ERS Education Resource Strategies

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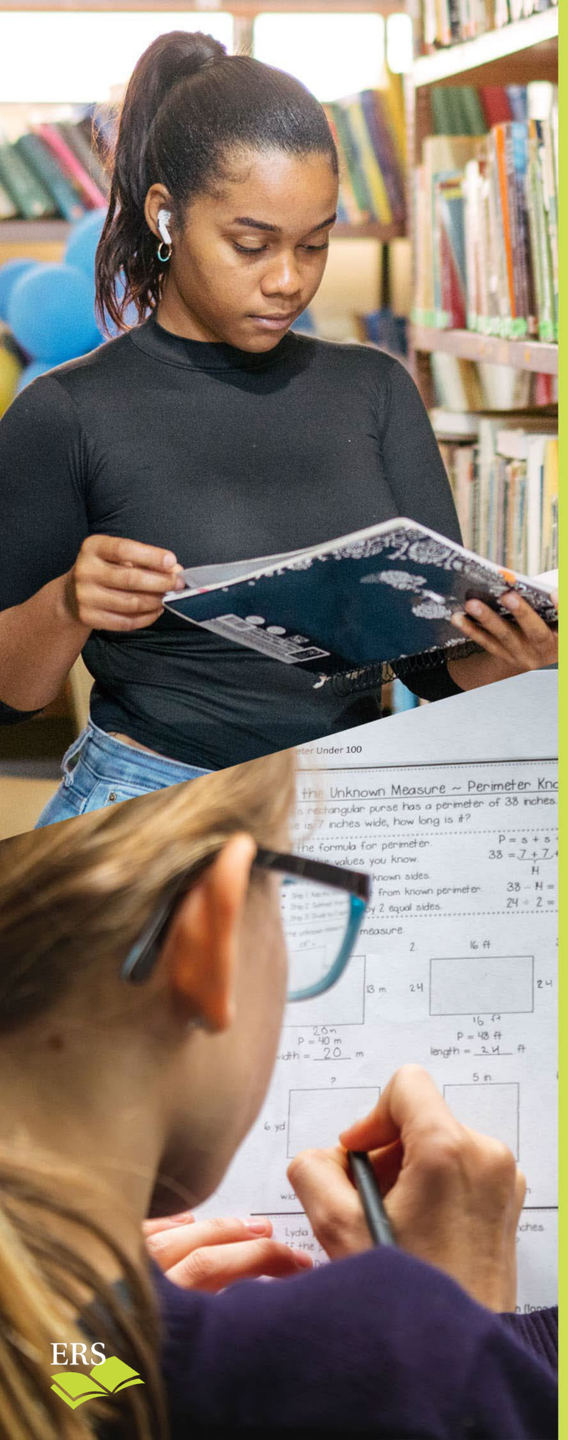
Leveraging the New Scholarship Tax Credit: Deciding What Will Work for You

September 2, 2026



AASA
THE SCHOOL SUPERINTENDENTS ASSOCIATION

AASA is the professional community of **more than 10,000 education leaders**. AASA and its members are committed to **providing high-quality public education to all children**.

ERS Education Resource Strategies

ERS empowers school system leaders to make **transformative shifts in resources, structures, and practices** so that all students—especially those with the greatest learning needs and those furthest from opportunity—**attend a school where they can learn and thrive**.

Today’s facilitators

Sasha Pudelski
Director, Advocacy
AASA, The School Superintendents Association

David Rosenberg
Senior Advisor
Education Resource Strategies

Dr. Harold Jeffcoat
Superintendent
Van Buren (AR) School District

Series schedule

All 3-4 p.m. ET

1: Wednesday, July 22
- What is FSTC? How could it work?
- How do we decide what to invest in?

2: Monday, August 17
- How could we identify and develop a strong base of donors?

3: TODAY
- How could we operationalize our FSTC strategy?

4: Tuesday, September 22
- How will we move forward?

Today’s agenda

- Recap of sessions 1 and 2: defining goals, assessing revenue opportunities
- What might a “closed loop” implementation model look like for a school district?
- Discussion with Dr. Harold Jeffcoat, Superintendent, Van Buren (AR) School District
- Preview Session 4

Use the Note Catcher linked in the chat to capture your questions and reflections

We started by naming three factors to consider in developing your FSTC strategy

Generating maximum impact on student outcomes

How could we use FSTC dollars to meet our most critical student needs?

Building reliable and sustainable sources of revenue

How much revenue could we generate, and what will it take to generate it?

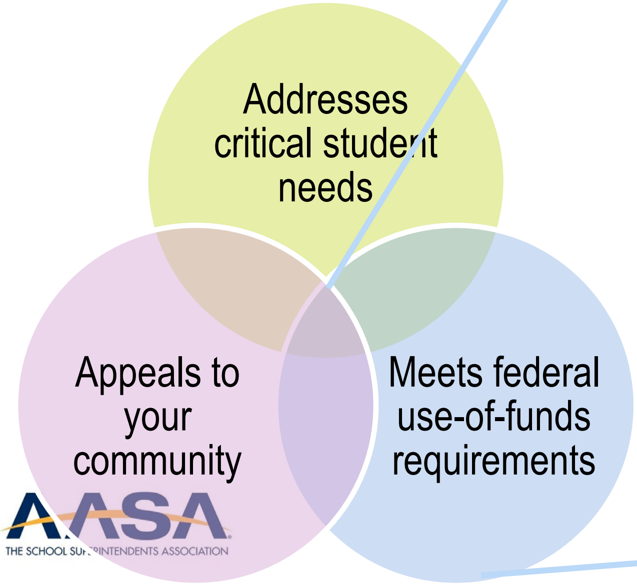
Designing and implementing an operating model that works for us

How would we operationalize an FSTC strategy in our community?

Funds must be spent on "qualified elementary or secondary education expenses"

Generating maximum impact on student outcomes

How could we use FSTC dollars to meet our most critical student needs?



Treasury has indicated that FSTC funds will be usable for the same purposes as Coverdell Education Savings Accounts (formerly known as Education IRAs).

What that is defined as today:

- Tuition and fees
- Room and board
- Transportation
- Books, supplies, or other equipment
- Uniforms
- "Special needs services"
- Academic tutoring
- Supplementary programs (usually understood to be afterschool)
- Computer tech, equipment, or internet access

What Treasury <u>may</u> include in its definition:

- Mental health services
- Early childhood programming (Pre-K)
- Summer school programs
- Apprenticeship/work-based learning programs

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Source: AASA, ERS, EdCounsel.

In session 2, we discussed the role of donors participants in an FSTC strategy

Building reliable and sustainable sources of revenue

How much revenue could we generate, and what will it take to generate it?

Today: What does it take to build an operating model that is **easy to implement** and **benefits public school students**?

Generating maximum impact on student outcomes

How could we use FSTC dollars to meet our most critical student needs?

Building reliable and sustainable sources of revenue

How much revenue could we generate, and what will it take to generate it?

Designing and implementing an operating model that works for us

How would we operationalize an FSTC strategy in our community?

Addressing these "pinch points" effectively increases the chances of achieving our goals:

How could we **generate donations** at scale?

How could we most easily **register eligible students** for services?

What role will we play in **matching students to scholarship-funded services**?

Which SGO/s will we affiliate with and how will we partner?

Today’s agenda

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Strategic options – from open market to closed loop

Most "open" ⟷ *Most "controlled"*

Open market	"Preferred" partners model	District-facilitated "closed loop"
• Families independently apply for scholarships and choose service providers. • District may provide families with a curated list of partners and scholarship opportunities to inform independent family decisions.	• District identifies high-potential partners that meet district student needs. • District may partner with SGO/s and/or service providers to facilitate student applications and share data about student needs, goals and progress.	• District provides high-priority services directly to students or contracts with a third-party partner for those services. • District facilitates student scholarship applications as part of existing enrollment and data gathering processes.

