



# A New Crop of School Models Expands Choice

*Families find more-personal alternatives in microschoools, hybrid homeschools*

By MICHAEL Q. McSHANE

**N**EW SCHOOL MODELS are having a moment. They are receiving favorable media coverage in outlets from the *Washington Post* to the *Wall Street Journal* to *Good Morning America* and tens of millions of dollars in venture capital investments. Parents are telling pollsters that they are open to the idea of educating their children in new ways. Teachers are expressing frustration with the traditional public school system.

But those with even a cursory knowledge of the American education system have seen this pattern before. A splashy new solution to a problem is hyped,



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money (philanthropic or otherwise) flows to it, the media fawns, and then within four or five years, it's "Hey, whatever happened to that?"

Will this new generation of school models have a different fate? Before we get there, let's take a look at what's on offer.

Growing out of the "pandemic pods" that emerged during the rolling school closures of 2020 and 2021, microschoools are intentionally small schools, often serving 15 students or fewer. Small schools, of course, are not new. American educational history is dotted with one-room schoolhouses in frontier communities that educated small numbers of mixed-age children under one roof. The important difference today is that these schools are

*intentionally* small, and while the best technology that the frontier schoolmarm had was a new *McGuffey Reader*, many of today's microschoools leverage computer-adaptive learning-management software to provide a personalized education for each student.

Another trending model is the hybrid homeschool, where students attend formal classes for part of the week and work from home for the rest. Again, this kind of arrangement is not new. In the pre-industrial era when teachers, textbooks, and school seats were scarce, students attended part time out of necessity. Hybrid homeschooling's modern incarnation predates the pandemic as well. Grace Prep, the first University-Model hybrid school, was founded in Arlington, Texas, in 1992. The Aurora Public Schools

in suburban Denver started the Homeschool Options Program of Education, a hybrid homeschool program, in 1999.

There are also schools working to provide a high-quality online education. The for-profit company Sora Schools, for example, is attempting to produce an independent-school style of education via online instruction. The school year consists of a series of six-week blocks in which students either participate in synchronous online courses called “expeditions” or complete independent-study projects aligned to state graduation standards. Sora takes all of the student’s work and repackages it into a transcript with credits earned and a GPA. Classes are small, and Sora advertises hiring only 1 percent of the teachers who apply to work there. Full tuition sits at \$12,900 per student per year, though the school offers reduced tuition to more than half of its students based on family financial need.

Families are also mixing and matching different educational providers and modalities to craft their children’s education. Research by Albert Cheng and Daniel Hamlin analyzed multiple waves of the National Household Education Survey and found that in 2019, 52 percent of respondents who identified as homeschoolers said they used a private tutor or belonged to a homeschool cooperative. Forty percent said they made use of online instruction, and 28 percent said they were enrolled in a brick-and-mortar school. Only 22 percent of respondents did not fall into any of those categories. The system is in flux, and it is unclear exactly how it is all going to shake out.

Since predicting the future is a fool’s errand, it is perhaps more helpful to identify the tailwinds that are pushing these alternative school models forward as well as the headwinds buffeting against their advancement.

## Tailwinds

There are reasons to be bullish on the future of alternative models. The first and largest reason is that substantial numbers of parents appear to want them. For over two years, more than 40 percent of parents surveyed by the EdChoice/Morning Consult monthly tracker poll have said they would like their child to learn from home between one and four days per week. Almost two-thirds of parents have said they are more favorable to homeschooling as a result of the pandemic. Consistently, more than 40 percent of parents say they would like their child to attend a private school, and around 10 percent say they would like to homeschool if money and logistics were no barrier.

Looking at homeschooling in particular, enrollment has grown substantially post-pandemic. According to the National Home Education Research Institute, 3.1 million children were attending homeschool in the 2021–22 school year, up from 2.5 million in the spring of 2019. NHERI estimates a growth in homeschooling of between 2 and 8 percent per annum. Given the research cited above, a majority of these families are likely taking advantage of some kind of alternative education model, whether that is participating in a hybrid program, using online learning, or working together in some kind of co-op.

States that have expanded school-choice programs have also seen growth in family applications. According to the *Miami Herald*, about 123,000 new students have enrolled in a Florida choice program for the 2023–24 school year. In Iowa, 29,025 students applied for the state’s new education savings account program during its application period in June 2023. In Arkansas, 5,031 students applied.

