

Federal Student Voucher Program: A Case for Illinois to Opt Out

In this report, we explore the possible implications of the unprecedented federal student voucher program that passed in 2025, as part of the H.R. 1, or the Big Beautiful Bill Act. The program allows taxpayers to claim a federal tax credit of up to \$1,700 for contributing to scholarship granting organizations (SGOs)¹. SGOs will then use those funds to pay for educational expenses of K-12 students, whether private, public or homeschooled.

While framed as a way to support students across both public and private school sectors, we believe the voucher program will disproportionately support private school students and will likely result in a net decrease of funding for public schools. Through an exploration of three Illinois school districts—representing low, middle, and high-income communities—we found that the voucher program is likely to harm public schools and deepen existing inequities within school systems in Illinois.



States can decide whether or not to participate in the federal student voucher program. Over 30 states have opted into the program so far, and six states have officially declined.² Opt-in states will be required to submit a list of SGOs that taxpayers can contribute to in order for them to receive the tax credit. However, taxpayers in states that have opted out can still give to an SGO in another state participating in the program, and receive the tax credit. Illinois has yet to decide whether or not to opt into the program.

Some critics of the program argue that it could lead to widespread privatization of public money—money that should be set aside for public schools being privatized and reallocated to private schools. Proponents of the program push back on this, arguing that it will not privatize public dollars because the vouchers will serve **both** public and private schools students. Here are the facts:

¹ Joint-filers will be able to claim \$3,400. For an overview of the program, see: <https://pfps.org/federal-voucher-program/>

² <https://www.edweek.org/policy-politics/federal-school-choice-which-states-are-opting-in/2025/08>

- **There are several limitations on what private money can pay for at public schools.**

SGOs cannot simply make payments to public schools as a direct source of revenue. Vouchers must cover the educational expenses for individual students.³ For example, it can be paid to third-party vendors to provide public school students with services, like



tutoring, or supplies, like computers. It may be possible to pay schools for providing services as well. However, public schools are limited in what they may charge for under Illinois' Constitution and School Code and federal law. Public schools may not charge tuition, and they cannot charge students with disabilities for programs and services required in their Individualized Education Program (IEP) or 504 Plan⁴.

Students who qualify for free lunch or are in a temporary living situation also cannot be charged fees.⁵ So, if the schools can't charge for it, voucher money can't pay for any of those things, severely limiting how public school students can benefit.

- **Most of the school voucher money will likely go to support private schools and families that already have their children in private schools.** In voucher programs around the country, the majority of voucher recipients have not previously attended public school.⁶ Since eligibility requirements in the federal program are set at such a high amount—300% of area median income—many families that can already afford private school will also be able to receive these scholarships/vouchers. In the school districts we looked at, eligibility ranged from below \$250,000 for a family of four to as high as \$364,000 for a family of four.⁷ That means that on average, in the less wealthy districts, at least 87-93% of families would qualify and even in the wealthiest zip codes in the state, more than 34% would qualify.⁸

³ The federal statute says that vouchers may cover educational expenses as defined in 26 U.S. Code § 530(b)(3)(A) (<https://www.law.cornell.edu/uscode/text/26/530>). We note, however, that the Oct. 2, 2026 Notice of Proposed Rulemaking (<https://www.govinfo.gov/content/pkg/FR-2026-10-02/pdf/2026-20277.pdf>) states that: “The Treasury Department and the IRS have received many comments requesting guidance under section 530(b)(3) that will clarify the meaning of qualified expenses and schools and intend to issue that guidance as soon as possible so that taxpayers may rely on it.” The set of goods and services that SGOs may fund for public school students may ultimately be even narrower than we assume here.

⁴ Illinois Constitution, Article X: “Education in public schools through the secondary level shall be free,” and 20 U.S. Code §1400(d)(1)(A).

