2.55 SUPPORT FOR THE CREATION AND OVERSIGHT OF ONE OR MORE SCHOLARSHIP GRANTING ORGANIZATIONS DEDICATED TO SUPPORTING ALASKA'S PUBLIC SCHOOL STUDENTS

The AASB supports the creation of Scholarship Granting Organizations dedicated to providing scholarships for the "qualified elementary or secondary education expense(s)" of students enrolled in public school districts across the State of Alaska and/or students enrolled in any specific district.

The AASB further supports the collaboration, participation, regulation, and oversight required to focus and direct what may amount to tens of millions of dollars in annual taxpayer donations toward public education and thereby supplement traditional local, state and federal funding sources.

The AASB's support for Scholarship Granting Organizations shall not be construed as support for any reduction in, or substitution for, state or local appropriations for public education, including the Base Student Allocation, pupil transportation, school major maintenance and construction, early learning, and the University of Alaska and other public postsecondary institutions. SGO scholarships must supplement, and never supplant, public funding, and the AASB opposes any use of anticipated SGO contributions to justify flat or reduced public education budgets.

The AASB recognizes that federal tax credits directed through private organizations are voluntary, variable from year to year, and not subject to public appropriation or accountability, and are therefore no substitute for stable public funding. The AASB urges the Governor and Legislature to enact a sustainable fiscal plan that includes durable, broad-based, publicly accountable revenue sufficient to adequately fund public education in Alaska, from early learning through postsecondary education.

The AASB encourages SGOs serving Alaska students to voluntarily prioritize scholarships for the lowest-income students, students with disabilities, foster youth, and students in rural and underserved communities, and to publicly report the number, amount, income band, and school type (public, private, religious) of scholarships awarded. The AASB urges Alaska's congressional delegation to amend Internal Revenue Code §25F to permit states to direct scholarships toward public school students and the highest-need families.

Rationale

In January 2026, the Governor opted Alaska[1] into a new federal education tax credit program which was generated through the 2025 Reconciliation Act.[2] Starting in January 2027, taxpayers will receive a dollar-for-dollar federal tax credit,[3] up to $1,700/year for an individual or up to $3,400/year for a married couple filing jointly, when they make donations to any state-recognized "Scholarship-Granting Organization (SGO)."[4] Additionally, and as soon as January 2027, taxpayers with large Federal tax liabilities may also elect to take and direct up to five years' of the tax credit if they make a qualifying contribution toward an approved SGO because unused tax credits can be carried forward for up to five years.[5]

As established by the 2025 Reconciliation Act, State-approved SGOs may receive and direct donations from any taxpayer with a Federal Income Tax liability, whether they are located within or outside the state of Alaska, towards a wide range of scholarships for the "qualified elementary or secondary education expense(s)" of students enrolled at Alaska's public schools as long as those students' families income is less than 300% of the area median gross income and as long as the SGO spends at least 90% of the donations they receive on scholarships for at least 10 students across two or more schools.

On October 1, 2026, new federal guidelines for the tax credits included the following tenets, stipulations, and guidance:

- Although states will be responsible for submitting lists of qualifying SGOs to the IRS on or before January 1 in 2027 and every year thereafter, especially "to accommodate an election made by a Governor who is newly Inaugurated," each state will also have a one-time opportunity until February 15, 2027 to "*perfect its advance election*" of qualifying SGOs for 2027;
- Eligibility verification will be streamlined for certain families participating in needs-based programs, foster children, and certain students receiving tutoring or special-needs services in low-income areas;
- Participating states will not be permitted to impose SGO operating requirements that are more restrictive than those established by Internal Revenue Code section 25F;

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[1] https://www.adn.com/alaska-news/education/2026/01/29/dunleavy-opts-alaska-in-to-federal-tax-credit-scholarship-program-that-could-benefit-private-schools/

[2] https://www.congress.gov/crs_external_products/R/HTML/R48724.html

[3] https://www.irs.gov/newsroom/treasury-irs-allow-states-to-make-an-advance-election-to-participate-in-the-new-federal-tax-credit-for-individual-contributions-to-scholarship-granting-organizations-under-the-one-big-beautiful-bill

