. While Edison’s Rose declined to mention the educator’s name, he said she is a former high school principal in New York City and she is highly regarded in New York City, specifically, Queens. “Given her background and her

network, she's been able to work through our network," Rose said. "Her presence, her credibility, and her talent on the operations side are key factors in getting individual schools to want to work with us."

### **Uncertainties and Obstacles**

Uncertainty is expensive. And the cost of uncertainty isn't borne by the companies, it's reflected in higher prices. In the supplemental services world, where the price is fixed by each district, higher prices translate into fewer hours of tutoring for each child. So, it's in the interest of policy makers to reduce, to the degree they can, the uncertainties and other obstacles that have emerged in the first year of the supplemental service program.

Because so few districts and providers truly understand the dos and don'ts of supplemental services, they're stumbling along in a volatile marketplace. Providers say their biggest stumbling blocks are: 1) participation, and 2) school districts' administration of the program.

First, participation is wildly unpredictable. The number of students eligible varies each year. In addition, when parents do enroll their children, they choose among a number of providers, so it's nearly impossible for a provider to gauge how many parents will choose their program over the competition. Many parents either don't know about or don't understand the program, and some are reluctant to sign up because they don't want to acknowledge that their child needs help. Scott Morchower of Club Z in Georgia said one of his toughest challenges is convincing parents that the service is free to them. Parents will often hang up on him because they think he's a telemarketer, he says. And

sometimes parents simply don't want to acknowledge their child needs help. "Even when I come out to the house, they ask, 'What's wrong with my kid?'" Morchower says.

Second, administration, particularly at the district level, has been challenging. Districts wield an enormous amount of power in this program, and the supplemental services program has established disincentives for districts to inform parents of the money available to them for tutoring. The program is not only seen by districts as a punishment, but also allows districts to keep any money set aside for this program that goes unused. Providers complain that district implementation of the program has been extremely uneven. Some districts appear to be making a strong effort to implement new tutoring program while many others' implementation has been more perfunctory.

One of the biggest responsibilities districts have is informing parents of the program, and Los Angeles is a model district. There, Liechty has made an extended effort to inform parents of the new tutoring program. In addition to his initial letter to parents, he has mailed out colorful brochures that tout a "\$1000 scholarship for your child." The district is also running public service announcements on local radio and television programs. But other districts have done nothing more than write the letter they are required by law to send. And sometimes the letter is downright incoherent. New Orleans Public Schools sent to parents a jargonny letter whose text focuses almost exclusively on how the district is complying with the law, features multiple attachments, and never explains that "supplemental educational services" simply means free tutoring.

Districts also throw up more subtle obstacles, usually ones that impose hidden costs on private providers. As Princeton Review experienced in Nashville, a number of districts have decided to pay providers an hourly rate rather than a per-child rate, so they

don't have to pay for the times when the student fails to show up to tutoring. The cost of facilities is another hidden cost in many districts because a number of districts won't allow private providers to use the school grounds. Or, they charge an impossible rate to rent out their facilities, as they do in Los Angeles. "This is Los Angeles," Liechty says. "Most vendors can't afford it. We have not had one, yet, lease. I couldn't afford it either." But he says rent is a fair use of the district's competitive advantage.

As was alluded to in the previous section, the district contracting process can also be an onerous one in which districts haggle over the rates providers charge even though the law is designed to allow providers to set their price and let parents choose. And some providers say that districts are not actually setting aside the money they are required to by law. "We've seen districts where the federal per-pupil allocation says it's \$1,800 and the district will say it's \$1,100," said one provider. "What happens to that other \$700?" Though the provider said fewer districts appear to be holding away extra money for themselves in the 2003-04 school year.

Perhaps most significantly, the districts' role as both a provider and administrator of the program also produces an obvious potential for conflict of interest. The concern is that because districts have the most direct access to parents, they have an unfair advantage over other providers. Sylvan's Cohen says he's witnessed letters sent out by the district that automatically sign parents up for the districts program when they sign it unless a parent affirmatively decided to go with a different provider. "There's not a level playing field," he says.

Some providers also say that allowing districts whose schools are failing to be providers is bad policy because such districts have already proven to be failures. Failing

districts cannot be providers, but districts that house failing schools can. The law allows districts with failing schools to be tutoring providers but failing schools are not qualified to be tutors under this program.

Liechty says he does his best to administer all 26 tutoring programs fairly. “We try to be as transparent as possible so far as treating everybody equally,” he says. Yet, he acknowledges that the district has an inside track with parents because the public schools are a known quantity. “We don’t hide that,” he says. “There’s no question the district is going to have an advantage. Plus, the money going to private providers comes out of a pot of federal money that district’s have historically counted on for their own. “You can’t just expect teachers to roll over and give you \$3 million.”

There are some small signs that the district monopoly may recede some with time. In New York, for example, 88 percent of the children who took advantage of federally-funded tutoring in 2003-2003 signed up with providers in the public school system, according to a recent study by Advocates for Children, a New York-based non-profit research and advocacy group. This year, however, that number declined to 65 percent.

