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Supplemental Educational Services and NCLB: Policy Assumptions, Market Practices, Emerging Issues

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The supplemental educational services (SES) provision of No Child Left Behind introduces a federally mandated after-school tutoring intervention in schools that fail to make adequate yearly progress. This article examines market dynamics in relationship to the law's goals of expanding access to and improving the quality of after-school programming. Analysis of operational and financial data from seven SES providers suggest that relative to smaller local firms, national firms are positioned to capture more of the SES market. Analysis of data on SES provider activity (from 2004 to 2006) within an urban district suggests that firms gaining market share charge higher hourly rates and have larger class sizes. Survey data from 30 state administrators reveal the limited capacity of states to monitor providers. This analysis points to a mismatch between the implementation of SES and the concerns for quality and equity that are claimed as priorities within federal law.

Keywords: *supplemental educational services, privatization, educational policy, No Child Left Behind, market-based reforms*

Introduction

Supplemental educational services (SES) is a core provision of the No Child Left Behind Act of 2001 that introduces a federally mandated intervention for schools that fail to meet yearly progress benchmarks. In most cases, children from low-income families enrolled in Title I schools and districts that have not made adequate yearly progress (AYP) for 3 years or more can receive SES, including tutoring, remediation, and other academic instruction. These services must be provided outside of the regular school day. Supplemental education services may include tutoring and after-school services and may take the form of public or private sector providers approved by the state, such as local education agencies, educational service agencies, private companies, and faith-based organizations. Private sector providers may be either not-for-profit or for-profit entities. Furthermore, public schools and districts that have not met AYP for 3 consecutive years, designated as In Need of Improvement, are required under the law to provide supplemental education services to students.[1] With NCLB now entering its 6th year and up for reauthorization in 2007, evidence is just beginning to surface about the potential benefits and costs of the SES program (Steinberg, 2006; Sunderman & Kim, 2004).[2]

Much of this scholarship has focused on how local governmental agencies are responding to the law. To date, there have been little in-depth analyses of private sector behavior under SES. This is ironic given the dramatic growth of the SES industry in an environment of very limited regulation.

This article begins to address the silence in the policy discourse by examining how the SES industry is evolving as increasing numbers of children become eligible for supplemental education services. What are the supply side characteristics of the industry as SES moves into full implementation? What are state education agencies currently doing to monitor and regulate activity within the industry, and what constraints do they face in doing so? What do these patterns suggest might be problematic or promising about a market-based approach to supplemental education services? Finally, what issues for state and federal policy makers are suggested by these patterns as NCLB nears reauthorization?

NCLB designers claim that SES will increase students' access to after-school programming and the quality of remedial instruction by increasing competition across providers. In our analysis, we find that at least in the early years of implementation, the SES market exhibits anticompetitive forces. There may be low barriers to entry for firms as reflected in the exponential increase in the number of approved providers nationally. However, a small percentage of these providers are positioned to capture most of the market as reflected in the size of their revenue increases, merger and acquisition activity, and interstate marketing strategies. Analysis of data on SES provider activity (from 2004 to 2006) within a large urban school district suggests that firms gaining market share in the district charge on average higher hourly rates and have larger class sizes. In addition, although garnering significant revenue under SES, these firms are not offering services that are accessible to students with special needs, specifically special education and English language learner (ELL) students. Survey data from 30 state Title I administrators further reveal the limited capacity of state agencies to monitor industry leaders in ways that hold them accountable to students' needs. This combined analysis points to a mismatch between the implementation dynamics of SES and the concerns for quality, access, and equity that are claimed as priorities within federal law.

Framing Ideas

Our analysis of supplemental education services builds on two strands of scholarship: the nascent scholarship on the implementation of supplemental education services and the considerable body of scholarship on the privatization of governmental services.

Research on Supplemental Educational Services Is Limited

Because the supplemental education services provision of NCLB is a very new development in education policy, in-depth analytic work on its character and effects remains limited. The research that does exist on supplemental educational services tends to fall into one of four categories, namely, (a) internal performance evaluations by SES provider companies, (b) evaluation studies by third parties (i.e., nondistrict, nonprovider entities), (c) evaluation studies conducted by local school districts, and (d) academic and scholarly research (Burch, 2007).

Internal performance evaluations, such as those performed by SmartChoice, aim to demonstrate program effectiveness in the implementation of their proprietary online curriculum and assessment programs.[3] Evaluation studies conducted by third-party evaluators provide a broad overview of the implementation patterns occurring in local school districts, including issues of district capacity and the role of providers.[4] Evaluation studies, such as those conducted by Chicago and Minneapolis school districts, provide a more detailed analysis of the companies providing supplemental services, undertaking a more rigorous methodological approach to evaluating the treatment effect of the SES provision on student achievement and test score gains. The existing scholarly research on supplemental education services (see e.g., Farkas & Durham, 2006; Peterson, 2005; Sunderman & Kim, 2004) broadly addresses the implications of the SES provision on student achievement, primarily addressing the consequences of this nascent education policy on the targeted student population, namely, low-income and minority students.

Although the emerging literature provides a cross-section of approaches for studying and evaluating the SES market, two critical limitations exist. First, with a few exceptions, much of the literature appears to analyze the implementation of SES independently from its ideological origins—namely, market-based education policy and its translation into reform and policy proposals with terms such as *parental choice*, *school vouchers*, and *charter schools*. A second and related limitation of the literature is that the studies represented tend to focus exclusively on either supply side dynamics or demand side responses. This is problematic because the SES provision of NCLB represents for both the private sector providers and public administrators a radical departure from categorical programs of the past. With the introduction of NCLB, policy implementation in subsystems such as state departments of education and local school districts have become inextricably linked to the market. This is because unlike prior reauthorizations of the Elementary and Secondary Education Act (ESEA), the No Child Left Behind Act of 2001 includes provisions that explicitly require schools and districts to contract with private firms. It also ties education policy closer to the marketplace through mandates and consequences surrounding standardized testing, test reporting, and analysis (Burch, 2006).

