

Date of Hearing: April 14, 2026

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Mike Fong, Chair

AB 2422 (Caloza) – As Introduced February 20, 2026

SUBJECT: Student financial aid: delayed financial aid awards: extensions.

SUMMARY: Requires specified postsecondary institutions, beginning in the 2027–28 academic year, to provide protections for students whose financial aid awards are delayed due to factors outside their control by extending deadlines and prohibiting punitive actions. Specifically, **this bill:**

- 1) Requires the California State University (CSU), California Community Colleges (CCC) districts, and state-aided independent institutions to, and requests the University of California (UC) to:
 - a) Extend enrollment deadlines to prevent students from being dropped from classes;
 - b) Extend financial payment deadlines related to enrollment costs; and,
 - c) Refrain from imposing punitive actions on affected students.
- 2) Defines “factors outside of a student’s control” to include:
 - a) Free Application for Federal Student Aid (FAFSA) or California Dream Act Application (CADAA) processing delays;
 - b) Delayed disbursement of Cal Grants, Pell Grants, or Middle Class Scholarship (MCS);
 - c) Institutional financial aid processing delays or errors;
 - d) Federal loan disbursement delays; and,
 - e) State, federal, or institutional backlogs.
- 3) Defines “punitive actions” to include:
 - a) Dropping or restricting enrollment;
 - b) Charging late fees or interest; and,
 - c) Placing administrative or transcript holds.
- 4) Applies to delays involving all forms of financial aid, including grants, scholarships, and loans.

EXISTING LAW: *Federal.* Establishes the federal Pell Grant to provide aid to students who demonstrate financial need. The Pell Grant award can be used for tuition and fees, books, and supplies, transportation, and living expenses for the equivalent of up to six years of full-time enrollment. The maximum Pell Grant for the 2025-26 academic year (which covers the period

from July 1, 2025 – June 30, 2026) is \$7,395. The minimum Pell Grant award for the same time frame is \$740 (20 U.S.C. Section 1070).

State.

- 1) Establishes the Donahoe Higher Education Act, setting forth the mission of the UC, CSU, and CCC; and, defines "independent institutions of higher education" as nonpublic higher education institutions that grant undergraduate degrees, graduate degrees, or both, and that are formed as nonprofit corporations in California and are accredited by an agency recognized by the United States Department of Education (USDE). Specifies that for purposes of any code or statute, a national or regional accrediting agency recognized by the USDE as of January 1, 2025, shall retain that recognition until July 1, 2029, provided that the accrediting agency continues to operate in substantially the same manner as it did on January 1, 2025. (Education Code (EC) Section 66010, et seq.).
- 2) Establishes the Student Aid Commission (CSAC) as the state agency charged with administering state financial aid programs to qualifying students enrolled in qualifying institutions of higher education throughout the State. Existing law requires CSAC to prescribe the use of standardized student financial aid applications for California (EC Section 69433 and Section 69510, et seq.).
- 3) Establishes, the Cal Grant Reform Act commencing in the 2024-2025 fiscal year, if General Fund moneys over the multiyear forecasts are available to support ongoing augmentations and actions, and if funding is provided in the annual Budget Act. Under the Act, the Cal Grant 2 and Cal Grant 4 programs are created. The Cal Grant 2 is for CCC students, and provides non-tuition support that grows annually with inflation. The Cal Grant 4 program is for students at the UC, CSU, and other institutions. The Act also states legislative intent that UC and CSU use institutional aid to cover non-tuition costs for their students (EC Sections 69424, 69425, and 69428).
- 4) Establishes the MCS Program to offset a portion of tuition costs for students attending the UC and the CSU. Starting in the 2022-23 academic year, MCS awards may be used to cover the total cost of attendance at UC and CSU (EC Section 70020, et seq.).

The maximum annual household income to qualify for an award is \$234,000 for dependent students in 2025-26.

- 5) Authorizes CSAC to grant up to an additional 30 calendar days beyond an application deadline for any financial aid program administered CSAC if CSAC receives and approves a formal request to postpone the application deadline from either the superintendent of a school district or community college district or from the president or chancellor of a California institution of higher education that is eligible to receive state funds for student financial assistance and CSAC finds that a "qualifying event" has occurred. Defines "qualifying event" as any event or extenuating circumstance outside of the control of the pupils or students in an affected school district, community college district, or area or region that has had an adverse effect on the ability of students within the district to successfully complete and submit their financial aid applications by an established statutory deadline. The qualifying event must have occurred or been ongoing during the period for which financial

aid applications were available to submit for the following academic year, and includes, but is not limited to, any of the following types of events:

- a) A natural disaster;
- b) A state of emergency declared by the Governor or the President of the United States; or,
- c) A labor action.

