

California Department of Education

Executive Office

SBE-003 (REV. 11/2017)

eab-csd-mar20item03

# California State Board of EducationMarch 2020 AgendaItem #14

## Subject

Petition for the Renewal of a Charter School Under the Oversight of the State Board of Education: Consideration of Academia Avance Charter, which was denied by the Los Angeles Unified School District.

## Type of Action

Action, Information, Public Hearing

## Summary of the Issue

Academia Avance Charter (AAC) is currently a State Board of Education (SBE)-authorized charter school, with a charter term that expires on June 30, 2020.

Pursuant to California *Education Code* (*EC*) Section 47605(k)(3), which requires an SBE-authorized charter school to submit a renewal petition to the authority that originally denied the charter, AAC submitted a renewal petition to the Los Angeles Unified School District (LAUSD) on August 19, 2019. On October 15, 2019, the LAUSD Board of Education denied the AAC petition by a vote of six to one.

If a governing board of a school district denies a renewal petition for an SBE-authorized charter school, *EC* Section 47605(k)(3) permits the charter school to submit the renewal petition directly to the SBE.

The AAC petitioner submitted a petition on appeal to the California Department of Education (CDE) on December 2, 2019.

## California Department of Education Recommendation

The CDE proposes to recommend that the SBE hold a public hearing to deny the request to renew AAC, a grade six through grade twelve charter school, based on the CDE’s findings pursuant to *EC* Section47605 and *California Code of Regulations*, Title 5 Section 11967.5.

The AAC petitioner does not meet the renewal criteria and does not present a sound educational program as AAC does not perform, overall, at least equal to its comparable district schools where the majority of AAC pupils would otherwise attend.

Additionally, the CDE finds that the AAC petition does not provide reasonably comprehensive descriptions of three of the required elements and is not able to successfully implement the intended program. If approved by the SBE, and as a condition of approval, AAC will be required to revise the petition in order to reflect the SBE as the authorizer and include the necessary language for the following required charter elements: Element D: Governance Structure, Element E: Employee Qualifications, and Element N: Dispute Resolution Procedures.

## Advisory Commission on Charter Schools Recommendation

The Advisory Commission on Charter Schools (ACCS) considered the AAC petition for renewal at its February 5, 2020, meeting. The ACCS moved CDE staff recommendation to deny the AAC petition by a vote of six to three.

The meeting notice for the February 5, 2020, ACCS meeting is located on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>.

## Past History

AAC has been in operation since September 2005. AAC was originally authorized by the LAUSD Board of Education on May 24, 2005. On May 18, 2010, the LAUSD Board of Education denied the renewal of AAC. The Los Angeles County Board of Education (LACBOE) approved the AAC petition on appeal for a five-year term. On May 12, 2015, LACBOE denied the renewal of AAC. AAC was authorized by the SBE on September 2, 2015, for a five-year term.

AAC intends to serve 350 pupils in grade six through grade twelve on the site of leased facilities located at 115 North Avenue 53 and 161 South Avenue 49. The petition states that AAC creates a mutually supportive and positive learning environment in which every member develops communication, technological, and leadership skills to foster self-confidence and personal growth. The petition states that AAC is a college preparatory school with the goal to ensure that all pupils complete A­-G requirements; graduate; are equipped to be accepted into colleges and universities; and have opportunities to develop into active citizens characterized by the ideals of a diverse and democratic society.

## Renewal Criteria

*EC* Section 47607 requires the chartering authority to consider the following when reviewing a charter renewal petition:

1. The authority that granted the charter shall consider increases in pupil academic achievement for all groups of pupils served by the charter school as the most important factor in determining whether to grant a charter renewal.
2. The entity that granted the charter determines that the academic performance of the charter school is at least equal to the academic performance of the public schools that the charter school pupils would otherwise have been required to attend, as well as the academic performance of the schools in the school district in which the charter school is located, taking into account the composition of the pupil population that is served at the charter school.

AAC does not perform, overall, at least equal to its comparable district schools where the majority of AAC pupils would otherwise attend.

### CDE’s Review of Renewal Criteria Under *EC* Section 47607

The CDE selected middle and high schools where pupils would otherwise attend and that are comparable in that they have similar enrollment for similar significant subgroups.