Alternative education models are also tapping into teacher discontent. A recent EdChoice poll calculated a Net Promoter Score for teaching, asking the question made popular by marketing research, “How likely is it that you would recommend teaching to a friend or family member?” The Net Promoter Score is calculated by subtracting the “detractors,” who give

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a score of zero to six, from the “promoters,” who give a score of nine or ten. For all teachers in the sample, the overall score was –5, as 41 percent of teachers were detractors and only 36 percent were promoters.

Interestingly though, these scores were driven entirely by teachers in traditional public schools. Private school teachers had a net promoter score of +34 and charter school teachers produced a score of +42. It was traditional public school teachers, whose Net Promoter Score was –21, who dragged the overall average down.

The organizers of alternative-model schools want to find great but frustrated teachers and put them in a better environment. Teachers in these settings might have fewer students, more control over what is taught, more flexibility in their schedule, or some combination of the three. While it is only one data point, the for-profit microschool network Primer saw 1,400 teachers apply to teach in its 23 schools, according to a recent podcast interview with its founder.

Clearly, both parents and teachers are looking for options outside of the traditional system. The question becomes, what about supply?

Amar Kumar, founder of the for-profit KaiPod Learning network of microschoools, believes that alternative learning models are “where the pressure valve will be released.” He argues that the traditional public sector is underdelivering, but the

established alternatives don't completely fill the gap. Not everyone can homeschool. Charter schools are wrapped up in some challenging politics and barriers (such as onerous authorizing processes) that make it hard to start up enough schools to meet demand. Full-bore private schooling is out of reach for many as well, with high tuition and heavy start-up costs for would-be school founders. He believes that smaller, more agile environments that can operate without needing permission from a government authority will rise to meet parent and teacher needs.

Venture capital is investing big in alternative school models. Primer has raised \$18.7 million in venture funding, including a Series A round led by Keith Rabois of Founders Fund, known for his work with PayPal, LinkedIn, and Square and his early investments in YouTube, Palantir, Lyft, Airbnb, Eventbrite, and Wish. Prenda, another prominent microschooling network, has raised \$45.9 million over eight rounds of venture finance. Sora has raised \$23.5 million. KaiPod Learning was selected for the prestigious Y Combinator accelerator.

## Headwinds

The most pressing concern for the fledgling alternative-education community is the basic unit economics that anyone with a pencil, a sheet of paper, and a calculator can compute.

Let's put together a fictional microschool. First, we need a location. In my old neighborhood in Kansas City, rent for a simple storefront will run between \$15 and \$20 per square foot per year, so a 1,500 square foot space will cost between \$22,500 and \$30,000. You want a great teacher or guide? The starting salary for



*KaiPod Learning's Amar Kumar believes smaller school models fill a gap for families.*

Kansas City Public School teachers is \$43,100. Public school teachers get tens of thousands more in healthcare and retirement benefits, but even assuming just a 15 percent benefits cost brings the teacher's compensation to just under \$50,000. School operators also need insurance, utilities, furniture, and other incidentals that could easily crack another \$1,000 to \$1,500 per month.

For instructional materials, there are some free or low-cost resources. Zearn Math, a popular online provider, has a free subscription for up to 35 students and one teacher. Khan Academy

is free as well. Lexia, a popular ELA program, costs \$175 for the first student and \$110 for each after that, but other ELA resources like Read Not Guess are free. But are students going to supply their own laptops or tablets? Either way, someone is going to have to pay for them.

So, let's say, with some pretty conservative assumptions, you're in the range of \$85,000 to \$100,000 per year in operating costs. Divide that by the student population. If you have 12 students, costs are \$7,083 to \$8,333 per student per year. At 15 students, it is \$5,667 to \$6,667. With local Catholic elementary

schools running in the \$6,000–\$7,000 range, the cost of your hypothetical microschool is certainly competitive. But there isn't much room for upward revision before the model becomes markedly more expensive than its more established neighbors.

Donated time or discounted space can drive costs down. School founders who might serve as the guide or teacher themselves can discount their own time or educate their own children as a way to bring down the cost. But partnerships are tricky. Educational entrepreneurs are replete with stories of getting space donated or offered at a discounted rate only to have the rent increased when the landlord discovers that they are making money. Teacher-founders with their own children in the school bring a host of troublesome relational, personal, and financial entanglements. There is no such thing as a free lunch.

Getting great teachers could be a challenge as well. In the hypothetical above, we budgeted for the starting salary of a teacher, but those with more experience will expect more money, and great teachers will also want to be paid a premium. In many of the new school models, teachers are hourly employees without the same security and benefits of traditional employment. While many appreciate the flexibility and want to work part time, it is a much tougher sell for someone trying to make teaching a career. There are lots of frustrated or former teachers who are attracted to these models, not to mention parents who are interested in part-time work. The question is whether or not there are enough of them.

