

The Texas Education Agency (TEA) proposes an amendment to §74.1023, concerning the financial aid application requirement for high school graduation. The proposed amendment would reflect statutory requirements and update the methods of proof to verify completion of a financial aid application.

BACKGROUND INFORMATION AND JUSTIFICATION: Texas Education Code (TEC), §28.0256, requires a student to complete a financial aid application, either the Free Application for Federal Student Aid (FAFSA) or the Texas Application for Student Financial Aid (TASFA), in order to graduate. The statute provides an exception for students to opt out of the financial aid application requirement by submitting a form signed by a parent, guardian, or student aged 18 years old or older that authorizes the student to decline to comply with the financial aid application graduation requirement. A high school counselor may also authorize a student to decline to comply with the financial aid application graduation requirement for good cause. The opt-out form must be approved by TEA. Additionally, the statute prohibits a counselor from indicating that a student has not complied with the financial aid requirement if the school district or open-enrollment charter school has not provided an opt-out form to the student or student's parent or legal guardian and prohibits a counselor from indicating the manner in which a student met the requirement, except for the purpose of complying with reporting requirement under TEC, §28.0256(e)(2).

The proposed amendment to 19 TAC §74.1023 would align the rule with statute. The proposed amendment would update the methods of proof for verification that a student has completed the financial aid application requirement for graduation; prohibit a counselor from indicating that a student has not complied with the financial aid requirement if the school district or open-enrollment charter school has not provided an opt-out form to the student or student's parent or legal guardian; and prohibit a counselor from indicating the manner in which a student met the requirement, except for the purpose of complying with reporting requirement under TEC, §28.0256(e)(2).

FISCAL IMPACT: Monica Martinez, associate commissioner for standards and programs, has determined that for the first five-year period the proposal is in effect, there are no additional costs to state or local government, including school districts and open-enrollment charter schools, required to comply with the proposal.

LOCAL EMPLOYMENT IMPACT: The proposal has no effect on local economy; therefore, no local employment impact statement is required under Texas Government Code, §2001.022.

SMALL BUSINESS, MICROBUSINESS, AND RURAL COMMUNITY IMPACT: The proposal has no direct adverse economic impact for small businesses, microbusinesses, or rural communities; therefore, no regulatory flexibility analysis, specified in Texas Government Code, §2006.002, is required.

COST INCREASE TO REGULATED PERSONS: The proposal does not impose a cost on regulated persons, another state agency, a special district, or a local government and, therefore, is not subject to Texas Government Code, §2001.0045.

TAKINGS IMPACT ASSESSMENT: The proposal does not impose a burden on private real property and, therefore, does not constitute a taking under Texas Government Code, §2007.043.

GOVERNMENT GROWTH IMPACT: TEA staff prepared a Government Growth Impact Statement assessment for this proposed rulemaking. During the first five years the proposed rulemaking would be in effect, it would expand an existing regulation by adding to the methods of proof of compliance, specifying what a school counselor can report about a student's compliance with the requirement, and establishing that a counselor may not indicate that a student has not complied with the requirement if the school district or charter school did not provide the form.

The proposed rulemaking would not create or eliminate a government program; would not require the creation of new employee positions or elimination of existing employee positions; would not require an increase or decrease in future legislative appropriations to the agency; would not require an increase or decrease in fees paid to the agency; would not create a new regulation; would not limit or repeal an existing regulation; would not increase or decrease the number of individuals subject to its applicability; and would not positively or adversely affect the state's economy.

PUBLIC BENEFIT AND COST TO PERSONS: Ms. Martinez has determined that for each year of the first five years the proposal is in effect, the public benefit anticipated as a result of enforcing the proposal would be to clarify

the appropriate use of student information for the financial aid application reporting requirement in Texas Student Data System Public Education Information Management System and expand the methods by which compliance maybe demonstrated.

DATA AND REPORTING IMPACT: The proposal would have no data and reporting impact.

PRINCIPAL AND CLASSROOM TEACHER PAPERWORK REQUIREMENTS: TEA has determined that the proposal would not require a written report or other paperwork to be completed by a principal or classroom teacher.

PUBLIC COMMENTS: TEA requests public comments on the proposal, including, per Texas Government Code, §2001.024(a)(8), information related to the cost, benefit, or effect of the proposed rule and any applicable data, research, or analysis, from any person required to comply with the proposed rule or any other interested person. The public comment period on the proposal begins February 6, 2026, and ends March 9, 2026. A request for a public hearing on the proposal submitted under the Administrative Procedure Act must be received by the commissioner of education not more than 14 calendar days after notice of the proposal has been published in the *Texas Register* on February 6, 2026. A form for submitting public comments is available on the TEA website at [https://tea.texas.gov/About_TEA/Laws_and_Rules/Commissioner_Rules_\(TAC\)/Proposed_Commissioner_of_Education_Rules/](https://tea.texas.gov/About_TEA/Laws_and_Rules/Commissioner_Rules_(TAC)/Proposed_Commissioner_of_Education_Rules/).

STATUTORY AUTHORITY. The amendment is proposed under TEC, §28.0256(a), which requires each student to complete and submit a FAFSA or a TASFA before graduating from high school; TEC, §28.0256(b), which allows a student to formally opt out of the financial aid application requirement by submitting a TEA-approved form; TEC, §28.0256(c), which requires that the adopted opt-out form provide the option for the student's parent or legal guardian, as applicable, to decline to complete and submit an application; TEC, §28.0256(d), which prohibits a counselor from indicating that a student has not complied with the financial aid application requirement if the school district or open-enrollment charter school has not provided the adopted opt-out form to the student or student's parent or legal guardian. Additionally, TEC, §28.0256(d), establishes that a counselor may indicate the manner in which a student complied with the financial aid application requirement only as necessary for the district or school to comply with reporting requirements under TEC §28.0256(e)(2); and TEC, §28.0256(d) and (e)(2), which add open-enrollment charter schools to the financial aid application requirements.