The following table shows the percentage of pupils that met/exceeded standards on the 2015–16, 2016–17, 2017–18, and 2018–19 California Assessment of Student Performance and Progress (CAASPP) assessment for English language arts (ELA) and mathematics for AAC, and the CDE-chosen comparable schools that pupils would otherwise attend. The 2015–16 through 2018–19 CAASPP data show that AAC does not perform, overall, at least equal to comparable district schools. Although, AAC’s results show slight increases from 2015–16 through 2017–18, AAC does not perform at least equal to or greater than the CDE-chosen comparable schools.

**CAASPP Results for CDE-Chosen Comparable Schools (Percentage Meets/Exceeds Standards)**

| School | 2015–16 ELA | 2015–16 Math | 2016–17 ELA | 2016–17 Math | 2017–18 ELA | 2017–18 Math | 2018–19 ELA | 2018–19 Math |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| AAC | 27 | 12 | 27.96 | 14.76 | 32.4 | 20.18 | 30.69 | 17.46 |
| Abraham Lincoln Senior High | 60 | 33 | 52.52 | 26.55 | 52.50 | 26.00 | 46.37 | 27.90 |
| Benjamin Franklin Senior High | 63 | 39 | 61.74 | 40.52 | 49.69 | 31.45 | 55.98 | 44.9 |
| Edward R. Roybal Learning Center | 40 | 16 | 43.22 | 14.71 | 64.17 | 36.05 | 67.47 | 35.93 |
| Luther Burbank Middle | 42 | 34 | 41.98 | 35.87 | 42.93 | 36.64 | 44.57 | 40.31 |
| Sal Castro Middle | 18 | 11 | 19.48 | 11.30 | 21.88 | 14.58 | 25.33 | 16.39 |
| Washington Irving Middle School Math, Music and Engineering Magnet | 45 | 33 | 45.67 | 39.29 | 44.97 | 46.06 | 46.83 | 54.28 |
| Woodrow Wilson Senior High | 52 | 18 | 47.67 | 18.87 | 42.96 | 15.85 | 49.07 | 19.70 |
| Young Oak Kim Academy | 20 | 19 | 22 | 20.13 | 21.14 | 19.90 | 25.35 | 18.83 |

The following tables show the 2016–17 and 2017–18 College Going Rate for California High School Students, and the 2018–19 Four-Year Adjusted Cohort Graduation Rate for AAC and comparable surrounding schools:

**College Going Rate for California High School Students**

NA: Not Applicable

| School | 2016–17 | 2017–18 |
| --- | --- | --- |
| AAC | 61.8 | 72.1 |
| Abraham Lincoln Senior High | 61.7 | 66.2 |
| Benjamin Franklin Senior High | 65.3 | 64.8 |
| California Statewide | 65.2 | 64.4 |
| Los Angeles County | 62.4 | 61.9 |
| Woodrow Wilson Senior High | 62.5 | 54 |
| Contreras Learning Center-Academic Leadership Community | 59.2 | 53.0 |
| Edward R. Roybal Learning Center | 47.9 | 51.3 |
| Dr. Maya Angelou Community High | 62.9 | 49.0 |
| NAVA College Preparatory Academy | NA | 46.2 |
| John C. Fremont Senior High | 46.6 | 44.3 |
| Contreras Learning Center-School of Social Justice | 51.2 | 33.3 |

**2018–19 Four-Year Adjusted Cohort Graduation Rate**

| School | Cohort Graduation Rate |
| --- | --- |
| AAC | 92.2 |
| Benjamin Franklin Senior High | 88.2 |
| Woodrow Wilson Senior High | 86.9 |
| NAVA College Preparatory Academy | 85.4 |
| California Statewide | 84.5 |
| Edward R. Roybal Learning Center | 82.9 |
| Abraham Lincoln Senior High | 82 |
| Los Angeles County | 81.8 |
| Contreras Learning Center-School of Social Justice | 74.7 |
| John C. Fremont Senior High | 73.5 |
| Contreras Learning Center-Academic Leadership Community | 62.3 |
| Dr. Maya Angelou Community High | 62.3 |

### California School Dashboard

The California School Dashboard measures performance for state indicators through a combination of current performance (Status) and improvement over time (Change), which both provide equal weight. A performance level (color) is assigned based on the Status and Change performance. Performance level (color) ranges from Red, Orange, Yellow, Green, and Blue, with Blue representing highest performance and Red representing lowest performance.

