

SATELLITE CHARTER SCHOOLS: ADDRESSING THE SCHOOL-FACILITIES CRUNCH THROUGH PUBLIC-PRIVATE PARTNERSHIPS

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Executive Summary

Charter school legislation exists in 34 states and the District of Columbia. School year 1998-99 saw nearly 1,100 charter schools open their doors serving over 250,000 students in 26 states. This fast-growing reform movement has not been without its bumps in the road. All charter schools report financial barriers such as a lack of start-up funds, inadequate operating funds, and inadequate facilities to be the three largest barriers in developing and implementing their charters.

These fiscal and resource barriers tend to affect newly created charter schools more than converted (former public and private) schools. Over 80 percent of newly created charter schools reported at least one financial or resource barrier. Facilities challenges are especially acute for newly created charter schools. According to a U.S. Department of Education study, in “cases where schools have difficulty finding appropriate facilities, our fieldwork suggests that the entire school start-up process can be impacted.” The importance of facilities cannot be underestimated. As the number of charter schools increases, the need for adequate facilities will also increase.

To address this problem, states with charter schools can learn from the satellite school partnership experiences between private-sector businesses and traditional public school districts. To help alleviate crowding in schools, and with greater demands on school-district resources, the private sector has formed over 30 public-private partnerships nationwide, providing school facilities at the work site to serve the children of employees. These investments are paying off for the sponsoring companies, the school districts, and the children being served.

Companies investing in facilities and maintenance for schools at the work site experience reduced absenteeism, lower turnover rates, and increased productivity. Employee-parents tend to be more satisfied at

the job. Savings experienced through lower turnover and increased productivity provide employees with returns on their investment that more than make up for the costs.

Students at these satellite schools also appear to perform better than their traditional school-district peers. In math and reading, students in the Dade County School District satellite schools consistently perform better than the national average and other Dade County School District students on national standardized tests.

Florida, the pioneer in satellite schools, is also the pioneer in stimulating charter school-business partnerships. Newly passed legislation allows for businesses and charter schools to come together to serve the children of the host business. Other states should consider following the lead of Florida in legislative action as one providing adequate facilities for charter schools.

Part 1

Introduction

The charter school movement is perhaps the fastest-growing reform movement in education. But with this speed comes increasing pressure for facilities. Traditional public schools, facing enrollment growth, deteriorating facilities, and efforts to reduce class sizes, are utilizing an innovative option to address their own demands for facilities. Over thirty satellite, or work-site, schools operate in partnership with local school districts. This partnership between the private sector and school organizers presents a viable option for charter school leaders, business partners, and children.

Part 2

Charter Schools

Charter schools represent a fast-growing option of choice and accountability in public education. Charter schools are publicly funded schools started by teachers, parents, and community members operated independently of most state and local district rules and regulations. In exchange for this autonomy, charter schools are held accountable for their academic and financial performance. If the school fails to meet the goals set forth in its charter, the charter can be revoked or not renewed upon review. Legislation enabling the creation of this new breed of public schools has been passed in 34 states and the District of Columbia. School year 1998–99 saw nearly 1,100 schools open their doors serving over 250,000 students in 26 states.¹

A. Characteristics

According to the second-year national report on charter schools by the U.S. Department of Education, charter schools:²

1. Enrolled about 0.5 percent of public school students in charter school states.
2. Are small, particularly in comparison to other public schools, with median enrollments of about 150 students. More than 60 percent of charter schools enrolled fewer than 200 students compared to about 16 percent of traditional public schools in these states.
3. About 62 percent of charter schools were newly created schools with the remainder being converted public and private schools.

As the number of charter schools continues to grow each year, more (and a growing percentage of) schools are newly created than are converted from existing public or private schools (Table 1).

In states such as Colorado, Massachusetts, and Minnesota, over 80 percent of new charter schools were newly created.³ As the charter movement continues to catch steam, each year sees a growing percentage of new charter schools that are newly created (versus conversion schools), especially in states such as California and Michigan (Table 2).

¹ School year 1998–99 statistics from Center for Education Reform, Washington, D.C., www.edreform.com.

² *A National Study of Charter Schools. Second-Year Report*, RPP International, Office of Educational Research and Improvement, U.S. Department of Education, July 1998.

³ *Ibid*, Exhibit 3-7.

Table 1: Estimated Percentage of Newly Created and Converted Charter Schools by Year of School Opening (1996–97)

	Newly Created	Pre-existing Public	Pre-existing Private	# of Charter Schools in Sample
Opened 1994–95 or Earlier	53.1%	42.9%	4.1%	98
Opened 1995–96	63.0%	21.0%	15.9%	138
Opened 1996–97	67.6%	15.2%	17.2%	145
# of Charter Schools in Sample	237	93	51	381
% of Charter Schools in Sample	62.2%	24.4%	13.4%	N/A

Source: National Study of Charter Schools: Students of Charter Schools, <http://www.ed.gov/pubs/charter98/chap3a.html>

Note: This figure relies on data from 381 charter schools.

Table 2: Estimated Percentage of Newly Created and Converted Charter Schools by Year of School Opening and State

State	Opened 1994–95		Opened 1995–96		Opened 1996–97	
	Percent	Number	Percent	Number	Percent	Number
California	45.8%	27	63.0%	17	71.4%	10
Arizona	50.0%	1	67.5%	27	62.0%	31
Michigan	25.0%	1	47.2%	17	86.2%	25
Colorado	92.3%	12	90.0%	9	75.0%	6
Minnesota	76.9%	10	100.0%	4	100.0%	2
Massachusetts	NSO	NSO	84.6%	11	100.0%	4
Texas	LNP	LNP	LNP	LNP	50.0%	7
Wisconsin	33.3%	1	66.7%	2	25.0%	1
Georgia	NA	NA	NA	NA	NA	NA
Florida	LNP	LNP	LNP	LNP	100%	5
New Mexico	NA	NA	NA	NA	NA	NA
Louisiana	LNP	LNP	NSO	NSO	66.7%	2
Alaska	LNP	LNP	NSO	NSO	100.0%	2
Delaware	LNP	LNP	NSO	NSO	100.0%	2
DC	LNP	LNP	LNP	LNP	50.0%	1
Hawaii	NSO	NSO	NSO	0	NSO	NSO
All states	53.1%	52	63.0%	87	67.6%	98

Source: National Study of Charter Schools: Students of Charter Schools, <http://www.ed.gov/pubs/charter98/chap3a.html>

Note: This figure relies on data from 381 charter schools. NA indicates not allowed in the state.

Many concerns over the charter-school movement center around the kinds of students being served. The fear is that charter schools will serve a homogenous, elite group of children, a creaming of the student population, creating elite private academies at public expense. Contrary to these concerns, charter schools to date serve a wide range of students and student needs. According to a U.S. Department of Education study, and consistent with other state and national charter school studies, there was “no evidence to support the fear that charter schools as a group disproportionately serve White and economically advantaged students.”⁴ Tables 3

⁴ *Ibid.*, Chapter 4, Summary.

and 4 show the diversity in racial and economic backgrounds, as well as in student profile, evidenced in charter schools.