⁵ <https://ilga.gov/commission/jcar/admincode/023/023000010B02450R.html>

⁶ <https://www.cbpp.org/blog/as-budgets-tighten-some-state-lawmakers-reconsider-costly-private-school-vouchers>

⁷ Calculated based on 3x HUD AMI for the area: <https://www.huduser.gov/portal/datasets/il.html>

⁸ Estimate based on 2020-2024 ACS 5 Year estimates: <https://www.census.gov/programs-surveys/acs.html>

- **Even if voucher funds do go to public school students, inequities will likely worsen.** Looking at three Illinois public school districts, a high income district, a mixed-income district, and a rural district, we found that even if all the money donated in those districts went to support public school students, it would only increase the existing resource inequity, shown below, in Table 1. The schools with the most resources would see the greatest new influx of funding, and those with the least resources would see the lowest. Below, also in Table 1, we display these gaps through a comparison of current per pupil spending and adequacy percentages for each district.
- **The voucher program will harm public schools.** A likely case scenario is public school students leaving their district to use a voucher to pay for homeschooling or private school, which could pull resources away from public schools.⁹ Many of the costs of running a school district are fixed costs, e.g. operating and maintaining facilities, paying for debt service, or administrative overhead. When students leave a school, state and federal per pupil funding for those students declines as well. When a school must decide what to cut from the budget, fixed costs, by definition, can't be easily cut, so a larger amount must be cut from the flexible part of the budget—primarily teachers. Based on the percentages of students who have left public schools in other states with voucher programs, we estimate that the three school districts in this analysis would lose nearly \$11 million, or 93 teachers, as a result of the state opting into the program.¹⁰
- **We recommend that Illinois not opt in to this program, as it will worsen inequities in our public school system, drain resources from public schools, and subsidize families that can already afford private school.**

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Three District Case Study

To examine how this voucher program could affect Illinois communities, we estimate the budgetary impact of participation in the federal voucher program for three school districts representing a range of socioeconomic and geographic contexts across the state:

1. **New Trier Township HSD 203:** A high-income suburban high school district near Chicago, serving 3,610 students.¹¹
2. **Springfield SD 186:** A mixed-income, mid-sized urban district in central Illinois, serving 12,795 students.¹²

⁹ <https://www.epi.org/publication/vouchers-harm-public-schools/>

¹⁰ EPI calculator <https://www.epi.org/publication/vouchers-harm-public-schools/> updated with financial data from: https://www.isbe.net/_layouts/Download.aspx?SourceUrl=/Documents/2025-Report-Card-Public-Data-Set.xlsx. IPG analysis of teachers cut: <https://www.illinoisreportcard.com/>

¹¹ <https://www.illinoisreportcard.com/District.aspx?source=studentcharacteristics&Districtid=05016203017>

¹² <https://www.illinoisreportcard.com/District.aspx?source=studentcharacteristics&Districtid=51084186025>

3. **Beardstown CUSD 15:** A low-income rural district, in western Illinois serving 1,492 students.¹³

Below is a table exploring how each district compares in terms of demographics and school funding equity.

Table 1: District Funding Adequacy and Demographic Statistics¹⁴

District	Per Pupil Spending	Illinois Percent of Adequate Funding ¹⁵	Gap/Excess in Adequacy Funding	Percent of Students Attending Private School	Percent of Public School Students That are Low Income	Percent of Public Schools With > 70% Low Income Students
New Trier	\$34,881	210%	+\$65,918,053	20%	4.5%	0%
Springfield	\$20,494	67.99%	-\$67,444,629	23%	64.7%	63%
Beardstown	\$12,071	65.37%	-\$9,134,442	10%	77.2%	100%

Calculating Potential Donations Per District

The federal statute and regulations for the voucher program put few limits on SGOs; they must be 501c3 non-profits that disburse vouchers to at least ten students who attend at least two schools; states that participate in the program must recognize nearly any organization established in their state that meets these criteria. An SGO could form that benefits students who attend any schools in a public school district or just a subset. SGOs will also be created to benefit the private schools in a community. We assume that taxpayers will prefer to contribute to SGOs that will benefit children in their own community, as with other types of tax-advantaged giving and also that they will give to public or private schools according to which system they do or hope to participate in.¹⁶

To estimate the potential pool of funds available to SGOs covering the costs of students in these three school districts, we made a few assumptions. Head of household taxpayers who earn less than \$75,000 a year and joint filers who earn less than \$100,000 are **unlikely** to be able to benefit from the tax credit because they will not have enough tax liability for it to impact them.¹⁷ As it is