The 2019 California School Dashboard reflects AAC’s performance under California’s Accountability System as follows: ELA (Yellow); Math (Red); College and Career Readiness (Orange); 11.6 percent chronic absenteeism (Yellow); 92.2 percent graduation rate (Yellow); and 2.1 percent suspension rate (Blue).

Additionally, the 2018 California School Dashboard reflects the following for AAC: ELA (Orange); Math (Orange); College and Career Readiness (Blue); 12 percent chronic absenteeism (Red); 95.6 percent graduation rate (Blue); and 4.7 percent suspension rate (Orange).

The following tables show the ELA, math, and English Learner (EL) Progress indicators for AAC and comparable surrounding schools, specifically their 2018–19 status and level of change from the previous year.

**ELA Academic Indicator for AAC and the Surrounding Schools Where Pupils Would Otherwise be Required to Attend**

| School | Performance Level (Color) | Current Status (Points) | Change (Points) |
| --- | --- | --- | --- |
| AAC | Yellow | -43.1 | 9.6 |
| Abraham Lincoln Senior High | Orange | -4.8 | -0.7 |
| Benjamin Franklin Senior High | Blue | 15.0 | 17.9 |
| Edward R. Roybal Learning Center | Green | 32.7 | 2.9 |
| Luther Burbank Middle | Orange | -19.6 | 1.8 |
| Sal Castro Middle | Yellow | -61.2 | 9.3 |
| Washington Irving Middle School Math, Music and Engineering Magnet | Yellow | -13.6 | 6.8 |
| Woodrow Wilson Senior High | Yellow | 4 | 14.8 |
| Young Oak Kim Academy | Yellow | -65.8 | 10.4 |

**Math Academic Indicator for AAC and the Surrounding Schools Where Pupils Would Otherwise be Required to Attend**

| School | Performance Level (Color) | Current Status (Points) | Change (Points) |
| --- | --- | --- | --- |
| AAC | Red | -97.5 | 1.8 |
| Abraham Lincoln Senior High | Yellow | -64.9 | 5.6 |
| Benjamin Franklin Senior High | Green | -21.6 | 28.2 |
| Edward R. Roybal Learning Center | Yellow | -49.8 | -15 |
| Luther Burbank Middle | Yellow | -32.0 | 5.7 |
| Sal Castro Middle | Orange | -99 | 7.8 |
| Washington Irving Middle School Math, Music and Engineering Magnet | Orange | -28.4 | -7.4 |
| Woodrow Wilson Senior High | Yellow | -91.4 | 13.1 |
| Young Oak Kim Academy | Red | -96.5 | 5.3 |

**EL Progress Indicator for AAC and the Surrounding Schools Where Pupils Would Otherwise be Required to Attend**

| School | Number of EL Students | Percentage of Students Making Progress | Performance Level |
| --- | --- | --- | --- |
| AAC | 48 | 14.6 | Very Low |
| Abraham Lincoln Senior High | 126 | 55.6 | Medium |
| Benjamin Franklin Senior High | 103 | 51.5 | Low |
| Edward R. Roybal Learning Center | 131 | 41.2 | Low |
| Luther Burbank Middle | 75 | 53.3 | Medium |
| Sal Castro Middle | 68 | 50 | Medium |
| Washington Irving Middle School Math, Music and Engineering Magnet | 86 | 46.5 | Medium |
| Woodrow Wilson Senior High | 75 | 40 | Low |
| Young Oak Kim Academy | 163 | 60.1 | High |

### AAC’s Review of Renewal Criteria Under *EC* Section 47607

The AAC petitioner completed CAASPP data comparison analyses for AAC and LAUSD-resident schools for pupils schoolwide for grade eleven and by subgroup.

