Jim Pillen
Governor

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Dear School Board Member,

All students, regardless of zip code, should have an opportunity to receive the resources they need to have a successful education. On September 29, 2025, I signed an executive order to opt Nebraska into the Federal Scholarship Tax Credit (FSTC). This action made Nebraska the first state in the nation to signal its intention to utilize this historic program. Today, over 30 states have now joined. I am writing to encourage you to explore how your school district, community, or region could create or partner with a scholarship granting organization (SGO) to provide your students and their families with the opportunity to receive scholarships that will further their education.

This credit does not rely on state tax dollars. Instead, individual taxpayers make contributions to qualified SGOs and, in turn, receive a federal income tax credit for those contributions. These contributions are meant to bring additional resources into Nebraska communities to support students and boost our state's overall education funding. These dollars are designed to benefit public, private, or homeschool students. Students whose household income is at or below 300% of area median gross income, as established by HUD, qualify for scholarships. According to the American Federation for Children, 356,531 students (95.8%)[1] in Nebraska will qualify for a scholarship through the FSTC. Every single one of those kids is deserving of the opportunity to benefit from this program and further their education.

Students in public school settings can use a scholarship for several purposes, including those according to 26 U.S.C. § 530(b)(3)(A)[2];

a) Reading tutoring
b) Math tutoring
c) Other academic tutoring
d) Special-needs services
e) Books
f) School supplies
g) Computer technology, educational software, internet access, related services, and other equipment
h) Transportation
i) Extended-day programs, including before-school and after-school programs
j) Other supplementary items and services

I have long encouraged the formation of SGOs across the state to ensure that students, no matter what their education setting, have the opportunity to benefit from this program. Public school districts and communities can participate by creating a new SGO or partnering with an SGO that serves their students. I urge you to explore the approach that makes the most sense for your district or community.

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[1] https://www.federationforchildren.org/new-estimates-project-that-52-million-k-12-students-eligible-for-the-education-freedom-tax-credit-eftc/

[2] https://uscodeweb1.house.gov/view.xhtml?edition=prelim&num=0&req=granuleid%3AUSC-prelim-title26-section530

To qualify as an SGO, the organization must meet the following requirements under Section 25F(d):

a) Be an organization described in Section 501(c)(3) and exempt from taxation under Section(a)
b) Not be a private foundation
c) Maintain separate accounts for qualified contributions to prevent commingling with other funds
d) Provide scholarships to 10 or more students who do not all attend the same school
e) Must spend 90 percent of its income on scholarships for eligible students
f) Provide scholarships only for qualified elementary or secondary education expenses
g) Provide scholarships to eligible students with a priority for:
    i. Students awarded a scholarship the previous school year, and thereafter, and
    ii. Any eligible student who have a sibling who was awarded a scholarship from such organization
h) Not to earmark or set aside contributions for scholarships on behalf of any particular student
i) Verify the annual household income and family size of eligible students who apply for scholarships to ensure such students meet the area median gross income requirement, and
j) Limit the awarding of scholarships to eligible students who are members of a household for which the income does not exceed the amount established
k) Not awarding a scholarship to any disqualified person

FACTS, a Nelnet company headquartered in Nebraska, is helping lead FSTC implementation efforts nationally and is working with education leaders, SGOs, schools, and other organizations across the country as they prepare for the program. FACTS is available as a resource to help districts better understand the program, explore opportunities for participation, and evaluate options for creating or partnering with an SGO. I encourage your organization to reach out to Erin Dutter at erin.dutter@nelnet.net to learn more.

Additional resources are also available through AASA, The School Superintendents Association, which has developed a webinar series for public school leaders, and the National Association of Education Foundations (NAEF), which is working directly with education foundations nationwide.

Under federal law, participating states submit a list of qualified SGOs to the U.S. Department of the Treasury each year. For the program's first year, Nebraska must submit its list by February 15, 2027. As we review the official federal rules and regulations and await further guidance, you can subscribe for updates on the tax credit from the Nebraska Department of Revenue (https://public.govdelivery.com/accounts/NEREV/subscriber/new). The department will process all SGO applications and ensure they meet federal requirements.

Please feel free to contact Grant Latimer from my office at grant.latimer@nebraska.gov with any questions you may have regarding this letter and program.

I encourage you to explore how your district or community can participate—whether by creating an SGO, partnering with an existing SGO, or working with community and education foundation partners—to ensure Nebraska public school students have the opportunity to take part and benefit from this program.

Sincerely,

Governor Jim Pillen