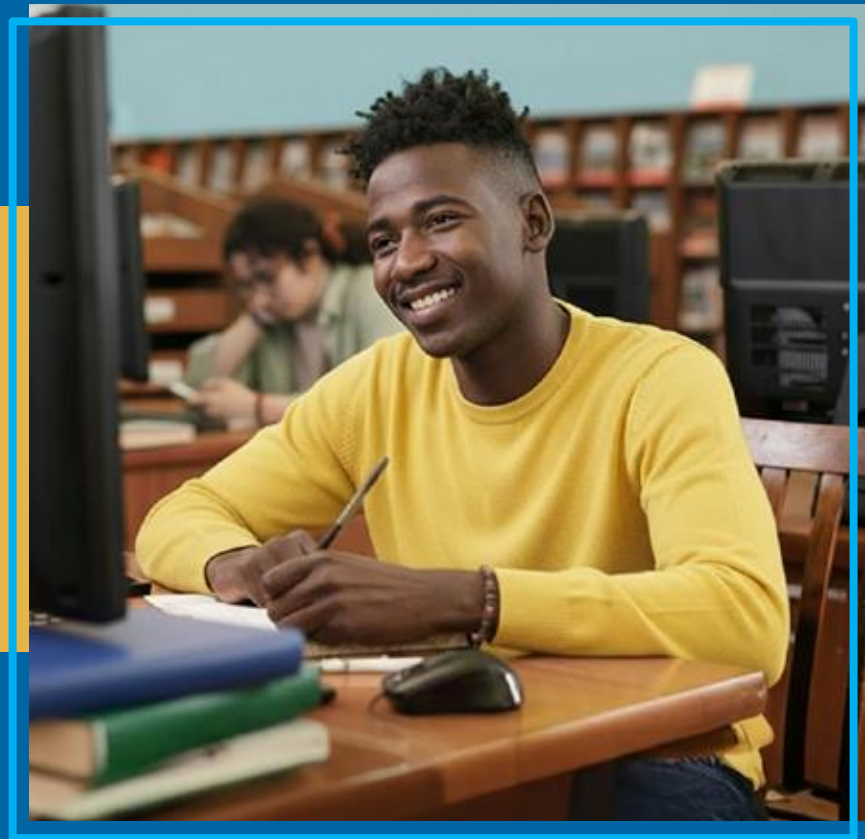




Public School Students First

Ensuring the Federal Scholarship Tax Credit (FSTC) Works for Public School Students

Wednesday, September 23, 2026
2:00 PM - 3:00 PM ET



Goals

- Raise awareness and understanding about the Federal Scholarship Tax Credit (FSTC)
- Outline some ways FSTC funds could support students in public schools
- Define the need for evidence to guide decisions
- Elevate some of the questions states and SGOs should consider for implementation

Panelists



Sarah Glover
Moderator
Southern Education Foundation



Raymond Pierce
President and CEO,
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Harvard University



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Director, Edunomics Lab and Research Professor,
Georgetown University

What is the Federal Scholarship Tax Credit?



The Structure	SGOs	Eligible Expenses
• Created as part of the One Big Beautiful Bill Act (H.R. 1). • This is a credit of up to \$1700. It is a direct reduction of a donor's federal tax liability. • Uncapped, permanent program • States have to opt in annually Sources: 26 USC 25E and 26 USC 530	• Taxpayers give to Scholarship Granting Organizations (in any state) • SGOs pay “scholarships” of any size for eligible students • Families must be less than 300% of AMGI to be eligible for scholarships • Each SGO must give to >10 students at 2 or more schools • SGOs approved by states annually	• Support students in elementary and secondary public, private or religious schools • Tutoring, fees, academic tuition, special needs services, books, supplies, and other equipment • Room and board, uniforms, transportation, and supplementary items and services (including extended day programs) • Computer technology or equipment or Internet access & related services

Concerns



- Annual state opt-in, annual SGO approval and inconsistent donations may make it hard to plan and serve students year-to-year
- No reporting requirements or quality standards for SGOs or providers
- May divert pressure from states to update and improve core K-12 school funding formulas
- Not targeted to students in low-income households
- Fees and attendance related to Pre-K enrollment/attendance unlikely to be an allowable use

How much money could be involved for public schools?