Likely to work better in higher-income communities

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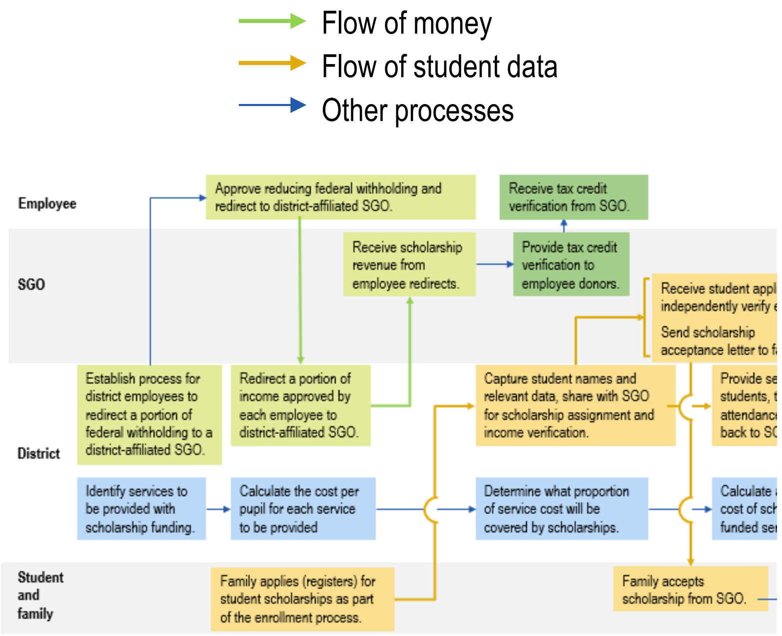
How the tax credit process is likely to work

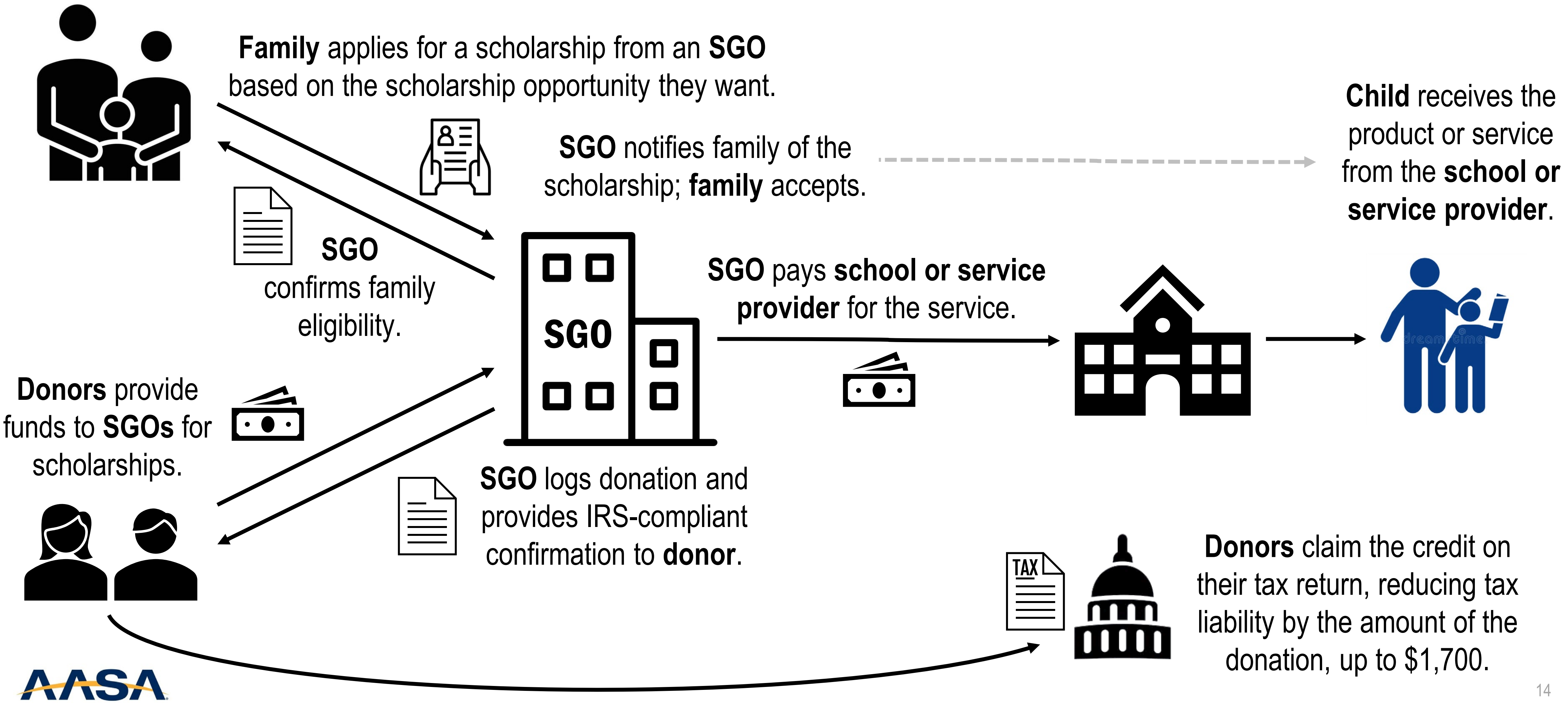
1 Simple view

2 Detailed view



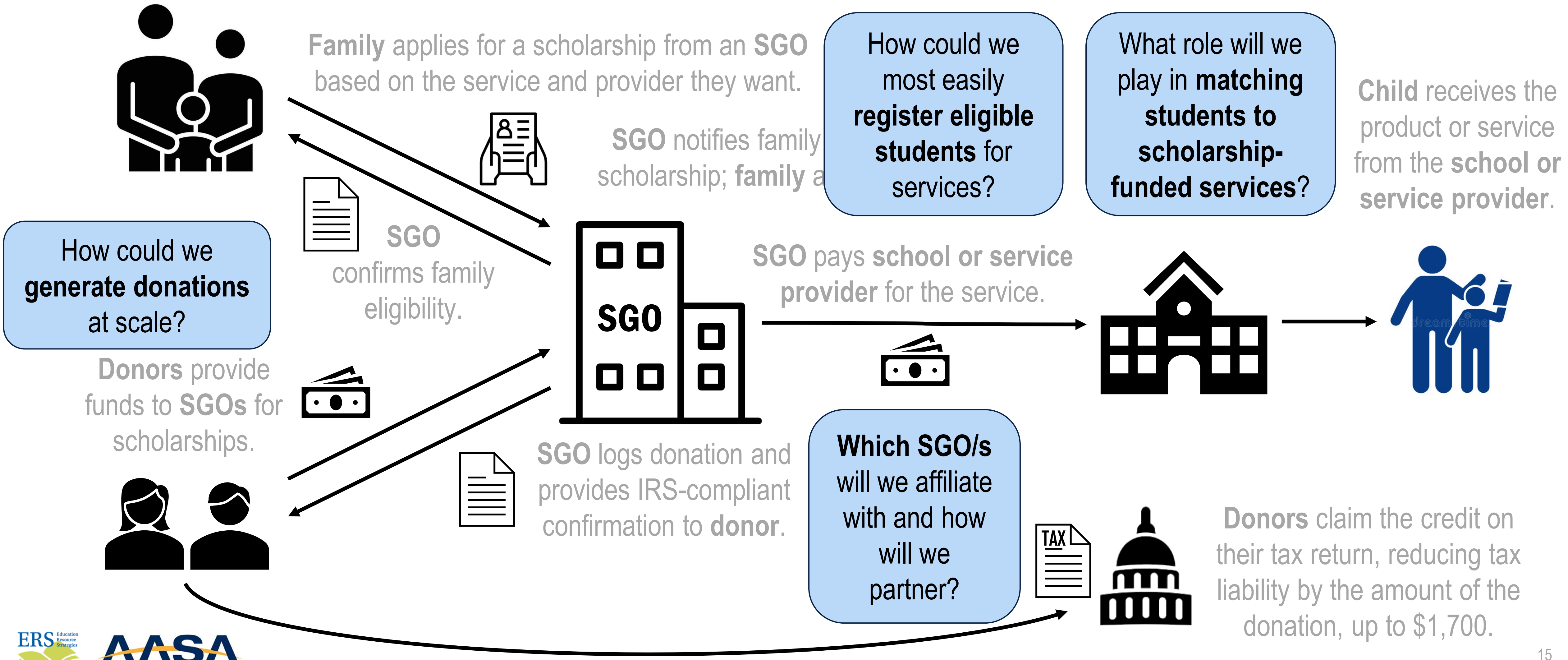
3 Applied view

How the tax credit process is likely to work (simple view)



