



# H.R. 1's Impacts on the South, Explained: School Vouchers

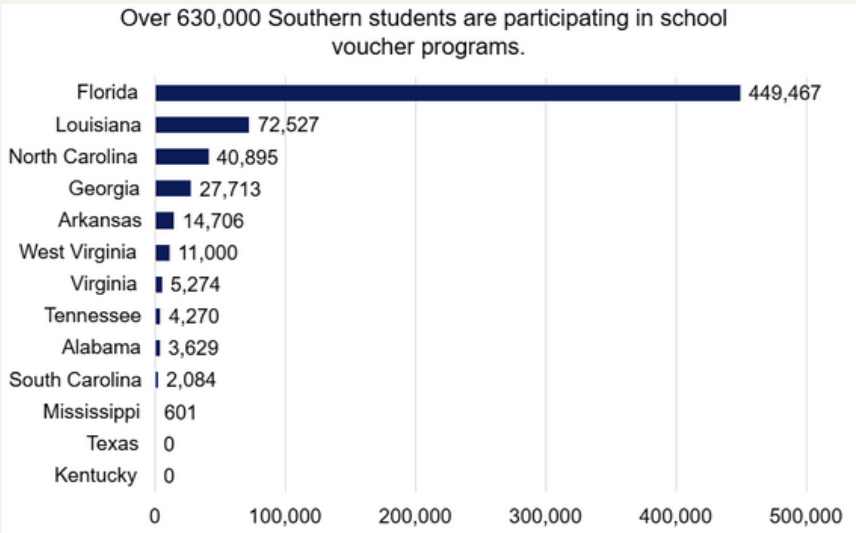


On July 4, 2025, H.R. 1 was signed into law, a federal budget reconciliation bill misleadingly named the “One Big Beautiful Bill Act”. The sweeping changes included in the bill represent a dire threat to Southern economic security, public health, education, and the social fabric of our region. MDC is taking a closer look at the projected impacts of the legislation on the 13 Southern states.

The South has long been the proving ground for many changes to our public education system and efforts to address disparities when that system fell short. From *Lum vs. Rice* in Mississippi in 1927 that ruled that separate but equal schools for white and children of other races and ethnicities was legal, to the birth of the Freedom Schools movement in Mississippi in the 1960s, to desegregation efforts that lasted until the NC lawsuit that ended court-ordered busing in 1999, the South has wrestled with its relationship to public education. Part of the origin story of school vouchers began in Prince Edward County in Southwest Virginia. When desegregation orders came from the Supreme Court, the County Board of Supervisors and the Virginia General Assembly worked together to circumvent the orders by defunding and closing their public schools, while the state established a “tuition grant program” that offered only white students tuition scholarships to nearby private schools or public schools outside their county. This is one particularly clear example of how racism has been operationalized in school policy and funding in the South, but it is far from the only example.

As the US region with the lowest school funding and the highest proportion of and the most low-income and students of color, the establishment of the federal tax credit scholarship program will only further reduce access to well-resourced, equitable public education for the Southern students and families that need it most. By reducing federal funds for public education through incentivizing enrollment in private schools that do not have the same accountability measures or requirements to serve all students regardless of level of need, H.R. 1 effectively ensures that public schools that do have those requirements will have less resources to meet the needs of remaining students.

## H.R. 1’s Tax Credit Scholarship Program further saturates the South with school choice programs that only some students can use.



Source: [EdChoice](#)

Across the country, there are three types of state-level school choice funding mechanisms: vouchers, education savings accounts, and tax credit scholarships. There are 65 of these programs operating right now, with 23 located in the South. 632,166 students are participating in these programs across the South. Vouchers and education savings accounts directly pull education funding away from public schools, and the tax credit scholarships indirectly pull funding away through reduced enrollment in public schools and reduced state-level tax revenue.

Public schools are required to serve all children and have put in place many supports to do so— transportation, free and reduced lunch programs, special education, and more. Private schools are not required to provide these same supports, and they are able to choose who they enroll. Private schools also do not have the same accountability measures related to testing, so parents may not have good information about the outcomes for students. By redirecting public funds or incentivizing enrollment in private schools, these state-level programs are effectively reducing resources for public education and shifting those resources to schools that can choose who to enroll. School choice is often framed as increasing choice for students and families, but in the case of vouchers or scholarship programs for private schools, the ability to choose rests more with the school than the family.