Racial Distinctiveness	# of Charter Schools in Sample	% of Charter Schools in Sample
Not distinct from district (within 20% of district average)	209	59.9%
Higher percentage of white students than the district (> 20% of district average)	16	4.6%
Lower percentage of white students than the district (< 20% of district average)	124	35.5%
Total	349	100%

Source: National Study of Charter Schools: Students of Charter Schools, <http://www.ed.gov/pubs/charter98/chap4.html>

Note: This exhibit draws on data from 349 open charter schools with valid racial data and where information on both the charter school and its comparison district's percentage of white students is available.

State	% Students (Charter)	% Students (All)	% Students (Charter)	% Students (All)	% Students (Charter)	% Students (All)
CA	37.1	43.7	20.7	23.6	6.4	9.9
AZ	42.2	40.1	10.6	13.3	8.8	9.6
MI	30.3	29.0	2.6	3.0	5.2	10.8
CO	19.1	27.4	0.9	4.2	7.7	9.9
MN	51.7	27.4	8.7	2.7	27.5	11.0
MA	36.0	26.2	7.8	4.9	9.2	16.6
TX	60.9	45.9	10.3	12.6	3.8	11.3
WI	16.1	24.7	0.1	2.4	8.6	10.9
GA	27.9	39.7	1.7	1.0	5.9	9.6
FL	63.9	43.3	0.2	6.4	11.0	13.7
NM	31.9	49.8	17.1	24.9	28.5	13.4
LA	82.2	61.4	0.0	0.8	3.6	10.5
AK	5.5	26.5	3.3	24.0	6.6	12.8
DE	5.2	34.2	0.0	1.6	6.2	6.8
DC	57.5	62.3	40.8	6.4	30.5	17.7
HI	15.3	26.5	3.4	6.7	7.2	8.0
Total	35.8	40.2	12.7	11.5	8.1	11.1

Source: National Study of Charter Schools: Students of Charter Schools

By design, many charter schools serve specific populations of students that are not well served by traditional public schools. Often times, the charter schools are serving a greater number and percentage of students that are considered at-risk and difficult-to-educate than their traditional public-school counterparts. Instead of becoming elite academies as feared, charter schools have racially and economically diverse student bodies serving similar students as their “regular” public-school counterparts.

B. Challenges

As with any form of education reform, charter schools face and must overcome obstacles and problems during their development and implementation. The different charter laws across the states create varying degrees of autonomy, different political climates in which to maneuver, and provide various levels of resources in which to operate. The provisions and methods in which resources are determined and ultimately allocated to charter schools impact different kinds of schools differently.

A 1997 Reason Public Policy Institute study on charter schools identified at least five charter school “models.” While the models are not mutually exclusive (i.e., some charter schools qualify under more than one category), they represent distinct organizational structures or missions. These models include:⁵

- *Grassroots Organizations.* Such schools are by far the most-common model (consistent with U.S. Department of Education study). They typically consist of groups of parents, teachers, community organizations, or a combination of these.
- *Distance Learning/Homeschooling.* Schools that take advantage of state-of-the-art technology to offer interactive learning environments at home.
- *Special Populations.* The second most-prevalent model after the “grassroots” model (in fact, most of these schools are also considered grassroots), these schools focus on special populations such as dropouts or students with disabilities. These schools tend to be smaller than other charter schools.
- *Business-Managed Schools.* Charter schools managed by private education-management organizations (EMOs) such as The Edison Project.
- *Public- and Private-School Conversions.* Public-school conversions often require a majority or super-majority vote of current teachers or school boards. Often times, parents are also involved in the conversion vote. Private schools also have similar processes in converting to charter status.

Conversion and business-managed charter schools tend to have different implementation problems than do newly created charter schools, which tend to be of the grassroots variety. The U.S. Department of Education’s second-year study points out that fiscal resource obstacles—including funding for start-up and ongoing operations, as well as for facilities—created the greatest challenges for most charter schools. This replicated results found in the department’s first-year study.⁶

Nearly 58 percent of charter schools reported a lack of start-up funds to be difficult or very difficult barriers in developing and implementing their charters. On a scale of one to five, with five being very difficult to overcome, lack of start-up funds scored an average of 3.57. Charter schools indicated that inadequate

⁵ Theodor Rebarber, *Charter School Innovations: Keys to Effective Charter Reform*, Policy Study No. 228 (Los Angeles: Reason Public Policy Institute, July 1997).

⁶ *A National Study of Charter Schools. First-Year Report.* RPP International, Office of Educational Research and Improvement, U.S. Department of Education, July 1997.

operating funds and inadequate facilities were the next two barriers that were difficult or very difficult to overcome at 41 percent and 39 percent, respectively.⁷

These three financial and resource barriers were also identified in the Department of Education’s first-year study as well as other state and national charter school analyses. The second-year study disaggregated the reported barriers by the year that the charter school opened (Table 5).

Table 5: Estimate Percentage of Schools Reporting Difficulties by Year of Charter School Opening

Barriers	All sites	1994–95 or earlier (N=98)	1995–96 (N=138)	1996–97 (N=145)
Lack of startup funds	57.6%	51.7%	64.1%	54.7%
Inadequate operating funds	41.1%	41.6%	39.5%	46.6%
Inadequate facilities	38.6%	39.3%	33.6%	43.6%
Lack of planning time	38.4%	43.3%	38.3%	35.4%
State or local board opposition	23.1%	28.4%	22.9%	19.1%
District resistance or regulations	18.3%	24.7%	16.8%	15.6%
Internal conflicts	18.2%	23.6%	30.7%	15.3%
State department of education resistance or regulations	14.8%	20.5%	19.7%	6.9%
Union or bargaining unit resistance	11.3%	21.3%	11.5%	4.9%
Health/safety regulations	10.4%	9.1%	9.8%	11.7%
Accountability requirements	9.7%	5.7%	11.5%	10.4%
Bargaining agreements	9.0%	30.2%	10.2%	2.9%
Hiring staff	8.8%	5.7%	14.4%	5.5%
Community opposition	6.9%	2.3%	7.6%	9.0%
Federal regulations	6.3%	6.7%	6.1%	6.3%
Teacher certification requirements	4.4%	4.6%	5.3%	3.5%

Source: National Study of Charter Schools: Students of Charter Schools, <http://www.ed.gov/pubs/charter98/chap6.html>

As the charter-school movement has matured the most-difficult barriers to overcome have changed. Issues such as lack of planning time, state or local school board opposition, and district resistance or regulations pose fewer obstacles to charter schools opened in more recent years than for charter schools opened earlier in the charter movement.

On the other hand, financial-resource barriers (start-up funds, operating funds, and facilities) have remained at the top of concerns that charter schools must deal with. The percent of schools reporting a lack of start-up funds and inadequate operating funds has fluctuated little, remaining at the top of concerns. However, the percent of schools reporting inadequate facilities as a “difficult” or “very difficult” problem has increased with schools opening in each successive year. As the number of unoccupied public and private schools decreases due to both general enrollment growth and to leasing to charter schools, and the amount of available commercial space decreases, the concern over inadequate facilities will likely continue to grow.⁸

⁷ *A National Study of Charter Schools, Second-Year Report*, Chapter 6, July 1998.

