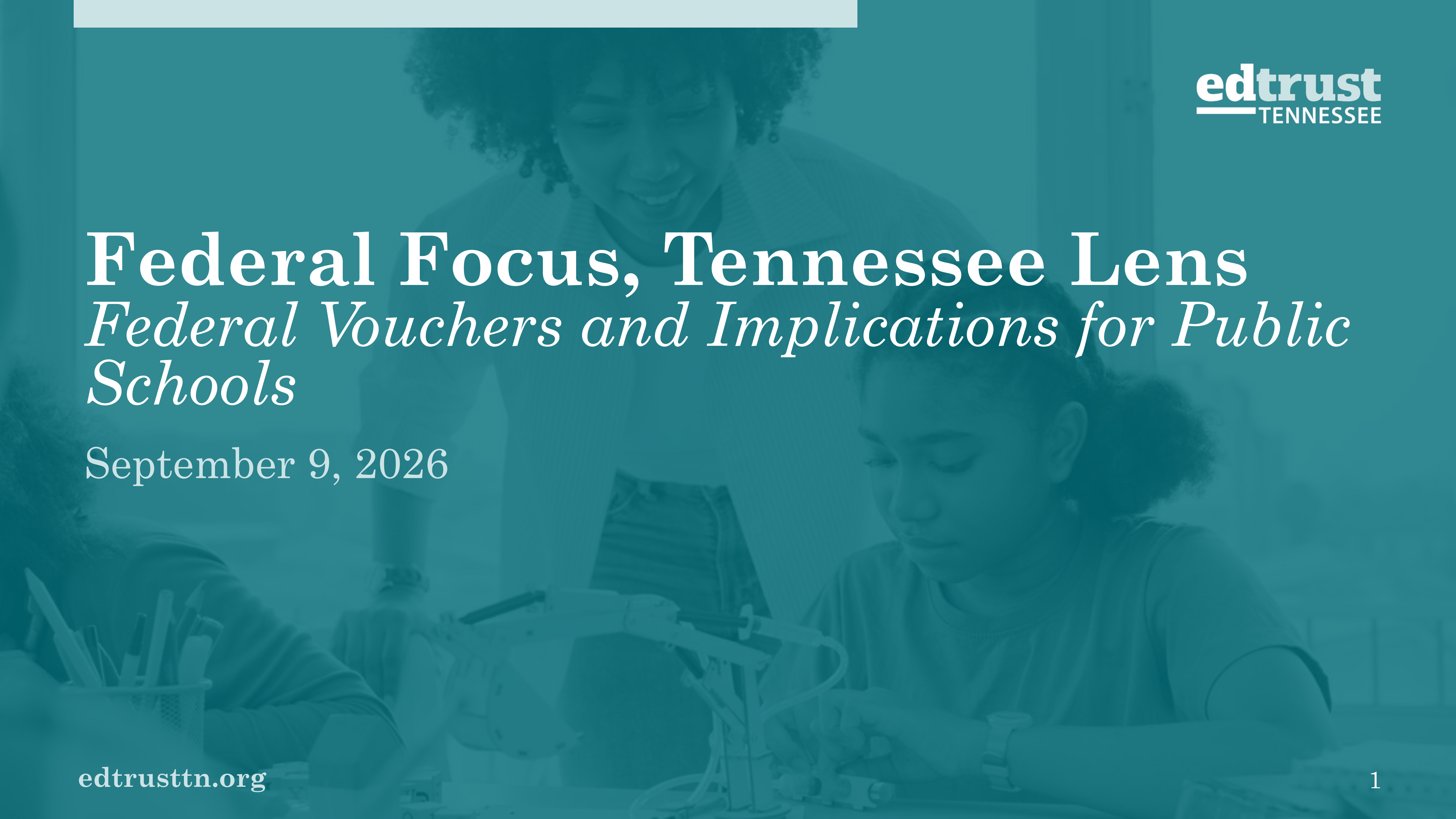


Federal Focus, Tennessee Lens

Federal Vouchers and Implications for Public Schools

September 9, 2026

STAND for children | TENNESSEE

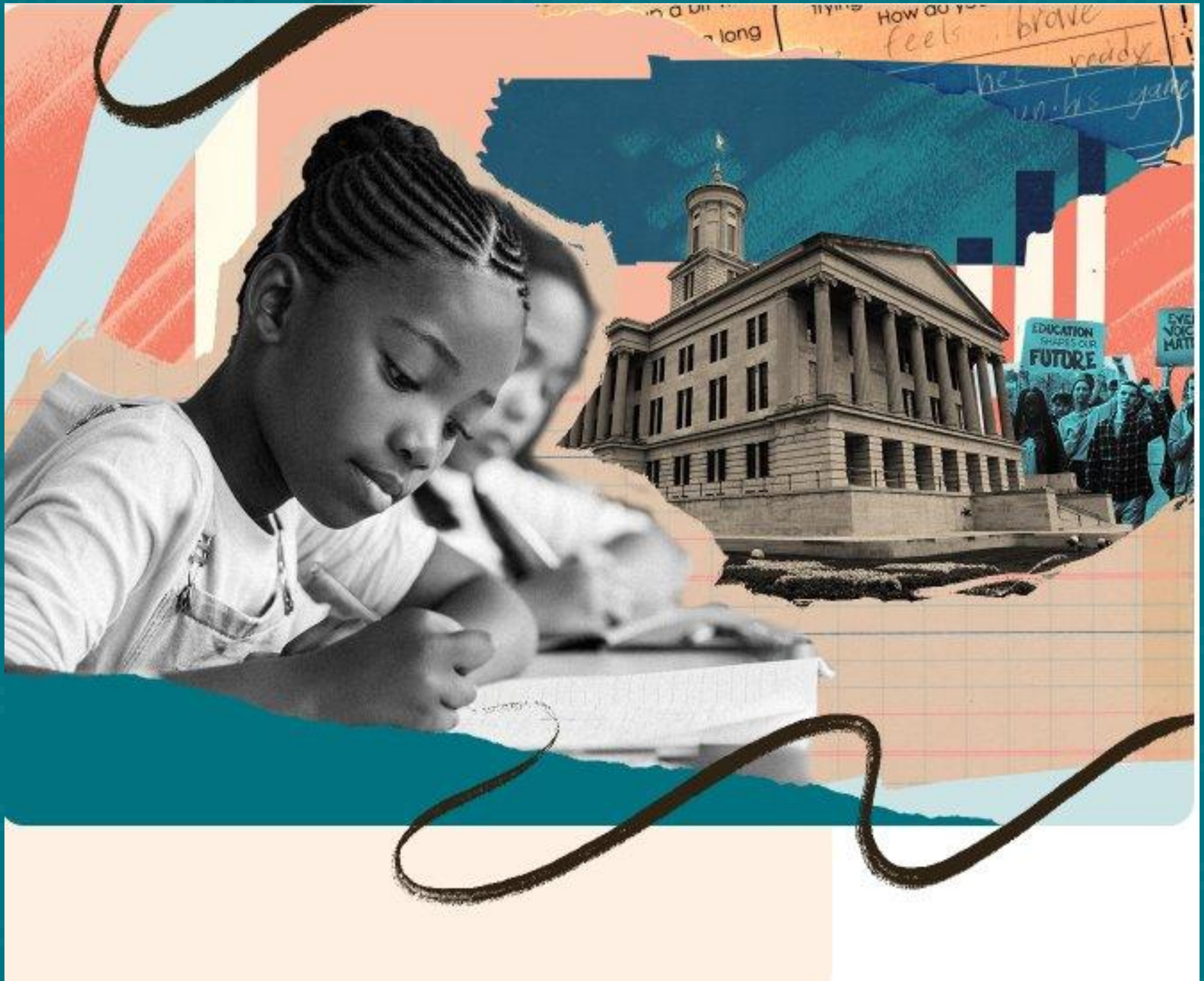
Who We Are

We organize parents, educators, and community members to win policy that gives every Tennessee student — especially Black, Latino, and low-income students — a real shot. We have opposed the diversion of public dollars to private school vouchers, and we still do.

edtrust TENNESSEE

Who We Are

Statewide advocates for equitable education for historically underserved students, from pre-K through college. EdTrust-TN brings research, funding-equity analysis, and a convening role across the state.