The following table shows the percentage of pupils that met/exceeded standards on the 2015–16, 2016–17, and 2017–18 CAASPP assessment for ELA and mathematics for AAC, and the LAUSD-resident schools that pupils would otherwise attend. The petitioner states that between 2015–16 and 2017–18, AAC experienced a yearly increase in the cumulative percentage of pupils tested of 0.96 percent from 2015–16 to 2016–17 and 4.44 percent from 2016–17 to 2017–18 in ELA. In mathematics, the rate of increase for overall pupils from 2015–16 to 2016–17 was 2.76 percent and 5.42 from 2016–17 to 2017–18.

The CDE notes that the 2018–19 CAASPP data was not available at the time AAC submitted the renewal petition.

**CAASPP Results for AAC and LAUSD-Resident Schools (Percentage Meets/Exceeds Standards)**

| School | 2015–16 ELA | 2015–16 Math | 2016–17 ELA | 2016–17 Math | 2017–18 ELA | 2017–18 Math |
| --- | --- | --- | --- | --- | --- | --- |
| AAC (grades six–eight and eleven) | 27 | 12 | 27.96 | 14.76 | 32.40 | 20.18 |
| AAC (grade eleven) | 56 | 15 | 56.27 | 22.92 | 41.27 | 15.63 |
| Abraham Lincoln Senior High | 60 | 33 | 52.51 | 17.76 | 52.50 | 26 |
| Benjamin Franklin Senior High | 63 | 39 | 61.74 | 40.52 | 49.49 | 31.45 |
| Florence Nightingale Middle | 22 | 22 | 32.86 | 28.99 | 38.07 | 28.66 |
| Luther Burbank Middle | 42 | 34 | 41.98 | 35.88 | 42.93 | 36.64 |
| Woodrow Wilson Senior High | 52 | 18 | 47.67 | 18.87 | 42.96 | 15.85 |
| LAUSD-Resident Schools Median | 52 | 33 | 47.67 | 28.99 | 42.96 | 28.66 |
| LAUSD (grades six–eight and eleven) | 39.99 | 26.05 | 41.47 | 26.97 | 42.42 | 28.02 |
| LAUSD (grade eleven) | 54 | 25 | 54.56 | 23.92 | 50.99 | 23.28 |
| California (grades six–eight and eleven) | 50.65 | 35.02 | 51.12 | 35.49 | 50.69 | 35.82 |
| California (grade eleven) | 59 | 33 | 59.76 | 32.1 | 55.96 | 31.37 |

The following table shows the percentage of AAC pupils, by pupil subgroup, that met/exceeded standards on the 2015–16, 2016–17, and 2017–18 CAASPP assessment for ELA and mathematics. The petition states that the performance of all pupils at AAC largely reflect the Hispanic/Latino and socioeconomically disadvantaged (SED) subgroups, and that increases in all pupils also represent increases within these two numerically significant subgroups. Additionally, the results for ELs, who constituted 21.1, 21.9, 18.5, and 18.8 percent of pupils in 2015–16 through 2018–19, respectively, showed a growth of 5.08 percent in ELA in 2016–17.

**CAASPP Results for AAC by Subgroup (Percentage Meets/Exceeds Standards)**

| School | 2015–16 ELA | 2015–16 Math | 2016–17 ELA | 2016–17 Math | 2017–18 ELA | 2017–18 Math |
| --- | --- | --- | --- | --- | --- | --- |
| All Pupils | 27.0 | 12.0 | 27.96 | 17.76 | 32.40 | 20.18 |
| Hispanic/Latino | 27.0 | 12.0 | 26.90 | 15.30 | 31.86 | 20.49 |
| SED | 28.0 | 11.0 | 26.50 | 15.08 | 32.35 | 20.0 |
| ELs | 0.0 | 3.39 | 5.08 | 3.39 | 0.0 | 0.0 |
| Pupils with Disabilities | 4.0 | 0.0 | 10.71 | 7.14 | 4.35 | 0.0 |

### LAUSD’s Review of Renewal Criteria Under *EC* Section 47607

LAUSD reviewed 2016–17, 2017–18, and 2018–19 CAASPP data for AAC and LAUSD-chosen resident schools. This review showed levels of academic performance that are below the resident schools median in both ELA and mathematics for three consecutive years. Additionally, the record of academic performance indicates that all AAC’s numerically significant subgroups (i.e., Latino, SED, and ELs) have not consistently achieved growth in academic performance, and their performance levels are below resident school subgroup medians. The data support a finding that AAC performance is not at least equal to the LAUSD schools that AAC pupils would otherwise attend.