⁸ According to the Department of Education’s second-year study, 54 percent of schools reported that they leased their facilities from a commercial source; 19 percent occupied facilities provided by a school district for free or for a nominal fee; 11 percent leased their facility from a school district at or near the market rate; and 30 percent have acquired their facility under other arrangements including leasing from nonprofit agencies and having the site provided by an agency that sponsored the school (e.g., the Urban League).

These concerns of newly created schools and conversion schools are disaggregated in reporting survey results (Table 6).

Barriers	All sites	Newly created	Converted
Lack of startup funds	57.6%	65.6%	43.4%
Inadequate operating funds	41.1%	43.2%	37.4%
Inadequate facilities	38.6%	44.2%	28.7%
Lack of planning time	38.4%	10.9%	34.1%
State or local board opposition	23.1%	20.7%	27.3%
District resistance or regulations	18.3%	30.9%	18.9%
Internal conflicts	18.2%	20.3%	14.5%
State department of education resistance or regulations	14.8%	11.6%	20.3%
Union or bargaining unit resistance	11.3%	10.5%	12.8%
Health/safety regulations	10.4%	12.4%	6.8%
Accountability requirements	9.7%	9.5%	10.0%
Bargaining agreements	9.0%	5.8%	14.6%
Hiring staff	8.8%	8.6%	9.1%
Community opposition	6.9%	9.9%	1.5%
Federal regulations	6.3%	6.0%	6.8%
Teacher certification requirements	4.4%	3.9%	5.3%

Source: National Study of Charter Schools: Students of Charter Schools, <http://www.ed.gov/pubs/charter98/chap6.html>

Fiscal and resource barriers tend to affect newly created charter schools more than pre-existing (conversion) schools. While 58 percent of all charter schools report that lack of start-up funds is a “difficult” or “very difficult” problem, 65 percent of newly created charter schools identify lack of start-up funds as a “difficult” or “very difficult” problem. A similar pattern is seen when considering the barrier of inadequate facilities. Over 44 percent of newly created charter schools categorize this barrier to be difficult or very difficult, compared to almost 29 percent of conversion schools. Start-up funds and facilities are interrelated and similar to those concerns faced by new businesses. Locating a facility, arranging for a lease and making up-front payments, facilities renovations, purchasing of equipment, books, curriculum materials, and supplies are issues that charter schools must overcome before a student ever walks in the door.

According to the Department of Education study, in “cases where schools have difficulty finding appropriate facilities, our fieldwork suggests that the entire school start-up process can be impacted.”⁹ The importance of facilities cannot be underestimated. In fact, facility concerns may underlie all financial and resource concerns for charter schools (Table 7).

Over 80 percent of newly created charter schools reported at least one of the financial and resource barriers in their development and implementation. This compared to 61 percent of pre-existing schools. In all other barrier groups, there is not much difference between the two sub-groups of charter schools.

⁹ A National Study of Charter Schools, Second Year Report, Chapter 6, Summary.

Table 7: Estimate Percentage of Schools Reporting Difficulties for Newly Created vs. Converted Charter Schools

Factor	All sites	Newly created	Converted
Resource limitations	73.0%	80.2%	61.1%
Political resistance	37.0%	38.0%	35.4%
Internal conflict	23.1%	27.0%	16.7%
Union relationships	17.3%	14.8%	21.5

Source: National Study of Charter Schools: Students of Charter Schools, <http://www.ed.gov/pubs/charter98/chap6b.html>

Note: This exhibit draws on data from 349 open charter schools with valid racial data and where information on both the charter school and its comparison district's percentage of white students is available.

Only three states have started to provide charter schools with additional capital funding. Minnesota, Florida, and Arizona provide capital funding, usually capping around \$600 per pupil per year. Charter schools continue to cover lease or loan payments out of their operating revenues, thus using funds to pay for the physical space of instruction rather than for the instruction itself.

As public and private financial markets struggle to deal with charter schools, facilities options must become available to charter organizers to allow the continued growth of this education reform movement. One such option may be satellite schools.

Part 4

Satellite Schools

Satellite schools, also known as work-site partnership schools, are public schools located on private-sector or business property, which serve the children of employees. Typically, the public-school system contributes teachers, books, and curriculum, while the sponsoring company provides the physical space and maintenance for classrooms. Often times, before- and after-school programs are implemented so that there is complete day care for the children, matching up the care of the children with the work schedule of the parents.

The idea for these public-private partnerships emerged in 1987, when then-superintendent of Dade County, Florida schools, Joseph Fernandez, turned to his corporate neighbors for a way to alleviate crowding in the Dade County schools due to enrollment growth. The first company to accept the calling was American Bankers Insurance Group (ABIG). In 1987, ABIG opened the nation's first satellite learning center (SLC) with 25 kindergarten students. Reason Public Policy Institute first examined satellite schools in 1993 when only five satellite schools were in operation, four in Dade County, and one located at the Hewlett-Packard plant in Santa Rosa, California. Today, more than 30 satellite partnership schools exist nationwide, most in the state of Florida.

A. Dade County, Florida

American Bankers Insurance Group first opened its doors to 25 kindergarten students. Today, the school houses more than 225 students (children of employees) from kindergarten through fifth grade. The company has spent \$2.4 million to construct the school buildings. The company will pay \$146,000 in 1998–99 toward operating expenses—utilities, grounds, maintenance, janitorial, building maintenance, furniture, and so on. The school houses two classrooms per grade level.

The Miami International Airport has spent over \$700,000 for its facility to house nearly 150 students. The students are the children of pilots, baggage handlers, rental car company employees (including executives), and retail workers. Dade County figures it costs \$14,772 to build traditional school space needed for each student (national average is around \$14,000 per student). With four satellite learning centers in Dade County, educating over 450 students, the county has saved over \$7 million in capital costs, plus upwards of \$500,000 per year in operating expenses. A satellite school with as few as 68 students can save school districts and taxpayers as much as \$1 million in capital costs.¹⁰

¹⁰ Example taken from "Frequently Asked Questions Regarding Work-Site Partnership Schools," Bright Horizons Family Solutions, Nashville, TN.

Several other companies are making similar investments. The other Dade County SLCs are located at the Mount Sinai Medical Complex (over 70 K-2 students) and Florida Power & Light Company (50 K-2 students). Examples of work-site partnership schools, nationally, include schools at Orlando Regional Healthcare System; the Radisson Twin Towers Hotel (Orlando); Barnett Bank (Jacksonville); 3M and Target (both in Minneapolis); Hewlett-Packard (Santa Rosa, CA); and a consortium of downtown businesses in Des Moines, Iowa. The variety of company environments highlights the array of company sizes able to form these partnerships. The downtown Des Moines arrangement shows that large corporations are not the only companies able to enter into these types of partnerships.