¹³ <https://www.illinoisreportcard.com/District.aspx?source=studentcharacteristics&Districtid=01009015026>

¹⁴ <https://www.illinoisreportcard.com/>

¹⁵ <https://www.isbe.net/Pages/ebfdistribution.aspx>

¹⁶ <https://www.chicagofed.org/publications/working-papers/2023/2023-31>

¹⁷ There is not a set income limit below which a taxpayer will not have federal income tax liability because it depends on other characteristics of the tax filer, e.g. number of dependents, and head of household vs. joint filing. A married couple with two children will likely have at least \$3,400 of tax liability with household income above \$102,000 for FY

more likely that family households would donate to an SGO than single filers, we exclusively looked at joint filers with income above \$100,000 and head of household filers who earn more than \$75,000 a year to calculate the maximum donation per district. For New Trier, the maximum donation total was \$5.7 million; for Springfield, \$9.6 million; and for Beardstown, \$513,366, as shown in Table 2. These calculations for how much money each district could generate from SGO donations assumes **all** joint and head of household filers who could donate did donate the maximum amount, of \$1,700 or \$3,400, to an SGO.

Next, we wanted to see how these funds might be distributed in each district.

We examined two possible scenarios. **Scenario 1** assumes contributions to SGOs are divided between private and public school students in proportion to each sector's share of enrollment in the district. For **Scenario 2** we took into account the fact that contributions will likely not break down in the same ratio as public to private school students since many public school students are from low income households. For this scenario we shift the ratio to reflect that more public school parents than private school parents would not be eligible for tax credits, so contributors are more likely to be private school parents and contribute to SGOs that benefit private schools.

SCENARIO #1: Best Case Scenario for Public Schools; Unlikely to Occur

This scenario assumes that households earning over \$75,000 or \$100,000 split their preferences for SGOs that benefit public vs private school students in the same ratio as the student population overall. This could be described as the absolute best case scenario for SGOs that benefit public school students, but it is unlikely to occur, for reasons we will explain below.

Table 2 shows the maximum amount of money that could be generated in each of the three districts, assuming every taxpayer who could donate to an SGO donated a maximum of \$1,700 or \$3,400 for joint filers. It then shows how much money SGOs benefiting public vs private school students might receive, as well as how much money might be available for a singular

2026; a head of household with two children is likely to have at least \$1,700 of tax liability with income over \$78,000 (See, e.g., <https://www.ameriprise.com/financial-news-research/financial-calculators/simple-federal-tax-calculator>) Filers will be able to get credit for a contribution less than \$1,700/\$3,400 if they owe less than that. Other organizations estimating what the total contributions for a state's residents to SGOs have used an income floor of \$75,000 (American First Policy Institute, <https://afpieftc.netlify.app/>) and \$85,000 (Democrats for Education Reform, <https://drive.google.com/file/d/1YTP9avQpzmXRpQ96zxQ0w60g81A3cdK8/view>). We use \$75,000 for head of household filers and \$100,000 for joint filers and assume the tax filers donate \$1,700 and \$3,400 respectively. As all eligible taxpayers are unlikely to donate in any case, this is a generous estimate of what residents of a school district are likely to contribute to SGOs.

private or public school student¹⁸ if those total SGO contributions are split in proportion to number of private vs. public school students in that district:

Table 2: SGO Contributions Proportionate to Ratio of Public to Private School Students

District	Estimated Maximum Total SGO Contributions ¹⁹	Amount to Private School Supporting SGOs	Amount per Private School Student	Amount to Public School Supporting SGOs	Amount per Public School Student
New Trier	\$5,660,232 million	\$1,134,554 million	\$1,254	\$4,525,678 million	\$1,254
Springfield	\$9,605,714 million	\$2,237,744 million	\$576	\$7,367,970 million	\$576
Beardstown	\$513,366	\$46,043	\$313	\$467,323	\$313

This table assumes that SGO contributions break down proportional to students in private vs. public school and, for New Trier, that contributions are proportional to elementary vs high school-aged students.

