ORANGE COUNTY BOARD OF EDUCATION

RESOLUTION NO. 20-26

RESOLUTION AND WRITTEN FINDINGS OF THE ORANGE COUNTY BOARD OF EDUCATION REVOKING THE CHARTER OF EXPLORE ACADEMY CHARTER SCHOOL PURSUANT TO EDUCATION CODE SECTION 47607

WHEREAS, the Charter Schools Act of 1992 (Education Code section 47600 et seq.) authorizes the establishment of charter schools and assigns chartering authorities the continuing responsibility to oversee charter schools to ensure compliance with applicable law, fiscal accountability, and the educational interests of pupils; and

WHEREAS, Education Code section 47607 authorizes a chartering authority to revoke a charter upon a showing of substantial evidence that the charter school has committed one or more statutory grounds for revocation, provided the charter school first receives notice of the alleged violations, a reasonable opportunity to remedy those violations, and a public hearing before final action is taken; and

WHEREAS, on October 6, 2021, the Orange County Board of Education ("Board") approved the petition submitted by ExploreK12, a California nonprofit public benefit corporation, to operate Explore Academy Charter School ("Explore") as a countywide charter school commencing July 1, 2022; and

WHEREAS, Explore represented in its charter petition that countywide status was necessary to operate multiple permanent instructional facilities serving pupils throughout Orange County; however, Explore ultimately commenced operations at only a single instructional facility and did not implement the multiple-site program represented in its petition; and

WHEREAS, beginning in 2025, the Orange County Department of Education ("OCDE"), acting on behalf of the Board in its oversight capacity, identified significant fiscal, operational, and governance concerns through ongoing oversight activities; and

WHEREAS, OCDE issued formal Notices of Concern dated April 14, 2025, June 11, 2025, and November 3, 2025, identifying, among other matters:

- persistent structural deficit spending;
- negative unrestricted fund balances;
- failure to maintain minimum recommended reserves;
- materially overstated enrollment and Average Daily Attendance projections;
- inadequate cash flow planning;
- deficiencies in purchasing controls;
- deficiencies in position control; and
- significant risks to Explore's long-term fiscal solvency;and

WHEREAS, the Notices of Concern directed Explore to implement specific corrective actions, including submission of fiscal stabilization plans, revised multiyear projections, cash flow reports, and implementation of basic fiscal controls; and

WHEREAS, despite repeated oversight and technical assistance provided by OCDE, subsequent financial submissions continued to reflect many of the same fiscal and operational deficiencies previously identified; and

WHEREAS, in June 2025, OCDE retained the Fiscal Crisis and Management Assistance Team ("FCMAT") to conduct an independent review of Explore's fiscal condition and operational practices; and

WHEREAS, FCMAT issued its final report on October 24, 2025, confirming and expanding upon OCDE's concerns, including findings regarding:

- persistent structural operating deficits;
- unrealistic enrollment assumptions;
- declining enrollment despite significant recruitment expenditures;
- inadequate internal fiscal controls;
- absence of effective purchase order procedures;
- insufficient cash flow monitoring;
- staffing levels inconsistent with available funding;
- significant organizational turnover;
- dependence upon outside consultants for essential fiscal operations; and
- substantial risks to Explore's continuing operations; and

WHEREAS, after considering the oversight history, the Notices of Concern, the FCMAT report, and other evidence then available, the Board determined they should initiate formal revocation proceedings pursuant to Education Code section 47607(g); and

WHEREAS, on February 2, 2026, the Board issued a Notice of Violation and Opportunity to Cure identifying alleged violations constituting fiscal mismanagement under Education Code section 47607(f), together with specific remedial actions reasonably related to each identified violation, and afforded Explore more than three (3) months to respond and remedy those violations; and

WHEREAS, Explore submitted a written response and supporting materials on May 15, 2026, which the Board carefully reviewed together with all supporting documentation submitted during the statutory Remedy Period; and

WHEREAS, following evaluation of Explore's response, the Board determined that substantial evidence existed that Explore had failed to refute or remedy the violations identified in the Notice of Violation, and therefore adopted a Notice of Intent to Revoke and Notice of Facts in Support of Revocation pursuant to Education Code section 47607(h); and

WHEREAS, on July 8, 2026, the Board conducted a duly noticed public hearing at which Explore was afforded an opportunity to present testimony, documentary evidence and argument before the Board considered final action; and