B. More Than Just Costs

In the ever-competitive business world, companies entering into work-site school partnerships are finding these decisions to be good business decisions. Many work-site school companies saw this venture as another benefit to offer to employees. Magazines such as *Working Mother*, for instance, listed 3M as one of their one hundred best companies in the nation for working moms, and executives at 3M believe it is because of their work-site school.¹¹

Work-site school companies are finding these partnerships to provide more than employee benefits. Companies are experiencing bottom-line benefits. American Bankers Insurance Group estimates that it saves approximately \$475,000 per year, three times the amount spent on the schools per year. The original capital costs and maintenance expenses spent by the school will pay for themselves in about ten years.¹²

The savings come from reduced turnover and increased productivity due to more satisfied workers. Inefficiency prior to departure, lost opportunities from being understaffed, and poor performance from those who must pick up the slack are the three most commonly listed hidden costs of replacing an employee.¹³ These costs account for up to 80 percent of real turnover costs. According to J. Douglas Phillips, senior director of corporate planning for Merck & Co., the calculated turnover costs were found to be between 0.75 and 2.0 times the wages and benefits of the position. One must add this to an average \$1,200 in replacement and training costs.¹⁴ Radisson has found that recruitment is easier with the school present, with several applicants indicating that they sought Radisson because of the school.

American Bankers' annual turnover rate for all its employees is approximately 13 percent. Turnover among employees with children enrolled in the satellite learning center is around five percent. Ninety-eight percent of ABIG employees with children in the school said that the school was an important reason to stay with the company.

At the Hewlett-Packard plant in Santa Rosa, the turnover rate of the general employee population is between five and six percent. The turnover rate among employees with children attending the Hidden Valley Satellite School is 0.05 percent. Since opening in 1993, the turnover rate among employee-parents is 99 percent lower than the general employee population. Over 60 percent of overall respondents indicated that the school was

¹¹ *Ibid.*

¹² Nina Munk, "Good Schools, Good Business," *Forbes*, September 9, 1996.

¹³ "Frequently Asked Questions Regarding Work-Site Partnership Schools."

¹⁴ J. Douglas Phillips, *Journal of Property Management*, Nov./Dec. 1993.

either very influential or influential in their desire to remain with Hewlett-Packard, while 77 percent of parents indicated that the school was either extremely important or important in their decision to stay.¹⁵

Target, 3M, Radisson Twin Towers Hotel, and ABIG all indicated that the work-site schools had a positive effect on their entire employee population, mainly due to the reduced stress and absenteeism of the parent-employees. American Bankers indicates that absenteeism is reduced by 50 percent and Radisson Hotel reports that it is much lower among parent-employees with children enrolled at the work-site school.¹⁶

C. More Than Just Day Care

Parents at the Hidden Valley Satellite School also indicated their satisfaction with the school and its quality of education. Over 90 percent of parents were very satisfied or satisfied with the school, and 87 percent indicated the same responses to the quality of education for their child (children). Nearly three-quarters of respondents indicated that they had more time to be involved in their child's school, more communication with the teachers, more opportunities to volunteer, and more time with their child.¹⁷

Student academic results indicate that this trend of increased parental participation in the schools may also be significant. A 1997 analysis of Dade County satellite learning centers shows that SLC students are doing better than their "host-school" and district counterparts.¹⁸

Roughly speaking, the student population at the Dade County SLCs is not much different than their comparative host-schools. Comparing SLCs and host-schools, SLCs tend to enroll a higher percentage of African-American students (19 percent versus 16 percent, respectively) and white students (40 percent versus 34 percent, respectively), while enrolling a smaller percentage of Hispanic students (40 percent versus 46 percent).

Comparisons of student performance are made according to performance on the 1997 Stanford Achievement Test in reading and mathematics. Overall, SLC students in four out of five grades (fourth grade as the exception) outperformed their non-SLC host-school counterparts in reading, and as well as or better in four out of five grades (grade three as the exception) in mathematics (Figures 1 and 2).

