

LEGAL ALERT

July 10, 2026

California AB 126 – the Governor's Omnibus Education Bill: Key Provisions Affecting Charter Schools – Part 1 of 3

California's AB 126 amends and adds several Education Code provisions affecting charter school audits, independent study, contracting, and related operations. The Governor signed this legislation on July 6, 2026, and unless otherwise stated in the law, it takes effect immediately. This alert summarizes the provisions of AB 126 most relevant to charter schools. Part 2 of this legal alert will address the provisions of AB 126 related to employee leaves. Part 3 of this legal alert will address the changes specific to new charter petitions and charter renewal. Additional legal alerts may follow, with further analysis of each section, and a YMC webinar is planned for July 17, 2026 to provide training on AB 126 and its provisions.

New Annual Audit Requirements (Education Code §§ 41020.6, 47605, and 47605.6)

AB 126 adds Section 41020.6, which, commencing with the 2027–28 Guide for Annual Audits of K–12 Local Education Agencies and State Compliance Reporting, introduces new audit content and compliance procedures that apply directly to charter schools. Charter school audits must include supplementary schedules disclosing the charter's governing body members and related entities, its largest twenty-five aggregate payments or transfers, any loans with related entities or employees, its five highest-paid employees, ***and schedules of pupil enrollment and attendance for each school month, and, if applicable, by track to identify unusual increases or decreases in student attendance.*** For a locally funded charter school that is governed by and included in a school district or county office of education audit, financial data must be reported separately for each charter school, and audit sampling must be representative of each entity included in the audit. The section also directs auditors, during audit planning, to consult with the chartering authority to identify fiscal, compliance, and fraud risks; to determine whether a related entity, such as a charter management or education management organization, exists and, if so, whether the relationship is material; to verify whether more than twenty percent of the charter school's total average daily attendance was generated through independent study under Section 47634.2 and to verify the pupil-to-teacher ratio calculation under Section 51745.6;

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and to confirm that the chartering authority has documented its oversight tasks under Section 47604.32 and its teacher-assignment monitoring under Section 44258.9. Charter schools and their authorizers should anticipate expanded audit inquiry into related-party relationships, independent study, and authorizer oversight beginning with the 2027–28 audit cycle. AB 126 also adds a new requirement that a charter school must obtain the approval of its governing body, at a governing body meeting, for any contract that would cause the school to compensate an individual contractor more than one hundred thousand dollars ($100,000) in a fiscal year. ***Auditors will also be required to verify pupil enrollment for independent study programs at local educational agencies and verify that a pupil's residence meets applicable residency requirements based on documentation provided by the parent or guardian of the pupil, emancipated pupil, or other custodian of the pupil, or, in the case of a pupil over 18 years of age, by the pupil. Auditors also must ensure that samples from all payment sources are selected and shall verify that those payments are legal and have proper authorization. The sampling shall include, but is not limited to, payments made through a variety of sources such as credit cards, debit cards, and other electronic payment methods and media, and bank statements.***

Revised Independent Study Pupil-to-Teacher Ratios (Education Code § 51745.6)

AB 126 restructures Section 51745.6 and folds charter schools into the same independent study "pupil to teacher" ratio framework that governs school districts and county offices of education and also provides school districts and county offices of education with the same options for calculating the maximum pupil-teacher ratio as charter schools. As such, both charter schools and other local educational agencies now have expanded options for calculating the maximum pupil to teacher ratio for independent study. Under AB 126, to remain eligible for apportionment, a charter school's ratio of independent study average daily attendance to full-time-equivalent certificated employees responsible for independent study must satisfy one of three alternatives:

(1) it may not exceed the equivalent ratio of average daily attendance to certificated employees in the charter school's other educational programs (for charter schools that offer both classroom-based and nonclassroom-based instruction);
(2) it may not exceed the prior-year ratio (or collectively bargained alternative) of the high school or unified school district with the largest average daily attendance in the county, and, for a charter school serving pupils in more than one county, the county in which the chartering authority is located; or
(3) it may not exceed a fixed ratio of twenty-five (25) ADA to one FTE, or a ratio of less than twenty-five (25) pupils per certificated employee.

Charter schools should confirm which of the three alternatives they intend to rely on and ensure their ratio calculations are documented accordingly. Charter schools that collectively bargain can continue to negotiate a higher or lower pupil-to-teacher ratio in a collective bargaining agreement.