WHEREAS, before taking final action, the Board independently reviewed and considered the entire administrative record, including, but not limited to:

- Explore's approved charter and all amendments;
- all oversight correspondence;
- each Notice of Concern;
- the FCMAT report;
- the Notice of Violation;
- Explore's written response and supporting documentation;
- the Notice of Intent to Revoke and Notice of Facts in Support of Revocation;
- documentary evidence submitted by the parties;
- testimony presented during the public hearing;
- all staff reports and recommendations; and
- all other materials comprising the administrative record; and

WHEREAS, the Board finds that Explore received all procedural protections required by Education Code section 47607, including notice of the alleged violations, a reasonable opportunity to remedy those violations, notice of the Board's intent to revoke the charter, and a duly noticed public hearing before final action; and

WHEREAS, the Board further finds that protecting pupils, safeguarding public funds, maintaining public confidence in the Charter Schools Act, and ensuring fiscal accountability are compelling governmental interests supporting the exercise of the Board's statutory oversight authority.

I. PROCEDURAL FINDINGS

After independently reviewing the entire administrative record and weighing the evidence presented, the Board hereby makes the following Findings of Fact:

A. The Board provided Explore every procedural protection required by Education Code section 47607.

B. Explore received timely written notice of every alleged violation.

C. Explore received a reasonable opportunity to remedy each violation.

D. Explore submitted extensive written materials during the Remedy Period.

E. The Board carefully reviewed all submissions made by Explore.

F. The Board considered the entire administrative record before taking final action.

G. The findings set forth herein are specific to Explore Academy Charter School and are supported by substantial evidence contained in the administrative record.

II. FACTUAL FINDINGS

After independently reviewing the entire administrative record, evaluating the evidence presented by OCDE and Explore Academy Charter School, considering testimony presented at the public hearing, and weighing the credibility and reliability of the evidence, the Board finds as follows:

A. Charter History and Oversight

i. Explore commenced instructional operations during the 2024-2025 school year, the third year of its initial charter term.

ii. Throughout Explore's operation, OCDE provided fiscal oversight, technical assistance, and multiple opportunities for corrective action before initiating revocation proceedings.

iii. Prior to issuing the Notice of Violation, OCDE issued three (3) separate Notices of Concern identifying recurring fiscal and operational deficiencies, including structural deficit spending, negative unrestricted fund balances, declining enrollment, inadequate reserves, cash flow instability, and deficiencies in internal fiscal controls.

iv. Despite those notices and the technical assistance provided by OCDE, Explore's subsequent financial submissions continued to reflect substantially the same deficiencies previously identified.

v. The Board finds that revocation proceedings were not initiated based upon isolated deficiencies but only after repeated oversight efforts failed to produce sustained corrective action.

B. Independent FCMAT Review

i. The Board finds the Fiscal Crisis and Management Assistance Team ("FCMAT") report to be credible, objective, and highly persuasive because FCMAT is an independent public agency with recognized expertise in school fiscal oversight that prepared it.

ii. The FCMAT report independently corroborated numerous fiscal concerns previously identified by OCDE, including:

- structural operating deficits;
- unrealistic enrollment projections;
- declining enrollment;
- inadequate fiscal controls;
- insufficient cash flow planning;
- ineffective purchasing practices;
- staffing misaligned with available revenues;
- organizational instability; and
- significant fiscal risk.

iii. The Board finds that the FCMAT report substantially strengthens the evidentiary basis supporting revocation because its findings independently corroborate the concerns identified through OCDE's oversight activities.

C. <u>Structural Deficits and Fiscal Solvency</u>

i. The evidence demonstrates that Explore has experienced persistent structural deficit spending since commencing instructional operations.

ii. Explore reported negative unrestricted beginning fund balances entering both the 2024-2025 and 2025-2026 fiscal years.

iii. The Board finds that Explore's financial condition deteriorated during the 2024-2025 fiscal year despite revisions to its budget.

iv. Explore's multiyear financial projections submitted during the Remedy Period continued to project negative ending fund balances through at least the 2027-2028 fiscal year.

v. Explore did not demonstrate a credible or reasonably reliable plan for restoring positive unrestricted fund balances within a reasonable period of time.

vi. Although Explore submitted a Fiscal Recovery Plan, the Board finds that the plan relied upon assumptions that were not adequately supported by reliable financial evidence.

vii. The Board further finds that Explore failed to demonstrate restoration of minimum reserve levels necessary for long-term fiscal stability.