A closed loop could address all four pinch points

Pinch points



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How could we **generate donations** at scale?

Where could tax credit revenue come from?

RPS
RICHMOND
PUBLIC SCHOOLS

ILLUSTRATIVE

Revenue source	Population
District Employees	3,873
Other Public Employees	6,826
Targeted Large Company Employees	44,195
VCU Health	13,500
Virginia Commonwealth University	7,832
Dominion Energy	5,433
Truist	4,549
Federal Reserve Bank of Richmond	2,700
Wells Fargo	2,582
CoStar Group	2,400
Bank of America	1,921
Verizon Communications	1,700
University of Richmond	1,578
District Families	13,101
Other District Residents	50,617

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Based on early estimates, a district team might prioritize seeking revenue in a closed loop

How could we **generate donations** at scale?

ILLUSTRATIVE

Revenue source	Population	% Jobs	Pct opt in	Total revenue
District Employees	3,873		20.0%	**$ 597,318**
Other Public Employees	6,826		5.0%	**$ 263,200**
Targeted Large Company Employees	44,195	27.2%	0.9%	**$ 294,741**
VCU Health	13,500	8.3%	1.0%	$ 104,108
Virginia Commonwealth University	7,832	4.8%	1.0%	$ 60,398
Dominion Energy	5,433	3.3%	1.0%	$ 41,898
Truist	4,549	2.8%	1.0%	$ 35,081
Federal Reserve Bank of Richmond	2,700	1.7%	0.5%	$ 10,411
Wells Fargo	2,582	1.6%		$ -
CoStar Group	2,400	1.5%	1.0%	$ 18,508
Bank of America	1,921	1.2%		$ -
Verizon Communications	1,700	1.0%		$ -
University of Richmond	1,578	1.0%	2.0%	$ 24,338
District Families	13,101		0.2%	**$ 20,207**
Other District Residents	50,617		0.05%	**$ 19,517**

Top priority: District staff payroll redirects

2nd priority: Payroll redirects for city and state employees

Employer partnerships offer high potential, but local commuting patterns indicate employers may seek a regional approach

Economic Flow Overview	Population	Percentage
Jobs in district	162,766	100%
Held by Residents	35,050	22%
Held by in-commuters	127,716	78%

Marketing to district families and other district residents requires a higher-investment "retail" approach

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With a closed loop approach, fundraising <u>and service provision</u> would be facilitated by the district

Nature of revenue-generation strategy

Payroll contributions for district and other public employees

Payroll contributions through employer partners

Retail marketing to all residents

Closed loop

Allow an open market to develop organically

Identify and promote "preferred" partners to inform family choice

Provide services directly or through key partners

District role in matching students and services

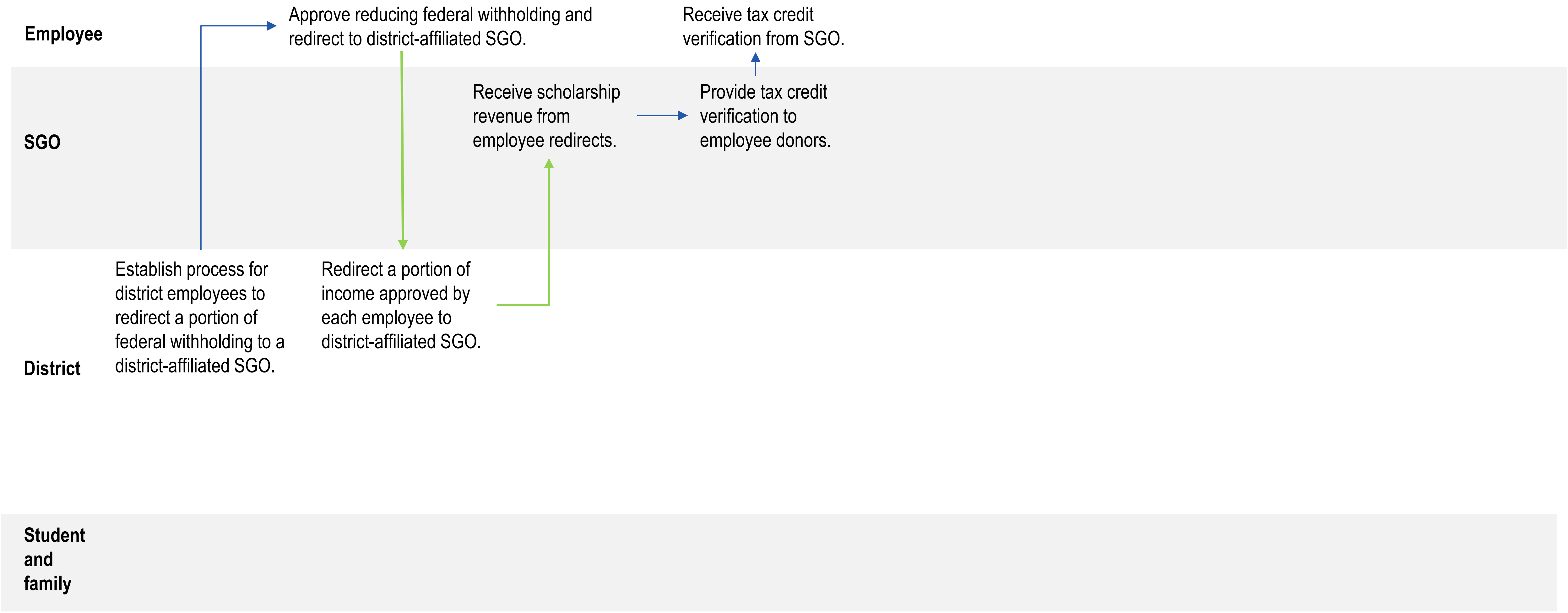
How the tax credit process could work in a closed loop (detailed view)

Key processes	Who's involved
Providing services to and tracking data about students	District employee (donor/participant)
Facilitating flows of funds	SGO
Calculating costs	District
Providing tax info to donors	Student and family