To overcome these obstacles, most large providers are targeting participation and are going around the districts by beefing up their own public education and marketing efforts. Some providers, like Sylvan, are going the public service announcement-type route. They run these ads prior to the district’s enrollment period for supplemental services. Then during the enrollment period, Sylvan touts its own program with leaflets or promoters who go door-to-door, to shopping malls, and, when allowed, to the school. Edison has also hired recruiters. “From our perspective, I think time is helping,” says Sylvan’s Cohen. “As more time goes by, I’m seeing positive developments.”

Most providers are still optimistic, and hope to be well-positioned to take advantage of the explosion in interest when participation reaches its highly-anticipated tipping point. “We’re really talking exponential growth,” says Princeton Review’s Cohen. “I really feel good about how things are proceeding, and I think there are some real opportunities here.” Also, many large providers, like Edison and Princeton Review, have other divisions of their business that would benefit from relationships with more public schools.

That’s not to say there aren’t skeptics. “I don’t ever want to be dependent on a government program,” says a cautious Morchower of Club Z. “If they pull the plug on me, where am I?”

### **Emerging Issues**

As this program matures, the issues it will face are likely to be less about participation and more about access and quality. On the access side, the program may eventually have to worry about over-enrollment as well as getting services to non-urban schools. On the quality control side, there are looming questions about who should be monitoring the quality of tutoring—and how best to do it.

#### *Access*

What happens if more children sign up for tutoring than the district can pay for? The law requires the district to prioritize students based on how far they are behind academically. Those who are farthest behind are at the top of the eligibility list. But turning away kids who are in perpetually failing schools is not an ideal public policy

outcome. So, as the program catches on, providers, school districts and the federal government will need to think through how to handle such a situation beyond what's already outlined in the law.

In addition, children from rural schools may be left out. There are some rural areas in which the only option is online tutoring, and the assumption that online tutoring is a panacea for rural schools isn't true. Not only does it assume Internet access and computer ownership among poor rural families, but it also assumes that online providers will be effective for all children, or effective at all. It's also not clear that online providers are interested in serving sparse rural communities. At SMARTHINKING, Smith's approach to marketing so far has been the same logical choice as his competitors: Go where the children are. "It's just not cost-effective to do outreach in a rural county," he says.

There's also no guarantee that tough-to-educate children, who need tutoring the most, will actually receive it. Providers in a free market reserve the right to refuse services to children who they deem to too difficult. In Colorado, Laura Hensinger, a senior Title 1 consultant for the state education department, said she's run into providers who say they won't provide services to anyone whose parent won't attend tutoring with their child. Another refused to work with children who used drugs or are in gangs. And in New York City, Advocates for Children, a non-profit research and advocacy group, found that services are sorely lacking for children who don't speak English or are in special education

## *Quality Control*

While access issues are important to resolve, quality control may be the toughest challenge ahead. Officials at all levels of government are just beginning to struggle with the question of quality. The most basic challenge is deciding what success means for tutoring. It's tough to isolate the impact of a few hours of tutoring a week, especially when these children are in schools that are under great pressure to improve. If a student's scores go up, how do you know it's the tutoring and not the new reading curriculum the school is testing out? Or a newly attentive parent?

How does the Education Department define success in this program? "I wish I had a sound bite on that," says Corwin. He says ideally, districts would compare the performance of their students who take advantage of the tutoring to those who don't, but he acknowledges, "In the real world, is anyone going to have the fiscal resources to do that?" Corwin says at the very least, the federal government should establish a guide for states to help determine what a provider must show to prove it is delivering results. But he added he'll leave such determinations for "people smarter than me."

Right now, the provider determines how success will be measured, and it's up to the states to look over each provider's shoulder. With such loose and undefined enforcement, not surprisingly each provider defines success differently, says Colorado's Hensinger. In reviewing provider applications, she has seen the range—from improved performance on the provider's self-fashioned tests to increased student attendance in school. And she's frustrated that she has no guidance on what measures are legitimate.

If quality control is going to happen, it will probably be at the state level. Some states are beginning to think about quality control, but the process more art than science.

In Colorado, Hensinger says her office is in the process of developing a state monitoring system because right now “it’s practically impossible” to weed out bad providers. That monitoring program, she says, will probably include some kind of paper-based reporting where providers have to submit their results, in combination with visits from state education department officials. Still, that’s not a terribly systematic process. And while the best monitoring for quality control would, in theory, happen at the district level, the current incentives in the law aren’t conducive to an impartial quality-control assessment.

### *Implementation*

Before policy makers worry about quality control, they need to make sure the program is being implemented in the first place. The federal government’s primary oversight focus right now is implementation. One of the department’s top concerns is making parents aware of the program, because if no one takes advantage of the tutoring, it doesn’t matter how good or awful a tutoring program is. In the fall of 2003, the department developed the equivalent of public service announcements, which it ran in major cities to help “seed the market,” said Corwin. The department has also commissioned research groups like WestEd and AIR to study implementation efforts in select districts with an eye toward developing some examples of districts that are implementing the program, which other districts can emulate.