Today's Speakers

Alexza Barajas Clark, Ph.D.

Executive Director, EdTrust-Tennessee

Cardell Orrin

Executive Director, Stand for Children Tennessee

Nikkolette Hunter

Senior P-12 Policy Analyst, EdTrust-Tennessee

edtrust TENNESSEE

STAND for children | TENNESSEE

Alignment on Shared Values

We believe public funds should fund public schools exclusively.

We recognize the political reality we are in. Tennessee has opted-in and the program launches January 1, 2027.

While we oppose voucher programs, we are committed to learning about and advocating for new resources that may support public schools.

edtrust TENNESSEE

STAND for children | TENNESSEE

Equity Risks and Concerns

Overall Framing and Context

Equity Concerns

This tax credit raises real concerns about oversight, accountability, and whether it will primarily benefit private school students.

Implementation is happening

Tennessee has opted in, the program begins in 2027, and public school students are eligible.

The opportunity for public education

Through education, outreach, and targeted programming, we can work to make sure public school students have access to these new funds, too.

We Share Concerns About This Program

We share many of the concerns advocates have raised about this new federal program

Accountability and oversight: Significant questions remain about how funds will flow, who will benefit, and what safeguards will exist.

Public education funding:
We remain concerned about the implications for federal education spending and the continued expansion of private school voucher policies.

Equitable access:
Without intentional implementation, the students and communities with the greatest needs may be least likely to benefit.

Why We Remain Concerned

- **Potential impact on federal education funding.** As the program grows, Congress could reduce funding for other federal priorities, including education programs on which Tennessee relies.
- **Potentially weak oversight, transparency, and reporting.** Monitoring the new program overall and for fraud, waste, and abuse could be difficult.
- **Potential to accelerate voucher expansion.** Tennessee is already rapidly expanding private school vouchers and students may be able to benefit from both programs.
- **An uncertain fit for public schools.** The program reimburses expenses, while public schools are free by design. Important questions remain about how public schools can participate without charging families or jeopardizing other funding.

edtrust TENNESSEE

STAND for children | TENNESSEE

Why Should Advocates Engage?

Why Should Advocates Engage?

1. **This is a significant new stream of federal education funding.** Congressional estimates put the federal cost at roughly $26 billion over 10 years.

2. **Public school students are eligible to benefit.** We want to understand what it would take for those resources to reach students who could benefit most.

3. **Advocates have decisions to make.** Our goal today is to provide information so advocates can determine whether and how they want to engage.

A Few Important Notes and Caveats

Terminology: Many names are being used for the federal program. We are using Federal Voucher Tax Credit (FVTC). Other names include:

- Federal Scholarship Tax Credit (FSTC)
- Education Freedom Tax Credit (EFTC)
- Qualified Elementary and Secondary Education Scholarships
- Educational Choice for Children Act (ECCA)

The Rules Are Still Being Written: The U.S. Department of Treasury is still developing the final regulations for this program. We are sharing interim guidance and information, which could change. Look for Part 2 of this series once the regulations are released.

Our Approach: Engagement is not Endorsement

Engaging with this program does not change our position on vouchers. EdTrust-Tennessee believes public funds should fund public schools exclusively. We continue to have significant concerns about the design and potential consequences of the federal tax credit.

At the same time, the program is moving forward, Tennessee is participating, and public school students are eligible. We believe public education advocates should understand the program, assess its implications, and consider opportunities to ensure public school students are not left out.

We can oppose the federal policy while still working to protect public school students within the reality of its implementation.