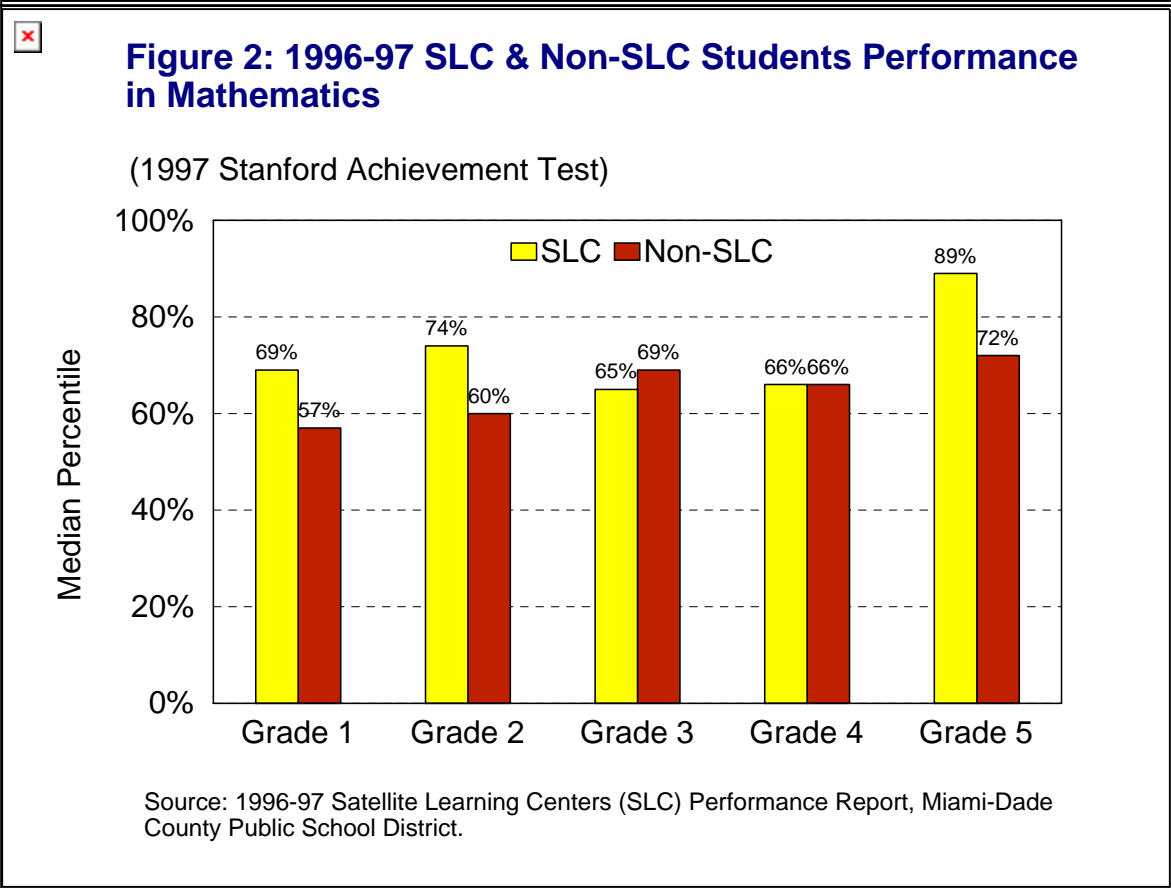
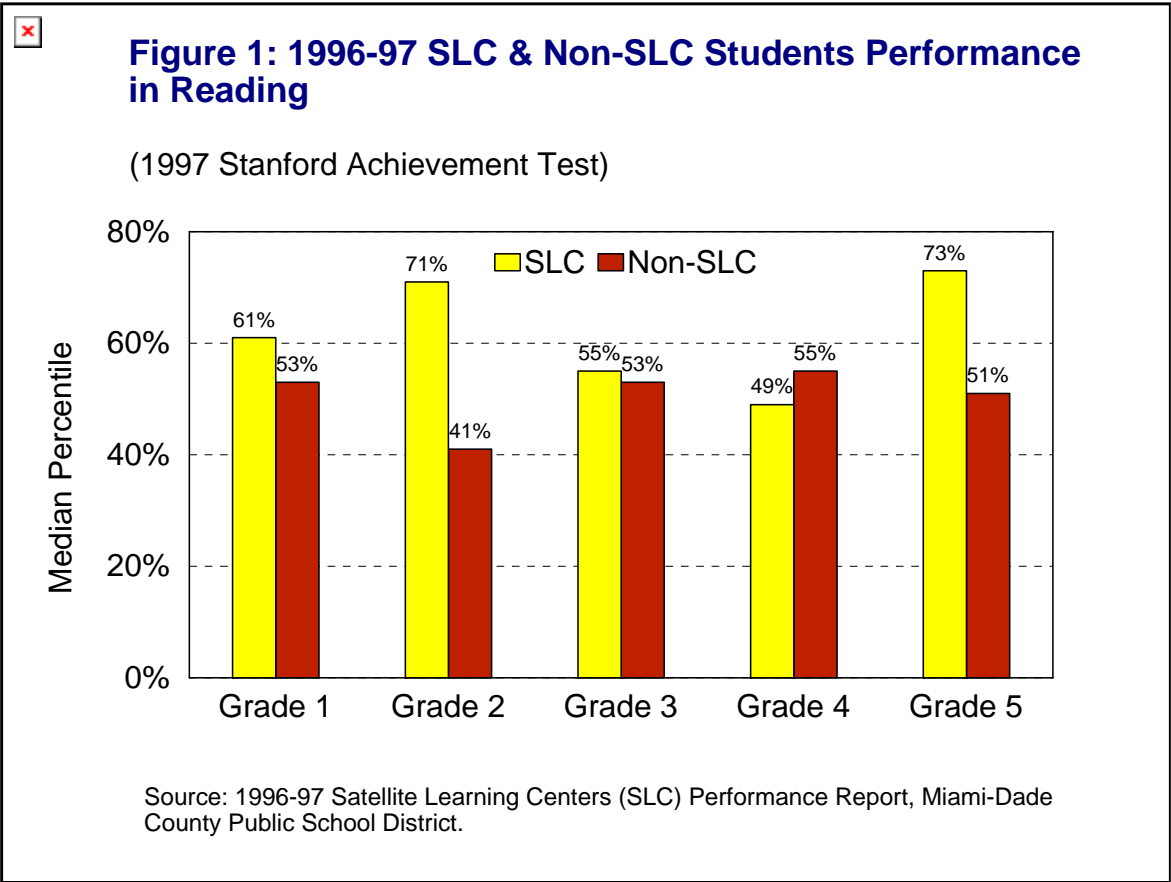
The national average is scaled to 50 percent when interpreting these test results. Again, SLC students performed above the national average in four of five grades in reading, and in all grades in mathematics. Grades two and five showed the greatest difference in reading and math scores, both against the comparison group of students and the national average. When compared to the rest of the Dade County School District regular students, the SLC students outperform by even wider margins. A separate analysis done by the district showed that ABIG first graders scored in the 74th percentile in reading, compared to the 48th percentile for Dade County students. Second graders widened this gap, scoring at the 88th percentile compared to the 39th percentile for all Dade County students.

¹⁵ Schools At Work Assessment of Hidden Valley Satellite School, August 7, 1997, Schools At Work, Windermere, FL.

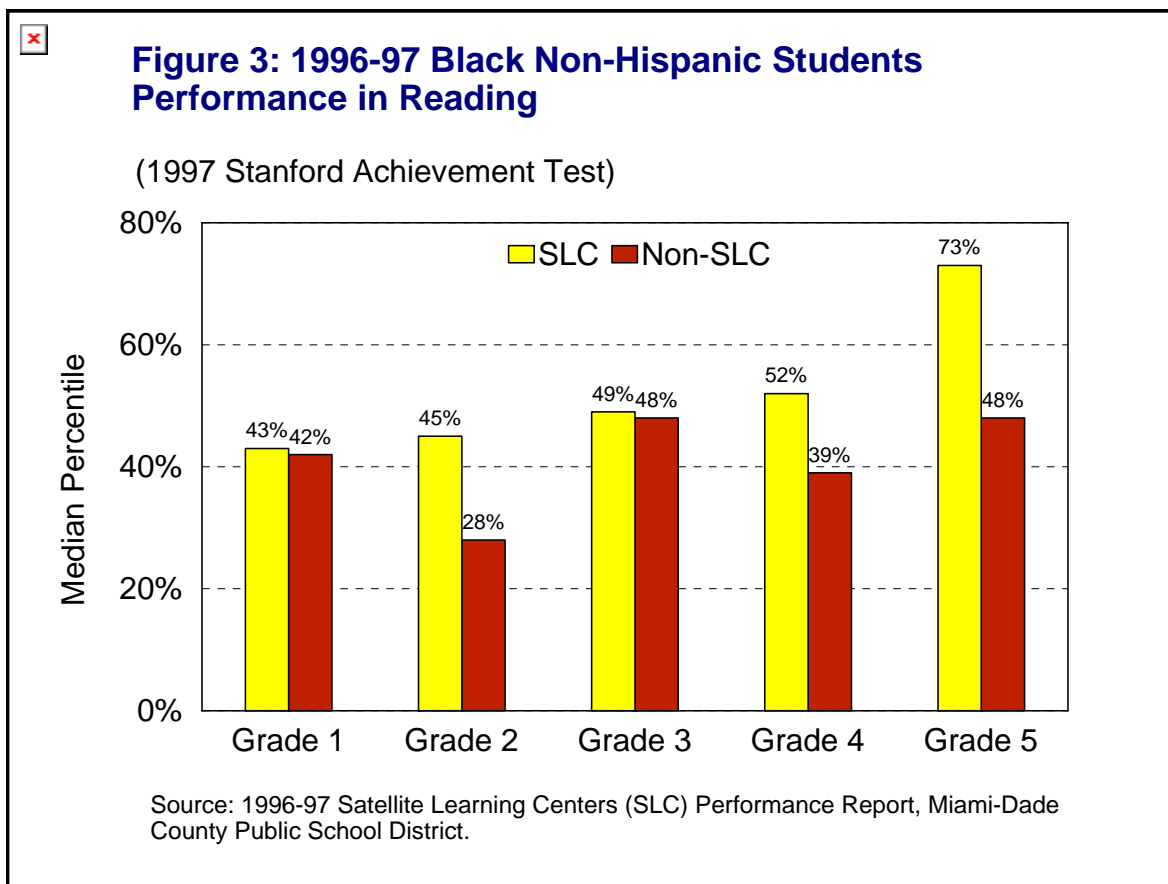
¹⁶ "Frequently Asked Questions Regarding Work-Site Partnership Schools."