The following table shows the percentage of pupils that met/exceeded standards on the 2016–17, 2017–18, and 2018–19 CAASPP assessment for ELA and mathematics for AAC and the LAUSD-chosen resident schools that pupils would otherwise attend.

**CAASPP Results for LAUSD-Chosen Resident Schools (Percentage Meets/Exceeds Standards)**

| School | 2016–17 ELA | 2016–17 Math | 2017–18 ELA | 2017–18 Math | 2018–19 ELA | 2018–19 Math |
| --- | --- | --- | --- | --- | --- | --- |
| AAC | 27.96 | 17.76 | 32.4 | 20.18 | 30.69 | 17.46 |
| Abraham Lincoln Senior High | 52.52 | 26.55 | 52.5 | 26 | 46.37 | 27.9 |
| Benjamin Franklin Senior High | 61.74 | 40.52 | 49.69 | 31.45 | 55.98 | 44.9 |
| Florence Nightingale Middle | 32.87 | 28.98 | 38.07 | 28.66 | 43.47 | 33.88 |
| Luther Burbank Middle | 41.98 | 35.87 | 42.93 | 36.64 | 44.57 | 40.31 |
| Woodrow Wilson Senior High | 47.67 | 18.87 | 42.96 | 15.85 | 49.07 | 19.7 |

The CDE reviewed the information provided by LAUSD and has determined that LAUSD’s review and analysis of the pupil achievement data pursuant to *EC* Section 47607 was comprehensive. Further, the CDE has determined that LAUSD considered increases in pupil academic achievement for all groups of pupils served by AAC as the most important factor in determining whether to grant AAC’s renewal request.

### LAUSD’s Review of Renewal Criteria Under *EC* Section 52052–Alternative Measures

Academic Performance Index (API) has not been calculated as of the 2013–14 school year (SY). In such a case, *EC* Section 52052(f) provides for the following in determining whether a charter school has met the requirements for the renewal of its charter:

* Alternative measures that show increases in pupil academic achievement for all groups of pupils schoolwide and among significant pupil subgroups shall be used.

LAUSD reviewed the following alternative measures that AAC proposed in its renewal petition (Attachment 6 of Agenda Item 03 on the ACCS February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>):

* 2017–18 Graduation Rate
* 2017–18 Suspension Rate

### CDE’s Review of Renewal Criteria Under *EC* Section 52052–Alternative Measures

The CDE also considered *EC* Section 52052(f) in its review of AAC’s renewal petition. As referenced above, API has not been calculated as of the 2013–14 SY. In such a case, *EC* Section 52052(f) provides for the following in determining whether a charter school has met the requirements for the renewal of its charter:

* Alternative measures that show increases in pupil academic achievement for all groups of pupils schoolwide and among significant pupil subgroups shall be used.

The CDE reviewed the following alternative measures as criteria for charter renewal (Attachment 3 of Agenda Item 03 on the ACCS February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>):

* Graduation Rate (as noted on page five of this item)
* English Language Proficiency Assessment for California (ELPAC) Performance
* Reclassification Rate
* Suspension Rate
* College Going Rate (as noted on pages four and five of this item)
* AAC’s Internal Tracking System of CAASPP Data
* Northwest Evaluation Association (NWEA) Measurement of Academic Progress (MAP)
* Scholastic Aptitude Test (SAT) Score Distribution

The CDE reviewed the alternative measures information provided by AAC pursuant to *EC* Section 52052(f). The data from the AAC alternative measures reflect some increases in AAC’s graduation rate, ELPAC performance, reclassification rate, and college going rate, and a decline in suspension rate. However, the data presented via AAC’s internal tracking system rely on calculations of CAASPP data, NWEA MAP data, and SAT Score Distribution data for which the CDE lacks independent confirmation of their reliability, validity, fairness, and alignment.