Source: ERS

Closed loop model:
District employee/participant experience

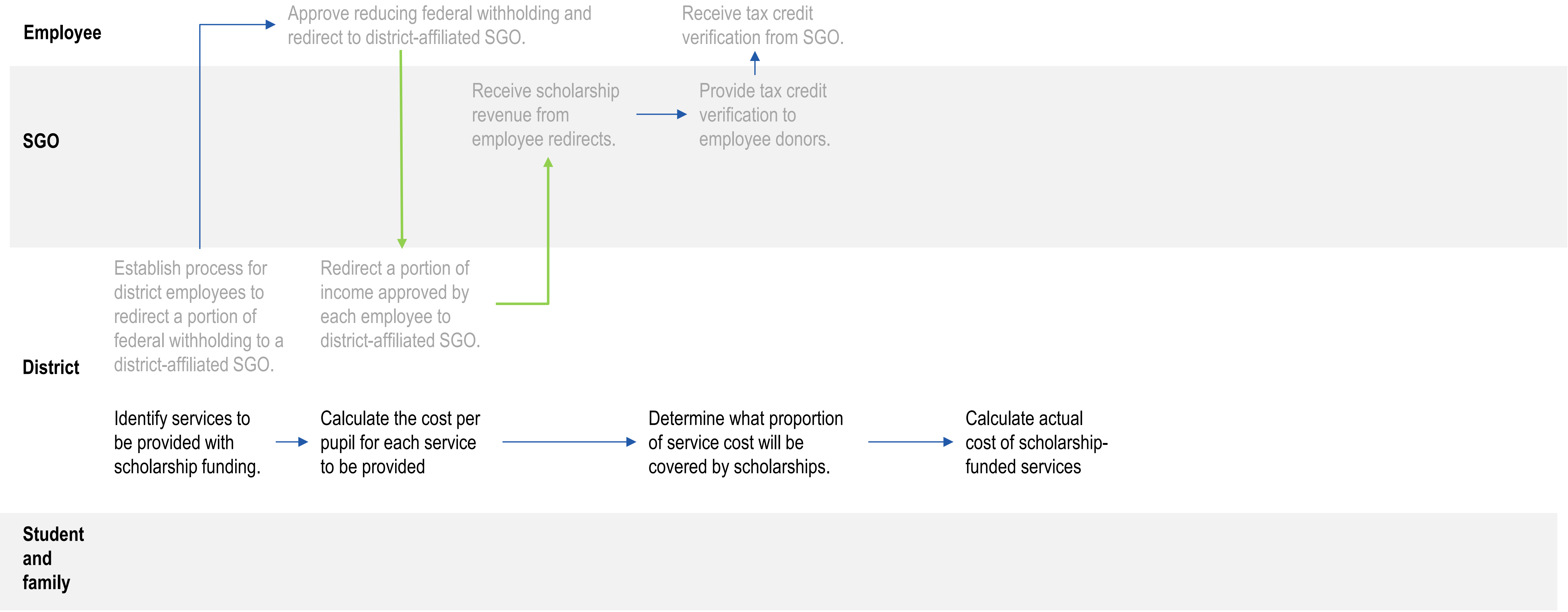
Flow of money
Flow of student data
Other processes



Source: ERS

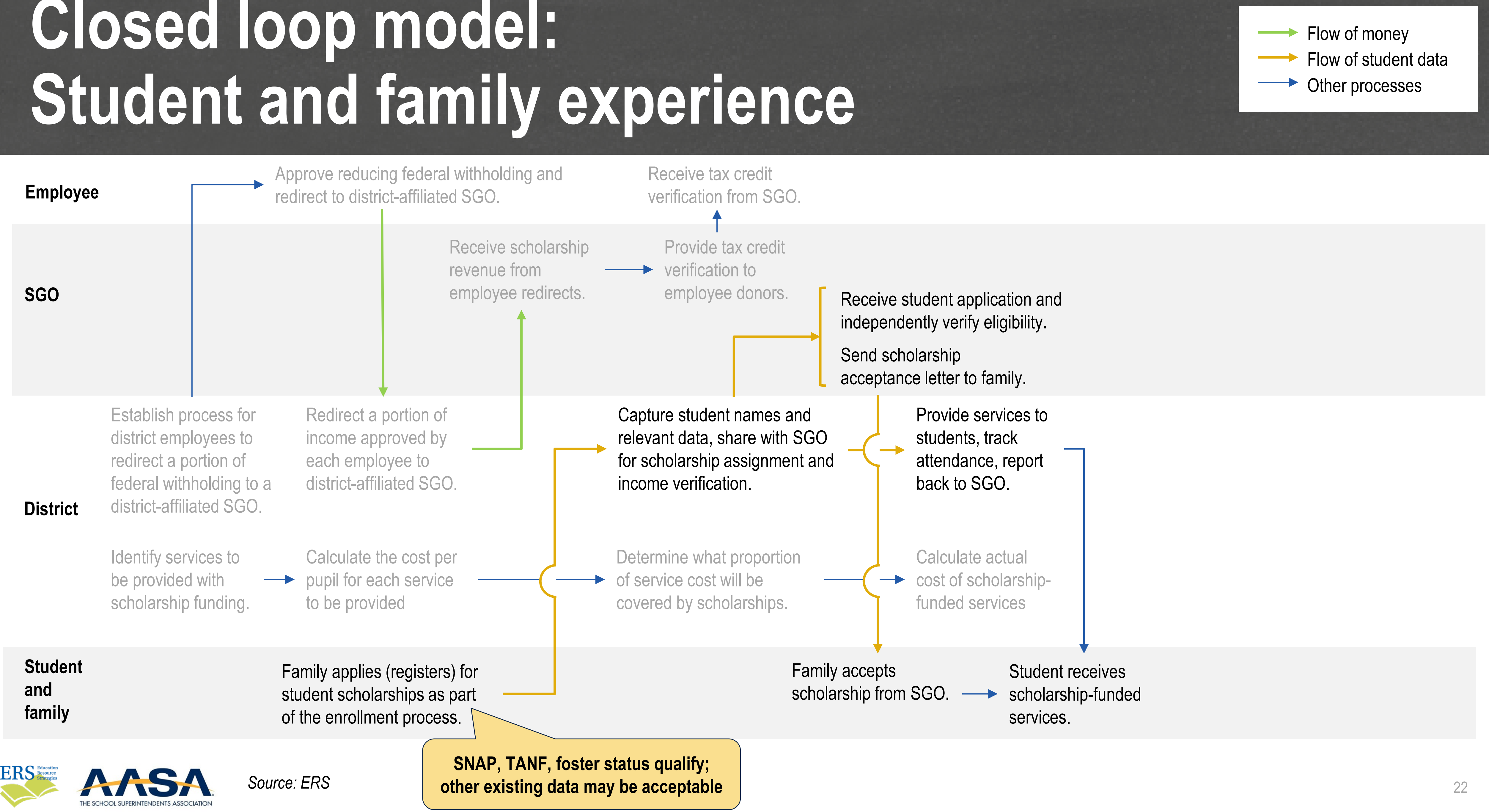
Closed loop model: Identifying and costing services

