Client News Brief

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AB 126 Expands Charter School Authorizer Oversight and Audit Responsibilities

UPDATED: This Client News Brief has been revised to reflect the changes enacted by AB 2467 signed by the Governor on September 27, 2026.

September 22, 2026
Number 25

Updated September 30, 2026

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Governor Newsom signed Assembly Bill (AB) 126, the 2026 Education Omnibus Trailer Bill, on July 9, 2026, and subsequently signed AB 2467 on September 27, 2026, making several cleanup amendments to AB 126. Among other provisions, AB 126, as amended by AB 2467, makes substantial changes impacting charter school authorizers, including changes affecting audit procedures, authorizer oversight, and fiscal monitoring. Some requirements apply now, while other obligations begin July 1, 2027.

Charter School Audits and Authorizer Review

AB 126 expands both the charter school audit process and the authorizer's role in reviewing and following up on audit findings. Going forward, a charter school's audit for the preceding fiscal year must be filed by January 31 with the charter authorizer, the county superintendent of schools, the State Superintendent, and the State Controller.

Authorizers will now have specific audit-related responsibilities, including:

- Reviewing each charter school audit and all audit exceptions;
- Determining whether each exception has been corrected or an acceptable plan of correction has been developed;
- If the audit does not include a description of the correction or plan of correction, requiring the charter school's governing body to provide one; and
- Certifying to the county superintendent or State Board of Education (for county board authorizers) that the required audit review and follow-up were completed.

If the charter school has not arranged for an audit by May 1, the authorizer must provide for the audit and may collect the cost from the charter school's funds.

The law also increases coordination between auditors and authorizers. Auditors must consult with the authorizer during audit planning to identify potential fiscal, fraud, or compliance risks. Charter school audit reports will include additional information regarding enrollment and attendance, highly compensated employees, related entities, large aggregate payments, and certain loans. These changes will give authorizers additional information to incorporate into their oversight processes.

The robust new audit requirements mean the Legislature has removed audit procedures (formerly "Element I") from petition requirements under the Charter Schools Act.

Expanded Ongoing Oversight Responsibilities

AB 126 moves charter authorizers toward a more active monitoring role. Entities that manage charter schools, such as CMOs, are now required to promptly respond to an authorizer's requests for information. Among the authorizer's ongoing responsibilities are:

- Visiting each school site approved in the charter petition or a material revision at least annually;
- Verifying that each charter school submits reports required by law, including its local control and accountability plan and annual update;
- Monitoring each charter school's fiscal condition, including enrollment and attendance data, and conducting periodic checks of credit and debit card transactions; and
- Providing the charter school governing body with feedback and an opportunity to respond to concerns identified through oversight.

AB 126 also creates a formal notice requirement when oversight identifies a significant problem. Not later than July 1 of each year, the authorizer must notify the charter school's governing body of any "material concern" arising out of its oversight and monitoring activities during the previous 12 months. A material concern is an issue that could lead to nonrenewal or revocation of the charter.

The legislation also expands fraud-related reporting duties. Authorizers must make required notifications upon reasonable suspicion of specified financial misconduct and, beginning July 1, 2027, refer credible allegations of fraud, misappropriation of funds, or other illegal fiscal practices to the county superintendent of schools.

Additional Monitoring Duties Beginning July 1, 2027

Beginning July 1, 2027, charter authorizers will have the following additional oversight obligations:

- Visit each resource center, meeting space, and satellite facility approved in the charter petition or a material revision when it opens and at least once every two years thereafter;
- Attend, in person, at least one meeting of each charter school's governing body annually;
- Review the agendas and minutes of the charter school governing body; and
- For each nonclassroom-based charter school, annually review reported ADA and, if independent study ADA increases by 10 percent or more from the prior reporting period, review a sample of independent study agreements and work samples from each track to assess whether they align with reported attendance.

The cost of these added oversight duties is funded from oversight fees, which remain unchanged.

Related Charter School Requirements Authorizers Should Monitor

AB 126 also imposes new requirements directly on charter school governing bodies that will be relevant to authorizers as they revise oversight checklists and protocols. Among the more significant changes are:

- **Audit review and action:** Within 45 days of issuance, the charter school governing body must review the audit, exceptions, management letter findings, and correction plans at a public meeting and formally accept or reject the audit report.
- **Website posting:** Annual financial and compliance audits must be posted on the charter school's website.
- **Contracts over $100,000:** The charter school governing body must approve at a governing body meeting any contract that would compensate an individual contractor more than $100,000 in a fiscal year.
- **Contracting policy:** By July 1, 2027, charter school governing bodies must adopt a policy for evaluating and approving contractors that addresses specified restrictions on public expenditures, including enrollment incentives and certain entertainment-related purchases.

Petitioning Timelines and Verified Data

AB 126 confirms that renewal and material revision petitions follow the same timelines as initial charter petitions, requiring a public hearing within 60 days and a decision within 90 days of receipt.

Verified data requirements, which had recently sunset, are now revived. Through June 30, 2028, verified data will again be considered when evaluating low and middle performing charter renewal petitions.

Teacher Assignment Requirements

Beginning July 1, 2027, teachers of record for courses counting toward course credit or instructional minutes must be actual charter school employees, so charter schools may not use nonemployee contractors in that role. These teachers must also be reported annually to the California Department of Education by the employing charter school. Authorizers must also document, for their own audit purposes, completion of required oversight duties, including teacher assignment monitoring.

Key Implementation Dates

- **January 31:** Charter school audit for the prior fiscal year is due to the required State and local recipients.
- **Within 45 days after audit issuance:** Charter school governing body must publicly review and accept or reject the audit.
- **April 15:** Deadline for a charter school governing body to provide a correction plan (if corrections are needed to remedy audit exceptions).
- **May 1:** If a charter school has not provided for an audit, the authorizer must do so.
- **May 15:** Authorizer certification of audit review (June 15 for county-board authorizers).

- **July 1:** Annual authorizer notification of material concern.
- **July 1, 2027:** Additional authorizer duties take effect, including expanded site visits, governing-body meeting oversight, and nonclassroom-based ADA monitoring; charter school contracting policies must also be in place.

Takeaways for Charter School Authorizers

Educational agencies that authorize charter schools should begin updating their oversight systems now. In particular, authorizers should:

- Revise charter oversight policies, procedures, checklists, and MOU templates to incorporate the expanded audit, fiscal monitoring, site visit, meeting attendance, agenda and minutes review, and material concern requirements.
- Create or update annual oversight calendar.
- Develop written procedures for documenting material concerns, fraud-related referrals and notifications, and periodic review of credit and debit card transactions.
- Update petition review materials.
- Train staff responsible for charter oversight on the new responsibilities.

Readers are encouraged to listen to Lozano Smith's podcast episode, a New Era of Charter School Oversight, in which attorneys Erin Hamor and Ed Sklar discuss the impact of these new requirements. In addition, Lozano Smith provides charter oversight training for authorizers and their staff, available through our digital training platform, LS Illuminate.

If you have any questions about AB 126, charter school oversight, or implementation of these new requirements, please contact the authors of this Client News Brief or an attorney at one of our nine offices located statewide. You can also subscribe to our podcast, follow us on Facebook and LinkedIn or download our mobile app.

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