## Inability to Implement

### Past Fiscal Concerns

AAC has had a history of recurring audit findings and deficit spending, and ongoing concerns based upon the CDE’s review of AAC’s independent audit reports for fiscal years (FYs) 2015–16, 2016–17, 2017–18, and 2018–19.

During FYs 2014–15, 2015–16, and 2016–17, AAC had recurring audit findings of cash receipts. The 2014–15 audit findings were reflected in the 2015–16 audit report. Additionally, during FYs 2015–16, 2016–17, and 2017–18, AAC had recurring audit findings of cash disbursements.

During FY 2017–18, AAC’s ending fund balance declined significantly from $1,527,658 to $6,562 due to losses from AAC’s divestiture of City Terrace, LLC, a real estate development limited liability company.

Additionally, AAC has a history of selling receivables in order to pay its financial obligations. AAC has paid fees to Charter School Capital in amounts of $184,166; $247,959; $217,999; and $224,107 for FY 2015–16 through FY 2018–19. Although AAC’s financial services provider has estimated that AAC’s ending net assets will increase to approximately $247,000 with no unearned revenue sold at the end of the new FY, the CDE is concerned with AAC’s ability to pay its future obligations for the upcoming FYs since the AAC budget is dependent upon selling receivables.

#### Current Fiscal Analysis

The AAC multi-year projected budget includes the following projected pupil enrollment (Attachment 4 of Agenda Item 03 on the ACCS February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>):

* 350 grade six through grade twelve in 2020–21
* 350 grade six through grade twelve in 2021–22
* 350 grade six through grade twelve in 2022–23

The CDE concludes that the AAC projected budget is viable with the projected enrollment of 350 each year and positive ending fund balances of $363,071; $526,611; and $767,559 with reserves of 6.9, 10, and 14.4 percent for FY 2020–21 through
2022–23, respectively.

AAC has a fair financial record under SBE authorization. AAC’s FY 2019–20 first interim report indicates that AAC is projecting a positive ending fund balance of $478,781 and reserves of 9.32 percent, which is above the recommended 5 percent in reserves outlined in the Memorandum of Understanding (MOU) between AAC and the SBE. The CDE reviewed the audited financial data from the 2018–19 audit report that reflected an unqualified status. In addition, prior years’ repeated financial statement finding of cash receipts is remediated.

### Declining Enrollment

The AAC petition approved on September 2, 2015, stated the following enrollment projections:

| Grade | 2015–16 | 2016–17 | 2017–18 | 2018–19 | 2019–20 |
| --- | --- | --- | --- | --- | --- |
| 6 | 75 | 75 | 75 | 75 | 75 |
| 7 | 75 | 75 | 75 | 75 | 75 |
| 8 | 75 | 75 | 75 | 75 | 75 |
| 9 | 100 | 100 | 100 | 100 | 100 |
| 10 | 75 | 100 | 100 | 100 | 100 |
| 11 | 75 | 75 | 100 | 100 | 100 |
| 12 | 60 | 75 | 75 | 100 | 100 |
| Total | 535 | 575 | 600 | 625 | 625 |

AAC’s enrollment has fluctuated since its inception and is significantly under-enrolled compared to the proposed plan in the 2015 approved petition. The school currently serves 326 students in its grade six through grade twelve educational program, raising significant concerns about AAC’s outreach and recruitment strategies.

## Past History Under State Board of Education Authorization

The CDE finds that AAC implements the program as described in the current charter petition and the school leadership provides regular updates to CDE staff, both formally and informally. However, AAC has been issued seven letters of concern from the CDE regarding academic, operational, and fiscal management. AAC has been responsive to the CDE’s concerns and subsequent requests for corrective action plans; however, the CDE remains concerned about the capacity of the petitioners to successfully operate and remain in good standing if approved by the SBE for an additional five years.