edtrust TENNESSEE

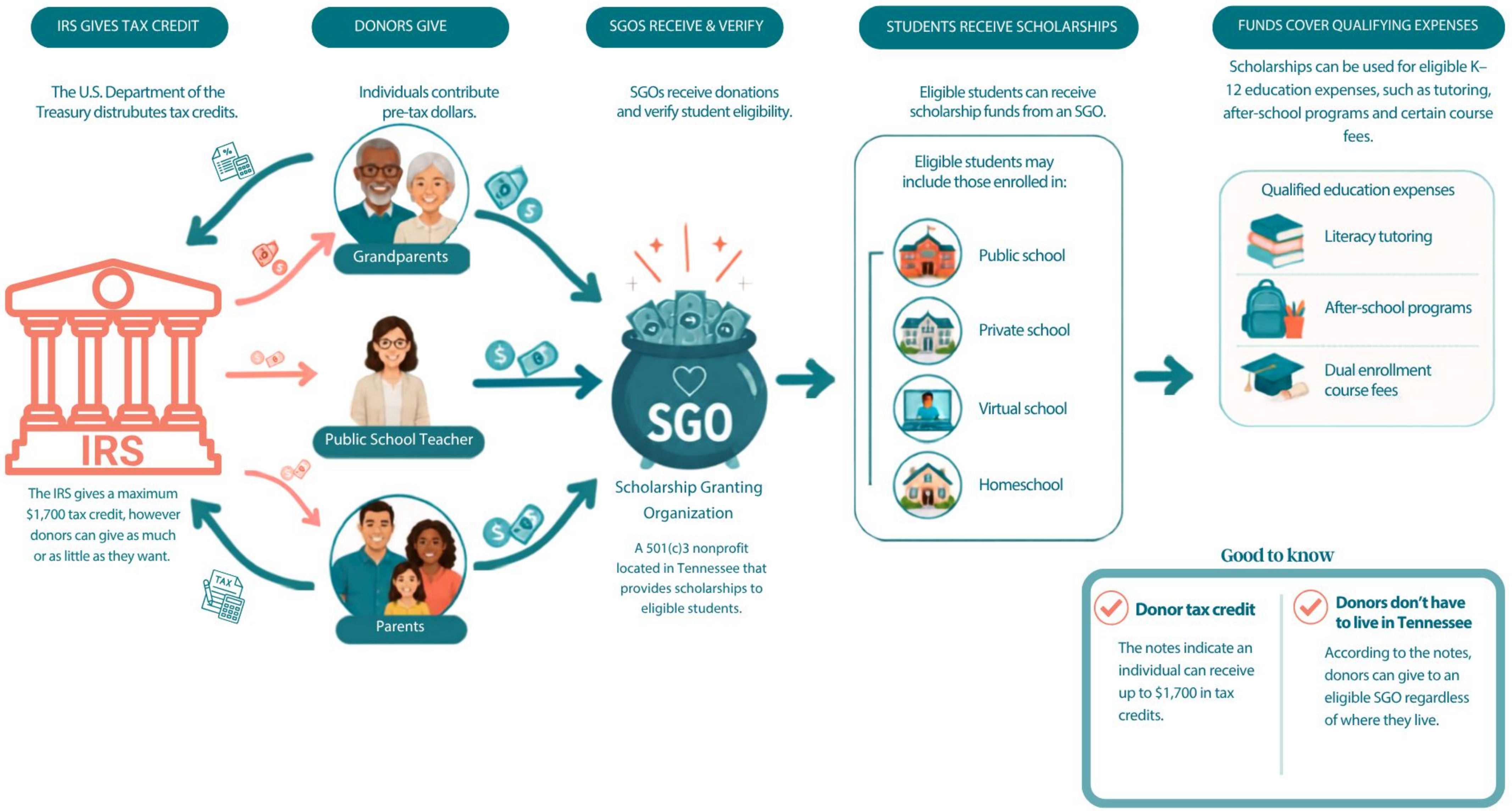
STAND for children | TENNESSEE

Today's Goal

Unpack the latest, albeit limited, information on the new federal tax credit with a Tennessee lens, uplift equity considerations, and help advocates prepare to engage when regulatory guidance is released

Overview of the Federal Tax Credit & Implementation Timeline

Visual of Federal Tax Credit Implementation



Defining Key Players and Terms

U.S. Treasury Department	Tennessee Governor	Tennessee General Assembly	Donors
• Administers the tax credit • Sets regulations for the program	• Gov. Lee opted Tennessee into the program • Each Governor must opt in or out annually	• Role not defined federally • Passed Public Chapter 720 designating the TN Dept. of Education (TDOE) to administer the program	• Participate in the tax credit ($1,700 per individual) • Choose eligible organization(s) to donate to • Do not have to reside in TN to give to TN orgs