Further, allows CSAC to extend by 30 calendar days the application deadline for any financial aid program administered by CSAC if it determines that a delay in the opening of FAFSA has occurred (EC Section 69513.2).

- 6) Extends the Cal Grant priority deadline for financial aid programs administered by CSAC, if the FAFSA application form is not available on or before October 1, 2023, to April 2, 2024, for the 2024-25 award year only; and, extends the Cal Grant application for financial aid programs administered by CSAC, by one month, from April 2, 2024, to May 2, 2024, for the 2024-25 award year only (Section 22 of Chapter 50 of the Statutes of 2023).

FISCAL EFFECT: Unknown

COMMENTS: *Need for the measure.* According to the author, “financial aid is meant to lift our students up, not hold them back. Delays in disbursement leave students facing harsh penalties that drive students deeper into debt. Amid the ongoing federal uncertainty, including actions by the Trump Administration to restructure and pause financial aid programs, safeguarding students from instability is vital. AB 2422 protects our students and ensures that they are not punished for circumstances beyond their control.”

The author states that, “California—home to the largest higher education system in the nation—has a duty to support students at every step of their education. AB 2422 protects students from fines when aid is delayed, making higher education more affordable, fair, and accessible for all.”

Additionally, the author contends that, “voluntary institutional ‘grace periods’ are inconsistent across California’s 116 community colleges and 23 CSU campuses. Research indicates that financial uncertainty is the primary driver for students ‘stopping out,’ with 56% of adult learners and 20% of all students citing financial stress as the reason for dropping out. Legislation is required to codify a uniform state standard, ensuring that a student’s enrollment status is protected statewide, regardless of which public or state-funded private institution they attend.”

This measure requires specified postsecondary institutions, beginning in the 2027–28 academic year, to provide protections for students whose financial aid awards are delayed due to factors outside their control by extending deadlines and prohibiting punitive actions.

The FAFSA. There are currently three kinds of Cal Grants, A, B and C, of which eligibility is determined by the FAFSA or the CADAA, a student’s verified Cal Grant GPA, the type of California colleges a student listed on their FAFSA, and whether they are a recent high school graduate. Students are considered for a Cal Grant A, B, or C after they either establish eligibility for an Entitlement award (if they graduated from high school less than one year ago or transfer from a community college before age 28) or secure one of a limited number of Competitive awards (for any students that do not qualify for an Entitlement).

Federal changes. As part of federal COVID-19 related legislation signed into law in late December 2020, the process for applying for and receiving federal aid was simplified. The federal changes, initially were to commence with the 2023-24 academic year. However, the changes were delayed in June 2021, and went into effect commencing with the 2024-25 academic year. In part, the changes do the following:

- 1) *Simplify the FAFSA form.* The FAFSA is the form students need to complete in order to receive any financial aid from the federal government to help pay for college.

Each year, over 13 million students who file the FAFSA get more than \$120 billion in grants, work-study, and low-interest loans from the USDE. Additionally, many states, including California, and colleges use the FAFSA to determine which students will receive state and institutional financial aid—and how much they will receive.

Simplifying the FAFSA was to not only make the form easier to fill out by eliminating two-thirds of the questions, but to also affect the determination of financial need for low, middle, and high-income students.

- 2) *Change the Expected Family Contribution (EFC) to the Student Aid Index (SAI).* While the SAI is similar in nature to the EFC, according to the Institute for College Access and Success, the name change will more accurately reflect the meaning of the calculation when determining student aid eligibility rather than an expectation of what a family can afford to pay for college. Under the new model, a student applicant's SAI can be as low as -\$1,500; whereas, the lowest EFC under the existing model is \$0.

Committee Staff understands that the goal of the negative SAI is to provide states and postsecondary institutions of learning a more nuanced picture of student need in order to best target institutional and campus-based aid.