[4] https://www.ed.gov/media/document/education-freedom-tax-credit-fact-sheet-113147.pdf; https://www.k12dive.com/news/irs-releases-proposed-school-choice-rule-Education-Freedom-Tax-Credit/831680/

[5] https://www.ed.gov/media/document/education-freedom-tax-credit-fact-sheet-113147.pdf

- Annual independent reviews will be conducted into SGOs' finances and program compliance;
- Restrictions will be placed on awards to "insiders" and their families;
- Procedures will be created to remove SGOs which don't comply with regulations;
- Taxpayers may not earmark donations to specific students.[6]

The Alaska Department of Education (DEED) started to accept SGO applications on a rolling basis in August 2026, shortly after the State filed Internal Revenue Code section 25F. In its August 20, 2026 press release, DEED reported that *"the State expects to approve its first group of K–12 SGOs by September 30, 2026, consistent with forthcoming regulations from the U.S. Department of the Treasury and the Internal Revenue Service. Once approved, an SGO may rely on the State's approval and begin organizing its K–12 scholarship program, building partnerships with Alaska schools and education providers, and preparing to raise qualifying contributions beginning January 1, 2027, subject to its continuing compliance with applicable federal requirements."*[7]

On October 2, 2026, one day after the new Federal guidelines were released, a new DEED press release announced that the Governor had approved Alaska's first 20 SGOs and named each organization. It also indicated that, despite the February 15, 2026 deadline clearly established in the October 1, 2026 Federal guidelines, the state would submit its "*final*" list of SGOs for 2027 to the IRS "*by*" December 1, 2026.

Although supporters of Alaska's private schools have actively championed the creation of SGOs since at least early 2026, and despite the fact that many of the SGOs announced by DEED on October 2, 2026 appear to be multi-state SGOs focused on private and/or religious schools, the AASB remains keenly aware that the Federal Tax Credits donated to SGOs and allocated as "scholarships" can be directed toward critical supports and services for public school students such as academic tutoring, transportation, special needs services, and extended day programs, and therefore stand to benefit the vast majority of Alaska's students.

The AASB further recognizes that districts may, in direct service to Alaska's public school students:

- Collaborate with more than one SGO; and
- Allow individual students to opt in to scholarships, with appropriate oversight and accountability mechanisms, and/or
- Allow every student in a District to participate in a bundled set of enhanced services.

Because the process through which any 501(c)3 organization may become and/or remain an

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[6] https://www.irs.gov/newsroom/the-trump-administration-advances-the-establishment-of-americas-first-nationwide-school-choice-program; https://www.k12dive.com/news/irs-releases-proposed-school-choice-rule-Education-Freedom-Tax-Credit/831680/;

[7] https://gov.alaska.gov/alaska-opens-applications-for-k-12-scholarship-granting-organizations/

SGO in the State of Alaska will operate on an annual cycle, the AASB recognizes that both the initial regulation of SGOs as well as ongoing State oversight over them will be required. For this reason, the AASB recognizes that legislation, in line with Federal guidance, may need to be developed to:

- Empower each of Alaska's 53 locally elected school boards to determine which SGOs are authorized to grant scholarships to students enrolled in their district's school(s); and/or
- Create new regulations governing how districts can account for this new type of revenue.

In addition, the AASB is aware that a newly elected legislature and/or Governor would be entitled to further "perfect" Alaska's list of SGOs through February 15, 2027, and supports this option. The AASB understands that an extended deadline for the initial year of the new federal education tax credits will afford new public-school oriented SGOs additional time to meet federal qualifications.

Finally, and because the fundamental opportunity to direct voluntary taxpayer contributions toward public schools via SGOs in any given year will hinge on ongoing taxpayer awareness and encouragement to participate, the AASB specifically supports substantial ongoing collaboration among stakeholders including but not limited to the following:

- State and District leaders
- Alaska Native Corporations
- Major employers
- SGOs and 501(c)3s which could become SGOs
- Parents
- Educators
- Other Advocates