*There are > 100 M taxpayers eligible for the tax credit. Each can send \$1,700 to their preferred SGO.
Max dollars at stake: average over \$3,000 per K-12 student if everyone participated.*



What could a Scenario #3 look like?

Scenario #3:

Every student participates in a bundled set of “enhanced” services

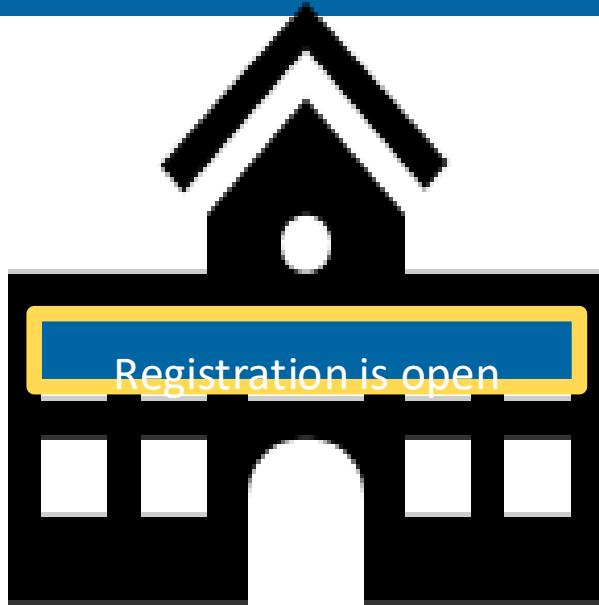
- ✓ District sets fee for bundled services regardless of individual usage of each.
- ✓ Goal is that every student sign up with nearly all receiving scholarships.
- ✓ Services serve as an integrated enhancement to basic schooling.
- ✓ Bundled services could not include anything required by the state’s minimum requirements for public ed.
- ✓ Those over 300% of AMGI would pay or get scholarships elsewhere. (PTA?)

ABC Unified now offers
“K12 Plus Plan”
to all enrollees

Plan includes: access to field trips, devices, assemblies, clubs, drop-in math office hour, orientations, electives, in-school tutoring, mental health, etc.

Plan tuition: \$1,000 per student. Through an affiliated SGO, the district has secured full scholarships for all families earning under \$300K.

How would students sign up to access scholarships?



For Scenario #3:

- ✓ District (likely together with the SGO) sets price based on eligible scholarship funds.
- ✓ Eligible students sign up and complete the scholarship form as part of registration.
- ✓ District coordinates scholarships with affiliated SGO.

How would public schools (with their SGO) make the case to donate?

“Donating a portion of your federal taxes to our SGO helps us go beyond the bare minimum to better serve our students.”

“This program allows us to invest in our schools without further raising local taxes.”

“Instead of sending all your tax dollars to DC, you can help us keep some of those dollars local.”



Employers are key to growing revenue.

We anticipate higher taxpayer participation when employers enable monthly payroll deductions to SGOs alongside full offset of federal tax withholding for no impact on monthly take-home pay. Participation by 1 of 3 eligible local taxpayers would generate ~\$1,000 per pupil.



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First Edition Morning 8th June

USD employees can now “auto-donate” \$117 per month to our SGO. Workers see reduced federal withholding from paychecks for a cost-free donation.



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USD partners with major employers to expand “auto-pay plus reduced withholding” option.



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USD replaces popcorn sales with a drive to sign up local and distant relatives for federal tax credit plan.



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First Edition Morning 8th June

Labor unions nudge employers and workers to access auto tax credit plan.



THANK YOU

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A banner for the Certificate in Education Finance at Georgetown University. The top section is a blue header with the text "Certificate in Education Finance" and "GEORGETOWN UNIVERSITY" in white. Below the header is a photograph of the U.S. Capitol building at sunset. In the bottom left corner, there is a green box with the "EDUNOMICS LAB" logo and the tagline "The Study of Education Finance". In the bottom right corner, there is a blue box with the registration link "Register at: edunomicslab.org/certificate-in-education-finance". On the right side, there is a red box with the text "2027 Cohorts:" followed by two white boxes listing the cohorts: "Los Angeles, CA FEBRUARY 9-10" and "Washington, DC FEBRUARY 24-25".



