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Newsletter

No Free Lunch: The Real Costs of the Federal Education Vouchers

Money doesn't grow on trees. But some voucher advocates, including a handful of Democrats, are implying it might—at least metaphorically—for states that opt into the federal Scholarship Tax Credit Program that was part of Republicans' so-called Big Beautiful Bill (the Reconciliation Act) that Congress approved in July 2025.

Under the program, taxpayers can receive 100% federal tax credits of up to $1,700 (if their tax liability extends to $1,700) for donating to nonprofit "scholarship granting organizations" (SGOs). The SGOs then distribute scholarships for private school tuition and for other education-related services such as tutoring or transportation.

"The more Democratic governors learn about it, I fully expect that most will come around and participate," Colorado Gov. Jared Polis told *Politico*. "Because from our perspective, it's free money." Polis is the only Democratic governor to opt in, but North Carolina's overwhelmingly Republican legislature has pressured Gov. Josh Stein to say he intends to opt in "once the federal government issues sound guidance."

But Polis is not completely alone. A few months before that *Politico* interview, Jorge Elorza, CEO of the advocacy group Democrats for Education Reform (DfER), told [*The New York Times*]: "This is literally free money that is broadly supported by the majority of voters who have steadily drifted away from the party. It just makes sense." DfER is currently a shadow of its former size and importance, but Elorza has nonetheless been drawing considerable media attention to his views.

Polis and Elorza are, however, not correct. The new voucher policy has very real costs. NEPC Director Kevin Welner offers a concise explanation of these costs in a piece published by the National Coalition for Public Education, an organization that advocates on behalf of public schools.

"Most obviously, for every dollar contributed to an SGO, the federal budget loses a dollar that would otherwise be paid in taxes," Welner said.

> The 100-percent tax credit for this one type of 'donation' (to SGOs) stands alone. If you donate to any other cause – your church, the United Way, disaster relief, whichever charity is your favorite – you get a normal deduction from income, not a tax credit. And certainly not a 100-percent tax credit.

The program's cost is unknowable at this point, since it depends on how many taxpayers shift their tax payment to SGOs and since the program is not capped, but a range of $21-$51 billion per year seems a reasonable guess. Even at these amounts, its funding could dwarf spending on the current top source of federal K-12 education funding, Title I, which totaled $18.4 billion this past year.

Welner explains that the SGO program is part of an administration effort to shift spending to families with less need.

> Once we understand that President Trump is already severely cutting federal education spending and threatening Title I, it's hard to see this SGO program as free money. The loss of federal funds under Title I and other programs, with funding instead diverted to this tax credit program, will place very real pressures on state budgets.

Welner notes that this shift of funding from Title I to vouchers is included in Project 2025.

He then lists six other specific costs that will be borne by states and local schools:

1. Many private schools will selectively leave behind in public schools those students, including those with disabilities, who are most expensive to educate.

2. When private schools push out students mid-year—students the private schools see as not fitting academically or otherwise—they will burden their local community's public schools.

3. SGO donations will overwhelmingly go to students attending schools in wealthier neighborhoods, creating resource inequality even among a state's public schools.

4. Lost enrollment from a state's public schools leaves those schools bearing considerable fixed costs, such as utilities, maintenance, and debt.

5. Lost enrollment also forces districts to close public schools, which has clear fiscal costs before and during closures as well as costs post-closure for transportation. These closures also have non-fiscal costs, such as disruption of student learning. School closures, Welner notes, are among the controversial and anguishing decisions facing school boards.

6. Administering the new program will also impose a cost on states.

"One result of the patterns and practices described above will be a cycle of disinvestment from a community's public schools," Welner concludes.

> As fewer students attend these schools, and as the most wealthy and politically powerful families leave these schools, resources and political support will decrease. This will lead additional families to opt out, continuing the same cycle. The ultimate cost of the SGO program should have these long-term patterns in mind. A state's public school system can only be as strong as the state's widespread political and financial commitment to that system.

NEPC Resources on Vouchers

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