What Have We Learned From Prior Analyses of Public Sector Outsourcing

Since the 1980s, political support both in the United States and abroad has grown for the idea that government contracts with the private sector are the key to improved public sector performance (Apple, 2001; Ball, 1993; Savas, 1987). Supplemental educational services are part of this trend. Political arguments for outsourcing are based on the idea that market strategies of choice and competition are a necessary and sufficient condition for improving the quality of services while reducing costs. However, prior research on the benefits and limitations of government contracting with the private sector suggests the problematic nature of these claims (Sclar, 2001). First, scholars of government outsourcing have suggested that the market for government contracts for public service delivery is rarely as open as it appears. The promise of substantial government revenues quickly lures large and powerful companies into the marketplace. As these firms compete and gain market share, the market increasingly can begin to resemble an oligopoly. In these situations, market dynamics—more than public or social needs—drive pricing and product availability.[5]

Building on this work, we examine how the market for supplemental educational services is unfolding as reflected in the behavior of those large national-level firms with SES contracts in multiple districts and states. We also consider the direct and indirect consequences of these dynamics for NCLB's intended beneficiaries through an analysis of SES supply and demand patterns in a large urban school district.

Second, based on meta-analyses of privatization of services such as firefighting and garbage collection, some scholars of educational privatization have argued market failures in government contracting derive in part from the behavior of governmental agencies (e.g., Savas, 1987; Sclar, 2001). In privatization, public revenues flow to private firms but public agencies typically retain formal responsibility for selecting suppliers and monitoring their performance. Analyses of government contracting in other sectors suggest government agencies rarely possess the financial or staffing resources to perform this role effectively. Furthermore, in new and rapidly growing areas of privatization, such as supplemental educational services, issues of pricing and how to gauge product quality lack transparency. Attending to these dynamics, we extend our analysis beyond supply side dynamics and examine the capacity of state departments of education in both the selection and monitoring of supplemental education service providers.

Research Design

A Survey

To examine the state-level implementation issues in the supplemental education services market, we conducted a national survey of state administrators who were identified as having primary responsibility for the selection, coordination, and monitoring of SES providers by the Supplemental Education Services Quality Center. The survey, which was administered by mail and online between September 2005 and January 2006, asked state coordinators to describe policy developments within their state

TABLE 1
Sample of Supplemental Educational Services (SES) Providers

SES provider	Number of states approved[a]	Sector[b]	Curriculum	Staffing and training practices
SmartChoice	45	Public	Computer-based online instruction guided by teachers	Regular school teachers support delivery of SmartChoice curriculum
Reading Club	40	Private	A combination of computer- and teacher-directed lessons	Regular school teachers implement curriculum
Growth Network	37	Private (franchise owned)	Individual instruction at off-site center	Bachelor's degree required Teacher certification not required
Norfolk	36	Private	Small-group instruction in school	Regular school teachers deliver after-school instruction
Arise	33	Public	Small-group instruction in school (6-8 students)	Teachers meet all state specifications related to No Child Left Behind's "highly qualified teachers" requirements
Learning Advantage	29	Public	Small-group instruction in school (6-8 students)	Learning Advantage provides its own teachers for SES programs
Lincoln, Inc.	13	Public	Small-group instruction in school	Lincoln instructors who pass Lincoln's Teacher Development Program

a. Source: www.tutorsforkids.org.
b. Refers to whether the SES provider is a public-traded or privately held company.

and to share their experiences and views on initial work. The survey included the following six parts: (a) the professional background of state administrators; (b) state activities around screening, monitoring, and evaluating providers; (c) state activities to disseminate information on providers to parents; (d) state activities to regulate the format and content of SES services; (e) state activities to provide districts with training and technical support around SES; and (f) state participation (if any) in the creation of Department of Education guidance documents. A total of 30 out of 50 state administrators, evenly represented across geographic areas of the United States, responded to the survey for a response rate of 60%. Respondents came from across the United States and included respondents from each of the four U.S. census regions: West (24% of the states that responded), Midwest (31% of the states that responded), South (28% of the states that responded), and Northeast (17% of the states that responded). We analyzed the survey data to identify dominant patterns in state activity in each of these areas.

Archival Research on Approved SES Providers

We identified all companies who were approved to provide services in at least 10 states for the 2005-2006 school year. These data were drawn from the Tutors for Kids Web site. Of the 33 companies approved in at least 10 states, we selected and analyzed the top 5 companies by states approved; these included 2 publicly traded companies (SmartChoice and Arise) and 3 privately held companies (Reading Club, Growth Network, and Norfolk). In addition to the top 5 companies approved by states, we then selected and analyzed the remaining 2 public companies (Learning Advantage and Lincoln;

TABLE 2

Operational and Financial Trends of Supplemental Educational Services (SES) Providers

SES provider	Market strategy	Revenue trends
SmartChoice	Merger/acquisition of online education platforms to expand software business	Revenues increased by 226% from 2002 to 2005[a]
Teach, Inc.	Created Arise in 2002-2003 to meet in-school demand for SES provision	Revenues for Arise increased by 502% from 2003 to 2005[b]
Learning Advantage	Integrating existing business platforms to meet demand for SES	Revenues increased by 117% from 2004 to 2005[c]
Lincoln, Inc.	Targeted states with largest share of SES allocation; approved in 7 of 10 states with largest SES allocation (of the 13 total states approved)	n/a[d]

a. Revenues for SmartChoice are attributed to their Services business division, of which revenues from supplemental educational services are a part.

b. Revenues for Arise business only. These revenues come from Title I funds set-aside for supplemental educational services. (Source: Teach, Inc. Annual Report, form 10-K, dated 3/16/2006). Data for 2002 is unavailable because Arise first reported revenue earnings from SES operations in 2003.

c. Revenue trend for Learning Advantage directly attributable to revenues earned from providing SES. The company first booked revenue from supplemental educational services in fiscal year 2004.

d. Revenues are for Lincoln's Supplemental Education division, which encompasses a broad range of education services. Furthermore, the size and scope of this division, coupled with the aggregation of revenue data, does not allow us to disaggregate Lincoln's revenues attributable to supplemental educational services (SES) tied to NCLB.

see Table 1) among the 33 approved in at least 10 states. We chose to include the remaining 2 public companies based on the availability of financial and operational data in publicly filed and audited financial statements.

Publicly Available Operational and Financial Data

For each public company, we examined the operational and financial data from publicly available financial statements from fiscal year 2001 to fiscal year 2005.[6] In evaluating a company's financial data, we analyzed the annual revenues earned from providing supplemental educational services. The revenues earned by a company represent the total dollar value earned from providing supplemental education services under NCLB. For each public company, we identified SES revenues that were either explicitly listed in the income statement or attributed to the SES market in the company notes to the annual financial statements. We then explored trends in SES revenues to determine how the growing pool of SES funds affected the financial performance of these companies. We supplemented this data with semistructured interviews with two senior staff in two public companies. These interviews focused on respondents' perceptions of the SES market, including its promise and potential challenges. We summarize the trend analysis of SES revenues in Table 2.

