

ASSEMBLY THIRD READING
AB 2422 (Caloza)
As Amended April 16, 2026
Majority vote

SUMMARY

Requires the California State University (CSU), each community college district (CCD), private postsecondary educational institution, and independent institution of higher education receiving state financial assistance, and requests the University of California (UC), beginning with the 2027-28 academic year, to extend enrollment and fee deadlines and refrain from imposing punitive actions for a student whose financial aid award is delayed due to factors outside the student's control.

Major Provisions

- 1) Requires the CSU, CCDs, and state-aided independent institutions to, and requests the 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) Authorizes the UC, CSU, CCDs, and state-aided independent institutions that receive state financial assistance to do either or both of the following:
 - a) Require documentation for students to verify delays in funding from private scholarships, grants, and loans; and,
 - b) 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, require documentation for the student to renew enrollment and the financial aid award while the delay continues.
- 3) 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.
- 4) Defines "punitive actions" to include:
 - a) Dropping or restricting enrollment;
 - b) Charging late fees or interest; and,

- c) Placing administrative or transcript holds.
- 5) Defines "financial aid award" to include, but not be limited to, institutional, state, and federal sources.

COMMENTS

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.
- 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.

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.

According to the Author

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.

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."

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Committee on Higher Education:

- 1) One-time Proposition 98 General Fund costs between \$1.1 million and \$2.2 million for all 72 CCDs, cumulatively statewide, to update financial aid policies as needed. According to the California Community Colleges Chancellor's Office, this estimate assumes an average costs of between \$15,000 and \$30,000 per district.
- 2) Minor and absorbable costs to the CSU and UC to update financial aid policies as needed.

VOTES**ASM HIGHER EDUCATION: 9-0-1**

YES: Fong, DeMaio, Boerner, Jeff Gonzalez, Jackson, Muratsuchi, Patel, Sharp-Collins, Tangipa

ABS, ABST OR NV: Celeste Rodriguez

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

VERSION: April 16, 2026

CONSULTANT: Jeanice Warden / HIGHER ED. / (916) 319-3960

FN: 0002820