CROSS REFERENCE TO STATUTE. The amendment implements TEC, §28.0256(a)-(e).

<rule>

§74.1023. Financial Aid Application Requirement for High School Graduation.

- (a) In accordance with Texas Education Code (TEC), §28.0256, beginning with students enrolled in Grade 12 during the 2021-2022 school year, a student shall complete and submit a free application for federal student aid (FAFSA) or a Texas application for state financial aid (TASFA) as a requirement for receiving a high school diploma except as otherwise provided by subsection (b) of this section .
- (b) A student may graduate under the Foundation High School Program without completing a financial aid application [~~opt out of the financial aid application requirement in subsection (a) of this section~~] under one of the following conditions:
 - (1) the student's parent or other person standing in parental relation submits a signed form indicating that the parent or other person declines or authorizes the student to decline to complete and submit the financial aid application;
 - (2) the student signs and submits the form described by paragraph (1) of this subsection on the student's own behalf if the student is 18 years of age or older or is emancipated under the Texas Family Code, Chapter 31; or

- (3) a school counselor signs and submits the form described by paragraph (1) of this subsection indicating that the school counselor authorizes the student to decline to complete and submit the financial aid application for good cause, as determined by the school counselor.
- (c) The board of trustees for each school district and open-enrollment charter school shall adopt the standard opt-out form provided by the Texas Education Agency (TEA) for the purpose of the exceptions under subsection (b) of this section.
- (1) The opt-out form shall be available in English, Spanish, and any other language spoken by a majority of the students enrolled in a bilingual education or special language program under TEC, Chapter 29, Subchapter B, in the district or charter school. Districts and charter schools are responsible for translations not provided by TEA.
- (2) The opt-out form must include the student's signature of intent in order for the student to decline to complete a financial aid application prior to the student's anticipated graduation date.
- (d) Each school district and open-enrollment charter school shall provide students with the following notifications regarding the financial aid application requirement.
- (1) Standard information regarding the financial aid requirement and the exceptions under subsection (b) of this section shall be provided at the time a student first registers for one or more classes required for high school graduation.
- (2) Detailed information regarding instructions for the completion and submission of a financial aid application shall be provided to a student at the beginning of Grade 12 or at the time a student in Grade 12 transfers into a high school from a non-public school or a public school outside of Texas. The instructions shall include:
- (A) an explanation of the FAFSA and TASFA and the difference between the two;
- (B) instructions for how to access the FAFSA and TASFA, including key dates and deadlines for completion and submission;
- (C) resources available to support completion and submission of the FAFSA and TASFA;
- (D) documents and information required to complete the FAFSA or TASFA; and
- (E) contact information for school staff or local community resources available to support completion of the forms.
- (3) Options available to a student under subsection (b) of this section if a student or parent wishes to decline to complete and submit a financial aid application shall be provided to a student at the beginning of Grade 12 or at the time a student in Grade 12 transfers into a high school from a non-public school or a public school outside of Texas. The options shall include:
- (A) the opt-out form and explanation of required signatures; and
- (B) notification that if the parent or student chooses to opt out for the purposes of the student's graduation, the student will still be eligible to complete the FAFSA or TASFA that year or in subsequent years.
- (e) Each school district and open-enrollment charter school shall require one of the following methods of proof that a student has completed and submitted the FAFSA or TASFA as required by this section.
- ~~[(1) — Completion and submission of the financial aid application [FAFSA] shall be confirmed through one of the following methods:]~~
- (1) ~~[(A)]~~ ApplyTexas Counselor Suite financial aid application ~~[FAFSA]~~ data;
- (2) ~~[(B)]~~ notification from the United States Department of Education or the Texas Higher Education Coordinating Board that demonstrates a student has completed and submitted a financial aid application ~~[FAFSA]~~ ; or

- (3) ~~[(C)]~~ a local policy developed by a school district or an open-enrollment charter school for the method by which a student must provide proof that the student has completed a financial aid application [FAFSA] .
- ~~[(2) — School districts and open enrollment charter schools shall develop a local policy for the method by which a student must provide proof that the student has completed a TASFA.]~~
- (f) ~~A school counselor may only notify a school district or open-enrollment charter school whether a student has complied with this section for purposes of determining whether the student meets high school graduation requirements and may not indicate the manner in which the student complied, except as necessary for the district or charter school to comply with Texas Student Data System Public Education Information Management System (TSDS PEIMS) reporting requirements under subsection (e) of this section.~~
- (g) ~~A school counselor may not indicate that a student has not complied with the financial aid application graduation requirement if the school district or open-enrollment charter school fails to provide the opt-out form described by subsection (c) of this section to the student or the student's parent or guardian.~~
- (h) ~~[(f)]~~ Each school district and open-enrollment charter school shall report through the TSDS PEIMS ~~[Texas Student Data System Public Education Information Management System (TSDS PEIMS)]~~ the following information not later than December 1 of each school year for students awarded diplomas in the previous school year:
- (1) the number of students who completed and submitted a financial aid application; and
 - (2) the number of students who submitted an exception.
- (i) ~~[(h)]~~ Each school district and open-enrollment charter school shall maintain student financial aid application information securely and ensure compliance with federal law regarding the confidentiality of student educational information, including the Family Educational Rights and Privacy Act of 1974 (20 U.S.C. Section 1232g), and any state law relating to the privacy of student information.