To: Connecticut Policymakers and Stakeholders
From: Michael Petko and Susan Kennedy
Date: October 21, 2026
Re: REMI Analysis — Economic Impact of the Federal Education Tax Credit on Connecticut

CONNECTICUT

Federal Education Tax Credit: Economic Impact Analysis

INTRODUCTION

This report models the economic impact on Connecticut if the state opts into the federal education tax credit program created by H.R. 1. Using the REMI econometric platform, we calculated projected effects on employment, population, gross domestic product (GDP), and personal income over the next decade.

The analysis was commissioned to answer a question that has emerged among Democratic governors: would accepting federal education voucher dollars help the state's economy or its budget? For Connecticut the answer is no. Declining to opt in costs the state nothing. Opting in costs it jobs, income and growth.

Connecticut's private school enrollment is projected to decline, not grow. Private tuition in the state is rising 5.8% a year — among the steepest increases modeled — and a $1,700 credit does not close a gap of that size for families not already paying it. The credit's scholarships will therefore flow largely to households already enrolled in private education, while Connecticut receives no economic growth in return.

WHAT IS THE REMI ANALYSIS?

REMI (Regional Economic Models, Inc.) is an advanced economic modeling tool used to simulate the effects of policy changes on a state or regional economy. REMI integrates historical and projected data from the Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, and the Department of Energy.

REMI's policy analysis platform incorporates economic theory, input-output modeling, and behavioral response to project changes in employment, population, income, and economic output. Its clients include government agencies, consulting firms, and academic institutions across the country. REMI has been a standard tool for state-level economic impact analysis since 1980.

THE FEDERAL EDUCATION TAX CREDIT PROGRAM

The One Big Beautiful Bill Act (H.R. 1), signed into law in July 2025, created a federal tax credit of up to $1,700 per taxpayer for donations to Scholarship Granting Organizations (SGOs), beginning January 1, 2027. SGOs use those donations to fund scholarships for private school tuition and related education expenses for students in households earning up to 300% of area median income. The credit is available in a state only if the governor or a designated state official opts in. Connecticut was not on the IRS's June 2026 list of participating states.

Supporters describe the program as federal investment in education. In practice it functions as a publicly supported subsidy for private school enrollment. Several Democratic governors have

weighed opting in, on the theory that it would bring federal dollars into the state and ease budget pressure. This analysis was designed to test that assumption.

The REMI model for this analysis incorporates the following key assumptions:

- For Connecticut, private school enrollment is projected to decline by 0.3% annually over the analysis period, with weighted private school tuition rising 5.8% per year — among the highest rates of increase in the states analyzed.
- Although the credit itself is capped per taxpayer, the model uses a $1,700 annual scholarship amount per participating student.
- The analysis models the impact of 7% of the total FTE for private school students utilizing the full voucher. The 7% also considers the growth or decline in private school students.
- Projected public and private school enrollment changes are included in both the baseline and the tax credit scenario, so the reported impacts reflect the credit alone.
- State tax changes are not modeled in this scenario; the figures represent the direct economic impact of the funding shift only.
- Private school costs are weighted by grade level (70.1% grade school, 21.9% high school) and adjusted by the state's five-year average cost increase.
- Both private school and public school totals are counted in overall impact.

THE CREDIT ADDS NO GROWTH

The question in front of Connecticut's governor is whether opting in would make the state's economy bigger. The REMI results answer it directly.

Under the baseline — Connecticut's economy with public and private school enrollment following their projected paths and no tax credit available — the state adds 160,772 jobs and $81.0 billion in GDP between 2026 and 2036. With the credit in place, it adds 148,346 jobs and $79.3 billion in GDP. In no year of the decade does the credit lift employment or GDP above the baseline. By 2036 it has erased 7.7% of the job growth Connecticut would otherwise see. Because both scenarios use the same enrollment projections, the gap between them is the effect of the credit alone.