Private companies are not required to file publicly available financial statements; therefore, we were unable to perform the same financial analysis for the private companies as we did with the publicly traded companies in the sample.

To examine business operations and financial data of private companies, we conducted interviews with individuals occupying senior management positions within two private firms represented in our sample. We also analyzed data on the performance of these firms provided by industry analysts, industry associations representing the firms, and trade publications.

Drawing on these data, we evaluated operational data from both the public and private companies to analyze how (if at all) the growing demand for SES has shaped each company's business strategy. In evaluating a company's operational data, we used publicly available financial statements (annual reports and quarterly financial statements) and company Web sites to examine the market strategies employed by companies, reports by industry analysts, business media such as *The Wall Street Journal*, and data from online trade publications such as *Converge* and *Wired*.

SES Case Study: Large Urban School District

To understand the role of SES market dynamics in a local context, we examined SES service delivery patterns in a large urban school district. Our data sources included end-of-year reports for the years 2004-2005 and 2005-2006 that were provided by SES providers to the state department of education. These reports itemized the following for each calendar year: (a) the total number of students applying for and receiving full or partial services, (b) the number of students reported making academic progress, and (c) the different costs charged by each provider (measured either by hourly cost per student or a total charge for a day's worth of services). Among the companies that provided services during the 2004-2005 or 2005-2006 school year, we identified companies that provided supplemental education services to at least one student. Of these providers, we then identified the largest SES providers by total number of students served. For these providers, we compared the costs charged by each company for supplemental education services, the reported pupil-teacher ratios, the availability of the services to special needs and ELL students, the numbers of parents who selected the provider for their children, and student enrollment levels. To supplement these data, we conducted structured interviews with six district officials involved in administering the SES program. The interviews focused on district-level processes for administering the SES program and the challenges and strategies viewed as central to their work.

Supplemental Educational Services: Sector Characteristics

The supplemental education services market is a rapidly growing industry that offers firms the promise of sizeable revenues that are likely to grow over time. There has been for many years a relatively healthy market for after-school tutoring among middle-class and upper-class parents. Since the enactment of NCLB however, the market for after-school tutoring has experienced very rapid growth, and the customer base with the most market potential has been transformed. No longer primarily marketed to middle-class and wealthy parents, after-school tutoring is now available to parents of children attending schools with high percentages of children in poverty. In the SES market, firms can expect the availability of public revenues to increase over time. Between fiscal years (FY) 2001 and 2005, the amount of federal funds available (though not necessary used) for supplemental education services increased by 45%, from $1.75 billion in FY 2001 to approximately $2.55 billion in FY 2005.[7] The promise of sizeable economic returns has contributed to an expansion in the number of providers operating nationally. Nationwide, the number of approved providers increased from 997 in late April 2003 to 1,890 in early May 2004, an increase of 90% (Tutors for Kids, 2004).

The 2001 reauthorization of the Elementary and Secondary Education Act has been the key policy driver of the growth in the SES market. NCLB introduced (for the first time) covenants requiring districts to contract with private firms to provide after-school tutoring and remediation to students in schools that have not made AYP for 3 consecutive years or more.

In a prior study, Burch (2006) found that in the 3 years following the passage of NCLB, the percentage increase for annual reported revenues for one of the largest providers of supplemental education services was 300%, compared to 86% in the 3 years preceding the enactment of the law. Hentschke (2005) provided additional evidence of the ways in which NCLB is driving growth in the tutoring market. Between 2001 and 2004, the first 3 years of NCLB's implementation, the tutoring services industry enjoyed the highest growth rates in the combined pre-K and K-12 education industry. The average annual growth rate for tutoring services was estimated at 13.8% (Hentschke, 2005). Given the progressive nature of sanctions, the level of available revenue can be expected to grow as more schools and districts fail to meet AYP for consecutive years and are required by federal law to use some of the 20% set aside to buy after-school tutoring services from private providers.

The market also is highly segmented geographically. The level of available SES revenues is higher in some regions of the United States than in others. For example, the Southwest region experienced a 63% increase in SES funds available from FY 2001 to FY 2005. The West region experienced a 52% increase in SES funds available from FY 2001 to FY 2005. During this same time period, the New England region and the South region experienced growth in SES funds of 33% and 47 %, respectively. A total of 10 states (California, New York, Texas, Florida, Illinois, Pennsylvania, Puerto Rico, Michigan, Georgia, and Ohio) accounted for 59% of the nearly $2.5 billion in available SES funds in FY 2005.[8]

In summary, the SES market is a very new market where hundreds of firms are flocking to take advantage of the promise of sizeable revenues. The attractiveness of the market for firms further is enhanced by the promise of an increasing revenue base over time, although the level of revenue is higher in some regions of the United States than in others, offering an advantage to firms that have the capacity for national and regional marketing.

The Market for Supplemental Educational Services: Emerging Trends

In public statements, federal education officials have characterized the SES market as an open market that can support the activity of a wide range of providers—from small faith-based organizations to large national providers.[9] Current trends suggest an industry that is beginning to bear little resemblance to the open market that federal officials envision and claim they want. Rather than a market where a wide spectrum of businesses reaps the benefits of market-based education policy, a handful of large national firms are uniquely positioned to capture market share and exert a significant influence on industry practices. In the analysis that follows, we explore four indices of this trend.

Few SES Providers Approved in at Least 10 States

In many markets, including education, scale is important. Increasing the level of revenues by for example expanding the number of contracts with districts and states while at the same time keeping costs down contributes to healthy profit margins—which is the bottom line of any for-profit firm, even when they are providing services and products defined as in the public interest. Although the overall number of providers is expanding, a small percentage of this growing market appears to be positioned to capture market share by providing services across several states. Among the 1,859 providers approved to provide supplemental education services nationally in 2005-2006, 2% of the firms are approved in at least 10 states. Among the subgroup of firms approved to provide SES services in more than 10 states, all were approved providers in states where potential revenue for SES providers was the highest.[10]

Revenue Increases Among Multidivisional Firms Are Accelerating Rapidly

That large SES firms are enjoying a hospitable climate for growth also is reflected in the size of their revenue increases. The total funds available for SES have grown 45% from 2001 to 2005, whereas the pre-K-12 tutoring industry (as previously noted) has grown at an average annual rate of 13.8%. Revenue growth greater than the growth in the size of the market and relative to average industry growth trends indicates a greater than normal increase in market share. Each of the publicly traded firms (where SES revenues were discernible from audited financial statements) approved in at least 10 states in 2005-2006 have experienced increasing revenues since the implementation of the SES provision. Teach, Inc. (owner of Arise) saw revenues increase for its in-school SES provider by 502% from 2003 to 2005. Learning Advantage's Test Preparation Services division, responsible for delivering supplemental services, saw revenues increase by 117% from 2004 to 2005. SmartChoice's revenues increased by 226% from 2002 to 2005 (see Table 2).