¹⁷ Schools At Work Assessment of Hidden Valley Satellite School.

¹⁸ "1996-97 Satellite Learning Center (SLC) Performance Report," Miami-Dade County Public School District.



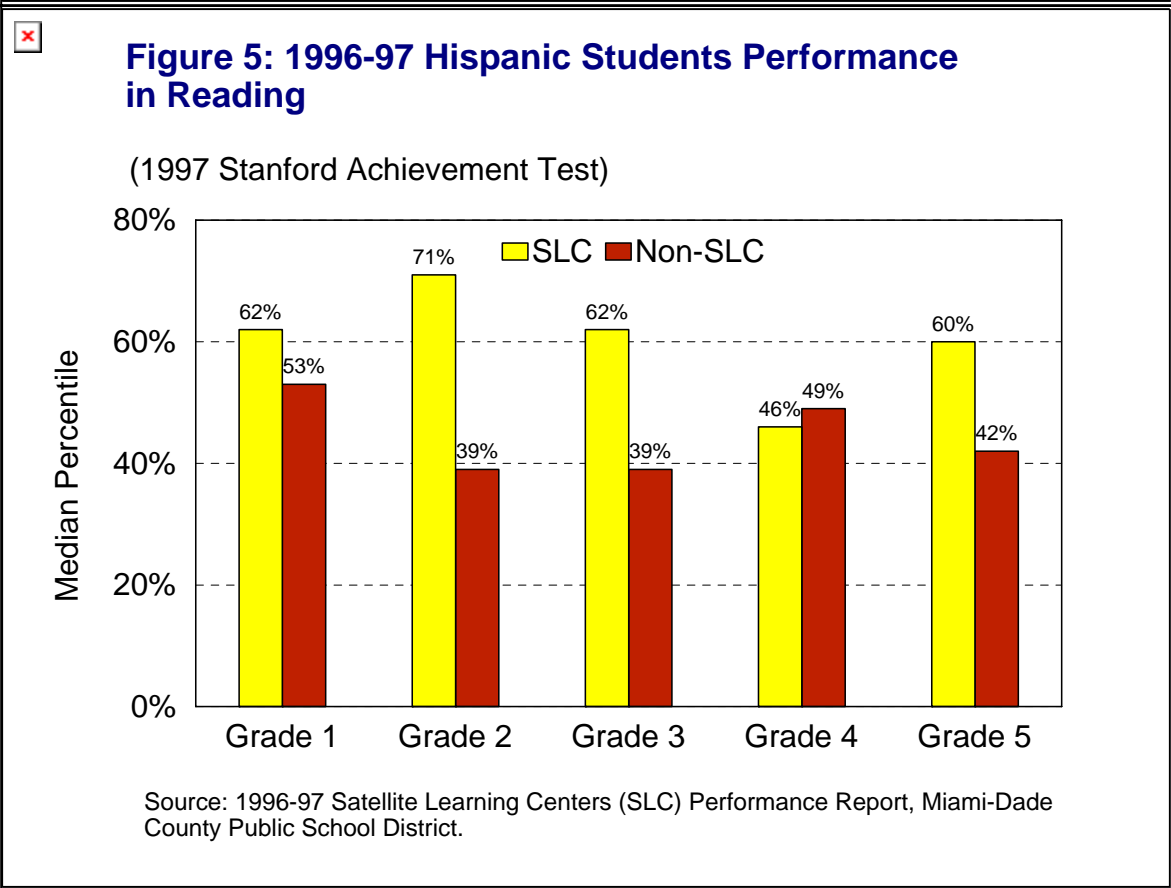
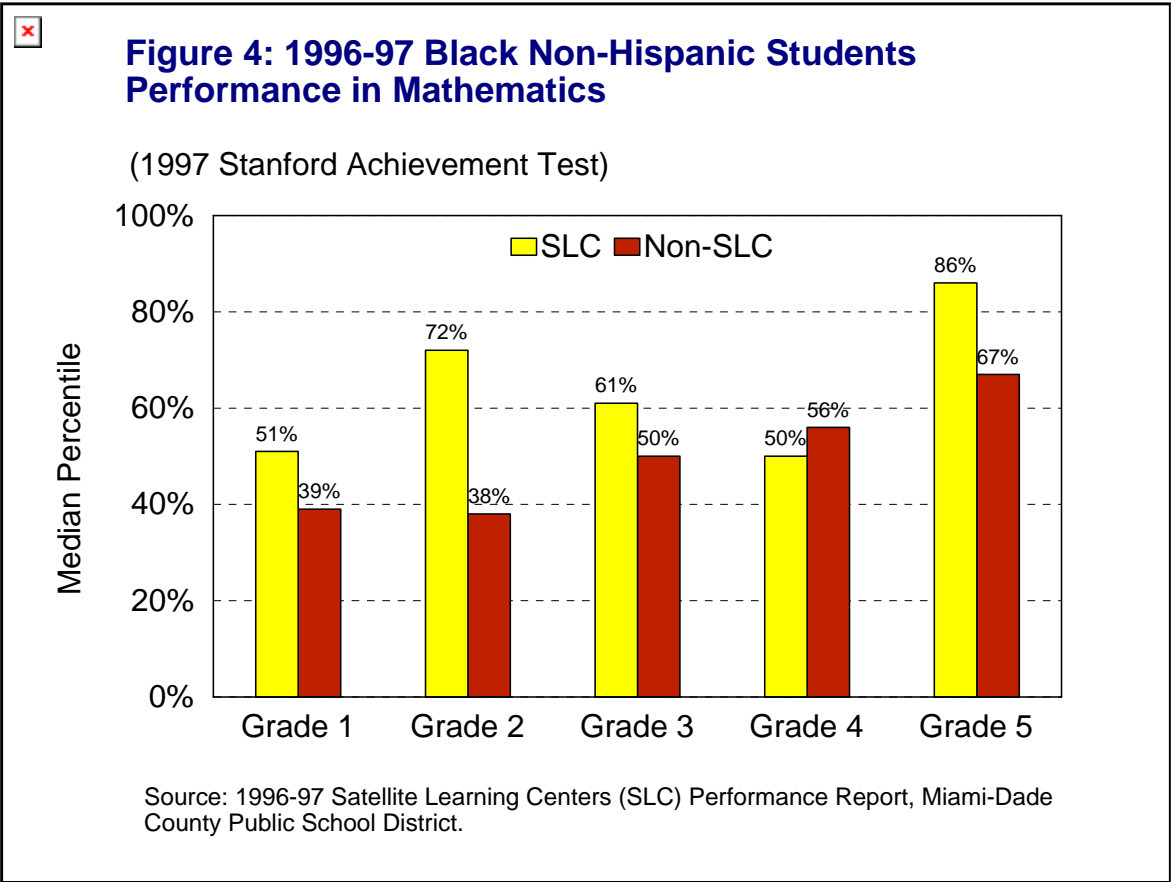
When the academic performance data is disaggregated by ethnic group, larger differences appear in test scores between SLC and host-school students, particularly in the African-American and Hispanic populations. Reading test scores show that African-American students in the satellite schools outperformed non-SLC African-American students in all five grade levels (Figure 3).

