

Will disadvantaged students benefit from a free market in supplemental education services?

PRIVATIZATION

What can be done for the student who needs extra help at the end of the school day? Does your district have in-house tutoring and mentoring programs? Or do you contract with a private, for-profit company to provide these services?

These programs, commonly referred to as supplemental education services, or SES programs, once were available only to families who could pay for the extra help. In some districts, programs were—and still are—subsidized by state and nonprofit organizations.

Today, the situation has changed, thanks to the No Child Left Behind Act, which requires districts to provide support programs for students in struggling schools. Public schools that fail to make adequate yearly progress for three consecutive years must use Title I funds to offer after-school tutoring, mentoring, or extended instruction time to students.

Many states and school districts struggle to meet the federal requirements and do not have the resources to provide these extra services. In addition, districts that fail to make adequate yearly progress are prohibited by the Department of Education from providing tutoring services themselves. The result has been a rapid expansion of private SES programs.

Federal officials say this creates attractive markets for private tutoring providers, but it remains unknown whether such companies possess the capacity or financial incentives to accommodate these students. The organizational turmoil created by the speed of the expansion also has made independent evaluations difficult, and private providers' self-assessments generally are self-serving.

The extended reach of privatization may dramatically change the education system, threatening to undermine current federal reforms. No remedies are apparent now, but the National Center for the Study of Privatization in Education hopes to create a base of understanding about supplemental education services and use this knowledge to look at specific programs, such as tutoring.

Who is eligible?

Across the nation, 20 percent of all students may be eligible for supplemental education services, according to a February 2004 report by Harvard University's Civil Rights Project. And there is every indication that most are not being served. For example, roughly 325,000 students were eligible for tutoring in Illinois in 2003-04, but only 5.5 percent of them actually received additional help.

Most of the eligible students are concentrated in the nation's urban centers. More than 110,000 students in Philadelphia and students in approximately 400 New York City schools qualify for aid. In Chicago, more than 40,000 students are eligible.

Financing for SES programs for these students comes from the redistribution of Title I funds. The amounts appear generous: From \$600 to as much as \$1,500 may be available per student. In comparison, annual public school expenditures are approximately \$8,000, according to a review of state education websites.

SES programs are big business. A February 2005 study by the Association of Community Organizations for Reform Now (ACORN) and the American Institute for Social Justice (AISJ) documented that 91 districts in 30 states spent between \$200



AFTER SCHOOL

and \$300 million in federal money to serve more than 205,000 students. This large new potential market is one reason supplemental services are attracting the attention of private, for-profit companies.

And because many urban school districts are prohibited from offering these services themselves, outside providers will likely be needed.

Who are the providers?

A wide range of providers offer SES programs—public schools, for-profit companies, and nonprofit organizations. Religious nonprofit organizations can participate, but they do not have a big presence in the market.

In 2004, California had more than 160 eligible providers, Texas had 75, and New York City had more than 50. Large cities typically have 24 participating providers, according to survey data from the Council of the Great City Schools, including in-

state “mom-and-pop” businesses, community organizations such as the YMCA and Kiwanis Clubs, and public schools. Providers also include a number of established high-profile, for-profit education service companies (Platform Learning, Sylvan Learning Systems, Newton Learning, Princeton Review, Kaplan), as well as emerging niche providers (Club Z! In-Home Tutoring, Brainfuse.com, Kumon, and EdSolutions).

For-profit companies are establishing a growing national presence and appear poised to substantially affect the market. J. Mark Jackson, a senior analyst at Eduventures, estimates that private tutoring generates \$2 billion in annual revenue. Kaplan alone reported net sales of \$838.1 million for 2003, a 34.9 percent increase over 2002, and recently contracted with the Philadelphia school district to provide a new standardized college preparatory curriculum.

Spurring these companies on are the NCLB regulations that prevent low-performing school districts from providing these

programs. Supporters of the regulations insist we should not continue to fund failing school systems or rely on them to improve student achievement. Defenders of struggling districts say student performance is not directly indicative of school operations, and local community involvement is necessary to improve achievement.