TABLE 3

Patterns in Supplemental Educational Services (SES) Provider Activity: Midvale School District 2004-2006

	Percentage of all students served (2004-2005)	Percentage of all students served (2005-2006)	Percentage change in number of students served (2004-2005 to 2005-2006)	Student-teacher ratio	English language learner services	Special education services
Local						
Merit	9	3	–67	5:1	N	Y
Ballard	14	0	–362	15:1	N	Y
Learn Group	14	15	3	6:1	N	Y
Step Up	12	7	–39	5:1	Y	Y
Urban	8	16	81	5:1	N	N
National						
Academic	4	1	–158	1:1 online	N	N
Arise	7	30	300	8:1	N	N
Norfolk	14	5	–62	10:1	Y	N
Kingdom	12	9	70	3:1	N	N

Although revenue measures are not available for the three privately traded firms in our sample, the steep increase in reported number of district contracts among these firms also suggest substantial revenue growth. For example, in 2002, as reported in interviews, Growth Network had SES contracts in 10 districts mainly in the New York and New Jersey region. By 2005, that number had increased to 126 districts including contracts within large urban districts in other regions of the United States with high levels of SES revenue, such as Florida and New Mexico.

High Level of Merger and Acquisition Activity

As the demand side of the SES market grows, reflected by increases in federal funding available for choice and supplemental services, companies are positioning themselves to gain a greater share of this expanding market. For example, in response to the SES provision of NCLB, Teach, Inc. launched Arise in 2002, leveraging the "willingness of school districts . . . to utilize third parties to provide supplemental education and specialized support services to students," matched with "increases in Title I spending."[11] Furthermore, companies are leveraging and integrating existing businesses to compete for market share and the increased revenue potential created by the SES market. In 2003, Learning Advantage's Test Preparation Services division teamed with their K-12 Services division to provide supplemental services. The company used content and materials developed by the K-12 Services division and human resources (teaching techniques and personnel) from the Test Preparation Services division to gain traction in the SES market.

As Learning Advantage leveraged internal resources to enter the SES market, companies like SmartChoice exercised an acquisition strategy. Between 2000 and 2003, SmartChoice acquired six companies specializing in online instructional content; these companies included a provider of science courseware; a standards-based curriculum company; and a leading provider of Internet-based e-learning software and services; a developer of reading and language programs for K-3 readers; and a provider of curriculum-based educational software and online products and services used in elementary and secondary schools, at home, and in community colleges. The acquisition of these companies enabled SmartChoice to provide services across grade levels through

TABLE 4

National Survey of State Supplemental Educational Services (SES) Administrators

Survey item	Percentage[a]
A. Which of the following are used to monitor and/or evaluate supplemental educational services (check all that apply)?	
Site visits	53.3
Participation audits	30.0
Testing of students	50.0
Parental surveys	56.7
Student surveys	23.3
Surveys of school personnel	63.3
None	0.0
Other	33.3
B. Which of the following are considered by your state in determining if a provider can offer supplemental educational services (check all that apply)?	
Proof of financial solvency	90.0
Evidence of a research proven curriculum	96.7
Evidence of prior academic success	96.7
Provider must offer transportation	0.0
Provider must conduct background checks on instructors	93.3
Provider must provide or require specific training for its instructors	46.7
State requires specific instructor to student ratios	16.7
Disallow the use of certain recruitment tools	33.3
Other	46.7
C. Does your state require specific services for students with disabilities?	
Yes	23.3
No	73.3
No answer	3.3
D. Does your state require specific services for English language learners?	
Yes	13.3
No	83.3
No answer	3.3
E. Generally, how effective or ineffective do you feel your state's supplemental educational service providers meet the needs of any enrolled students with special needs?	
Don't really know	40.0
Very effective	10.0
Somewhat effective	43.3
Somewhat ineffective	6.7
Very ineffective	0.0
F. How does your state make information available to the general public about providers (check all that apply)	
Through the department's Web site	96.7
Through paper-based newsletters or letters sent to parents	20.0
Through e-mail newsletters that are sent to parents and others	13.3
Other	36.7

a. Data is based on responses from 30 state administrators across 30 states.

proprietary online content while also positioning the company to compete nationally in the SES market.

Indeed, the operational history of Teach, Inc. has been shaped by the SES market. The company was founded in the wake of NCLB, when a private-equity-led group of investors acquired the pre-K-12 educational services business of NoBel Education on June 30, 2003. Prior to the company's announcement of its intention to sell

Arise, its in-school tutoring service, the company acquired Watershed Learning Company in the first quarter of 2005. Watershed Learning Company produces the "Hooked on Reading" curriculum and will enable Teach, Inc. to launch sales of additional products and in-school tutoring services by leveraging its existing foothold in the SES market alongside this popular curricular platform (Bassett, Burdt, Jackson, Gallagher, & Pollroy, 2005).

Targeting States With the Greatest Revenues

We also found that the largest SES providers are using their size and national scope to identify states with the greatest available SES funds and are targeting their services to these states. We calculated the rates of state approval among the 33 largest SES providers in the 10 largest and 10 smallest states in terms of available SES funds. In the 10 largest states, the average participation rate was 69.5%. This rate indicates that on average, each of these 33 providers was approved in approximately 7 of the 10 states with the greatest available SES funds. In contrast, the average participation rate among the 33 providers in the smallest states was 28.9%, indicating that on average, each provider was approved in approximately 3 of the 10 states with the least available SES funds. As providers target states based on potential revenue, competition among large national providers can intensify. In California and Florida, 27 of the top 33 providers are approved providers. In Michigan and Georgia, 25 of the 33 are approved providers.

These combined patterns point to important differences in the market envisioned under SES and the dynamics that are actually unfolding at a national level. Although there may be very low initial barriers to entry within the SES market (almost anyone can become an approved provider), large national firms appear to possess a considerable advantage when it comes to surviving in the market. These large firms are growing at a rate faster than the rate of available SES capital; this coupled with national scope means they have positioned themselves to acquire greater share of the market. Furthermore, their ability to leverage existing business platforms enables these large companies to scale up operations at faster rates and more cheaply than smaller local and regional tutoring firms.