- 3) *Change how Pell Grant eligibility will be determined.* Using the simplified FAFSA form, the Pell Grant amounts will generally be determined by subtracting the SAI from the maximum Pell Grant award. Students who have a negative or zero SAI will receive the maximum amount available.

Applicants whose family adjusted gross income (AGI) fall below a specified percentage of the federal poverty level, will be guaranteed eligibility (regardless of their SAI). Further, applicants whose family AGI is up to 225% of the federal poverty level could also be eligible for the maximum award, and up to 400% of the federal poverty level for the minimum Pell award.

Committee Staff understands that this additional eligibility layer is intended to enable students and families to make a simpler and earlier determination of their Pell eligibility than what was possible under the former system.

Continued challenges with the rollout of the new FAFSA application. As noted in the *Federal changes* section of this analysis, the U.S. Department of Education (USDE) made myriad changes to the federal FAFSA. While the changes seek to simplify the application form by reducing the number of questions students and families need to answer and transfer data directly from their previous tax filings, after over a year delay in implementing or launching the form, the

USDE still did not release the new form for the 2024-25 award year until three months later than all prior years (released on December 30, 2023 instead of October 1, 2023).

The USDE, on March 12, 2024, announced that it had made long-awaited technical updates that would enable mixed-status families to submit the FAFSA. However, the USDE also indicated that it had, “uncovered separate issues that still need to be resolved.”

The 2025-26 cycle was also delayed. The USDE announced on August 7, 2024, that the upcoming FAFSA form would not be open to all students until December 1, 2024 – about two months later than the typical release date. There was also a phased rollout, including a testing period in which a limited number of students and institutions had access to the form beginning October 1, 2024, as a way to preventively address potential problems before it officially went live.

Committee Staff understands that students who were a part of that test period did not have to resubmit their form when it officially opened to everyone else.

Committee comments and amendments. As stated by the author, “existing law mandates the reporting of financial aid awards but lacks consumer protections for students during the period between aid eligibility and actual disbursement. Current statutes do not prohibit institutions from taking punitive academic or financial actions when a student is waiting for state-authorized funds. This creates a protection gap where a student's right to remain enrolled is contingent on the processing speed of government and institutional bureaucracies rather than their eligibility for aid.”

While this measure appears to promote flexibility for students, it may introduce an operational complexity for institutions managing large student populations and high volumes of financial aid transactions. Further, as drafted, additional standardization and guidance on how campuses are to implement this measure will strengthen the provisions of the measure. In keeping with the intent of the author and being cognizant of staffing shortages at various campuses, *the Committee recommends, and the author has agreed to accept, the following amendments:*

69509.8. (1) Extend enrollment deadlines that may result in a student receiving a hold or being dropped from a class, **through the end of the academic term in which the delay occurs or until the funds are received. Once the funds arrive, the enrollment deadlines extension ceases.**

(2) Extend financial deadlines for all required payments related to enrollment fees and costs, through the end of the academic term in which the delay occurs if deemed necessary by the institution. The deadline extension only applies to the amount of financial aid award that has been delayed.

(b) For purposes of this section, the following definitions apply:

(2) “Financial aid award” includes, but is not limited to, scholarships, grants, and loans. institutional, state, and federal aid sources.

(4) A postsecondary educational institution may require documentation for students to verify delays in funding from private scholarships, grants, and loans.

(c) If a financial aid award is delayed due to factors that are outside of the student's control beyond the term in which the delay occurred, a postsecondary educational institution may require documentation to renew enrollment and financial aid award while the delay continues

Arguments in support. According to the Alliance for Children's Rights, "AB 2422 addresses a clearly documented and ongoing problem in California and nationally: systemic delays in federal, state, and institutional financial aid processing that can result in students being dropped from courses, charged late fees, or blocked from enrollment through no fault of their own. The bill establishes overdue guardrails to ensure that students are not penalized for administrative failures they did not cause."

Prior legislation. AB 313 (Ortega), Chapter 31, Statutes of 2025, in part, allows CSAC to extend by 30 calendar days the application deadline for any financial aid program administered by CSAC if it determines that a delay in the opening of the FAFSA has occurred.

REGISTERED SUPPORT / OPPOSITION:

Support

Alliance for Children's Rights
Los Angeles Unified School District
The California Center for Civic Participation
What We All Deserve (Sponsor)

Opposition

None on file.

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