Flow of money
Flow of student data
Other processes



Source: ERS

Closed loop model: Student and family experience



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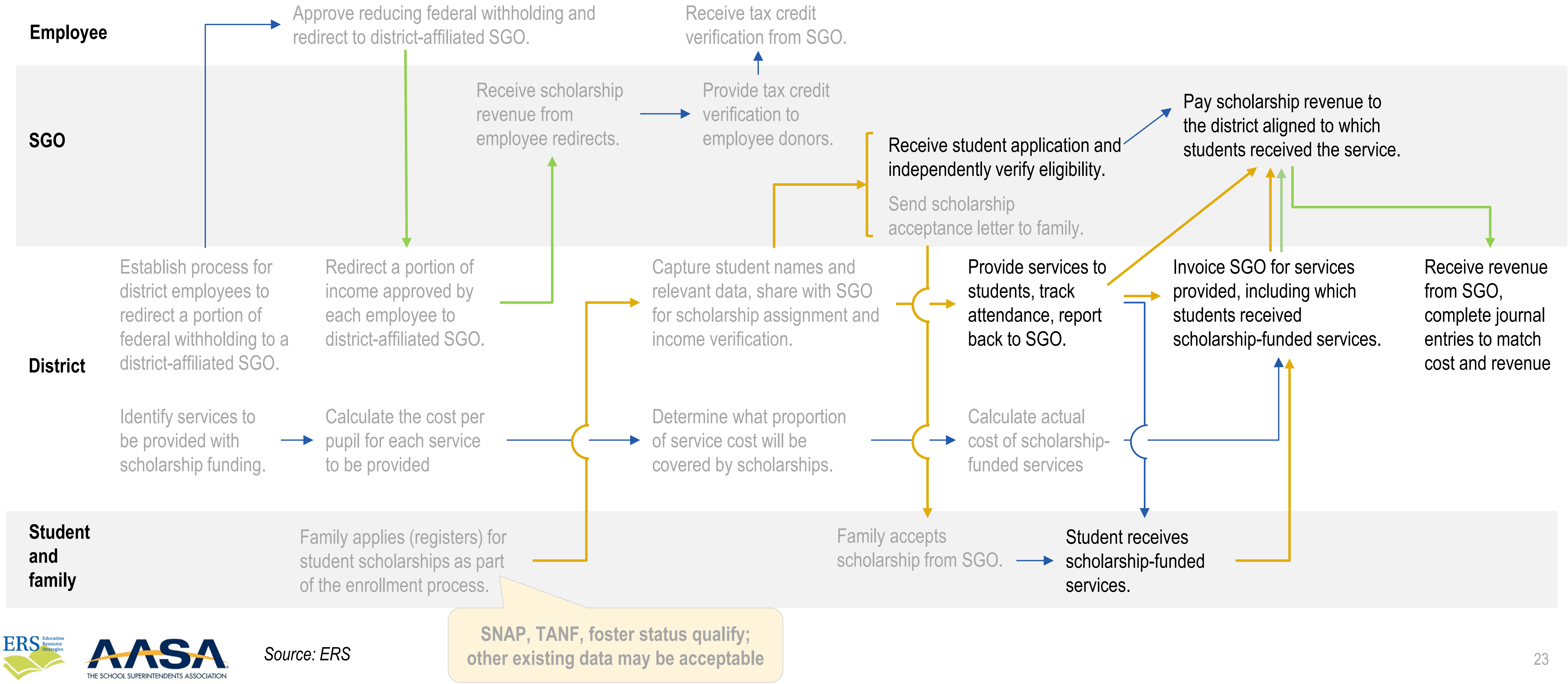
Source: ERS

Closed loop model: Service delivery infrastructure

Flow of money
Flow of student data
Other processes



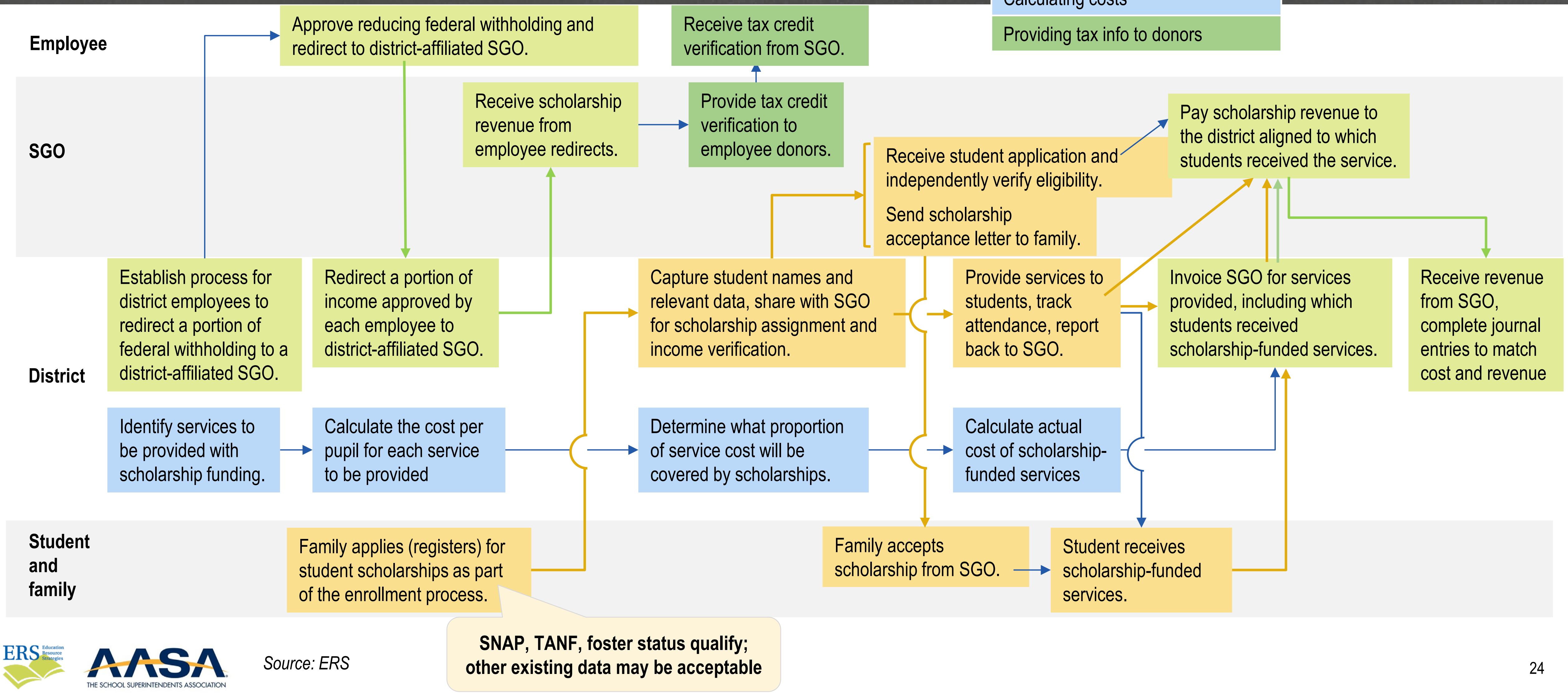
Source: ERS

Closed loop model

Tasks associated with:

- Providing services to and tracking data about students
- Facilitating flows of funds
- Calculating costs
- Providing tax info to donors

- Flow of money
- Flow of student data
- Other processes



Source: ERS

Let’s look at the closed loop model in action

Small group, after-school tutoring
Provided by district educators
Starting in fall 2027

Summer programming
Provided by a third-party partner
Starting in summer 2027

Photo credits (l.-r.): Chapter One via The 74, Wallace Foundation

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In each case, district employees redirect a portion of federal withholding to a district-affiliated SGO

Tasks associated with:
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Calculating costs
Providing tax info to donors