And finally, there are political challenges to go along with political opportunities. In 2020, the National Education Association, the nation's largest teachers union, produced an "opposition report" on pandemic pods and the for-profit Prenda microschools network. The report, which was covered by the *Wall Street Journal* in an opinion piece, conceded that microschooling had "widespread support" and offered the backhanded compliment that such schools might expand opportunity gaps by outperforming public schools. But troublingly, the report included a photograph of Prenda founder Kelly Smith's house and his address, along with a strategy to stop Prenda's growth. As new models expand and grow, so do the targets on their backs. The teachers unions' strategies against charter schools—smearing all schools with the scandals of one school or network, claiming that charters are "draining" funds from traditional district schools or aren't fully accountable—can be aimed just as easily at newer school models.

Another political risk is that school-choice policies are subject to change in any given environment. While it is unlikely in the near term that states will repeal the programs they have created in recent years, it is possible that they will draft regulations that could limit the kinds of learning environments that are allowed to participate. Some states, like Iowa, have required schools to be accredited in order to participate in the ESA program, and most one-off microschools or hybrid schools will shun the rigamarole of accreditation—assuming an accreditor

would even agree to do it. Even without a massive reversal of fortune for school-choice policy in a state, alternative learning models could be victims of seemingly inconsequential alterations to rules, regulations, and requirements.

Clearly, venture capitalists see an opportunity to turn a profit, but it's not clear where the profits lie. Making money might be particularly challenging for ventures that look to recruit top teacher talent, offer innovative learning spaces, or use the latest technology to supplement instruction. Maybe they can purchase materials in bulk, use tech for some efficiencies, or find other ways to economize, but some of the costliest line items, such as facilities and personnel, are the most inflexible.

The simplest way toward profitability may be to enroll more students. Going from 10 to 20 students doubles revenue, and if providers can hold personnel constant and lean on technology to shoulder some of the burden of growth, there's the profit. Still, messing too much with school size in this market seems a dangerous game. If the selling point is a small, personalized learning environment with a tightknit community and adults who know students and their families well, entrepreneurs will have to take care not to upset that delicate arrangement.

## The Policy Environment

In his 1974 Nobel Prize acceptance speech, the economist Frederick Hayek famously said that the wise policymaker should “use what knowledge he can achieve, not to shape the results as the craftsman shapes his handiwork, but rather to cultivate a growth by providing the appropriate environment, in the manner in which the gardener does this for his plants.”

What does the garden look like? Is the soil fertile or fallow?

As mentioned before, states are making historic investments in school-choice programs, and particularly education savings accounts, which allow for a level of customization not possible with past voucher or tax-credit-funded scholarship programs. For parents who want to mix in-person with at-home instruction or combine formal schooling with more informal tutoring or group classes, these state programs now give them financial support to do so.

These supports are emerging at the same time a new wave of parents is encountering alternative education models. Eric Wearne, director of the National Hybrid Schools Project at Kennesaw State University, argues that hybrid homeschool operators by and large have not cared about the broader policy environment in which their schools operate. As Wearne put it, “They saw NCLB come and go, they saw the Common Core come and go, and ignored it.” He went on to say, “The motivations they had in 1999 or 2009 have not changed.”

But he qualifies his point by saying that, post-pandemic, the people starting these schools and the students enrolling in them are different. While many hybrid homeschoolers of the past came from the homeschooling movement and shared its skepticism of government entanglement, new families see

hybrid schools as one option among many. They are not as ideologically wedded to the project as some of those who came before. They are more willing to put up with strings from the government as a tradeoff for its financial support.

The charter sector is getting on board with new models as well. Arizona's ASU Preparatory Academy educates more than 7,000 students across a network of charter schools that take quite different forms and approaches. One end of the spectrum is anchored by the more traditional ASU Prep Academies that operate in-person classes all week. At the other end of the spectrum is ASU Prep Digital, where students work online full time. In between are schools like ASU Prep Casa Grande, where students are in class four days a week and work from home for one; ASU Prep Hybrid, with three days in school and two at home; ASU Prep Local, with two days per week in school and three at home; and ASU Prep Experience, with one day in school and four at home. ASU Prep also operates microschools that they call ASU Prep Learning Pods.