Center for Education Policy Research
HARVARD UNIVERSITY

FEDERAL EDUCATION TAX CREDIT

Evidence as the Guardrail

Making the new federal tax credit work for public school students

Dr. Christina Grant

Executive Director, Center for Education Policy Research at Harvard University

The program at a glance

\$1,700

Maximum federal credit per taxpayer for gifts to scholarship granting organizations

2027

Credit begins January 1, and only in states that opt in and list their SGOs

300%

Of area median income is the eligibility ceiling, so most families qualify

~30

States in or on their way. Two have declined and the rest are deciding

Qualifying expenses go beyond tuition: **tutoring, instructional materials, and special needs services** for public school students.

Sources: IRS; U.S. Treasury; Bipartisan Policy Center; Education Commission of the States. State count as of mid-2026.



Center for Education Policy Research

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Same dollars, different design

WHAT DISAPPOINTED AT SCALE

Scholarship to find a tutor on the open market

- Optional and on demand
- After school, low attendance
- Disconnected from classroom instruction
- Students who need it most are least likely to show up

WHAT THE RESEARCH SUPPORTS

Program embedded in the school day

- Three or more sessions a week
- Small groups with a consistent tutor
- Aligned to classroom instruction
- Routed through a district partner or education foundation

Financial accountability is not educational accountability. **The difference is a design choice, and states get to make it.**



How states can evaluate this policy

1 Reach

Who received scholarships compared to who was eligible?

2 Delivery

What did students get? Sessions attended, not sessions purchased.

3 Impact

Did recipients gain more than comparable students who did not participate?

4 System effects

Did the money add to what students receive, or substitute for it?

Build it before January 1: data sharing as a condition of the SGO list, scholarship records linked to state data, lotteries when demand exceeds dollars, and an independent evaluator who reports publicly every year.



What evidence-committed SGOs do

WHY, WHEN NOTHING REQUIRES IT

- Donors choose among SGOs
- States control the list
- Unproven programs are politically fragile

Keep it affordable: share one evaluator across SGOs.

- | | |
|------------------------------------|---|
| 1 Fund designs, not vendors | Screen services against ESSA evidence tiers |
| 2 Deliver through schools | Embed services in the school day with district partners |
| 3 Track dosage and outcomes | Use attendance logs and district assessments |
| 4 Pay for results | Tie provider payment to attendance and growth |
| 5 Report beyond the audit | Publish who was served, what they got, what changed |

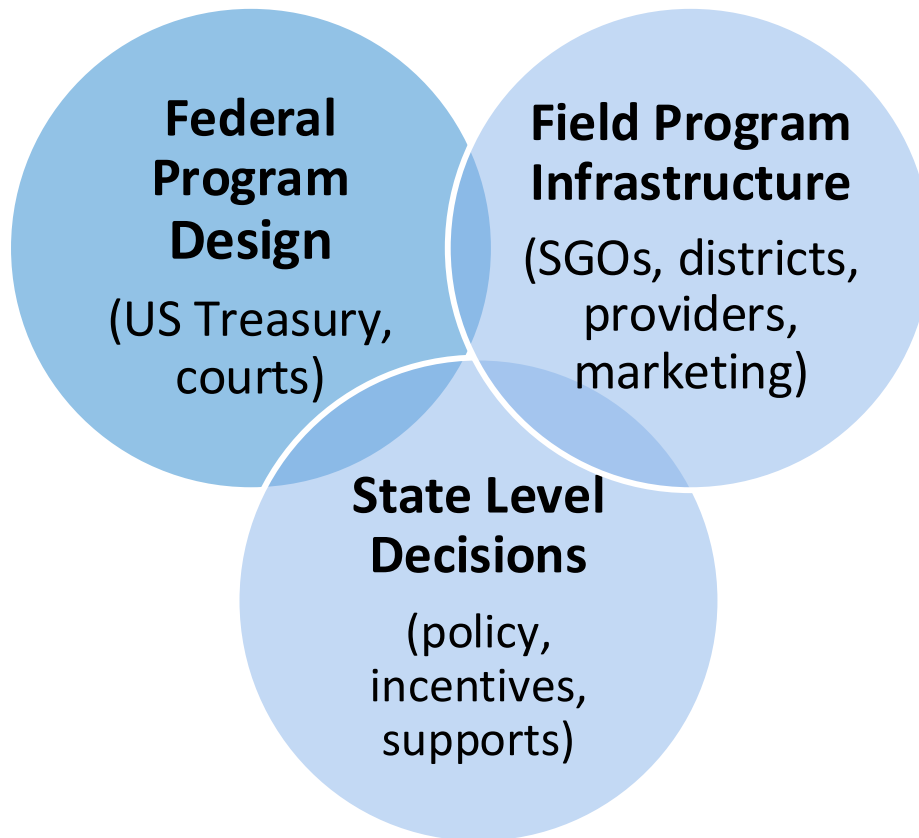
Still to come: Treasury proposed regulations, guidance on qualifying expenses, and a public comment period.



