



Senator Angelique V. Ashby, 8th Senate District

SB 414– Charter School Accountability Act

Protects education funding by preventing fraudulent use of funds.

SUMMARY

SB 414 expands oversight of charter schools to prevent fraud, improve governance and transparency, and hold bad actors accountable by implementing recommendations from recent reports by the Legislative Analyst’s Office (LAO), the Fiscal Crisis Management Assistance Team (FCMAT), California Charter Authorizing Professionals (CCAP), and the State Controller’s Report.

BACKGROUND

Charter schools are a part of many communities and often provide alternative educational flexibility for families with a myriad of situations; including medical conditions, special needs, and other unique circumstances. They serve as a resource for families and deliver vital educational programs to our students. These schools offer diverse educational programs, including online learning, homeschooling support, blended learning models, and specialized programs for students with unique learning needs.

When a charter school is established, it is authorized by a county office of education or a school district, which serves as the ‘authorizer’ and is required to provide oversight of the charter school. These schools are audited by accounting firms and certified public accountants to ensure financial compliance and detect any mismanagement.

California has instituted various oversight regulations for nonclassroom-based charter schools to ensure accountability and quality education. However, various studies and audits have determined that significant gaps exist in the current oversight structure.

THE PROBLEM

Several fiscal audits conducted by various agencies’ have identified opportunities for improvement for charter schools and charter school authorizers across the state. Most of the negative audit findings point back to a greater need for oversight, transparency, and accountability.

A joint report by the LAO and the FCMAT identified opportunities for improved oversight of nonclassroom-based charter schools, citing concerns related to funding transparency and conflicts of interest.¹ The report additionally provided recommendations to address broader oversight issues.

A report by the State Controller’s Office (SCO) also identified methods to improve the authorizing and auditing of charter schools after issues that have occurred recently with current standards of authorizing and auditing. Similarly, the CCAP Anti-Fraud Task Force identified additional reforms needed for authorizing charter schools.

THE SOLUTION

SB 414 incorporates recommendations from several reports, improving oversight and ensuring academic success. This bill strengthens auditing, contracting, and enrollment policies for all charter schools by putting to law the recommendations of these audits.

Specifically, this bill:

Increases transparency and training for auditors by:

- Requiring auditors to complete training on charter school financial reporting;
- Updating notification standards for charter school audits;
- Requiring governing bodies of each charter school to review annual audits of their school at a public meeting, including recommendations on management; and
- Requiring the auditor to independently sample financial documents, identify transfers of funds, and identify transactions that do not meet minimum standards.

Increases financial oversight responsibilities for authorizers and charter schools by:

¹ [Review of the Funding Determination Process for Nonclassroom-Based Charter Schools](#)

- Requiring authorizers and charter schools to be prompt in responding to allegations of financial abuse;
- Expanding authorizers' responsibilities for reviewing and reporting fraud to school boards;
- Requiring vendor contracts exceeding \$100,000 to have charter school board approval; and
- Requiring that an authorizer and annual charter school audit shall separately track and report financial data for each charter school it has authorized.

Stronger financial reporting standards for charter schools by:

- Excluding one-time revenues from funding determinations for non-classroom based schools;
- Including instructional facilities expenditures in funding determinations for non-classroom based schools;
- Requiring all non-classroom based charter schools to report the amount of reserves for funding determination;
- Excluding all non-classroom based charter schools reserves for economic uncertainties from consideration for funding determination;
- Requiring CDE to notify non-classroom based charter schools and authorizers if their unassigned account balance drops below 5%; and
- Requiring a charter school board to set minimum standards for vendors providing enrichment activities to ensure educational benefit to students, pupil safety, and fiscal management.

Expands the audit guide for charter schools by:

- Including a process examining related financial interests between charter schools and local education agencies;
- Incorporating average daily attendance materiality in the Audit Guide for charter schools; and
- Including a schedule of student enrollment and attendance by month/track.

Establishes statewide duties in the charter space by:

- Requiring the LAO to study the process used by other states for authorizing oversight and oversight funding;

- Streamlining duplicate data requests by CDE; and
- Requiring the State Board of Education or California Department of Education to promptly investigate allegations of misused public funds.

SB 414 also makes a number of technical changes to the charter school code sections of law, including changing the term 'non-classroom based' to 'flex based' to better reflect the nature of these programs, SB 414 puts students first and puts into law the important recommendations made through audits from several entities including the Legislative Analyst's Office and State Controller.