In a deal recently negotiated with the U.S. Department of Education, Chicago Public Schools was allowed to operate its public tutoring program for the remainder of the 2004-05 year as long as federal Title I money was not spent. The city reallocated \$4 million from its summer school budget and \$1 million from its school improvement fund to cover costs. The fate of the 2005-06 tutoring program had not been decided at press time.

The growth of privatization

Before 1990, private enterprises in education were primarily limited to not-for-profit private schools, most of which were religious. Over the past decade, however, new and novel forms of private education have flourished.

Approximately 1 million homeschooling parents do not participate in public education, having chosen to shoulder the financial and moral responsibility of educating their children themselves. For-profit academies, such as Edison Schools, have attempted to apply a business model to the operation of entire schools, with little or no financial success.

In contrast, for-profit SES providers earn money in three ways. First, they can receive public funds from the state and the local district to satisfy NCLB mandates. Second, they can secure

private funds through education tax credits. Finally, they can earn private funding from families when parents pay for the services they provide. These changes have allowed for-profit SES providers to greatly expand their influence through tutoring and after-school programs focusing on everything from academics to athletics to art.

But will these private providers create a better education system? The 1990s demonstrated that it is not easy to outperform the public schools. The early findings about the for-profit provision of education suggest:

- There are no easy administrative savings.
- For-profit providers do not offer instruction that is demonstrably superior to that in public schools.
- There are additional costs in marketing, establishing brand equity, politicking, and community building.
- Few economies of scale exist, making it difficult to franchise the operations.
- There is often a competitive response from public schools.

These factors have led private SES providers to become more selective in the services they offer. Most prefer to serve a niche rather than all students and subjects. For example, Kumon centers concentrate on the core subjects of math and reading, while Club Z! provides one-on-one in-home tutoring on various topics.

Will private providers profit?

So what is the fate of private SES providers? Will they become preferred alternatives to public providers, such as local schools? It is difficult to say.

Large companies such as Kaplan or Sylvan Learning clearly run successful and lucrative businesses that benefit from certain strategies. First, because of their size, they quickly enter emerging markets with satellite facilities. Second, they employ successful marketing strategies, and parents associate their brand name with good results.

Without question, the market is there. Platform Learning quadrupled enrollment from 12,000 students to 50,000 students from 2003 to 2004. At present, an estimated 1,500 tutoring providers—70 percent of which are private companies—operate in more than one state.

At the same time, this potential market is far from being realized, and actual enrollment is considerably lower than eligibility numbers. Less than 5 percent of Philadelphia's eligible students actually participate in tutoring. Participation rates in SES programs vary from 1 percent to—at most—18 percent, according to the Harvard Civil Rights Project study.

Even among the students who sign up for such services, absenteeism and attrition are said to be substantial. Administrators and parents disagree over whether this limited student involvement is caused by family circumstances or by insufficient capacity and services, such as lack of transportation.

Making choice meaningful

For tutoring programs to be utilized it is important for parents to have meaningful choices. This is not the same as setting up

SELECTED REFERENCES

ACORN and AISJ. *Accountability Left Behind: When Children and Schools Face High-Stakes Testing, Tutoring Companies get a Free Ride*. February 2005. www.acorn.org/fileadmin/ACORN_Reports/Accountability_Left_Behind.pdf.

Dynarski, Mark. "When Schools Stay Open Late: The National Evaluation of the 21st Century Community Learning Centers Program." *Mathematica*. October 2004. www.mathematica.org/publications/PDFs/21stnewfindings.pdf.

Mathews, Jay. "Privatizing Title I." *American Association of School Administrators*. May 2000. www.aasa.org/publications/sa/2000_05/mathews.htm.

Schneider, Mark. "Institutional Arrangements and the Creation of Social Capital: The Effects of Public School Choice." *American Political Science Review*. March 1997, 91(1).

Sunderman, Gail, and Jimmy Kim. *Increasing Bureaucracy or Increasing Opportunity? School District Experience with Supplemental Services*. Cambridge, Mass.: Civil Rights Project, Harvard University, February 2004. www.civilrightsproject.harvard.edu.