D. <u>Enrollment and Revenue Assumptions</u>

i. Explore repeatedly adopted budgets based upon enrollment projections materially exceeding actual enrollment.

ii. For the 2024-2025 school year, Explore projected approximately 170 students but certified only 122 students on Census Day.

iii. For the 2025-2026 school year, Explore projected approximately 150 students but certified only 73 students.

iv. The Board finds these recurring overstatements materially affected projected revenues and the overall reliability of Explore's financial planning.

v. During the Remedy Period, Explore asserted that 105 students had registered for the 2026-2027 school year.

vi. However, the enrollment documentation submitted during the Remedy Period contained internal inconsistencies, mathematical errors, differing enrollment projections among planning documents, and incomplete supporting records.

vii. OCDE's review of submitted registration records found fewer completed enrollment packets than the enrollment represented by Explore.

viii. Parent verification conducted by OCDE further demonstrated that several families had not made final enrollment commitments.

ix. Accordingly, the Board finds that Explore failed to demonstrate, through reliable evidence, confirmed enrollment sufficient to support the financial projections submitted during the Remedy Period.

E. <u>Facilities</u>

i. The Board finds that Explore's license agreement for the Peralta instructional facility expired on June 30, 2026.

ii. Orange Unified School District informed Explore that it would not continue occupancy beyond that date.

iii. Explore was further informed that it was not entitled to Proposition 39 facilities for the 2026-2027 school year.

iv. As of the close of the Remedy Period, Explore had not secured an alternative instructional facility.

v. Explore's financial projections nevertheless assumed continuing facility expenditures without identifying a replacement facility or demonstrating the reasonableness of projected facility costs.

vi. The Board finds that the absence of an identified instructional facility materially undermines the reliability of Explore's enrollment projections and financial forecasts.

F. Cash Flow, Liquidity and Debt

i. Explore experienced recurring liquidity concerns throughout its operation.

ii. Financial reports submitted during oversight reflected projected negative cash balances and insufficient unrestricted liquidity.

iii. Explore relied upon substantial borrowing, including approximately $750,000 in financing through HJ Sims, together with a California School Finance Authority revolving loan.

iv. Although Explore obtained temporary accommodations regarding certain loan payments, those accommodations deferred rather than eliminated the underlying debt obligations.

v. Explore's financial obligations remained significant relative to available unrestricted resources.

vi. The Board further finds persuasive the evidence that Explore's financial advisor informed Explore's governing Board that vendor payments might need to be delayed if projected enrollment and revenue assumptions were not achieved.

vii. Such evidence demonstrates continuing liquidity risk inconsistent with long-term fiscal solvency.

G. Internal Fiscal Controls

i. The Board finds that Explore adopted revised fiscal policies during the Remedy Period.

ii. However, adoption of policies alone does not establish implementation.

iii. Explore did not provide sufficient documentation demonstrating that they implemented an operational purchase order system.

iv. Explore did not produce a purchase order register or comparable documentation demonstrating consistent use of purchase orders.

v. Explore's staffing assumptions remained inconsistent across multiple planning documents submitted during the Remedy Period.

vi. Those inconsistencies demonstrate continuing weaknesses in position control and fiscal planning.

vii. The Board further finds that repeated transitions among Explore's contracted fiscal service providers created additional uncertainty regarding implementation of corrective actions.

viii. Although changing vendors is not itself evidence of fiscal mismanagement, under the circumstances presented here, the transition immediately preceding a projected fiscal recovery period increases concern regarding continuity of financial oversight.

H. <u>Failure to Remedy</u>

i. The Board finds that Explore made efforts to respond to the Notice of Violation.

ii. Nevertheless, the governing legal question is not whether Explore made efforts, but whether Explore remedied or refuted the identified violations to the satisfaction of the Board as required by Education Code section 47607.

iii. After considering all evidence submitted during the Remedy Period, the Board finds that Explore failed to remedy the violations identified in the Notice of Violation.

iv. The Board further finds that the remaining deficiencies are substantial rather than technical, and collectively demonstrate continuing fiscal instability.

v. The Board finds that the evidence supporting these findings is relevant, credible and of solid value and therefore constitutes substantial evidence within the meaning of Education Code section 47607 and applicable California administrative law.