Our Approach

- EdCounsel's goal *in FSTC-participating states* is to maximize benefits (and minimize risks) for **public school students** (particularly disadvantaged students) via the widest possible array of **educational supports and opportunities**.
- This will depend on **significant action** – including federal policy, state strategy, and public infrastructure (e.g. SGOs, service providers, school districts, and communications).
- EdCounsel is working to support **aligned leaders** in this exploratory period through legal and policy support, convening the field, providing frameworks and TA, etc.

Areas for Action: What Is Needed



Set a Goal and Strategy to Support Public School Students

**Align State
Government
Policies and
Practices**



**Support
Infrastructure**



**Develop
Communication
Campaigns and
Incentives**

Annual Opt-in

- **Governor** (or other state official designated under state law) decides whether to opt in to the FSTC **each year**.
- Must elect to opt in and provide Treasury with a **list of eligible SGOs** in the state (states unlikely to have much influence over list)
- **January 1st** deadline, but may be later in the first year (2027)
- Considerations:
 - developing a specific process for deciding **if and when to make opt-in or opt-out decisions**
 - what **data and feedback** will be used to inform opt in/out decisions, and how it will be collected and reviewed
 - developing a process for **regulating, approving, and monitoring SGOs**

Equity

- Relying on individual contributions from donors with sufficient tax liability to qualify for the tax credit means **more individuals in wealthier communities may be willing and able to make donations** than in lower income and rural communities.
- Without **intentional policies and structures** in place, this could lead to inequitable access to scholarship resources across the state.
- Strategies:
 - Prioritize scholarships such as for **students from low-income households** or in schools identified for **Comprehensive Support and Improvement**.
 - Support statewide SGOs which allows resources to be collected and **shared across a larger geographical area or directed to areas of need**
 - Protect public schools against **negative funding impacts**

Transparency

- Federal reporting requirements may be limited to **annual audits** (to be defined)
- States may be able to **request** or **require** (through **generally applicable laws**) additional data collection and reporting
- Data can be used to **support** and **improve** program implementation and drive **equity**
- States may want to collect data on:
 - programmatic (e.g., categories of students served or prioritized, types of eligible expenses covered),
 - financial (e.g., donations received, scholarships awarded, state and local public education investments),
 - participation (e.g., student demographics, participant satisfaction), and/or
 - outcome- or access-related factors (e.g., student test participation or scores, graduation rates, enrollment and attendance rates).

Q&A



Resources

- [Edunomics](#)
- [A Primer on the OBBBA Federal Scholarship Tax Credit](#)
- [State projections of eligible taxpayers](#)
- [Congressional Research Service Summary](#)
- [AASA Webinar Series](#)
- [AGMI Income Limits](#)
- [National Coalition for Public Education AGMI info](#)
- [Public School Scholarship Granting Organization Toolkit](#) (AASA and NAEF)





Visit us online at
southerneducation.org
to learn more.



THANK YOU!