Best Case Scenario *Still* Increases Inequities

Even if the best case scenario (Scenario 1) did occur, districts who serve largely mixed and lower-income students, like Beardstown and Springfield, might still see less funding from SGO donations going to their students who attend schools with high numbers of low-income students. For example, within mixed-income districts, like Springfield, there are schools like Harvard Park Elementary, where 89% of students qualify for free- and reduced-lunch, and other schools like Iles Elementary, where only 22% qualify.²⁰ The parents at schools with higher low-income rates are less likely to be eligible for tax credits and so less likely to contribute to SGOs. And the parents from lower poverty schools could target their donations towards SGOs established to benefit just a subset of schools with wealthier student populations, increasing inequity within the district. Furthermore, wealthier districts, like New Trier, which is already at almost double the funding needed for adequacy, would see a much larger gain per student than districts like Beardstown and Springfield, further exacerbating existing inequities at the state level. In addition, the dollar amounts do not take into account the fact that some of the funds will be used to administer and promote the program by the SGOs (up to 10% of contributions)

¹⁸ Note that we provide a per student number in these tables simply for clarity for the reader to compare across three districts with very different enrollment. In fact, nothing in the federal law limits the amount of voucher per student nor requires even distribution of dollars. Families will need to apply to an SGO to receive a voucher, and there are no constraints on how SGOs will distribute funds among applications.

¹⁹ IPG analysis based on income needed to benefit from tax credit and IRS data:

<https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-statistics-zip-code-data-soi>

²⁰<https://www.illinoisreportcard.com/District.aspx?source=schoolsindistrict&Districtid=51084186025>

or the cost to districts to navigate the complexities of the system (for which no revenue is appropriated under this program).

Furthermore, we deem Scenario #1 “Unlikely to Occur” due to the following factors:

1. Because the eligible uses for public schools are very limited (funds can’t go directly to the schools or towards constitutionally-mandated educational services like classroom instruction) and are relatively lower cost (school fees and tutoring vs. private school tuition), it will be more likely for SGOs to form and be sustainable that will be focused on private school scholarships. That is, there will be more limited financial incentive for SGOs to form that are focused on public schools.
2. It is likely that households with income high enough to benefit from the tax credit will skew towards private school families since many public school students are low-income,²¹ and their families don't earn enough to benefit from the tax credit program. Contributions to SGOs will likely not break down in the same proportion as the numbers of public vs. private school students.
3. Even within public school directed contributions, some schools in these districts have larger percentages of low-income families who will not earn enough to benefit from the tax credit and will not likely participate in the donation program. In that case, public school donations will likely go towards SGOs that benefit schools with more high income families rather than an SGO that benefits the school district as a whole or low-income schools.
4. New Trier’s district has four private high schools and Springfield has 15 private schools,²² which will likely drive the creation of SGOs dedicated to those schools and a robust donation program to the private schools in the area.

SCENARIO #2: Worse Outcome for Public Schools; Likely to Occur

For Scenario 2, we considered the factors listed above that are likely to impact the distribution of funds to public and private school-supporting SGOs. Here we assume that low-income public school parents will likely not contribute, due to their lack of federal tax liability as explained above, and that the preferences of taxpayers contributing to SGOs will mirror the ratio of private school students to **non-low-income public school students** in the community.²³

²¹ <https://www.illinoisreportcard.com/state.aspx?source=studentcharacteristics&Stateid=IL>

²² <https://www.isbe.net/nonpublicprograms>

²³ The ratio of filers eligible for a tax credit to school-aged children in these three communities varies greatly even after excluding joint filers without children, so there is not an obvious ratio to use to apportion SGO contributions here. Hence, we settled on the breakdown as described under the assumption that relatively wealthier families’ preferences for enrolling children in public vs private school might also be reflected in their desire to support such schools financially.