III. STATUTORY FINDINGS

Based upon the foregoing Findings of Fact and the entire administrative record, the Board makes the following statutory findings:

A. The Board finds that Explore engaged in fiscal mismanagement within the meaning of Education Code section 47607(f)(3), including persistent structural deficits, negative unrestricted fund balances, inadequate reserves, unreliable financial projections, continuing liquidity concerns, and deficiencies in internal fiscal controls.

B. The Board further finds that Explore materially violated conditions, standards and procedures contained in its approved charter within the meaning of Education Code section 47607(f)(1), including representations regarding fiscal sustainability, operational capacity, and implementation of the educational program supported by adequate facilities and financial resources.

C. The Board finds that Explore was provided every procedural protection required by Education Code section 47607, including notice of the alleged violations, a reasonable opportunity to remedy those violations, issuance of a Notice of Intent to Revoke, and a duly noticed public hearing before final action.

D. The Board finds that the written findings contained in this Resolution are specific to Explore Academy Charter School, are supported by substantial evidence contained in the administrative record, and satisfy the requirements of Education Code section 47607(h).

E. The Board further finds that each of the foregoing Findings of Fact independently supports revocation of the charter and that revocation would remain warranted even if one or more individual findings were subsequently determined to be unsupported..

IV. BOARD RESOLUTIONS

NOW, THEREFORE, BE IT RESOLVED that the Board hereby adopts the foregoing Findings of Fact and Statutory Findings as its own findings after independently considering the entire administrative record and incorporates those findings into this Resolution as though fully set forth herein.

BE IT FURTHER RESOLVED, that the Board hereby adopts, approves, and incorporates by reference the following documents, together with all exhibits and supporting documentation contained therein, as part of the administrative record supporting this Resolution:

1. Explore Academy Charter School's approved charter and all amendments;
2. The Notices of Concern issued by OCDE;
3. The Fiscal Crisis and Management Assistance Team ("FCMAT") Report;
4. The Notice of Violation and Opportunity to Cure dated February 2, 2026;
5. Explore's written response and all supporting documentation submitted during the Remedy Period;

6. The Notice of Intent to Revoke and Notice of Facts in Support of Revocation;
7. All evidence admitted during the July 8, 2026, public hearing;
8. Staff reports and recommendations; and
9. All additional documents comprising the administrative record.

The Board further finds that these materials collectively constitute substantial evidence supporting the findings adopted herein.

BE IT FURTHER RESOLVED, that the Board finds Explore Academy Charter School failed to remedy fiscal mismanagement arising from persistent structural deficits and fiscal insolvency, including, but not limited to:

1. Recurring structural deficit spending;
2. Continuing negative unrestricted fund balances;
3. Failure to restore minimum reserve levels;
4. Multiyear financial projections continuing to project negative ending fund balances through the projection period;
5. Continued dependence upon projected future enrollment growth to achieve fiscal solvency;
6. Failure to demonstrate a credible fiscal recovery supported by reliable financial assumptions; and
7. Failure to secure an instructional facility for the 2026-2027 school year despite expiration of its existing facility agreement.

The Board finds these facts constitute substantial evidence of fiscal mismanagement within the meaning of Education Code section 47607(f)(3).

BE IT FURTHER RESOLVED, the Board finds that Explore Academy Charter School failed to remedy fiscal mismanagement resulting from unreasonable enrollment and revenue assumptions, including, but not limited to:

1. Repeated overstatement of projected enrollment in adopted budgets;
2. Materially overstated ADA assumptions affecting projected revenues;
3. Inconsistent enrollment projections submitted during the Remedy Period;
4. Mathematical inconsistencies within enrollment planning documents;
5. Inability to verify confirmed enrollment sufficient to support projected revenues;
6. Incomplete enrollment documentation; and
7. Continued reliance upon speculative enrollment growth, unsupported by historical enrollment trends.

The Board finds these deficiencies materially undermine the reliability of Explore's financial planning and revenue projections.