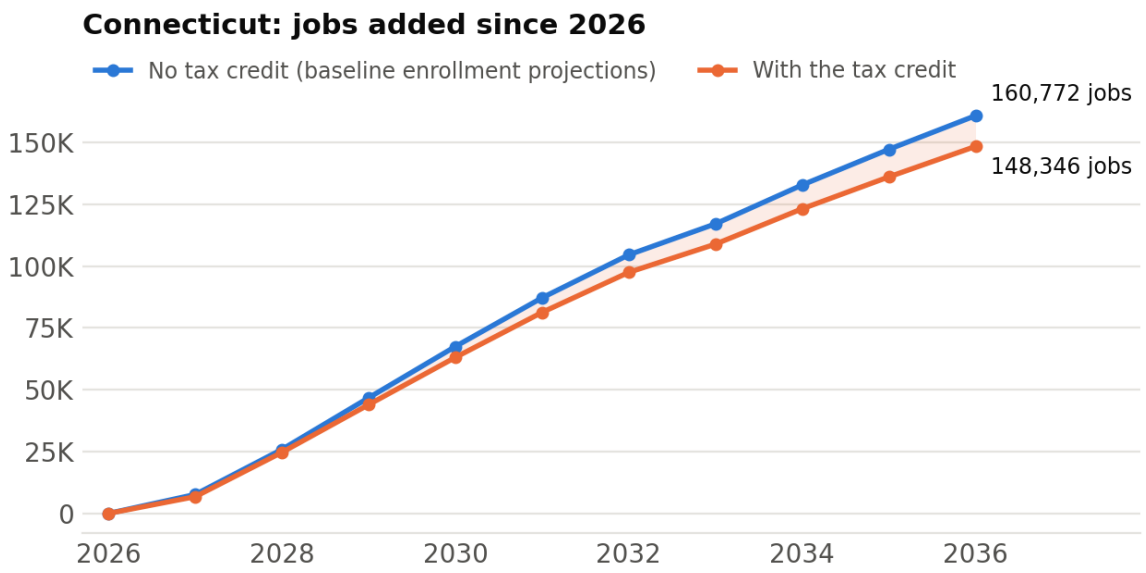

Figure 1. Cumulative jobs added since 2026, with and without the tax credit. Source: REMI, $1,700 model run.

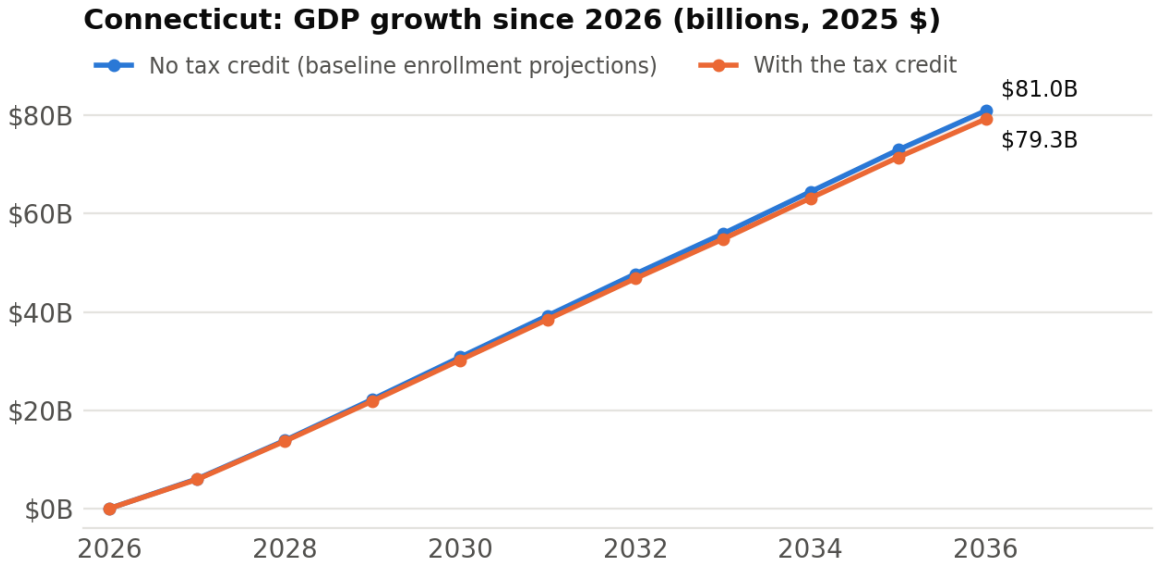

Figure 2. Cumulative GDP growth since 2026, with and without the tax credit. Source: REMI, $1,700 model run.

Whatever growth Connecticut achieves over the decade comes from the economy it already has — including public school systems that employ, purchase and build in all 169 towns. The credit does not add to that growth. It subtracts from it, and the gap widens every year.

STATEWIDE ECONOMIC IMPACT: 10-YEAR PROJECTIONS

The REMI model projects the following impacts on Connecticut's economy over the first decade of the federal tax credit program:

12,426	15,355	$1.7B	$2.0B	$1.7B
Jobs Lost	Population Decline	GDP Loss	Personal Income Lost	

				Disposable Income Lost

These figures represent the projected difference from the baseline scenario — projected public and private school enrollment with no tax credit available — by the tenth year of implementation. They isolate the effect of the credit itself.

By 2036, Connecticut has 12,426 fewer jobs and 15,355 fewer residents than it would have without the program. The problem is further accelerated by declining projected public school enrollments: Connecticut's public school population is already contracting, and the credit compounds the fiscal pressure that decline creates rather than relieving any part of it.

WHO THE CREDIT ACTUALLY REACHES

The central claim made for the federal education tax credit is that it expands educational choice. In Connecticut, the model does not support it.

A $1,700 credit is a fraction of Connecticut private school tuition, and the gap is widening at nearly 6% a year. For a family not already paying private tuition, the credit does not make the switch affordable. For a family already paying it, the credit is a reduction in a cost it was absorbing anyway. With private enrollment not growing, the program works less as a school choice measure than as a subsidy for households that had already made that choice.