Flow of money
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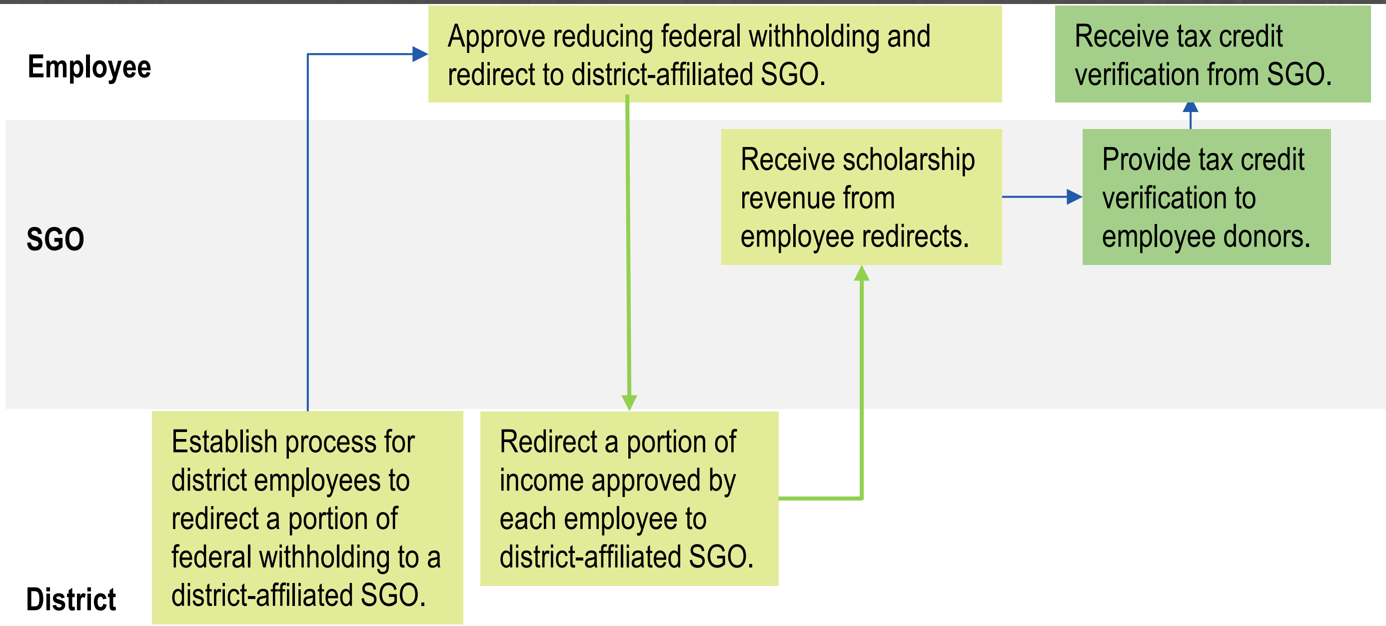

District team asks employees to

- Complete a new W-4, reducing federal withholding by up to $1,700 annually.
- Give permission to redirect the same amount to a district-affiliated SGO to fund scholarships for after-school tutoring services for qualified students.

District team reflects employee selections in payroll processing.

Employees who expect to pay at least $1,700 in federal taxes can reduce federal withholding and **redirect that amount to a district-affiliated SGO without reducing their net take-home pay.**

Pay periods	Months/year	Amount
Weekly	12	$32.69
Weekly	10	$41.46
Bi-weekly	12	$65.38
Bi-weekly	10	$82.92
Twice per month	12	$70.83
Twice per month	10	$85.00

Employees who expect to pay less than $1,700 in federal taxes can redirect less per pay period.

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Source: ERS

District team calculates revenue required to provide scholarships

Tasks associated with:
- Providing services to and tracking data about students
- Facilitating flows of funds
- Calculating costs
- Providing tax info to donors

- Flow of money
- Flow of student data
- Other processes

Employee

Approve reducing federal withholding and redirect to district-affiliated SGO.

Receive tax credit verification from SGO.

SGO

Receive scholarship revenue from employee redirects.

Provide tax credit verification to employee donors.

District

Establish process for district employees to redirect a portion of federal withholding to a district-affiliated SGO.

Redirect a portion of income approved by each employee to district-affiliated SGO.

Identify services to be provided with scholarship funding.	Calculate the cost per pupil for each service to be provided	Determine what proportion of service cost will be covered by scholarships.	Calculate actual cost of scholarship-funded services
Small-group, after-school tutoring	**Current model:** 4:1 ratio 60 min/week **$500 pp**	**Goal: Fully fund scholarships for 180 students**	\$500 pp x 100% x 180 students **\$90,000**

Revenue required = actual cost / (100% – SGO set-aside).

If scholarships = 90% of revenue raised:
\$90,000 / 90% = \$100,000

Source: *ERS*

District facilitates a "frictionless" application process for families

Tasks associated with:

Providing services to and tracking data about students
Facilitating flows of funds
Calculating costs
Providing tax info to donors

Flow of money
Flow of student data
Other processes

Employee

SGO

District

Student and family

District team shares names of students and relevant data, including data required for income verification, with a **district-affiliated SGO.**

During **BOY enrollment**, families apply for their student to receive a scholarship for after-school tutoring, if they qualify.

Receive student application and independently verify eligibility.

Send scholarship acceptance letter to family.

Capture student names and relevant data, share with SGO for scholarship assignment and income verification

Note: **SGO** will need to have the proper controls and verifications in place to ensure audit compliance.

Based on revenue raised and student eligibility, **SGO sends acceptance letters to families.**

be provided with scholarship funding.

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Family applies (registers) for student scholarships as part of the enrollment process.

Family accepts scholarship from SGO.

Source: ERS

District educators provide (and are paid for) scholarship-funded tutoring

Tasks associated with:
- Providing services to and tracking data about students
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Flow of money
Flow of student data
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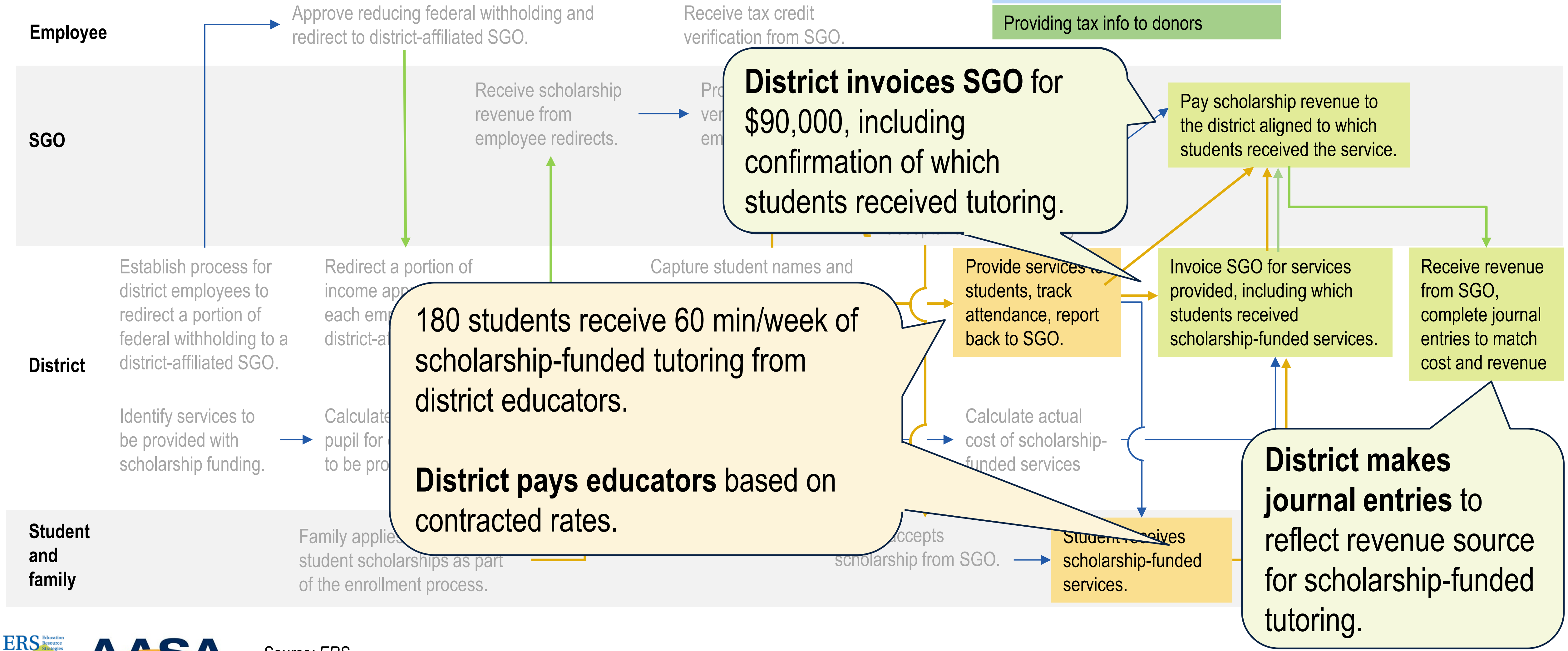

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Source: ERS

Let’s look at the closed loop model in action

Small group, after-school tutoring
Provided by district educators
Starting in fall 2027

Summer programming
Provided by a third-party partner
Starting in summer 2027

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Tasks associated with:
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Flow of money
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Redirect a portion of income approved by each employee to district-affiliated SGO.