Table 3: SGO contribution preferences adjusted for percentage of low-income families in school district population

District	Estimated Maximum Total SGO Contributions ²⁴	Amount to Private School Supporting SGOs	Amount per Private School Students	Amount to Public School Supporting SGOs	Amount per Public School Student
New Trier	\$5,660,232 million	\$1,176,899 million	\$1,300	\$4,483,333 million	\$1,242
Springfield	\$9,605,714 million	\$4,442,393 million	\$1,143	\$5,163,321 million	\$404
Beardstown	\$513,366	\$154,903	\$1,054	\$358,463	\$240

In this table the contributions to public school vs. private school SGOs are apportioned in the ratio of non-low income public school students in a district to private school school students in a district.

Students Leaving Drains Resources From Public Schools

Another factor to explore when considering the net impact of SGO dollars on public school budgets is that the availability of SGO-funded vouchers for private schools means some public school students will leave to go private schools. When this happens, public schools' fixed costs can't be rapidly adjusted, and a disproportionate amount of funding must be cut from the operating budget, which often means losing teachers.

Table 4 below assumes 2% of students leave public schools in each of these districts, an estimate based on the experience with Wisconsin's voucher program.²⁵ When the gain shown above under the Scenario #2 are combined with the losses due to enrollment dropping, it shows that under the most likely scenario, Springfield and Beardstown districts will end up with a significant loss of funding, while New Trier will gain.

²⁴ IPG analysis based on income needed to benefit from tax credit and IRS data:

<https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-statistics-zip-code-data-soi>,

<https://www.census.gov/newsroom/press-releases/2025/families-and-living-arrangements.html>

²⁵ <https://www.epi.org/publication/vouchers-harm-public-schools/>

Table 4: Estimated Net Funding Shift if 2% of Students Leave Public Schools–Likely Scenario

District	Funding Gain From SGO Voucher Program (Likely Scenario) ²⁶	Loss due to Enrollment Decline Total ²⁷	Loss due to Enrollment Decline per Pupil	Net Gain or Loss Total (Likely Scenario)	Net Gain or Loss per Pupil (Likely Scenario)
New Trier	\$4,483,333 million	-\$3.4 million	-\$942	\$1,083,333 million	\$300
Springfield	\$5,163,321 million	-\$6.9 million	-\$539	-\$1,736,679 million	-\$136
Beardstown	\$358,463	-\$526,780	-\$353	-\$168,317	-\$113

When students leave the district and funding decreases, that will likely mean a reduction in teachers. Even districts like New Trier, where the program could generate more resources for public schools, would not be able to use those SGO dollars to pay for teacher salaries and benefits. If the district could not shift operating costs in a way to take advantage of the funds generated by an SGO, they may still need to cut instructional staff. With a drop in enrollment of two percent, the three districts in this analysis would likely lose at least 93 teachers, or 6-9% of their staff.

Loss of Teachers to District²⁸

New Trier: 19 teachers (6%)
Springfield: 66 teachers (7%)
Beardstown: 8 teachers (9%)

**Loss of Funding to District**

New Trier: \$3.4 million
Springfield: \$6.9 million
Beardstown: \$526,780



²⁶ IPG analysis based on IRS filing data and proportion of public to private school students from ISBE:

<https://www.isbe.net/nonpublicprograms> and NCES data: <https://nces.ed.gov/programs/edge/Home>