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Enhanced Work-Sample Documentation for Independent Study (Education Code § 51747.5)

AB 126 amends Section 51747.5 to add specific guidelines establishing minimum numbers and types of independent study work samples for all local educational agencies. Specifically, a local educational agency, including a charter school, must now maintain one completed pupil work product in each of English language arts, mathematics, history–social science, and science for each of three defined attendance periods during the school year:
(1) the beginning of the school year through the first attendance period;
(2) the day following the end of the first attendance period to the end of the school's second attendance period; and
(3) the day following the end of the school's second attendance period to the end of the school year.

Where a pupil is not enrolled in one or more of those subjects during a given attendance period, the charter school must instead retain four completed work products for that period that are representative of the pupil's course schedule.

Charter schools offering any amount of independent study should review their assignment-tracking and record-retention systems now to confirm they can capture and preserve the required work samples by attendance period**.**

New Anti-Fraud Provisions (Education Code Sections 47604.32 and 41020.6)

Many charter school fraud cases have involved misappropriations of funds with school credit and debit cards. New provisions of law contained in the trailer bill will require both auditors and authorizers to do a specific review of these transactions in order to catch fraud early. Schools should ensure that the use of credit cards is tightly controlled and address issues immediately upon review of each month's bill.

New Contractor-Approval Policy (Education Code § 51827)

AB 126 adds Section 51827, which requires the governing body of every charter school, like other local educational agencies, to adopt a contractor evaluation and approval policy on or before July 1, 2027. The policy must incorporate thirteen enumerated requirements:

1. prohibitions on using public funds for sectarian or discriminatory materials;
2. prohibitions on paying tuition or fees to a private school that has filed a private school affidavit (except as required by a pupil's IEP);
3. prohibitions on financial payments or gifts offered as enrollment, referral, or retention incentives; on incentives to falsify attendance records; on contracting with a pupil's own parent, guardian, or relative for services provided exclusively to that pupil (subject to narrow transportation exceptions);

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4. for a nonclassroom-based charter school, the policy must require that contracts itemize costs attributed to credentialed staff, administrative staff, and instruction and related services with sufficient detail to determine a qualifying expense for purposes of a funding determination;
5. the policy must require that contracts reflect a reasonable market value.
6. prohibitions on purchasing season passes or memberships to amusement parks, zoos, and similar venues; except that a local educational agency may purchase or contract for single-use admission, meals, and transportation that is aligned with educational opportunities and assignments by teachers, or for graduation, school celebrations, or co-curricular activities.
7. the policy must require contractor business licensing, where applicable, and has appropriate insurance for the service being offered;
8. prohibition on contracting with a pupil or a pupil's parent, guardian, or relative for services provided exclusively to that pupil, except for narrow school-related transportation agreements.
9. prohibitions on reimbursing parents or guardians for activities or services (except as required by an IEP or legal settlement);
10. the policy must require a contractor who interacts with pupils outside the immediate supervision and control of a school employee shall have policies and procedures related to pupil and site safety, including in virtual settings, emergency response, and accident reporting that are reasonable for the instruction or activity;
11. the policy must require criminal-records clearances under Section 45125.1;
12. the policy must require evidence of contractor qualifications and expertise for the activities to be provided;
13. the policy must bar contractors from charging fees to pupils or families.

Contracts in effect on or before July 1, 2027, are not invalidated and may continue until they expire; however, a charter school should not enter into a new contract, amendment, or ancillary agreement that would operate after July 1, 2027 unless it already complies with Section 51827.

AB 126's substantive change to Section 44258.9 is the addition of new subdivision (n), which has no counterpart in existing law. Beginning July 1, 2027, a teacher employed by a local educational agency, defined for this purpose to include a charter school, as well as a school district, county office of education, or educational joint powers authority, who offers a course in which pupils receive course credit or that counts toward instructional minutes, or both, must hold the certificate, permit, or other document required by the Commission on Teacher Credentialing for that assignment and shall be monitored. New subdivision (n) further provides that this requirement does not authorize a local educational agency to assign a teacher of record who is not an employee of the local educational agency; the practical effect for charter schools is that the teacher of record for a credit-bearing or instructional-minute course must be a charter school employee who is appropriately credentialed for the assignment, rather than a non-employee contractor.

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