Organization and Individual Eligibility

Scholarship-Granting Organizations (SGOs)	Students
• Must be 501(c)3 nonprofit organization, cannot be private foundations • Must be located in Tennessee • 90% of the organization's funds must be used to award scholarships (minimum 10 students attending at least 2 schools)	• Enrolled in K-12 school • Family income is no more than 3 times the Area Median Gross Income

Example:
Families with incomes **under $344,400** would be eligible in Middle Tennessee (Cannon, Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Trousdale, Williamson, Wilson counties)

Income Data Source: National Coalition for Public Education

Allowable Expenses and Funding

- SGOs allocate the scholarships and **decide the amounts**; they are responsible for **verifying student eligibility**

- Tax credit dollars can pay for **eligible expenses** connected to K-12 school enrollment. Examples of eligible expenses include:
  - Fees
  - Technology
  - Tutoring
  - Extended day programs

- School districts and public schools **cannot be direct recipients** of SGO funds
  - Districts would have to form their own SGO or partner with one or more SGOs

Timeline

September 2026	U.S. Treasury will release implementation guidance
2027	The Federal Tax Credit implementation begins January 1; Donors can donate to SGOs during this year
2028	Tennessee's Governor will again choose to opt in or out by January 1; Donors will receive tax credits when they file their 2027 taxes

edtrust TENNESSEE

STAND for children | TENNESSEE

Q&A

What This Could Mean for Public Schools

The Opportunity for Public Schools

More than 90% of Tennessee students attend public schools. If public education leaders, community organizations, and advocates engage early, some of these new resources could be directed toward programs that address real student needs.

- **We have an opportunity to identify high-impact supports that could initiate or scale initiatives to support student achievement, such as:**
    - K-3 High-Dosage Literacy Tutoring
    - After School Programs
    - Dual Enrollment Courses
    - Advanced Placement and Industry Credential Testing Fees
    - Devices & Home Internet

What could this mean at scale?

- This funding won't replace the need for strong, sustained public investment in our schools.
- Funding could support a targeted, well-designed intervention at meaningful scale.
- Intentional infrastructure development can ensure that public school students get their fair share of resources.

If an SGO funded…	Per student	Students	Total needed	Donors at $1,700
K-3 high-dosage literacy tutoring	$2,500	5,000	$12.5 million	~7,400
K-3 high-dosage literacy tutoring	$2,500	20,000	$50 million	~29,400
Summer learning programming	$1,200	10,000	$12 million	~7,100
Wraparound supports, students in foster care	$5,000	1,000	$5 million	~2,900
Devices and home internet	$600	15,000	$9 million	~5,300
AP, CTE, and industry certification fees	$300	25,000	$7.5 million	~4,400

Considerations for Advocates

- **There are different levels of potential involvement.** For example, you may be a service provider in your community who receives funding from an SGO.
- **The key organizations may already be in your community.** Local organizations may be trusted partners who can successfully leverage and deliver this program.
  - Guidance indicates if you want to be an SGO, you will need to set up a distinct 501(c)3
  - Potential SGOs may not be as evident in some places in Tennessee, like rural communities
- **The role TDOE and other policymakers will play in delivering the program is not clear.** This is a systems problem, and potentially an area for future advocacy.

Considerations for Public Schools

Scholarship Granting Organization

A 501(c)3 nonprofit located in Tennessee that provides scholarships to eligible students.

SGOs must fund students not schools, but public schools can leverage different players to ensure their students benefit including:

New SGOs

SCHOOL CREATES SGO TO FUND STUDENTS FOR SPECIFIC PROGRAM

Schools/ districts cannot be SGOs so they must work to form a qualified SGO before January 1, 2027. One way schools may consider doing this is by organizing to create an affiliated 501(c)3 that implements a literacy program for example. It is important to note that SGOs must serve two or more schools.

Established SGOs

EXISTING SGO WITH NO CONNECTION TO SCHOOL

Donors can also give to any SGO. Donors will want to do their due diligence into the trustworthiness of SGOs, any voluntary accountability practices they implement (e.g., data on who participates and outcomes), and how the funds are used.