There is nothing inherently surprising or unique about the dynamics unfolding in the SES industry. We have seen them many times before in other industries. Motivated by the promise of revenue, large firms are acquiring small firms, reaping significant revenues, and attempting to establish a competitive advantage by capturing market share. Scholarship on the privatization of government services suggests that the appearance of anticompetitive forces is typical in new markets created by government privatization (Sclar, 2001).

However, it is important to remember that the dollars being spent in the SES market are public dollars. More specifically, they are dollars that the federal government has earmarked for high-needs children and families living in poor communities with underresourced schools. The explicit goal of SES is to improve the quality of instruction for all students in schools with high failure rates—including students with special needs and English language learners. That a handful of large national firms are receiving millions of dollars of revenue from Title I and taking steps to secure an even greater share of revenue in the future raises the question: How are these national firms leveraging their resources and growing influence to enter local markets and develop their services to meet the needs of low-performing students in high-poverty schools?

How Dynamics of the SES Market Unfold in a Local Community: The Case of Midvale

To begin to investigate how the SES market is developing in local communities, we draw on 2 years of SES implementation data within a large school district that we call Midvale. Midvale shares many of the same characteristics of other large urban school districts in terms of the demographics of its student population, school achievement patterns, and significant levels of Title I funding. In this sense, investigating implementation patterns in Midvale provides an early snapshot of likely problems and possibilities unfolding in other large school systems around the country.

Setting

The Midvale School District (MSD) is one of the largest school districts in the United States. Like other districts of its size, its student population is largely minority and poor. In 2002, more than half of the students enrolled in the district were African American. Nearly 59% of schools in the district have a percentage of students eligible for free and reduced-priced lunch exceeding 75%. As in other large urban districts, Title I under NCLB represents an important funding stream for the district. During the 2004-2005 school year, 23 schools in Midvale were required to offer SES.

Large national firms gain market share. Mirroring the dynamics described earlier at the national level, the market for SES services in MSD appears to be one increasingly dominated by a handful of large providers. During the 2004-2005 school year, 79 providers reported serving at least one student in the district. Of the active providers, 71 were local in that they were headquartered in Midvale or the surrounding suburbs, and 8 were national-level providers, with contracts in multiple states and districts and headquartered in other parts of the country.

During the 2004-2005 school year, 8 of the 79 providers served a total of 2,981 students, which is 86% of the total number of students in the district receiving services. Of the firms, 5 were locally owned; 4 were national for-profit firms with SES contracts in dozens of districts across the United States. In 2004-2005, the 4 national for-profit firms collectively served 37% of all eligible students. By the following year, the 4 national for-profit firms had increased their market share to 45%. In addition, 2 of the 4 national firms, Arise and Kingdom, served 39% of all students served. These 2 firms also reported that 36% or less of the students enrolled in their programs during the 2004-2005 school year made academic progress. In contrast, the market share of the locally owned firms represented among the top 8 decreased over the same time period from 57% to 41%. Of the 3 that experienced significant decreases in enrollment, 1 reported that 71% of students enrolled in its program made academic progress during the 2004-2005 school year.

Because SES providers are not competing against one another on the basis of price (and are paid the same total per student allocation), this provides a competitive advantage to larger firms who can spend more to gain access, crowding out smaller companies who do not have the economic strength to sell and advertise their programs or to do so while sustaining other hidden costs of being an SES provider, such as insurance and administrative costs. These dynamics can create important contradictions in the market assumptions underlying SES and its goals of expanded choice and improved quality of services.

One might interpret the dominance of national firms in the Midvale market as reflective of parents' preferences for these firms. However, this assumption is not borne out by the data. In Midvale, during the 2005-2006 school year, 4,219 parents selected an SES provider of choice from the list of 185 approved providers in the state. Of these, 2,478 parents (58%) selected a local provider headquartered either in the same city in which their student attended school or a nearby suburb, and 1,741 (41%) selected a national provider headquartered in another state. Although a higher percentage of parents selected a local provider as their SES provider of choice, the percentage of students served by national providers exceeded that of local providers.

Market volatility. Mirroring patterns nationwide, demand for SES in Midvale is growing slowly. For example, the number of students receiving SES from 2004 to 2006 in Midvale rose only slightly, from 3,438 students to 3,462 students. Thus, in districts such as Midvale, when a handful of firms capture greater market share in local communities, other firms may experience a reduction in revenues. In Midvale, during the 2005-2006 school year, two firms, Arise and Kingdom, achieved percentage increases in the number of students served of 300% and 70%, respectively. That same year, five of the top eight firms experienced significant declines in the number of students served, from 39% to 362%. Three of the five were locally owned. Large national firms can weather market volatility because they have contracts in other states and revenue streams outside of SES. Small locally owned firms are less well positioned to remain active in the market in the face of rapidly fluctuating enrollments. In addition to the cost of providing services, there are other costs such as insurance, research, and in some situations, the cost of renting facilities. As reported in interviews with district officials administering the SES program in Midvale, small local firms in Midvale typically are not aware of these costs when they become approved vendors. District officials reported multiple instances of small firms determining that they lacked the resources to absorb the transaction costs involved in serving SES students in the district and requested that their firm be removed from the state list of approved providers.

Quality of services: Teacher/pupil ratio. Supplemental educational services also are based on the principle that competition in the marketplace spurs innovation and higher quality services. However, as anticompetitive forces are set in motion within a market, these forces can have the countereffect of diminishing the quality of services provided. Drawing on data from Midvale, we hypothesize that this can happen in the following manner: As demonstrated earlier, rising selling and administrative expenses cause SES providers to face the challenge of maintaining profits in the context of rising costs. There are significant stakes for providers in terms of their competitiveness in the market if they fail to keep their costs down. One way that SES providers can remain competitive is by charging higher hourly tutoring rates for services provided. So for example, if two SES providers contract with the same district to provide SES services to 100 students, each provider receives $200,000 in revenue. However, because each SES provider receives the same per pupil allocation, providers are competing around costs rather than price. (In this case, the per pupil allocation is the market "price.")

To keep costs down in the context of the same revenue, SES providers can charge higher hourly tutoring rates. In Midvale, during the 2004-2005 school year, the average hourly rate charged by SES providers serving at least one student in the district was $46 an hour. Among the subgroup of eight providers serving the majority of students in the district, four out of the eight charged hourly rates above this average. The four SES providers charging greater than $46 an hour include Academic ($50/hour), Arise ($60/hour), Learn Group ($65/hour), and Merit ($60/hour). The only national provider (of the two in our sample of eight firms) that did not charge above the average hourly rate was Norfolk ($31/hour).