Identify services to be provided with scholarship funding.

Calculate the cost per pupil for each service to be provided

Determine what proportion of service cost will be covered by scholarships.

Calculate actual cost of scholarship-funded services

Summer learning

Partner model: $1,800 pp

Goal: Fund 50% scholarships for 500 students

$1,800 pp
x 50%
x 500 students
$450,000

Revenue required = actual cost / (100% – SGO set-aside).

If scholarships = 90% of revenue raised:
$450,000 / 90% = $500,000

Source: ERS

District facilitates a "frictionless" application process for families

Tasks associated with:
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- Facilitating flows of funds
- Calculating costs
- Providing tax info to donors

- Flow of money
- Flow of student data
- Other processes

Employee

SGO

District

Student and family

District team shares names of students and relevant data, including data required for income verification, with an **SGO affiliated with the district's summer learning partner.**

During **the school year**, district enables families to apply for their student to receive a summer learning scholarship, if they qualify.

Receive student application and independently verify eligibility.

Send scholarship acceptance letter to family.

Capture student names and relevant data, share with SGO for scholarship assignment and income verification

be provided with scholarship funding.

pupil ... vice to be pr... ed

...alculate actual ...st of schola... ...nded ser...

Note: **SGO** will need to have the proper controls and verifications in place to ensure audit compliance.

Based on revenue raised and student eligibility, **SGO sends acceptance letters to families.**

Family applies (registers) for student scholarships ~~as part of the enrollment process.~~

Family accepts scholarship from SGO.

Source: ERS

Students attend summer learning provided by a **third-party partner**

Tasks associated with:
- Providing services to and tracking data about students
- Facilitating flows of funds
- Calculating costs
- Providing tax info to donors

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- Flow of student data
- Other processes

Employee

Approve reducing federal withholding and redirect to district-affiliated SGO.

Receive tax credit verification from SGO.

SGO

Receive scholarship revenue from employee redirects.

Pay scholarship revenue to the **partner** aligned to which students received the service.

Summer learning partner confirms to SGO which students attended the program.

District

Establish process for district employees to redirect a portion of federal withholding to a district-affiliated SGO.

Redirect a portion of income approved by each employee to district-affiliated SGO.

Capture student names and

Partner provides services to students, track attendance, report back to SGO.

Partner invoices SGO for services provided, including which students received scholarship-funded services.

~~Receive revenue from SGO, complete journal entries to match cost and revenue~~

Identify services to be provided with scholarship funding.

Calculate the cost per pupil for each service to be provided

Calculate actual cost of scholarship-funded services

500 students attend summer learning program **facilitated by the district's chosen partner.**

Student and family

Family applies (registers) for student scholarships as part of the enrollment process.

…ccepts scholarship from SGO.

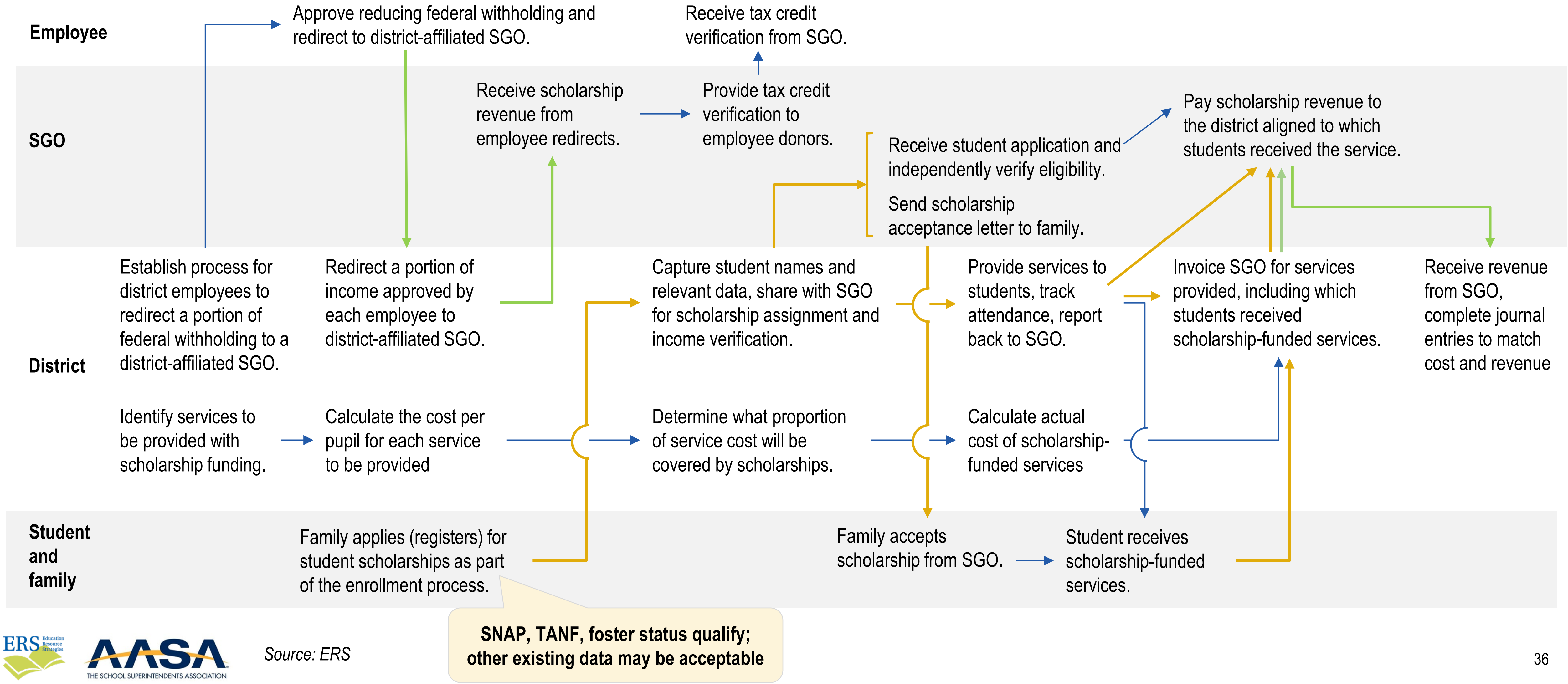
Student receives scholarship-funded services.