Stakeholders

SCHOOLS COMMUNICATE THE PROGRAM AND THEIR SGO

Schools could encourage their community of stakeholders and advocates to participate in the tax credit program as donors. The communication from schools and stakeholders could identify specific SGOs that best meet their needs and relay that information to their audience as a way to encourage the flow of funds to public schools.

Fair and Effective Implementation at the State Level

In addition to the required rules and regulations, **Tennessee's Governor**, **Department of Education**, and other state policy makers can potentially:

- Provide **transparency and accountability reporting** about where funds are directed and if they are effective that go beyond minimum requirements
- Set **strategic goals** and align efforts toward SGOs that meet the goals and benefit public school students
- **Identify and scale access to high-quality SGOs** implementing evidence-based practices and targeting funds to public schools with greater needs, especially for districts who may struggle to identify and connect with an SGO
- **Help donors understand** the tax credit and how it can be used to serve public school students

Fair and Effective Implementation for SGOs

In addition to the required rules and regulations, **Scholarship Granting Organizations (SGOs)** can potentially:

- Commit to **sharing funding and outcome data** that goes beyond minimum requirements
- Serve students in public schools and prioritize **funding based on student needs**
  - For example, prioritize students from low-income backgrounds or English learners
- **Provide evidence-based interventions** aligned to state and local strategies to improve student outcomes
- **Help donors understand** the tax credit and connect to high-quality SGOs serving public school students

Fair and Effective Implementation for Donors

Donors and potential donors are well-positioned to improve the tax credit program by taking these steps:

- **Advocate for stronger data reporting** on spending and outcomes, as well as guardrails around fraud
- **Donate to SGOs that support public school students** and direct resources to students with greater needs
- **Hold SGOs accountable for partnerships** with districts and service providers who are leveraging the funding to support evidence-based interventions aligned to improving student outcomes

Student, Family, & Employer Level

- Resources must be intentionally funneled towards advancing a strategic plan.
    - Data should be part of decision-making

- Families should be informed about access to resources
    - Ideally a relationship between families and schools already exists so everyone is knowledgeable about the priority areas (e.g., improving literacy, mental health affordability, etc.)

- As taxpayers, families are also potential donors!

- Employers can support withholding or other funding strategies to assist families ability to donate as desired

edtrust TENNESSEE

STAND for children | TENNESSEE

Q&A

edtrust TENNESSEE

STAND for children | TENNESSEE

What's Next?

Key Dates and Decision Points

- **Now-Fall/Winter**: Treasury Department is formulating regulations and will release them sometime in 2026
    - Currently, September is the latest estimate
- **January 1, 2027:** Deadline for Tennessee to identify SGOs. Individuals can start donating and scholarships can be issued.
- **January 1, 2028:** Deadline for Tennessee to decide to participate (again) in the federal tax credit program and identify SGOs.

edtrust TENNESSEE

STAND for children | TENNESSEE

Stay Engaged and Resources

We Need Your Feedback

Resources & Links

Resources on Implementation in Tennessee

- Official Tennessee SGO Webpage (Tennessee Dept. of Education)
- Public Chapter 720

Resources on Implementation Nationally

- List of Participating States (Internal Revenue Service)
- Preview of Proposed Regulations (U.S. Dept. of Treasury)
- What the Previewed Federal Voucher Tax Credit Regulations Mean for States (EdTrust)
- The Federal Scholarship Tax Credit: How it Operates, What it Means for States, and What is Still Being Decided (Learning Policy Institute)

edtrust TENNESSEE

Thank you

Contact us

nhunter@edtrust.org

corrin@stand.org

edtrusttn.org

@edtrusttn

EdTrust-Tennessee

Tennessee's Current Voucher Programs

Education Freedom Scholarship (EFS) *Statewide Program*	**Education Savings Account (ESA)** *Income-Limited, Certain Communities*	**Individual Education Account (IEA)** *Program for Students with Disabilities*
35,000 vouchers awarded in 2026-27 (+ 5,000 per year) Implemented in 2025-26 Limited reporting on student outcomes	4,817 students in Davidson, Hamilton, and Shelby counties in 2025-26 Implemented in 2022-23 Newly limited reporting on student outcomes	825 students enrolled in 2025-2026 Implemented in 2016-17 No public reporting on student outcomes