AAC has been issued two letters of concern from the CDE regarding academic and operational noncompliance including the following:

* February 21, 2018: AAC received a Letter of Academic Concern regarding pupil achievement based on the five by five color grid on the 2017 California School Dashboard. The CDE requested an implementation plan for improvement outlining goals to improve achievement on the 2018 California School Dashboard.
* March 20, 2018: AAC received a Letter of Operational Concern regarding the posting of Board agendas and meetings; lack of a school site council and English language advisory committee; noncompliance with the petition in regards to Measurable Pupils Outcomes (as referred to in the February 21, 2018, Letter of Academic Concern); and noncompliance with the petition in regards to maintaining enrollment within 25 percent of the stated goal.

Additionally, AAC has been issued five letters of concern from the CDE regarding delinquent oversight payments, audit findings, and negative ending fund balances with no reserves as follows:

* August 3, 2016: AAC received a Letter of Fiscal Concern regarding delinquent payments for 2015–16 oversight fees due to the CDE.
* August 8, 2017: AAC received a Letter of Fiscal Concern regarding 2014–15 and 2015–16 Independent Audit Report Financial Statement Findings over its cash receipts and 2015–16 over its cash disbursements. The CDE requested the AAC Board to provide an internal control policy for cash receipts and cash disbursements.
* November 1, 2017: AAC received a Letter of Fiscal Concern regarding delinquent payments for 2016–17 oversight fees due to the CDE.
* March 20, 2018: AAC received a Letter of Fiscal Concern regarding the response to the Letter of Fiscal Concern dated August 8, 2017. The AAC Board had not taken the 2015–16 Audit Findings under consideration nor did AAC respond to the CDE’s request for an internal control policy.
* July 2, 2018: AAC received a Letter of Fiscal Concern regarding AAC’s financial condition, which included a negative ending fund balance of $204,262 and no reserves in the FY 2017–18 second interim report, and a negative ending fund balance of $355,848 and no reserves in the April 2018 addendum to the second interim report. In addition, the AAC Board had not taken the 2015–16 Audit Findings under consideration nor responded to the CDE’s request for the internal control policy for cash receipts and cash disbursements. The CDE requested a Fiscal Corrective Action Plan with evidence that the AAC Board adopted an internal control policy, provided staff training, and approved an AAC Board meeting agenda and minutes adopting Administrative Regulations developed to ensure the implementation of the fiscal policies.

The following outlines AAC’s fiscal standing based on the annual SBE Fiscal Memorandums issued over the last four years:

* August 1, 2019: Fair financial standing, which means that a charter school has shown some signs of fiscal distress and needs to take appropriate action to address the decline in financial condition.
* August 1, 2018: Poor financial standing, which means that a charter school is in danger of jeopardizing their fiscal operations going forward.

As shown on the 2018–19 audit report, AAC remedied this poor condition by demonstrating an ability to operate with a balanced budget and maintaining a positive ending fund balance of $237,102 with approximately 4 percent in reserves. AAC also maintained a low debt level of 0.85 with adequate cash liquidity.

* August 10, 2017: Fair financial condition, which means that a charter school has shown some signs of fiscal distress and needs to take appropriate action to address the decline in financial condition.
* April 1, 2016: Good financial standing, which means that a charter school has demonstrated an ability to operate with a balanced budget; maintain stable enrollment and attendance ratios; manage cash liquidity; maintain a low debt level; maintain a positive fund balance; and has met the recommended reserve level specified in the MOU.

## Charter Elements

The CDE finds that the AAC petition does not provide a reasonably comprehensive description of the following required charter elements (Attachment 6 of Agenda Item 03 on the ACCS February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>):

### Element D: Governance Structure

The AAC petition does not present a reasonably comprehensive description of the school’s governance structure. The petition does not comply with *EC* Section 47604.1 (effective January 1, 2020), which requires charter schools or entities managing charter schools to comply with conflict of interest rules (commencing with *Government Code* [*GC*] Section 1090) and the Political Reform Act (commencing with *GC* Section 81000).

The CDE notes that the AAC petition, bylaws, and conflict of interest code and policy use a variety of terms that leave the governance structure of AAC unclear. A Governance and Organizational Structure chart is provided in the petition (Attachment 3 of Agenda Item 03 on the ACCS February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>), and appears to indicate that the Avance Executive Board is the accurate term for the Avance Board. This term should be used throughout the petition to provide clarity. Additionally, the Governance and Organizational Structure should be moved to the beginning of Element D: Governance Structure.