H.R. 1 accelerates this problem by requiring the establishment of the first federal tax credit scholarship program, providing states an option, but not a requirement, to participate. Individuals can donate up to \$1,700 to eligible scholarship granting organizations (SGOs) and receive dollar-for-dollar nonrefundable tax credits, making it the most generous charitable donation in the federal tax code. SGOs use these funds to administer the scholarship program, providing tuition scholarships and other out-of-school funding (for home school, books, tutoring, and more) to students at or below 300% of county-level average median income. There is no cap on how many students this funding could support, and estimates from Congress’s Joint Committee on Taxation show that it could cost the federal government \$3-\$4 billion per year. The estimated average per pupil expenditure (\$5,000) also significantly outpaces other federal education programs, including the Individuals with Disabilities Act (\$1,674), Title 1 (\$611), and Free and Reduced Priced Lunch (\$612).

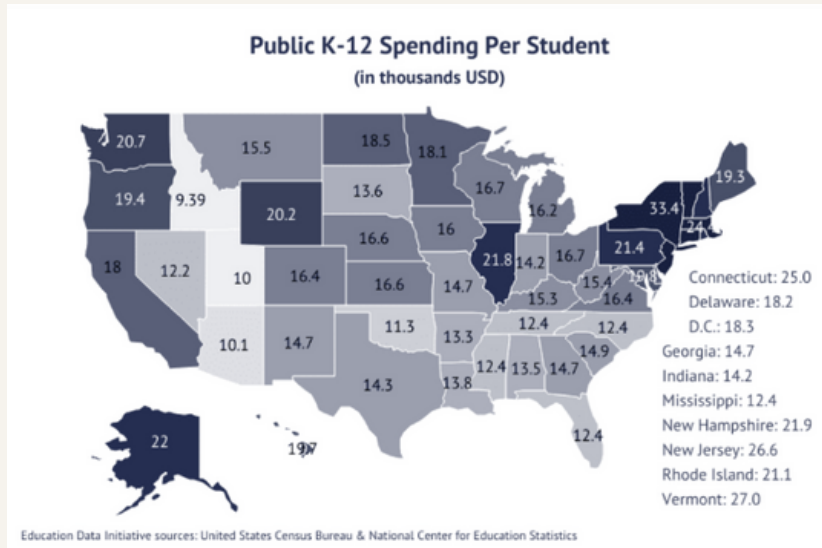
**H.R. 1’s Federal Tax Credit Scholarship Program strips public education funding from school districts.**

Public school funding in the United States is complex and varies state to state. Generally, funding for school districts and for individual schools comes from a combination of federal, state, local, and philanthropic sources, and it is largely allocated based on the number of enrolled students toward the beginning of the school year. While the federal tax credit scholarship program does not directly reallocate funds from public education like state-level voucher and education savings accounts do, when students choose to enroll in private education, local school districts and schools miss out on the funding that comes from those families enrolling in public school. This lost funding is likely to be pulled from a district’s variable costs (teachers, instructional costs, enrichment programs like music and art), rather than fixed costs (school buildings). Data also show that students who use a scholarship may end up transferring out of their private school during the year, or at the end of the year,

	300% of Lowest County Average Median Income	300% of Highest County Average Median Income
Mississippi	Issaquena County \$53,700	DeSoto County \$238,998
Texas	Dimmit County \$82,122	Rockwall County \$363,909
Tennessee	Hancock County \$95,427	Williamson County \$377,829
Georgia	Randolph County \$73,914	Forsyth County \$394,980
Virginia	Buchanan County \$118,773	Loudoun County \$511,389

Source: US Census Bureau

in what's called "churn" as parents work to find the right fit for their child. When students enroll in their local public school mid-year, or skip a year and then return, their district and school miss out on consistent and needed levels of funding. Additionally, private schools have more leeway to expel students and keep the funds associated with that student's enrollment; school discipline data show that this disproportionately affects low-income students, students of color, and students with disabilities. Expulsions are also much more common in the South.



