



# What to know about the new federal school voucher program

Fall 2025

**What is the federal school voucher program?** In July 2025, Congress passed legislation inside the “One Big Beautiful Bill” to create a federal voucher program in the form of tax credit scholarship program. Each state can choose to opt in or opt out of the voucher program. The program will start in 2027.

**What is a voucher?** Voucher programs use public tax dollars to pay students’ tuition, fees and other costs of attending a private school. In a traditional voucher program, the government appropriates funds directly to private schools or private school students.

**What is a tax credit scholarship program?** Taxpayers contribute to a third-party scholarship granting organization (SGO). The SGO then pays the private school costs for students who have applied to them for “scholarships” aka vouchers. Taxpayers then receive a credit on their income tax bill for their contribution.

**Are tax credit scholarships the same as vouchers?** Yes. Both of these divert public tax dollars to pay for private schools. A tax credit scholarship program just makes use of a middleman SGO to obscure the use of taxpayer funds. This funding stream is *not* the same as using voluntary, private charitable contributions to pay for scholarships.

**How large of a credit will taxpayers who contribute to an SGO receive?** A one-to-one tax credit off their federal income tax bill up to \$1,700. This is much more generous than the tax deduction for making a donation to any other type of non-profit, which is usually around 30%.

**Why use SGOs to distribute vouchers instead of a government agency?** Most private schools are religious organizations.

Many state constitutions explicitly prohibit using public funds for religious schools. Sending tax dollars to religious institutions also violates the Establishment Clause of the 1st Amendment of the US Constitution. By creating a legal middleman, voucher supporters attempt to cover up the use of tax dollars for religious purposes.

**How do voucher programs impact public school funding?** Every tax dollar diverted to private and religious schools is a dollar that can’t be used to increase public school funding. Illinois’ public schools [are currently underfunded by more than \\$3 billion](#). The majority of schools in our state are still not adequately funded under the state’s own funding formula. [The federal government is likely to further cut funds for K-12 education in the coming year](#). [The US House recently voted to cut Title I funds for schools serving low-income students by more than 25%](#).

**How much will the voucher program cost the federal government?** We don’t know because the total cost will depend on how many taxpayers claim a credit for contributing to SGOs. If every taxpayer who could contribute does, [this could mean \\$100 billion in federal tax revenue to distribute as vouchers](#). It’s unlikely that every taxpayer who could make such a contribution will do so, but a total cost of \$8 billion to \$25 billion annually is certainly possible.

**Who can use a voucher in this program?** Any child whose family makes less than 300% of their area’s median income. In the Chicago metro area the limit would be [just under \\$360K/year for a family of four](#). About 90% of US children will qualify. In existing state voucher programs around the country, the majority of students using vouchers have never attended public school.

**What can voucher funds be used for?** Families can use vouchers to pay for any [qualified education expense as defined by federal tax law](#). This means not only tuition and fees at a private school, but also some expenses for public school students, like tutoring or uniforms.

**If voucher dollars follow students, aren't these programs budget-neutral for public schools?** No, public schools have large fixed costs that can't be easily reduced if students transfer out. If students leave public school, public schools lose federal funding, and because their fixed costs can't change as quickly as their variable costs, there is an additional loss to public school budgets above and beyond that as well (a "fiscal externality"). That extra loss to our public schools in Illinois—if even just 5% of current public school students left and started using a voucher to attend private school—could be \$1 billion or more, according to the [Economic Policy Institute](#).

**Could Illinois choose to create a program that funded *only* public-school expenses?** We don't know for sure, but this seems very unlikely given Congress' intent in creating the program. Still, many details of the federal program are up in the air until the regulations implementing the law are drafted by the US Treasury Department.

**Can private schools receiving vouchers discriminate?** Yes, private schools can and do discriminate against students in almost all protected categories. Federal and state anti-discrimination laws do not protect students in religious schools. In contrast, public schools are responsible for educating all students, including those who need extra resources and support, e.g. students learning English, students with disabilities and students from low-income households.

**Do voucher programs enhance academic achievement for students?** No. [Study after study](#) has shown that voucher programs do not improve academic outcomes and, in many long term studies result in dramatically lower achievement.

**Does Illinois already have a state voucher program?** No. From 2018-2024, however, Illinois *did* have a statewide voucher program in the form of a tax credit scholarship program, known as "Invest in Kids." Over the six years of the program, \$315 million was diverted from IL's General

Revenue Fund. There was insufficient support in the Illinois General Assembly to extend the program, so it sunset after six years.

**Why didn't the IL General Assembly vote to continue the voucher program?** Two major reasons were concerns about [lack of racial equity in distributing vouchers](#) and [voucher schools' policies discriminating against students with disabilities, LGBTQ+ students and students in many other protected categories](#). Legislators were also concerned about using public dollars for private schools given Illinois' budget difficulties and the lack of oversight and transparency in the voucher program.

**Will states be able to regulate private schools that take voucher funds?** The legislation is silent on whether and how states that opt in can regulate their private schools that take vouchers. We don't yet know whether states will be able to set standards for private schools on things like making their contracts and spending public dollars, requiring certified teachers and high-quality curriculum or prohibiting discrimination against students, staff and families in protected classes.

**Shouldn't parents have a choice about their child's education?** Of course parents have the right to choose the school that they feel will best serve their child. However, this doesn't mean that taxpayers should be responsible for *paying* for their private school tuition. Vouchers don't mean any family can enroll their child in a private school at will because private schools choose which students they want to admit. Elite private schools have tuition that is out of the reach of most families even with a voucher because vouchers rarely cover these schools' full cost.

**Will Illinois decide to participate in the federal voucher program?** We don't know. It is important to contact the governor and your state legislators about this issue *now* to ask them NOT to allow Illinois to participate.

**Questions?** Contact [info@ilfps.org](mailto:info@ilfps.org)