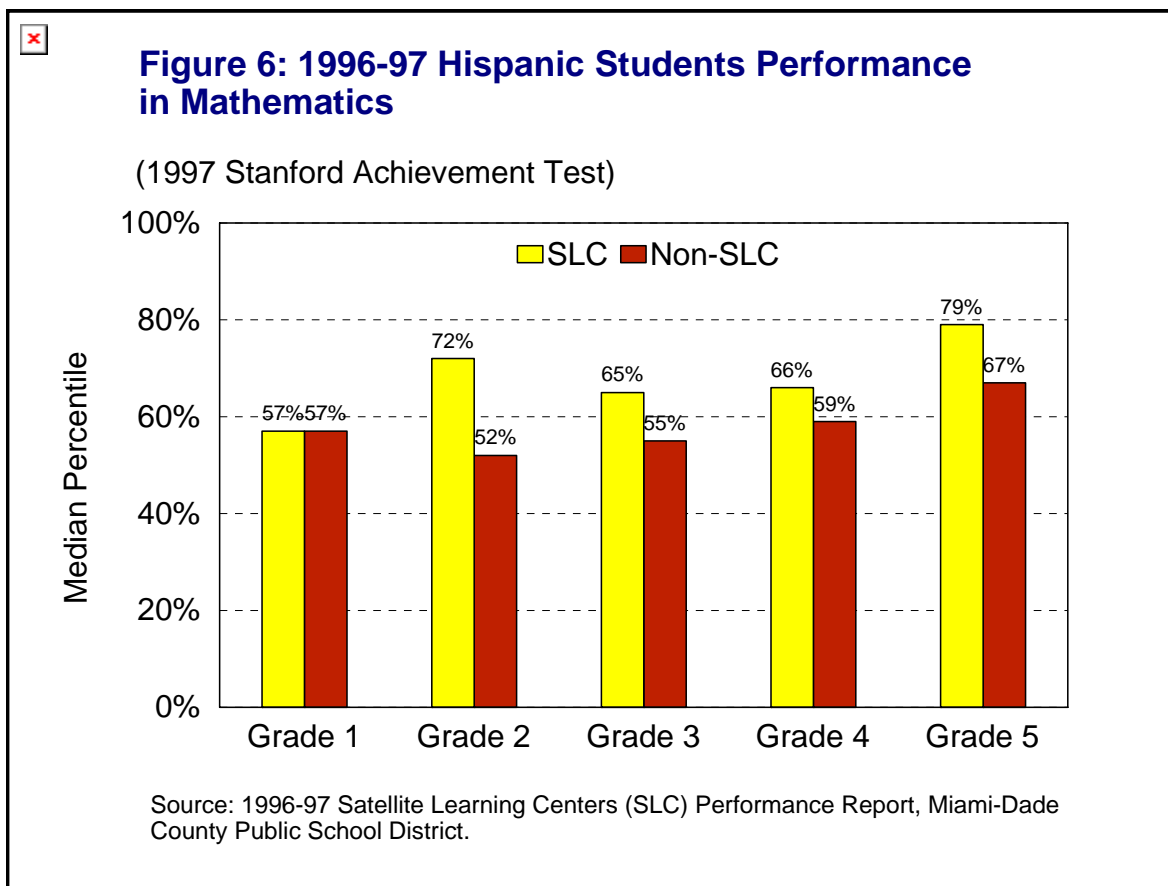


The early grades of one through three saw all African-American students performing below the national average in reading, but comparatively the same as their non-SLC comparison group (except grade two, where SLC students performed 17 percentile points better than non-SLC students). Satellite school students in grades four and five performed above the national average, at the 73rd percentile for grade five, while non-SLC students continued to perform below the national average, a 25 percentile point difference.

In mathematics, African-American students in the satellite schools performed at or above the national average in all five grades, compared to only three of five grades for non-SLC students (Figure 4). The gap in performance between SLC and non-SLC students is especially pronounced in grades two (34 percentile point difference) and five (19 percentile point difference). Only in grade four did non-SLC African-American students outperform SLC students.

Hispanic student performance is very similar to that of African-American students when comparing SLC and host-school students in reading and mathematics (Figures 5 and 6).





In four of five grades, SLC Hispanic students outperformed their non-SLC counterparts, and performed above the national averages. In grade four, both SLC and non-SLC Hispanic students performed below the national average. In grade two, satellite school students performed 32 percentile points better than the comparison group students.

In math, both SLC and non-SLC Hispanic students performed better than the national average in all five grades, and SLC students performed as well as or better than the non-SLC comparison group of students. Again, in grade two, SLC students outperformed the non-SLC students by 20 percentile points.

While the host businesses realize positive returns on their investment, students also benefit from receiving a quality education, and parents benefit through increased participation and close proximity to their child. School districts benefit from the cost-savings from providing fewer classrooms.

Part 5

Satellite Charter Schools

The concept of satellite schools, business-school partnerships, presents an interesting alternative to charter schools facing the problems of facilities and up-front costs. Companies large and small are demonstrating that the size of the organization should not preclude a business from considering this option for its employees. Florida Power & Light and the Radisson Twin Towers Hotel are each small, with approximately 50 students each. The 19 downtown businesses of Des Moines, Iowa that came together to form a consortium to support the formation of a school show that cooperative arrangements between multiple companies can also be a successful option for satellite schools.

Satellite schools are designed to serve the children of the employees of the sponsoring company, usually in agreement with the local school district. Local school districts usually have the authority to make these types of enrollment decisions, often considering it a geographic boundary decision for the school. Preference is then given to children of employees to attend the schools.

To make available the satellite-charter school option for both interested charter school organizers and businesses, legislative action may be necessary in all but one charter-school state. Florida, the pioneer and leader in the satellite-school concept, is the first state to expand its charter-school legislation to allow targeted enrollments for charter schools in the workplace.

However, the existing charter laws in other states do not allow for charter schools to target their enrollment in the same way. As public schools, charter schools are not allowed to discriminate in their enrollment decisions. At most, charter schools are only allowed to specify in their charter the academic program that they intend to offer (e.g., programs for at-risk or special-education students), but are not allowed to discriminate based on race, sex, national origin, residential, or geographic location. Under consideration are plans for a work site-based charter school at University of Southern California in Los Angeles.

The USC Preparatory Academy plans include providing education to sixth- through ninth-grade students, adding additional grades with each successive year through twelfth-grade. Approximately 125 students will be served per grade, with half of the students being the children of University employees, and the total school population reflecting the demographic and socio-economic makeup of Los Angeles. The University would provide the land needed to build the school near its main campus. By specifying in its charter the level of parental involvement necessary for its academic program, the USC-charter school partnership can effectively target enrollment to its employees.