No federal regulations exist to determine the optimal size of instruction necessary to maintain the efficacy of tutoring services, giving providers considerable leeway for staffing ratios. In a context of rising administrative expenses, large firms appear to be taking advantage of policy flexibility. During the 2004-2005 school year, four out of the seven firms serving more than 250 students advertised student-teacher ratios from 1 to 8 to 1 to 10. Two of these four were national for-profit firms. These ratios exceed those identified as effective practices in prior research on supplemental instruction under Title I. Relative to large national firms, locally owned firms that served from 1 to 10 students under SES all had student ratios lower than the national providers serving hundreds more students and receiving thousands more dollars in revenue. The student-teacher ratios of small locally owned providers serving 1 to 10 students ranged from 1 to 1 to 1 to 5. All seven providers serving fewer than 10 students during the 2004-2005 school year advertised lower student-teacher ratios, ranging from 1 on 1 instruction to 5 students to 1 teacher.

High student enrollment levels do not necessitate lower teacher-pupil ratios. For example, if Provider A provides services to 10 students, it receives $20,000 in revenue. This is equal approximately to one part-time teacher. If Provider B provides services to 250 students, it receives $500,000 in revenue. This is equal to approximately 25 part-time teachers. Thus, based on revenues, Provider B (serving many students) has as much capacity as Provider A (serving a handful) to create small class sizes and high teacher-pupil ratios.

Quality of service: Individualization of curriculum. Individualization of curriculum refers to the extent to which the instructional program being delivered is appropriate to learners' needs. Under federal policy, all providers are expected to develop an instructional program that is individualized to students' needs. In some respects, large national providers are well positioned to provide supplemental education services that are individualized. First, they have other educational divisions and in this way have the capacity to integrate SES with other services and products. For example, large multidivisional firms in our sample also contract with districts for regular-day special education services, curriculum, test score analysis, and professional development. They already have the technology and staff to diagnose students' needs and to pair students with special services. As explored earlier, they also have sizeable and multiple revenue streams that they might potentially invest in developing innovative approaches to making supplemental education services accessible to ELL students and special needs students.

Evidence from Midvale suggests however that based on this principle, as on others, the benefits of a market-based approach to supplemental education instruction have yet to materialize. In Midvale, as revenues for large providers accelerate, products and services for serving disenfranchised students, particularly ELL and special education students, remain flat. Among the top eight providers serving 86% of the market in 2004-2005, only one, Norfolk, reported having Spanish-speaking staff—a critical condition if services are to be accessible to students with limited English proficiency.

None of the national firms represented among the top eight providers in 2004-2005 reported offering services appropriate to students with special needs. To be sure, the gap between principles of individualized curriculum and provider activity extends beyond the behavior of large national firms. For example, only 1 of the 10 firms serving 1 to 10 students in 2004-2005 offered services and products for Spanish speakers. Relative to small locally owned firms (which typically earn less than $20,000 in revenue per year in Midvale under SES), national large providers in Midvale (which earn between $400,000 and $2,000,000 annually) possess both greater financial capacity and therefore greater responsibility to use their revenues to develop products and services that meet the special needs of the population they are serving. The patterns discussed are based on the experience of one district and providers' self-reports. However, when considered alongside national patterns, they suggest several problems with the claim that privatization of remedial after-school instruction will lead to improved quality and access to services for low-income students. In Midvale, a handful of national firms are earning substantial SES revenues. For example, the annual revenues generated by one firm in Midvale totaled slightly more than $2 million. In the course of a 2-hour tutoring session, a large national firm such as Arise potentially earns $92,000 in revenue from student participation in SES as estimated based on the firm's hourly rates and the number of students enrolled in its program.

While garnering significant revenue from the requirements of federal policy, large national firms simultaneously are charging Midvale higher hourly rates for their services. They are providing services in the context of lower teacher-pupil ratios and in most instances failing to make services available to ELL and special education students. These patterns hold potential risks for the quality of SES programming provided to eligible students in Midvale. When providers charge higher hourly rates, they can provide fewer hours of services to students. When class sizes are larger, students may not derive the benefits of remedial instruction. When SES services are inaccessible to ELL and special education students, educational opportunity may become further stratified.

Developing from scholarship on governmental contracting however, a premise of our analysis is that whether and if privatization of government service contributes to the public interest depends not only on the market but also the ability of local government agencies to monitor developments in the industry and hold providers accountable for the outcomes promised by privatization's proponents. Under NCLB, state-level agencies are primarily responsible for ensuring that SES contracts with providers translate into improved services for students. To investigate state activity and capacity to perform this role, we surveyed state administrators of supplemental education services programs about various aspects of their responsibilities in the selection, monitoring, and evaluation of supplemental education services.

Our analysis indicates that although most states are taking some steps to hold providers more accountable, they are struggling to do so in a way that gives more than lip service to private sector accountability. This situation in part has to do with long-standing issues of state capacity (lack of staff to monitor performance, lack of knowledge to collect or interpret data, weak relationships to local sites). The very design of federal regulations however, while introduced with much rhetorical promise, provides little in the way of impetus. Particularly in relation to the accountability policies targeting public school administrators, SES accountability represents the weakest kind of policy design. It relies on self-reported data from providers, is complaint driven, and provides no money for the evaluation of the program. Given the limits of their capacity, states must rely on parents and educators to report provider infractions. We explore the patterns in these procedures next.

Screening, Monitoring, and Evaluating Providers

Although the design of federal regulations requires states to approve only providers with scientifically based evidence of their effectiveness for targeted populations, only 15 states responding to our survey reported using any form of student test score data to monitor the quality of services provided. Instead, state-level monitoring activity appears to be primarily focused on documenting providers' compliance with reporting outcomes via occasional visits and self-reports by school and district administrators. Only half of the states in our sample reported that they kept a provider off their lists during the screening process or forbade it from providing services as a result of infractions incurred.

For example, 90% of states responding to the survey required providers to prove their financial solvency. These efforts may include the use of specific accounting standards, assets, and general proof that the provider will not close midyear due to financial problems. The survey showed that 96.7% required evidence of a research-proven curriculum. This may include specific curricular methods or the use of specific curricular resources and textbooks. Finally, 96.7% required some evidence of prior academic success. This evidence may include prior years' pre- and posttests or other illustration that the providers' services raised student achievement. Only 1 of 30 states reported that they do not require proof of financial solvency, a research-proven curriculum, or evidence of prior success.

