Examiner

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Lamont Weighs Federal Scholarship Tax Credit While Teachers Unions Urge Opt-Out

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10.22.2026

Connecticut's top education union leaders are urging Gov. Ned Lamont to opt out of the Trump administration's Federal Scholarship Tax Credit, arguing the program is a "potential vehicle for privatization" of public education and could expose the state to fraud and abuse.

According to the U.S. Treasury Department, 30 states have opted into the program, which is set to launch on Jan. 1. The deadline to choose is Dec. 31.

"The Education Freedom Tax Credit marks a new chapter in educational freedom and

opportunity by establishing America's first nationwide school choice program and empowering states to give students and families more options," U.S. Secretary of the Treasury Scott Bessent said in a press release earlier this month.

Under the program, individual taxpayers may claim a federal tax credit of up to $1,700 for qualified cash contributions to eligible scholarship-granting organizations — nonprofits that accept charitable donations and distribute those funds as scholarships to eligible K–12 students. Married couples filing jointly can claim a combined credit of up to $3,400.

Updated proposed regulations for the program released by the Treasury on Oct. 1 allow a governor — or another person or entity authorized under state law — to decide whether a state will participate.

The funds would support scholarships for a range of educational expenses for eligible elementary and secondary school students, including private-school tuition, academic tutoring, special-needs services, books, supplies, computers and other equipment.

Approximately 95% of American children live in households that meet the credit's income limit, according to the Treasury.

"We found out that regulations really prohibit states from directing funds to be used for public schools and for students," Jan Hochadel, president of the Connecticut chapter of the American Federation of Teachers, told CT Examiner on Thursday.

Hochadel noted that the scholarships "have to be used for tuition fees, uniforms like room and board, transportation, those type of things. And public schools don't have those."

Lamont sent a letter to the Treasury and Internal Revenue Service on Thursday, a source familiar with the matter told CT Examiner.

In the letter, Lamont requested greater clarification on how the program could impact taxpayers, public schools, measures being taken to prevent waste and abuse, as well as the role of state and the federal government in oversight of the program.

Hochadel — along with the presidents of the Connecticut Education Association, Connecticut Association of Public School Superintendents, Connecticut Association of

Boards of Education and executive director of the Connecticut Association of School Business Officials — claimed the program could make the state's education system "vulnerable to rampant fraud and abuse" in a joint letter addressed to Lamont on Oct. 21.

The program was established in 2025 as part of the administration's One Big Beautiful Bill Act. Its intention is to encourage private contributions to participating scholarship-granting organizations.

The joint letter cited a September analysis of the program from The Brookings Institute, a nonprofit public policy organization based in Washington, D.C.

According to the institute's analysis of federal income tax returns and a state tax-credit scholarship program, it estimated that the nation's wealthiest counties will generate several times more scholarship money per child compared to the poorest counties, while rural counties will lose out.

"It is a Trojan horse that offers false promises to taxpayers and creates winners of a few private companies selling educational services; that means long-term cuts to public education funding, higher costs, and ever-diminishing services for Connecticut students," the letter read.

The Treasury, along with the IRS, estimated that by 2030 the program could support 600 to 700 scholarship-granting organizations with more than 11 million taxpayers making nearly $26 billion in qualified contributions annually and funding as many as 2.2 million scholarships each year.

Hochadel framed that amount as a potential loss of tax revenue and argued that the program would harm public education.

"Where is the money going to come from? They're going to take it away from public education. The whole idea behind this is to ruin public education, so the rich get richer, and the rest of us get left behind," she said.

Republican State Sen. Ryan Fazio, Lamont's opponent in this year's gubernatorial election, told CT Examiner he favors opting into the program.

“It is tens of millions of free education dollars for Connecticut schoolkids, including low- and moderate-income school kids, to support students enrolled in public school or any other type of school,” Fazio said Wednesday. “If we do not opt in, then other states are taking advantage of our tax dollars without us getting anything in return.”

Fazio rejected claims that the program could lead to greater privatization of education.

“Their arguments are very silly, and this is free money to support kids’ tuition,” he said.

The letter requested a meeting with Lamont as soon as possible.

Cathryn Vulman, Lamont’s director of communications, told CT Examiner that the governor “is committed to listening to educators and other stakeholders as he evaluates the guidance provided by the Treasury. He has agreed to meet with this group.”

An exact meeting date has not been specified.