As part of Florida SB 1996, legislation taken up in Spring 1998, provisions that allow the creation of charter “schools-in-the-workplace” were passed. The intent of the legislation was to increase business partnerships

in education, reduce school and classroom overcrowding, and help offset the high cost for educational facility construction.¹⁹ To carry the intent out, the legislature encourages the formation of business-partnership schools through charter school status. Section 22 (b) of the bill states:

A charter school-in-the-workplace may be established when a business partner provides the school facility to be used: enrolls students based upon a random lottery which involves all of the children of employees of that business or corporation who are seeking enrollment as provided for in subsection (6); and enrolls students according to the racial/ethnic balance provisions described in subparagraph (9) (a) 8. Any portion of a facility used for a public charter school shall be exempt from ad valorem taxes, as provided for in s. 235.198 for the duration of its use as a public school.

The second part of this section poses incentives for businesses to participate in this program. Businesses enjoy exemption from ad valorem taxes for the formation of work-site school partnerships with regular public schools. Businesses will also be able to enjoy this exemption through the partnerships with charter schools. Business-charter school partnerships would likely also qualify as part of Florida's new capital outlay program for charter schools, where charter schools can receive \$387 to \$587 in capital outlay revenue per student. However, businesses should be cautious when considering the use of these new capital funds. Use of these funds provides for the reversion of equipment and property to the school district if the charter closes.²⁰

Given the success of the satellite-school program by other businesses in Florida, and primarily in Dade County, businesses are beginning the process of developing partnership matching to take advantage of this new law. One such company has already had its charter approved and work has begun on the construction of facilities. Ryder System, Inc. will open its doors to approximately 300 students in kindergarten through third grade in September 1999. When fully implemented, the Ryder System Charter School will educate approximately 500 students through the fifth grade. (See inset for Ryder System Charter School description). This charter school is potentially the first official work-site satellite school that will open.

¹⁹ Florida Senate Bill 1996, Section 22, amending Section 228.056, Florida Statutes.

²⁰ Section 228.0561, Florida Statutes.

Part 6

Conclusion

Since 1987, the satellite-school concept has grown from a single school in Dade County, Florida, to four schools in the Dade district, to over 30 such public-private partnerships across the nation. School districts and taxpayers have benefited. Overcrowding of classrooms and schools due to enrollment growth has been alleviated to some degree through additional classrooms constructed at work sites. Taxpayers benefit by having private businesses construct and maintain these facilities for public services, often at lower costs.

Businesses that have entered into these partnerships have seen positive returns to their investment. Increased employee retention, productivity, and satisfaction are just a few of the benefits businesses experience. Employee-parents are more satisfied with their job, are tardy and absent less often, and are more involved in and satisfied with their child's education. And student performance is higher in these schools, perhaps for a variety of reasons, including the involvement and proximity of their parents.

Florida, the pioneer in satellite schools, and now the pioneer in satellite-charter schools, leads the way for other states to follow. Providing businesses incentives through tax exemptions and allowing them to target enrollments will allow the satellite charter school concept to move forward. The Ryder System Charter School is an example to watch.

Other states should follow Florida's lead by developing similar legislation. Ethnic and racial diversity was an initial concern of satellite schools and charter schools alike. Both concerns have proved to be unfounded. Florida's work-site charter school provisions require that diversity be maintained in the school.

California has seen very little development in satellite schools beyond Hewlett-Packard's Hidden Valley School. One reason for this may be the more stringent building codes mandated by the Field Act required of public schools in California, adding costs to the construction and renovation of facilities. Charter schools, and their facilities, are exempt from the Field Act. This should allow for greater numbers of partnerships between the private sector and charter-school organizers.

The satellite-school concept provides an option to charter-school organizers looking to solve their facility and resource concerns. Allowing for satellite charter schools also provides an option to state lawmakers when deciding how to equitably provide resources to students of charter schools. If legislators continue to ignore the facility and up-front resource issues that charter schools face, then the prospect of effective educational reform through charter schools will surely fade. While not completely insurmountable, these issues continue to keep some charter schools from teaching students even for a single day.

About the Author

Richard C. Seder is the director of education studies for Reason Public Policy Institute, a national public policy research organization. Mr. Seder has done extensive work in the area of quantitative and qualitative research on the structure of educational systems; school choice programs; accountability issues; and the impact of expenditures on student achievement. Before joining RPPI, Mr. Seder worked as a research assistant to the executive director for the Cato Institute in Washington, D.C., where he assisted in a study analyzing the relationship between public and private post-secondary institutions in three states. Prior to that, he was the recipient of a Charles G. Koch Fellowship through the Center of Market Processes examining the effects of immigration on the U.S. economy. Additionally, Mr. Seder has served as a project director for the Allegheny County School System in Pennsylvania, where he conducted extensive research on 43 public school districts. Mr. Seder holds a Masters of Science in Public Policy and Management from the Heinz School at Carnegie Mellon University in Pittsburgh as well as a double bachelors degree in Government and Economics from Beloit College in Wisconsin.

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Appendix

Ryder Elementary Charter School

Ryder System, Inc., the world's largest truck leasing and rental company, as well as one of the largest operators and managers of school bus systems in the United States, is the host of what is perhaps the nation's first satellite-charter school. Ryder Elementary Charter School, scheduled to open September 1999, will serve approximately 500 students in grades kindergarten through fifth grade. The school will serve Ryder employees or Ryder alliance partner employees working for Ryder in Miami-Dade County, or Broward County. The school will be housed in a brand new 30,000 square foot, \$3.75 million facility located adjacent to the Ryder System Headquarters building in West Dade, Florida.

A survey done of Ryder employees showed that 91 percent of employees with at least one child age nine or under would support a Ryder sponsored charter school. After preference for Ryder employees is exhausted, enrollment will be open to students residing in the local school district. A random lottery will determine student selection if applications exceed capacity. Under a lottery, Ryder employee children and siblings will be given preference.

Currently, Ryder provides child-care for preschoolers in the workplace for its 1,450 employees. Ryder Elementary Charter School is an expansion of benefits available to employees. According to Glenn Schneider, a member of the Ryder System Charter School, Inc. Board of Directors, the availability of day care and the expansion to an elementary school at the workplace is one mechanism to attract and retain employees.

The school day will run from 8 AM to 3 PM, with before- and after-school care provided, extending the day from 7 AM to 6:30 PM. Class sizes will be limited to 20 students per teacher. Parental involvement is highly valued and parents must contractually agree to contribute twenty volunteer hours per school year per child in the school. Based on the experiences of other satellite schools across the nation, the intimate school setting and higher levels of parental and teacher involvement help contribute to greater student achievement and parental satisfaction.

Because Ryder is in the business of transportation and logistical services, a performance-based contract with Charter Schools USA, Inc. was signed. Charter Schools USA, an education management organization that provides administrative and management support services, will handle the day-to-day management of the school.

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