Because a third-party partner is providing summer learning, **no funds go through the district.**

Source: ERS

District leaders can take concrete steps to lay the technical groundwork and address pinch points

Flow of money
Flow of student data
Other processes



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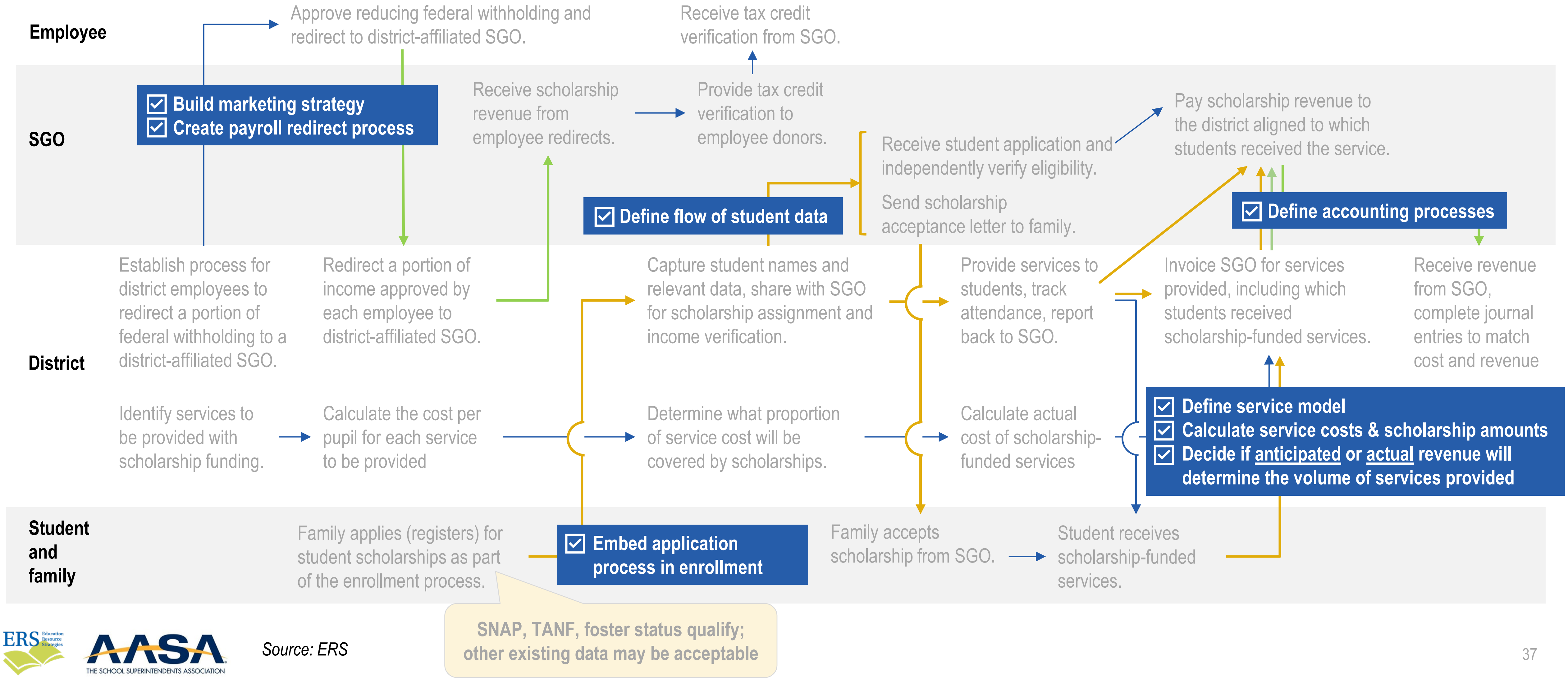

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Source: ERS

District leaders can take concrete steps to lay the technical groundwork and address pinch points

Groundwork

- ☑ Build marketing strategy
- ☑ Create payroll redirect process
- ☑ Embed application process in enrollment
- ☑ Define flow of student data
- ☑ Define service model
- ☑ Calculate service costs and scholarship amounts
- ☑ Decide if <u>anticipated</u> or <u>actual</u> revenue will determine the volume of services provided
- ☑ Define accounting processes

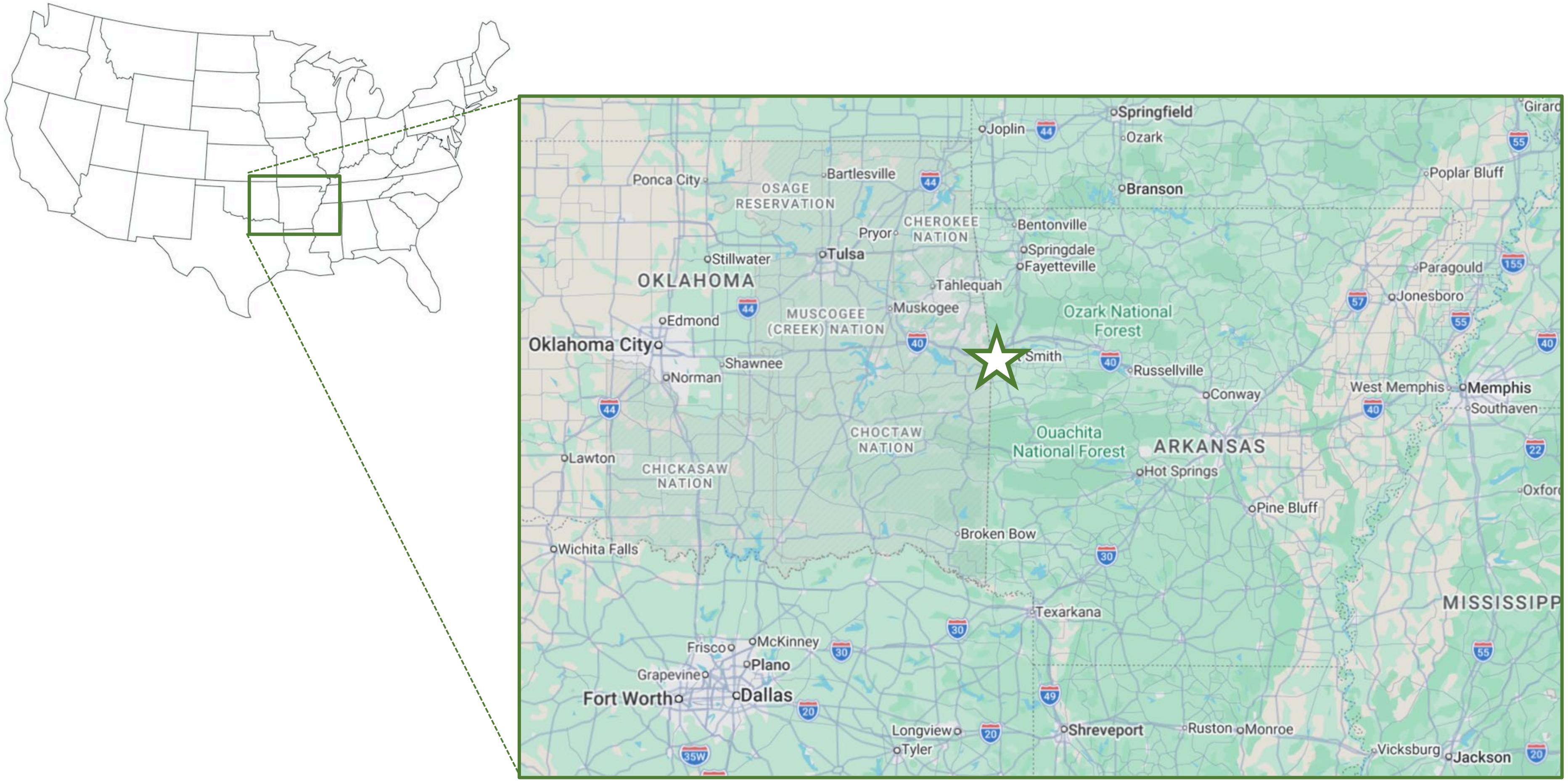
How could we **generate donations** at scale?

How could we most easily **register eligible students** for services?

What role will we play in **matching students to scholarship-funded services**?

Which SGO/s will we affiliate with and how will we partner?

A discussion with Dr. Harold Jeffcoat
Superintendent, Van Buren (AR) School District



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- How do we decide what to invest in?

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- How could we identify and develop a strong base of donors?

3: TODAY

- How could we operationalize our FSTC strategy?

4: Tuesday, September 22

- How will we move forward?

Coming soon!

Public School Scholarship Granting Organization Toolkit

Prepared as an operational resource for Scholarship Granting Organizations focused on supporting public schools.

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Table of Contents

Thank you!

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Leveraging the New Scholarship Tax Credit: Deciding What Will Work for You

September 2, 2026