Source: Education Data Initiative

The South has the lowest rate of public per pupil expenditure for public schools of any US region. Rates range between \$12,400 (NC, FL, TN, and MS) to \$16,400 (VA); the national average is \$17,700. Additionally, the South is home to more school voucher or K-12 private school scholarship programs than other regions; 8 out of 13 states in the South have a voucher or K-12 education scholarship program. These state level programs are already directly siphoning funding from public education, and Southern states and school districts cannot afford to lose any additional funding that follows children whose families utilize these funds to enroll in private school instead.

## Vouchers primarily benefit white and wealthy students and students already attending or planning to attend private schools.

Data show that voucher programs tend to benefit students that are either already attending a private school or have the financial privilege to be able to do so. Evaluation findings from NC's recent expansion of their voucher program demonstrate that 87% of vouchers in the 2023-24 school year went to families that had never attended public school before. Data from other Southern states paints a similar picture. In Arkansas, 95% of recipients had never attended public school before participating in the voucher program. In Florida, 87% of recipients were either already enrolled in private school or used the voucher to enter private kindergarten.

Some states, especially those with universal programs (programs without income restrictions), see stark racial and economic disparities in program participation. For example, 73% of participants in NC last year are white, in a state where only 53% of children under the age of 18 are white. Florida's participants more closely reflect their public schools demographics, which may be due to the long-standing emphasis on school choice and promoting access to private and parochial schools in the state. Voucher programs like NC's Opportunity Scholarship also funnel dollars into schools that were established during desegregation to ensure that white students did not have to attend desegregated schools if they or their families didn't want to—these institutions have been called "segregation academies," and 39 of them still exist and receive funding from NC's voucher program. An analysis from ProPublica shows that over half of these schools have student bodies that are over 85% white—these schools have received more than \$20 million in state funding through NC's voucher program.

## **Rural students have less access and rural areas experience compounding economic impacts of school choice funding.**

Rural students across the country lack the same proximity to private schools as their peers that live in more suburban and urban areas. Because the South is home to a greater proportion of rural students than any other region, this means that students in the South overall have less access to school choice funding. Rural public schools also tend to operate at higher cost per pupil due to their smaller scale, which means they experience a sharper impact of any lost dollars to private schools. Reporting from the Center for American Progress demonstrates the impact on different school districts in West Virginia, a state where most public schools are located in rural areas. The creation of the Hope Scholarship Program, an education savings account, has contributed to or directly resulted in the closure of a number of rural WV schools across multiple counties. Research shows that school closures and consolidations result in long commute times and harmful disruptions to students' routines and physical and social-emotional health. As major employers in rural communities, these school closures also have ripple effects on the local economy and civic participation. Considering the closures to rural hospitals due to Medicaid cuts and the shrinking social safety net, these rural communities are experiencing compounding effects on their economies and the well-being of their residents.

## **Southern communities are coming together to fund and support their public schools.**

Despite these challenges affecting our public school infrastructure, Southern communities are organizing and advocating for the future of education that they want to see. In 2024 in SC, public school parents, the NAACP, and the South Carolina Education Association successfully appealed to the SC Supreme Court to strike down the state's voucher program; unfortunately, a new program has replaced and expanded on it. Every Child NC, a statewide community coalition supported by the NC Justice Center and Education Justice Alliance, has developed a comprehensive plan for the state of North Carolina to fully fund public education in the state, as required by *Leandro*, a 1994 State Supreme Court case brought by 5 low-wealth counties that successfully argued that they were under-resourced to provide an equal education for their students. In Tennessee and Texas, Republican and Democratic legislators have successfully worked together to defeat voucher programs. The Parents' Campaign in Mississippi is successfully organizing parents to encourage their municipal boards to pass resolutions opposing school choice to bolster their legislature's efforts to push back against vouchers. EdTrust-Tennessee also launched Southerners for Fair School Funding, providing resources and training to Southern states and local communities to make school funding more equitable.

In addition to pushing back and advocating for better policy, Southern states are also beginning to explore how to leverage the federal tax credit scholarship to invest in high quality after school programming and tutoring that will enhance, rather than detract, from public school enrollment and funding. There are also opportunities for SGOs to further prioritize the most marginalized in fund allocation. As we have done for generations, Southerners will continue to come together to find a way forward to ensure all of our students, especially those that are furthest from opportunity, have what they need to thrive.