BE IT FURTHER RESOLVED, that the Board finds Explore Academy Charter School failed to remedy fiscal mismanagement relating to cash management, liquidity, and fiscal solvency, including, but not limited to:

1. Recurring cash flow instability;
2. Significant continuing debt obligations;
3. Reliance upon borrowed funds to sustain operations;
4. Insufficient unrestricted liquidity;
5. Evidence of returned payments due to insufficient funds;
6. Evidence that vendor payments could require deferral if projected revenues are not realized; and
7. Continued dependence upon future state apportionments tied to speculative enrollment growth.

The Board finds these facts demonstrate continuing liquidity risk inconsistent with sound fiscal management.

BE IT FURTHER RESOLVED, that the Board finds Explore Academy Charter School failed to remedy deficiencies in internal fiscal controls and fiscal oversight, including, but not limited to:

1. Failure to demonstrate implementation of an effective purchase order system;
2. Failure to produce documentation demonstrating consistent use of purchase orders;
3. Continuing inconsistencies in staffing assumptions and position control;
4. Continuing weaknesses in fiscal oversight;
5. Repeated turnover among contracted fiscal management providers during implementation of corrective actions;
6. Continuing reliance upon outside consultants to perform core fiscal management functions.

The Board finds these deficiencies substantially impair Explore's ability to maintain effective financial accountability.

BE IT FURTHER RESOLVED, that the Board expressly finds Explore Academy Charter School received all procedural protections required by Education Code section 47607, including:

1. Written notice identifying the alleged violations;
2. A reasonable opportunity to remedy those violations;
3. Notice of the Board's intent to revoke the charter;
4. A duly noticed public hearing prior to final action;
5. An opportunity to submit documentary evidence and argument; and
6. Consideration by the Board of the entire administrative record before rendering its decision.

The Board therefore finds that the revocation proceedings fully complied with applicable procedural requirements.

BE IT FURTHER RESOLVED, that the Board finds substantial evidence establishing grounds for revocation pursuant to Education Code section 47607(f), including:

1. Fiscal mismanagement within the meaning of subdivision (f)(3); and
2. Material violations of conditions, standards, and procedures contained in the charter within the meaning of subdivision (f)(1), as reflected in the Findings of Fact adopted herein.

BE IT FURTHER RESOLVED, that, after independently reviewing the entire administrative record and conducting the public hearing required by Education Code section 47607(h), the Board hereby **REVOKES** the charter granted to Explore Academy Charter School, effective **July 8, 2026**.

BE IT FURTHER RESOLVED, that the Orange County Superintendent of Schools, or the Superintendent's designee, is authorized and directed to take all actions necessary to implement the orderly closure of Explore Academy Charter School in accordance with applicable law, including Education Code section 47604.32, applicable provisions governing charter school closure contained in the Charter Schools Act, Title 5, California Code of Regulations section 11962, and any other applicable statutes or regulations, including execution of a Charter Closure Agreement or related documents necessary to protect pupils, public funds, and student records.

BE IT FURTHER RESOLVED, that the Board finds revocation is necessary to:

- Protect the educational interests of pupils;
- Safeguard public funds;
- Ensure continued public accountability;
- Preserve the integrity of the Charter Schools Act; and
- Fulfill the Board's statutory oversight responsibilities.

BE IT FURTHER RESOLVED, that each Finding of Fact and each Statutory Finding adopted herein constitutes an independent basis supporting this Resolution. The Board expressly finds it would have adopted this Resolution upon any one or more of the foregoing findings even if any other findings were subsequently determined to be invalid or unsupported.

BE IT FURTHER RESOLVED, that the provisions of this Resolution are severable. If any provision of this Resolution is held invalid by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect.

BE IT FURTHER RESOLVED, that this Resolution constitutes the **Final Written Decision** of the Board pursuant to Education Code section 47607(h). The Board finds that the written findings contained herein are specific to Explore Academy Charter School, supported by substantial evidence in the administrative record, and authorized the revocation of the charter pursuant to Education Code section 47607.

STATE OF CALIFORNIA)
COUNTY OF ORANGE)

I, Tim Shaw, President of the Board, hereby certify that the foregoing Resolution No. 20-26 was duly passed, approved and adopted by the Board at a regular meeting held on July 8, 2026, by the following vote:

AYES: 5

NOES: 0

ABSENT: 0

ABSTAIN: 0

By: ______________________

Tim Shaw, President
Orange County Board of Education