



# Background

## Review of Education Policy Research and Action

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### **Federal Tax Credit Voucher Program: Scholarship Granting Organizations (SGOs) & Private Equity**

School vouchers in the United States have traditionally resulted in funds being redirected from public education into private schools. While the Federal Scholarship Tax Credit (FSTC), also known as the Education Freedom Tax Credit (EFTC), adds public schools as a category for which qualifying expenditures can be made, the reality is the majority of expenditures under that category will actually be made to private equity-owned (PEQ) companies contracting with public schools or directly with parents. While official regulations and guidance from the U.S. Treasury have not yet been released, 30 states have already opted into the program.

#### **Tax Credit Scholarships as Vouchers**

- Donations to scholarship granting organizations (SGOs) generate a tax credit of up to \$1,700 for a donor earning up to 300% of the median area income (approximately \$312,303 to \$532,755 in CT)
- The “scholarship,” or voucher, is then provided by the SGO to an eligible family.
- 18 states have their own tax credit scholarship program; two (AZ, PA) have no income limits.

#### **Scholarship Granting Organizations (SGOs)**

- 90% of funds in SGOs must be used as “scholarships” (vouchers) for K-12 students. Many SGOs already operate where state tax credit voucher programs exist. Additional SGOs are anticipated to emerge.
- Federal law will require states to submit a list of state-approved SGOs.
- A multi-state SGO, ACE Scholarships, was founded by PEQ firm founder Charlie Gallagher.<sup>ii</sup>
- Board chairman of ACE Scholarships is Joseph Smith,<sup>iii</sup> a partner at Bartlit Beck LLP; Smith and the firm specialize in private equity and corporate finance.
- Co-founder and chair of a leading SGOs in Florida – Step Up For Students – is PEQ partner John Kirtley – also associated with the SGO Children’s Scholarship Fund, founded by PEQ billionaire Theodore Forstmann.<sup>iv</sup>
- John Kirtley<sup>v</sup>—an early 2000s advocate of tax credit scholarships – is board vice chairman of the American Federation of Children, which recently launched its own SGO, the AFC Scholarship Fund.<sup>vi</sup>

#### **What to Look Out For in the Coming Voucher Regulations Related to Public Schools**

- The federal government has indicated it will not allow states to add or stipulate their own conditions.
- Qualifying expenses (i.e., uses for the vouchers) will reportedly include public school services such as special education, tutoring, and school transportation<sup>vii</sup> provided by PEQ-owned companies, such as:
  - Special Education: The Stepping Stones Group & FullBloom
  - Tutoring: Catapult Learning, Tutored by Teachers, and Edmentum
  - School Transportation: First Student & Beacon Mobility
- A model bill from the America First Policy Institute, where numerous individuals holding top Trump Administration posts at the U.S. Department of Education under Linda McMahon have worked, would enable public schools to charge fees-for-service for classes and other activities, potentially using tax credit voucher funds.<sup>viii</sup>

# Backgrounder

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<sup>i</sup> *Connecticut state median income: 2025-2026 – United way of Connecticut – 211 and eLibrary.* (2025). 211ct.Org. <https://uwc.211ct.org/connecticut-state-median-income/>

<sup>ii</sup> *Who We Are | The ACE Origin | ACE Scholarships.* (n.d.). Who We Are | The ACE Origin | ACE Scholarships. Retrieved <https://www.acescholarships.org/who-we-are/>

<sup>iii</sup> *Bartlit Beck LLP.* (n.d.). Bartlit-Beck.Com. Retrieved <https://www.bartlit-beck.com/lawyers-JosephSmithJr>

<sup>iv</sup> *History - Children's Scholarship Fund.* (n.d.). Children's Scholarship Fund. Retrieved <https://scholarshipfund.org/about/history/>

<sup>v</sup> *JOHN F. KIRTLEY - American Federation for Children.* (n.d.). American Federation for Children. Retrieved <https://www.federationforchildren.org/staff/john-f-kirtley/>

<sup>vi</sup> *AFC announces launch of affiliated national sgo, "AFC scholarship fund".* (2026, January 28). American Federation for Children. <https://www.federationforchildren.org/afc-announces-launch-of-affiliated-national-sgo-afc-scholarship-fund/>

<sup>vii</sup> *School vouchers explained: What the new federal program means.* (2025, October 2). Harvard Graduate School of Education. <https://www.gse.harvard.edu/ideas/edcast/25/10/school-vouchers-explained-what-new-federal-program-means> ; *Federal scholarship tax credit: MA fact sheet - DFER.* (2026, April 29). DFER. <https://dfer.org/policy-memos/mass/fstc-ma-fact-sheet/>

<sup>viii</sup> AFPI. (2026, August 18). *Education freedom account act – AFPI.* AFPI. <https://americafirstpolicy.com/issues/education-freedom-account-act/>