SUPPORT

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- REAL Journey Academies (Sponsor)
 - California Charter School Association
 - Charter School Development Center
 - APLUS+
 - Achieve Charter School
 - Alder Grove Charter School
 - All Tribes American Indian Charter School
 - Allegiance Steam Academy
 - Alma Fuerte Public School
 - Alpha Public Schools
 - Altus Schools
 - America's Finest Charter School
 - American Heritage Charter Schools
 - Antioch Charter Academy
 - Aspen Public Schools
 - Aspire Public Schools
 - Aveson Schools
 - Big Picture Educational Academy
 - Bridges Charter School
 - Bridges Preparatory Academy
 - Bright Star Schools
 - Brookfield Engineering Science Tech
 - California Asian Chamber of Commerce
 - California Creative Learning Academy
 - California Online Public Schools
 - California Pacific Charter Schools
 - California Virtual Academies
 - Camino Nuevo Charter Academy
 - Capital College & Career Academy
 - Children's Community Charter School
 - CHIME Institute
 - Coil Charter School
 - Clarksville Charter School
 - Community Montessori
 - Compass Charter Schools of San Diego

- Connecting Waters Charter School
- CORE Butte Charter School
- CORE Charter
- Crossroads Charter Academy
- Desert Trails Preparatory Academy
- Dimensions Collaborative School
- Dixon Montessori Charter School
- Dr. Lewis Dolphin Stallworth Charter School
- Edison Bethune Charter Academy
- Eel River Charter School
- El Sol Science and Arts Academy
- Element Education
- Environmental Charter Schools
- EPIC California Academy
- Equitas Academy Charter Schools
- Excel Academy Charter School
- Extera Public Schools
- Family Partnership Charter School
- Feaster Mae L. Charter School
- Feather River Charter School
- Forest Charter School
- Forest Ranch Charter
- Gabriella Charter Schools
- Gateway College and Career Academy
- Gateway Community Charters
- Glacier High School Charter
- Global Education Academy
- Golden Eagle Charter School
- Granada Hills Charter
- Granite Mountain Charter School
- Gorman Learning Center
- Gorman Learning Charter Network
- Great Valley Academy
- Greater San Diego Academy
- Green Dot Public Schools California
- Griffin Technology Academies
- Guajome Schools
- Heritage Peak Charter School
- High Tech Los Angeles
- Howard Gardener Community School
- Innovations Academy
- Ingenium Schools
- Invictus Leadership Academy
- Irvine International Academy
- ISANA Academies
- Intellectual Virtues Academy High
- Ivy Academia Entrepreneurial Charter School
- Jamul-Dulzura Union School District
- JCS Family of Charter Schools
- John Muir Charter Schools
- Julia Lee Performing Arts Academy
- Julian Union High School District
- Kairos Public Schools
- Kavod Charter School
- Kepler Neighborhood School
- Kidinnu Academy
- KIPP Public Schools Northern California
- Lake View Charter School
- Liberty Charter High School
- Literacy First Charter School
- Live Oak Charter School
- Magnolia Public Schools
- Mayacamas Countywide Middle School
- Meadows Arts and technology Elementary School
- Method Schools
- Mountain Home School Charter and Glacier High School Charter
- Natomas Charter School
- Navigator Schools
- New LA
- New Pacific School Roseville
- New Village Girls Academy
- New West Charter
- Nord Country School
- Nova Academy Early College High School
- Northwest Prep Charter School
- Ocean Charter
- Odyssey Charter Schools
- Olive Grove Charter School
- Options for Youth
- Opportunities for Learning
- Orange County Academy of Sciences and Arts
- Orange County School of the Arts
- Pacific Charter Institute
- Para Los Niños
- PCA College View
- Redwood Coast Montessori
- River Montessori Charter School
- River Oaks Academy Charter School
- Rocklin Academy Family of Schools
- Rocky Point Charter School
- Sage Oak Charter School
- San Diego Virtual School
- Scholarship Prep Charter School
- Sebastopol Independent Charter
- Shasta Charter Academy
- Sherman Thomas Charter School
- Sherwood Montessori
- Springs Charter School
- Santa Rosa French American Charter School
- Stem Preparatory Schools

- Success One! Charter
- Summit Public Schools
- Sutter Peak Charter Academy
- Sycamore Creek Community Charter School
- Tehama E-Learning Academy
- Temecula Valley Charter School
- The Cottonwood School
- The Foundation for Hispanic Education
- The Grove School
- The Language Academy of Sacramento
- The Learning Choice Academy
- The O'Farrell Charter Schools
- Trillium Charter School
- Urban Charter Schools Collective
- Valley Charter School
- Valley International Preparatory High School
- Vaughn Next Century Learning Center
- Vibrant Minds Charter School
- Virtual Learning Academy
- Voices College Bound Language Academies
- Vox Collegiate
- Western Sierra Charter Schools
- Westlake Charter School
- William Finch Charter School
- YPI Charter Schools
- Yuba County Career Preparatory Charter School

FOR MORE INFORMATION

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