### Element E: Employee Qualifications

The AAC petition does not present a reasonably comprehensive description of employee qualifications. The petition identifies general qualifications for AAC positions of employment (Attachment 3 of Agenda Item 03 on the ACCS February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>); however, the petition does not identify those positions that AAC regards as key in each category, nor does it specify the additional qualifications expected of individuals assigned to those positions.

### Element N: Dispute Resolution Procedures

The AAC petition does not present a reasonably comprehensive description of dispute resolution procedures. The petition does not contain the following statements:

* Recognize that, because it is not a local educational agency, the SBE may choose to resolve a dispute directly instead of pursuing the dispute resolution process specified in the charter, provided that if the SBE intends to resolve a dispute directly instead of pursuing the dispute resolution specified in the charter, it must first hold a public hearing to consider arguments for and against the direct resolution of the dispute instead of pursuing the dispute resolution process specified in the charter.
* Recognize that the SBE cannot be pre-bound to a contractual obligation to split the costs of mediation or agree to mediation to resolve disputes.
* Recognize that if the substance of a dispute is a matter that could result in the taking of appropriate action, including, but not limited to, revocation of the charter in accordance with *EC* Section 47604.5, the matter will be addressed at the SBE’s discretion in accordance with that provision of law and any regulations pertaining thereto.

If approved by the SBE, as a condition for approval, the petitioners will be required to revise the petition in order to reflect the SBE as the authorizer and include the necessary language to resolve the SBE’s concerns for Element D: Governance Structure, Element E: Employee Qualifications, and Element N: Dispute Resolution Procedures.

## Documents Reviewed by the California Department of Education

In considering the AAC petition, CDE staff reviewed the following:

* AAC petition (Attachment 3 of the Agenda Item 03 on the February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>)
* Educational and demographic data of schools where pupils would otherwise be required to attend (Attachment 2 of the Agenda Item 03 on the February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>)
* AAC budget and financial projections (Attachment 4 of the Agenda Item 03 on the February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>)
* Letter dated September 30, 2019, Description of Changes to the AAC Renewal Petition on Appeal to the SBE (Attachment 5 of the Agenda Item 03 on the February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>)
* LAUSD October 24, 2019, meeting minutes; staff assessment and recommendation report; and petitioner’s response (Attachment 6 of the Agenda Item 03 on the February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>)
* AAC Articles of Incorporation, Bylaws, and Conflict of Interest Code and Policy (Attachment 7 of the Agenda Item 03 on the February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>)
* AAC appendices and attachments (Attachment 8 of the Agenda Item 03 on the February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>)

## Los Angeles Unified School District Findings

On October 15, 2019, the LAUSD Board of Education took action and voted to deny the charter petition for AAC based on the following findings (Attachment 6 of Agenda Item 03 on the ACCS February 5, 2020, Meeting Notice on the SBE ACCS web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice020520.asp>):

* The petitioners are demonstrably unlikely to successfully implement the program set forth in the petition and have not met the minimum criteria for renewal eligibility and standards for criteria for renewal.
* The petition does not contain reasonably comprehensive descriptions of all required elements.

## Summary of Previous State Board of Education Discussion and Action

Currently, 37 charter schools operate under SBE authorization as follows:

* One statewide benefit charter, operating a total of seven sites
* Seven districtwide charters, operating a total of 18 sites
* Twenty-nine charter schools, authorized on appeal after local or county denial

The SBE delegates oversight duties of the districtwide charters to the county office of education of the county in which the districtwide charter is located. The SBE delegates oversight duties of the remaining charter schools to the CDE.

## Fiscal Analysis

If approved as an SBE-authorized charter school, the CDE would receive approximately 1 percent of the revenue of the charter school for the CDE’s oversight activities; however, no additional resources are allocated to the CDE for oversight.

## Attachments

* **Attachment 1:** California Department of Education Charter School Petition Review Form: Academia Avance Charter (49 Pages)
* **Attachment 2:** California State Board of Education Standard Conditions on Opening and Operation (4 Pages)
* **Attachment 3:** Comparable Data Tables: Review of Renewal Criteria Under *Education Code* Section 47607 (2 Pages)