A much smaller handful of states reported moving beyond basic screening processes and adopting strategies aimed at protecting students' and families' rights to the best services in the face of aggressive marketing. Specifically, 5 states require specific instructor-to-student ratios, and 10 states disallowed the use of certain student recruitment tools including giving cash or prizes to students with good attendance. Other states report requiring providers to have insurance coverage, align their curriculum with state academic standards, and report students' progress to parents.

Services for English Language Learners and Special Needs Students

We also surveyed state directors about various aspects of the participation of English language learners and students with special needs in supplemental education services programs. Our analysis indicated that only seven states said their state did require specific services for students with disabilities and that only four states said their state requires specific services for English language learners. The potential exclusion of these students from participation in the program is particularly significant given that school systems are being held accountable for the improved performance of specific subgroups that include ELL and special education students. Reflecting these concerns, only about half of respondents, 53%, said they were "somewhat effective" or "very effective" in meeting the needs of any enrolled students with special needs.

Communicating With Parents

Although 90% of respondents reported communicating with the public, including parents, about grades and/or districts served by providers, the most common vehicle for that communication was the Internet and e-mail. In fact, the vast majority of states, more than 96%, said they used their department's Web site to inform the public, including parents, about supplemental educational services. Another 13.3% of respondents said that their states communicate through e-mail newsletters sent to parents. This approach presents a challenge in communicating with parents, most notably low-income parents, who often do not have regular access to the Internet or e-mail. Our survey found that only 20% of state administrators said they used paper-based newsletters or letters sent to parents.

In summary, in response to new regulatory guidance from the Department of Education, the majority of states across the country are taking steps to develop accountability systems to hold providers of supplemental education services more accountable for student outcomes. Although the systems vary considerably by state, they share a number of common characteristics. First, they are less focused on student performance. States are encouraged to gather data from providers, of which only one small part is demonstrated evidence of their program's value to students. Second, in contrast to accountability systems that hold public administrators more accountable for student outcomes, the accountability designs for supplemental services offer little in the way of significant consequences for providers who fail to comply. Self-reports (by providers) are the weakest form of data and essentially water down any state efforts at accountability. Furthermore, although recent accountability systems increasingly appear to focus on performance indices collected at the school level, the major focus of accountability designs for supplemental services is on the district. States are interested in whether districts are monitoring the services of individual providers; whether the quality and impact of services varies by school is not an issue.

Policy Recommendations

Several assumptions underlie the supplemental educational services provision of NCLB. Among these is the assumption that requiring districts to contract with private firms to provide remedial instruction to students in schools with high failure rates will expand parents' choices, lead to cost efficiencies, and ultimately improve instruction for students including special education and ELL. Faith in these benefits has been advanced by recent statements of federal education officials. This article has aimed to provide a more grounded basis for considering the value of district outsourcing of supplemental education services for improving instruction of disadvantaged youth. Building on the insights of implementation studies of government contracting in other sectors, we offer several proposals for strengthening state and federal policy about supplemental educational services.

Failure to Provide Competition

First, one of the goals of SES is to inject the principles of competition and choice into interventions and supplemental supports for low-income students in schools and in this way create incentives for improved instructional quality. The design of the law allows for equal access into the market on the part of new and small SES providers (initial barriers to entry are relatively low); however, small locally owned firms face significant barriers to remaining competitive in the market. Based on our analysis, a much more likely scenario within the SES market is one in which a few providers reap most of the revenues and whereby millions of children receive services from a handful of large brand name providers.

Certainly, large national providers bring considerable strengths to the SES market that conceivably could translate into benefits for eligible students. They are financially solvent, they have the potential to provide more integrated services, and they have experience in other states and districts that they can leverage for local customers. Preliminary evidence from the field suggests however that as currently constructed, both the market and federal policy provide few incentives for large firms to put their size and scale to work for students.

The designers of NCLB place responsibility for protecting parents' options primarily on state departments of education. Current regulations frame the problem in terms of protecting the attractiveness of local markets. The regulations state,

> An SEA [state] should avoid setting uniform rates within the State, because this could ultimately limit parents' choices of providers or reduce services provided to students. Uniform hourly rates do not accommodate local variations in charges and payment schedules, and may result in rates that underpay providers in more expensive markets and overpay them in less expensive ones. (U.S. Department of Education, 2005, p. 5)

Implicit in these guidelines is that the most highly valued firms in terms of students' and parents' needs are large firms that operate across jurisdictions and that develop business strategies based on the relative attractiveness of markets in different districts and states. Our analysis points to the problematic nature of these assumptions. For example, in Midvale, parents were more likely to select a local provider as their first choice rather than a national provider. These local providers on average had lower hourly rates within the range of acceptable prices.

To date, actions taken by the administration to protect parent choice have focused on disseminating information to faith-based organizations to encourage their application as SES providers. Based on our analysis, the issue is not one simply of encouraging entry into the market but also taking steps to help small locally owned organizations (if they demonstrate evidence of effectiveness) to compete effectively within the market. To do so, the federal government should consider creating incentive grants for smaller locally owned SES providers to form consortia with community-based organizations. The consortia would serve the purpose of allowing smaller locally owned firms to pool resources, for example, to offset the costs of insurance and marketing, and in this way expand their durability within the market. Under the current design of the law, there is nothing that prevents small organizations from taking this approach. Neither is there anything in the law that encourages collaboration across community-based organizations as a means of leveling the playing field in the market and protecting parents' rights to a full range of options. States also can play a role in helping to level the playing field for small providers by ensuring that districts provide information on program possibilities to local firms and by taking all necessary steps to make sure local firms, given their dependence on SES revenues, are paid promptly.

Ensuring Equal Opportunity for Special Education and ELL Students

A second contradiction in the goals of SES provisions of NCLB and market dynamics rests in the treatment of special needs students and ELL students. Under current regulations, states and districts must ensure that eligible students with disabilities are provided with access to supplemental educational services and necessary accommodations but not necessarily from each provider. Here again, the underlying intent of the law appears to be directed toward not placing undue costs or barriers on providers rather than ensuring an adequate supply of services and accommodations for special needs students. In a market in which large national suppliers are capturing market share, federal requirements offer little in the way of adequate protection to these students. Furthermore, as suggested by state-level survey data, states currently lack the capacity to monitor the scope and quality of supplemental educational services available to students, making a stronger federal role and guidelines in this area much more necessary. Left to its own devices, the market will not correct itself to protect and serve special needs students. In a new and rapidly growing market in which most SES providers are competing to keep costs down and have little experience serving ELL and special needs students, eligible students with special needs and with limited English skills face the possibility of indirect exclusion from supplemental education programs because the services provided assume a set of skills they currently lack.