Within the public sector, a 2021 policy brief from ExcelinED identified 12 states where students are able to enroll in public schools part time. In Washington state, for example, the state's administrative code stipulates that “an eligible part-time public school student shall be entitled to take any course, receive any ancillary service, and take or receive any combination of courses and ancillary services which is made available by a public school to full-time students.” Alaska, Idaho, and Iowa will fund students proportionally to their participation in classes. Alaska, Colorado, Idaho, Iowa, New Hampshire, Washington, West Virginia, and Wisconsin allow homeschool students to enroll part time, while Alaska, Illinois, Indiana, Iowa, Maine, Nebraska, New Hampshire, and Washington allow private school students to do so. Traditional public schools can (and have) used this flexibility to create hybrid programs under their auspices.

Across the traditional public, public charter, and private school sectors, there appears to be strong support for alternative learning environments.

## Rethinking Sustainability

Given the increasing public investment in alternative school models, critics have raised reasonable concerns about the sustainability of these new models. School founders are experimenting, taking chances, and trying new things that may not work out. What then? A fair question.

Perhaps we are looking at these new schools through yesterday's lens. Historically, starting a school has been a



*Eric Wearne sees hybrid homeschoolers today with different priorities than before.*

capital-intensive project that has involved dozens of adults and hundreds of children. A charter granted for a new school, for instance, can set off an outlay of tens of millions of dollars in loans or bonds for facilities and contractual obligations for staff. Founders must get teachers to commit to teach at the school and students to promise to enroll. If a charter school fails in its first three or four years, it may leave another two decades' worth of debt obligations that someone has to sort out. Starting a new charter school

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involves massive risk and drives more cautious authorizing.

Starting a microschool involves a very different calculus. Most experts I spoke with estimated start-up costs in the \$10,000 to \$25,000 range, with the remaining costs mentioned above rolling in during the first year of operation, offset by revenue from enrolled students. Spaces are rented, not owned, and are much smaller in scale than traditional school buildings. There might be only one or two people on the payroll, and, of course, the number of students is far smaller as well.

In short, there is much less on the line, and therefore much lower risk.

New school models also benefit from a different definition of organizational “sustainability.” Because traditional schools take on massive obligations when they open, a baseline definition of sustainability is the ability to continue operating until their debts are paid off. New-model schools have little to no debt, so the time horizon for sustainability shrinks massively, or disappears altogether.

Some of these alternative models could also exist for a set period of time and then close, without necessarily disrupting the lives of students, parents, or teachers. If, for example, a group of families starts a microschool or a co-op learning environment to educate their children, it could operate for the 5 to 10 years needed for their students to progress through it and then disband. The parents would give up their rental space, and the students would move on to middle school or high school or whatever learning environment came next. Because the school would not enroll a new class of students each year and thus incur an obligation to see those children's

education through, no student would be adversely affected. Especially if the school were designed to operate that way from the outset, no one would suffer.

The only challenge to sustainability would be the loss of teacher jobs. But ideally, in a community with a vibrant microschool or hybrid school community, these schools would be constantly spinning up and winding down, so new teaching jobs would arise as others were lost.

As Don Soifer, CEO of the National Microschooling Center, put it, “Our definition of sustainability needs to change, because the business model is different.”

There are, though, some macro-level effects to consider. The risk may be low for individual schools, students, families, and teachers, but on the sector scale, potential problems arise. It is quite possible that some families might look at the sector as a whole and say, “This is too chaotic for me.” They might be receptive to the idea of an alternative learning model but want to see one with some track record. They are open to innovation—to an extent. Could a constant need to refresh the supply of schools over time drive families back to more stable options? Possibly.

### **What Dreams May Come**

The future of alternative learning models will most likely be shaped more by the practical and picayune than by the philosophical and political. Can entrepreneurial educators find workable spaces to convert into learning environments, teachers who are willing and able to lead those environments, and parents willing to work together with them? In places where there is public funding available, will entrepreneurs consent to whatever administrative hurdles come with it? In places that lack robust K–12 choice programs, can they provide services at a price point families can afford? In short, how will supply meet demand in any of these scenarios?

Venture capital does not provide an unlimited runway. Parents willing to enroll their child in a new environment do not have limitless patience. Policymakers may cut and run if constituents are not satisfied with the options available from newly passed private-school-choice programs. And that is more likely to happen before programs grow very large.

In sum, we will probably know sooner rather than later if this new world of alternative education environments is truly different from the panoply of promising innovations that have come before. There are reasons to believe microschools, online schools, and hybrid homeschools represent innovative ways of organizing education environments. Many passionate educators and parents are highly motivated to make them work for students. It's hard to think of a better first step.

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