Private educational services appears in the loss column rather than the gain column, at 88 jobs. In a program designed to shift students into private education, Connecticut's private education sector ends the decade below the baseline, alongside nearly everything else.

ANALYSIS: WHY THE ECONOMICS WORK AGAINST OPTING IN

The fiscal logic that makes the program look attractive does not hold up. In the model, state and local government is among the largest sources of job losses, and public school spending reaches every community — on payrolls, purchases and construction that support local businesses.

Connecticut has among the highest per-pupil public education spending in the country. Every dollar that leaves a Connecticut public school is a larger dollar than it would be in most states, and it is spent locally — on salaries, services, contracts and construction in every municipality.

State and local government accounts for 6,776 of the 12,426 projected job losses — more than half. Those are teachers, paraprofessionals, and support staff whose wages circulate through town economies from Hartford and Bridgeport to the smaller districts of the northeast corner and the Litchfield hills. Construction follows at 1,480 jobs.

Connecticut's fiscal structure leaves little room to absorb this. The state carries some of the heaviest per-capita pension and debt obligations in the nation, and its revenue base is concentrated among high earners whose income is volatile. A program that narrows that base while leaving education obligations intact moves Connecticut in the wrong direction.

JOB LOSSES BY INDUSTRY

The program's negative employment effects are not limited to the education sector. The REMI model identifies losses across Connecticut's economy as reduced wages, income, and spending ripple through local communities. The fifteen industries projected to experience the greatest job losses over the decade are:

Industry	Jobs Lost (10-Year)
State and Local Government	**6,776**
Construction	**1,480**
Retail trade	**552**
Real estate	**496**
Food services and drinking places	**441**
Professional, scientific, and technical services	**431**
Administrative and support services	**332**
Social assistance	**227**
Ambulatory health care services	**224**
Personal and laundry services	**186**
Transit and ground passenger transportation	**159**
Wholesale trade	**143**
Hospitals	**96**
Educational services; private	**88**
Repair and maintenance	**88**

Public employment accounts for more than half the total, with construction second. Beyond those, the losses run through retail, real estate, food service and professional services — the consumer-facing sectors that depend on the household spending public school wages support.

BUDGET IMPLICATIONS: WHAT POLICYMAKERS NEED TO KNOW

The federal tax credit is not free money for Connecticut. Consider the compounding effects:

- **Lower income tax receipts:** 12,426 fewer jobs and $2.0 billion in lost personal income fall on a revenue base that is already concentrated and volatile.
- **No offsetting growth:** the credit never lifts Connecticut's GDP or employment above the baseline in any year. Whatever federal dollars flow in, the state does not get economic expansion in exchange — which removes the central argument for opting in.
- **Fixed costs in public education:** districts cannot scale down proportionally when enrollment falls. Buildings, transportation fleets, special education mandates, and administrative functions remain as per-pupil revenue declines — acutely so for Connecticut's many small districts.
- **Population loss:** 15,355 fewer residents by year ten means a smaller tax base and weaker demand, while Connecticut's pension and debt obligations remain fixed.

The program does not generate the fiscal relief that governors seeking to close budget gaps are looking for. It narrows the tax base while adding pressure to the public institutions the state depends on.

MESSAGING AND RESEARCH

The economic harm modeled by REMI is consistent with a broad body of independent research on school voucher programs:

- A 2023 analysis by the Economic Policy Institute found that voucher programs reduce public school funding while districts face fixed costs that do not shrink with enrollment losses.
- A survey of the economics literature in the Journal of Economic Literature (Epple, Romano & Urquiola, 2017) found that the evidence of academic gains from voucher programs is mixed and, for large-scale programs, weak — undermining the argument that the program's private schools deliver better results.
- A multi-state analysis by Public Funds Public Schools, the Education Law Center and the Southern Poverty Law Center found that in states with expansive voucher programs, public investment in K-12 education declined as a share of GDP even as enrollment increased, creating structural funding gaps in public schools.

For Connecticut, the equity dimension is central. Connecticut has among the widest achievement and funding gaps between its wealthiest and poorest districts of any state, and has spent two decades in litigation and legislation trying to narrow them. A federal credit that subsidizes families already able to afford private tuition, while reducing the revenue available to the districts serving everyone else, works directly against that effort.

BOTTOM LINE

The federal education tax credit will not grow Connecticut's economy, and it will not help close a budget gap.

Without the credit, REMI projects Connecticut adding 160,772 jobs over the decade. With it, 148,346. Opting in costs Connecticut 12,426 jobs, 15,355 residents, $1.7 billion in GDP and $2.0 billion in personal income by 2036. Passing on the program costs the state nothing.

Democratic governors weighing this choice deserve an honest economic picture. This analysis provides one: the state is not missing out on anything by declining to opt in.

Underlying data and full REMI analysis available upon request.

Figures are drawn from the $1,700 voucher model run. The baseline is a REMI run using projected public and private school enrollment with no tax credit available; "with the credit" is the same run with the credit in effect. Differences between industry-level detail and statewide totals reflect rounding and offsetting sector gains.

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