The 1990s demonstrated that it is not easy to outperform the public schools.

plenty of options. Services are often provided through contracts with districts; families can choose only from contracted providers that operate locally.

Families also need access to the services they choose. For example, parents may locate desirable providers, but if transportation is unavailable to reach an after-school program, they may decide not to participate.

Moreover, providers offer very different services, including site-based tutoring, distance learning, real-time cyber learning, at-home tutoring, or after-school services. These services can vary from subject to subject, and they may or may not be aligned with state standards. Either way, it is hard to compare the effectiveness of these options. Both contracting districts and eligible students may find that their choices are made without full information about the program's benefits.

At this stage, the supplemental service requirement in NCLB appears to be motivated by a belief that anything would be better than what is currently being provided by the public schools—especially if that anything is offered by a private company. So far, policymakers appear to be unwilling to determine whether these private providers might fail to improve students' performance.

The ACORN/AISJ study, which reviewed supplemental services in 29 states and the District of Columbia, showed that only six of the 24 states that had offered supplemental services for at least two years had completed evaluations of 2003-04 performance data. A major problem is that state administrators are not sure how to separate achievement gains that result from SES programs from learning that occurs in school, as well as in other settings.

To be eligible to provide supplemental services, providers must submit a statement to a state authorizing agency that includes information on the effectiveness of the proposed service. Based on our review of providers' statements across 15 states and the websites of high-profile private providers, there is almost no compelling evidence of effectiveness. In almost all cases, assertions of effectiveness are not scientifically based; that is, they are not tested using a rigorous research method. Evidence is primarily in the form of parent testimonials and client satisfaction statistics.

This standard is not high enough. It is not the standard that public schools are held accountable to and that ultimately triggers supplemental services. The danger is that one weak educational program will be replaced by another.

This is more than a hypothetical supposition. By 2002, more than \$1 billion was being spent on the 21st Century Community Learning Centers program, created to provide safe and

drug-free learning environments for children after school. A thorough evaluation by Mathematica, released in October 2004, found little if any impact on academic achievement from participating in the program and few if any decreases in suspensions or detentions.

This does not mean that all after-school programs are ineffective. Some will produce good results. But no evidence exists that supplemental services consistently improve student performance. So while parents and districts face a broad array of options, they have few facts on which to make informed choices.

Which providers will prosper?

The SES market is likely to grow as families become more aware of their entitlements and more astute at choosing providers. In theory, providers may prosper through survival of the fittest. Organizations that demonstrate achievement gains aligned to state standards will probably win contracts and appeal to parents. Organizations that do not show improvements in student learning will probably disappear.

This is the most optimistic of scenarios, and it may happen. However, there are other possibilities.

Consider the experiences of private companies that entered the K-12 market in the 1990s, thinking it would be easy to outperform bureaucratic and inefficient public schools. They were mistaken. The companies did not have a demonstrably superior pedagogy, could not save on administrative costs, and incurred high marketing costs. The result might have been increased competition and expanded choices, but there was no evidence of significant gains in efficiency or improved achievement.

Further, the current market may reward companies with clever marketing strategies or political connections to policy makers and administrators, rather than the most effective producers.

Looking at the market today, there is something to this scenario. Anecdotal evidence from newspaper reports suggests that providers face difficulties in hiring accredited tutors or course coordinators. In Chicago, private tutors only have to complete 60 hours of college, yet turnover rates there have created problems.

This problem of quality control will be exacerbated if wealthier parents monopolize the best providers, and it has been shown that better educated and more stable families are better informed about choice options. Until a comprehensive assessment of SES providers has been done, final judgment must be withheld. But disadvantaged students may not benefit from a free market of choice.

Clive R. Belfield is associate director of the National Center for the Study of Privatization in Education, Teachers College, Columbia University (ncspe@columbia.edu).

Chad d'Entremont is the center's assistant director of dissemination and a doctoral candidate at Teachers College.