In this context, the federal government may want to consider stronger language and regulations regarding both state and provider responsibilities toward special needs and ELL students. All SES providers, but particularly those that are reaping significant financial benefits from SES, should be required to provide services appropriate to special education students and ELL students and to provide necessary accommodations. More specifically, the federal government may also want to consider instituting provisions that make evidence of providers' ability to serve special needs students and ELL students required criteria of selection and approval on state lists.[12]

Establishing Conditions for Creation of an SES Research Base

The third contradiction in the law relates to claims and expectations about the quality and demonstrated effectiveness of supplemental education services given the market dynamics described earlier. Under the current design of the law, states are primarily responsible for ensuring that providers have a demonstrated record of effectiveness in increasing student academic achievement, Section 1116(e)(12)(B)(i), and in using instructional strategies that are high quality, based on research, and designed to increase student academic achievement. States are not provided with additional resources to do so. Whereas monitoring program quality is an appropriate role for states, states lack any meaningful experience in the kind of monitoring required by NCLB. Namely, they have never been asked to monitor the activities of private providers and to judge the effectiveness of this kind of instructional activity. To add to the problem, states are being asked to perform this function in a situation of unequal power dynamics whereby large national firms are gaining market share and political capital to protect their financial interests. States are being asked to assume responsibility for monitoring performance in a context of shrinking resources and rising demands.

Providing a rigorous research base on SES is an appropriate role for the federal government. Given that many providers work across state and district jurisdictions, the federal government might consider creating a standardized template that states could use to monitor and evaluate providers. Under the current design of the law, providers are able to use their own assessments or standardized assessments given by the state or the district. When a provider uses its own assessments, states or districts have no way of correlating reported student gains with regular assessment data that is necessary to evaluate the significance of providers' self-reports. Following in the footsteps of states such as Illinois, the federal government may require providers to use state-level assessments to ensure both the rigor and significance of the data provided.

Furthermore, as discussed earlier, market dynamics, not just state monitoring, are likely to play a significant role in the quality of services provided to students. As part of their effort to hold providers accountable for student outcomes, states should carefully monitor the relative costs of tutoring services among those firms providing SES services within a district. One possible option would be to require large providers to justify administrative costs over a certain level or potentially to limit administrative costs deemed exorbitant. These strategies would strengthen state-level action to better couple systems for tracking SES participation and student academic achievement data with state-level systems for tracking expenditures.

On balance, we believe in the potential value of supplemental educational services for Title I students. There is a strong research base supporting the value of wrap-around instructional supports for students with low test scores. In addition, there is the ethical imperative of expanding access to services (after-school tutoring) that already are available to wealthier students. However, the design of supplemental educational services under NCLB—in particular the reliance on the market coupled with limited regulation of the market—deserves very careful scrutiny. As the law moves into full implementation, anticompetitive forces within the SES market have emerged. Analysis of implementation data from a case study school district further suggest that the manner in which SES is unfolding in the market runs the risk of shortchanging rather than expanding opportunity for the very students NCLB aims to benefit. Furthermore, states report being limited to hold providers accountable for outcomes and cost efficiencies. In addition to these problems, there is virtually no research on the effectiveness of SES. These combined factors suggest the need for significant revisions to the program that will address the fundamental issues of access and quality when NCLB is reauthorized.

Notes

[1]Some major urban school districts (Chicago, Boston) were given federal waivers so that they might become providers of supplemental services.

[2]Senator Judd Gregg (R-NH) incorporated this idea of "portability"—that federal dollars follow the child in the form of per pupil spending—into his proposal to reauthorize the Elementary and Secondary Education Act (ESEA) and Title I during the 106th Congress in 1999-2000. Although Gregg's proposal was defeated, No Child Left Behind (NCLB) retained the idea of supplemental education services (SES) as a policy initiative. The inclusion of SES into NCLB was born as a Congressional compromise between conservative lawmakers who viewed vouchers as their policy instrument of choice and liberals who adamantly opposed a national voucher that amounted to an abandonment of failing local schools. House Republicans settled on the idea of supplemental services in NCLB to avoid losing all school choice options from the new policy (Peterson, 2005).

[3]All names are pseudonyms. This includes the names of private firms and the local education agency. Substituting pseudonyms for the names of SES firms at the national and local level was necessary to protect the confidentiality of the case study district.

[4]For examples of third-party evaluations studies, see Anderson and Laguarda (2005), Casserly (2004), and Center on Education Policy (2005).

[5]By *market dynamics* we mean the interactions across suppliers, providers, and regulators within and across particular segments of the market and the evolution of these dynamics over time.

[6]Publicly available statements that were analyzed included company annual reports (form 10-K) and quarterly financial statements (form 10-Q).

[7]Total Title I allocations have increased by 45%, from $8.76 billion in 2001 to $12.74 billion in 2005 (U.S. Department of Education, 2005).

[8]Trend analysis calculated by the authors (U.S. Department of Education data on Title I allocations).

[9]For example, in 2002, in a statement accompanying the release of guidance for including faith-based and community organizations in SES, Secretary of Education Rod Paige noted that

> the guidance makes it very clear that local school districts must provide equal opportunity and cannot discriminate against any organization that wants to help children and is willing to do so under the law's strict requirements. "We must put the welfare of children first, and these measures will ensure that all hard-working and effective organizations have the opportunity to help children in their communities," Paige said. "Across our nation, we see a great need for experienced and proven providers to step up to the plate and offer supplemental services. Faith-based and community groups frequently have a strong track record—often developed on a shoestring budget—of helping communities and community members succeed. It is critical that we all join forces to ensure that no child is left behind. (*President Bush Unveils New Guidance*, 2002)

[10]Analysis of firms approved in at least 10 states conducted by authors (Tutors for Kids Web site (www.tutorsforkids.org).

[11]Teach, Inc. 2004 Annual Report (form 10-K)

[12]For example, the federal government also could take steps to correct the lack of incentives for larger providers in developing instructional programs to meet the needs of these students. Currently, large providers have few incentives to meet the needs of special education students and English language learners because the costs of providing appropriate services to these students are higher than the per pupil allocation. The federal government may want to consider a higher per pupil allocation for students with special needs as an incentive to large SES providers to develop services that meet the needs of these students. Finally, the federal government also might consider instituting a set of provisions that identify certain categories of providers, in particular public agencies, as preferable providers of SES to students with special needs.

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