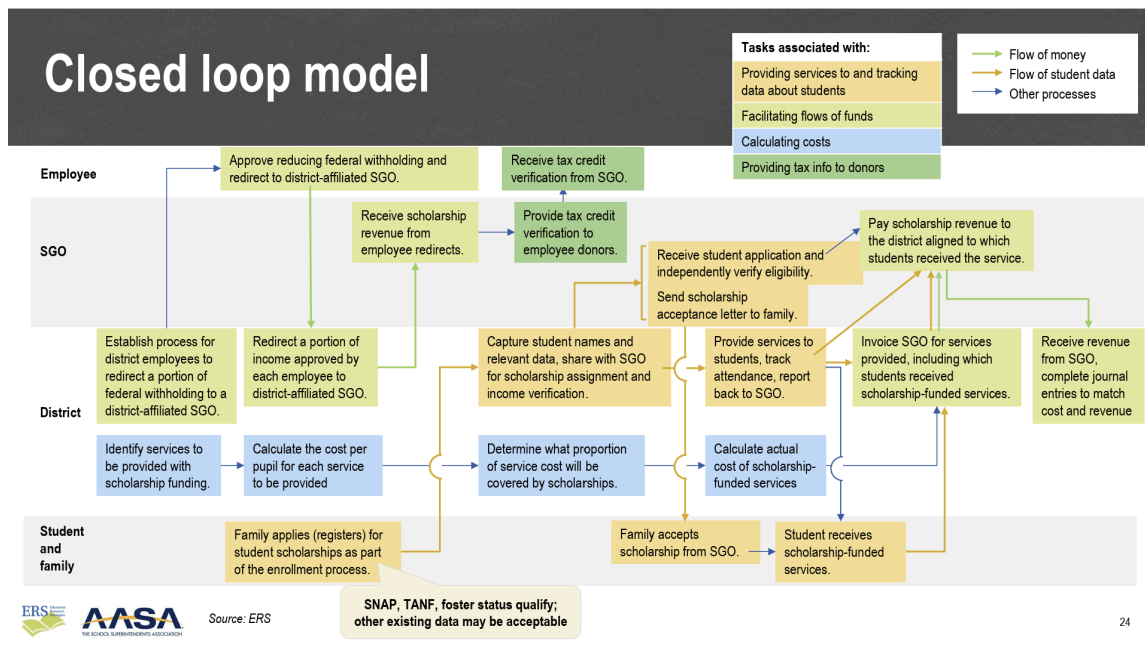
²⁷ EPI calculator <https://www.epi.org/publication/vouchers-harm-public-schools/> updated with financial data from: https://www.isbe.net/_layouts/Download.aspx?SourceUrl=/Documents/2025-Report-Card-Public-Data-Set.xlsx

²⁸ IPG analysis based on average cost of salaries and benefits and number of teachers per district: <https://www.illinoisreportcard.com/>

Before wrapping up, we wanted to acknowledge what the flow of funds might actually look like in practice.

The actual logistics of a school district ensuring that an SGO solicits, receives and processes donations along with overseeing the process of families applying for, qualifying for, receiving and then using SGO funds, will be highly complex if a district wants to truly maximize the use of these dollars and deploy them in an intentional way to achieve specific educational outcomes. It will be an additional administrative burden on any district attempting to utilize these funds. Crucially, there is *no* additional revenue source in the federal voucher program to cover any of these administrative costs carried out by public school personnel.

The flowchart below is taken from a presentation by the School Superintendents Association with a recommended pathway for districts to maximize the dollars they can receive from the program.²⁹ The diagram shows the number of hoops public schools must jump through to benefit from the dollars, while private schools can simply work with an SGO to provide vouchers to fund their students' expenses using existing administrative and budgeting infrastructure.



²⁹ <https://www.aasa.org/docs/default-source/resources/ppt-presentations/aasa-ers-fstc-session-3-final-share.pdf>

Conclusion

The federal student voucher program has been sold to states as an opportunity to direct private “donations” (in the form of foregone federal tax dollars) to boost public school funding. The scenarios we work through here demonstrate that it is unlikely that public schools will see a net gain in resources unless they are in the wealthiest areas of the state where public schools are already receiving an outsized amount of resources. Nationally, the voucher program stands to reduce federal tax dollars by \$26 billion.³⁰ These are dollars that could, instead, be directly appropriated to support public education. They could more than double funding for Title 1, a program that ensures our most vulnerable public school students succeed.³¹ They could go towards the federal government finally making good on its promise to cover 40% of the costs of IDEA, a commitment to ensure a free, appropriate public education for students with disabilities that has never come close to being fulfilled in the 50+ years of that program.³² Illinois should focus on developing strategies to fully, sustainably, fund our public schools instead of spending scarce state and local dollars to implement infrastructure to direct public dollars towards private schools and drain resources from public schools.

We strongly urge Illinois to opt out of the student voucher program

³⁰ <https://home.treasury.gov/news/press-releases/sb0641/>

³¹ <https://schoolhouseconnection.org/article/congressional-fy26-deal-key-wins-for-homeless-children-and-youth>

³² <https://www.iasb.com/news-listing/iasb-announces-40-by-40,-urging-congress-to-fulfill-its-commitment-to-idea>