In addition, the department is monitoring specific districts’ efforts at implementation in a “non-systematic way,” says Corwin. When providers or parents complain, the federal government will investigate. Still, says Corwin, often the issue is whether the district is truly implementing the spirit of the law, not whether it’s following

the law's basic requirements. "It's not black and white what full implementation means," Corwin said. "It's a kind of gray area."

In the end, there are limitations to the kind of federal and state enforcement that can be accomplished without willing participants. And as the program matures, we may find that what's really needed is not even so much monitoring and quality control, but buy-in. "A lot of this is going to succeed or fail not on whether they implement the law, but how well they implement the law," Corwin said.

### **Concluding Thoughts**

As policy makers forge ahead, this baseline survey of the supplemental services marketplace highlights many areas in which the new federal program needs considerable work: 1) improving participation levels; 2) quality control; 3) data collection; and 4) general enforcement of compliance with the law.

Poor participation is the program's most immediate challenge, and it's the area in which both providers and the federal government have exerted the strongest effort to make improvements. When it became clear they could not rely solely on districts to educate parents about the program, both the federal government and providers decided to do it, themselves. But the district's failure to educate parents points to a major problem in the program's incentive system. So long as districts get to keep any tutoring money that goes unspent, they have no reason to encourage parents to avail themselves of the tutoring program. Until those incentives are altered, districts can be expected to drag their feet.

Quality control seems to be an afterthought. It's a huge responsibility that the federal government is dropping on the states, without being explicit about it. While the federal government expects the states to monitor for quality control, it has given the states no guidance in how to determine a good or a bad provider. In fact, the federal government hasn't even decided what constitutes a successful tutoring program. Without these most basic guidelines, there can be no expectation that states will do high-quality quality control—or will do any at all. The current let-100-flowers-bloom approach to quality control is wholly incapable of ensuring meaningful tutoring for these children.

Perhaps the most important building block for quality control—both of the tutoring programs and the supplemental services program as a whole—is data collection. And for an administration that has been so strong on data collection and accountability in the rest of its elementary and secondary education programs, it's surprising how little data is being collected about supplemental services, which is a totally untested federal program.

At the very least, the Education Department should know how much it spent on the program in the 2002-03 school year and how many children are eligible for the program in a given year. But in order to gauge whether the supplemental services program is working or not, the department ought to be collecting information on a host of measures. To name a few:

- How many children are actually signing up with different types of tutoring providers: large corporate, school districts, community-based non-profits?

- Are new tutoring organizations starting up solely because of this program, and if so how many?
- What is driving parents' decisions to participate or not participate?
- What is driving parents' decisions in choosing one tutoring provider over another?
- How do the children who participate in tutoring fare academically?

The other troubling finding of this chapter is that no one has determined who should be in charge. The federal government's approach is largely to let the states innovate. The states don't know what to do because they don't have enough direction from the federal government. So, the real responsibility falls to the districts, which are closest to the purse strings—and they tend to be the most reluctant partner in the process. If this program is to work, the federal government must make some tough decisions about who is responsible for what and be explicit about it.

And to be fair, if it turns out that the states (or districts) are really responsible for coordinating, implementing, and monitoring this program, there must be some acknowledgement that this effort is time and labor intensive—just think of what it takes for Colorado to send teams of people out to each provider to check-in. If the federal government wants robust implementation and quality control, it should pay for some, if not all, of it.

As this marketplace matures, there will be winners and losers among different kinds of providers. Both experts and a number of providers say two big winners will emerge: corporate providers and school districts. Those organizations are the ones with the greatest number of resources, the greatest capacity to reach parents and children and the economies of scale to absorb the unpredictability inherent in this marketplace.

Ultimately, those two groups may join forces. A number of large corporate providers said in the end, the supplemental service program may look a lot like the Los Angeles Unified School District in which the district contracts with a few big companies to deliver the tutoring. “I think the largest provider nationwide will be schools,” says Rob Cohen of Princeton Review. “They have all the teachers. They have all the buildings.” And they have the greatest ability to deliver the children.

Cohen says this is a good thing. While he acknowledges that providing the services directly to children is more profitable, he may be able to get a greater market share of a new market that sells materials to public schools that he can in the current marketplace. “Providing services to the No. 1 provider [districts] is going to be a fine place to be in the market,” he says. And it may well be the best way to ensure the districts have incentives to both participate and monitor private providers.

In this Darwin-meets-public-education school reform, performance will (hopefully) matter a lot, too. That detail is not lost on most large providers. “The playing field has grown tremendously. Those that will rise to the top will be those who are getting results,” said Huntington’s Miller. “They’re going to gauge the results by their test scores’ going up. That’s going to be the bottom line: Did the scores improve, and if they did, which provider did the student work with?”

That's the ideal, anyway.