



A RESOURCE FOR ASSOCIATIONS AND FOUNDATIONS

Preparing Associations and Foundations for the Federal Scholarship Tax Credit

From Planning to Implementation



From Planning to Implementation

Over the past year, associations and foundations supporting schools have been evaluating how the Federal Scholarship Tax Credit (FSTC) may expand educational opportunity. Many states have opted into the program, Treasury has released its preview guidance, and organizations across the country are actively discussing organizational structures and implementation approaches.

The conversation has now shifted.

The question is no longer *whether* to participate. It is how to build a scholarship program that reflects your organization's mission while creating a positive experience for the donors, families, and schools you serve.

This guide is not intended to explain the legislation or recommend a particular organizational model. Instead, it highlights the implementation considerations we believe will have the greatest impact on long-term success.

Building an Organizational Implementation Strategy

By now, many organizations have spent months exploring the opportunities presented by the FSTC. Some have evaluated organizational models, others have begun conversations with scholarship organizations or implementation providers, and many are monitoring state participation and Treasury guidance.

Each organization will need to determine how its FSTC program will be administered. Some may establish a new Scholarship Granting Organization (SGO), others may utilize an existing foundation or charitable entity*, and others may partner with an established SGO.

Each approach offers different levels of governance, operational responsibility, and control. Regardless of the model selected, the implementation considerations in this guide remain the same: creating an effective experience for families, schools, donors, and organizational leadership while ensuring long-term operational sustainability.

As implementation planning accelerates, it is important to remember that successful scholarship programs are not built around technology or organizational structure—they are built around a shared strategy.

Before deciding who will administer the program or what systems will support it, organizational leadership should first establish a common vision for what they hope to accomplish and how the program will advance the mission of the schools they serve.

TREASURY RESOURCES

*Treasury's preview guidance includes a safe harbor that allows an existing scholarship-focused charitable organization, who largely administer scholarships, to administer FSTC funds through a separately maintained §25F account, rather than creating a brand-new organization. For many organizations that already operate a foundation primarily awarding scholarships, this may provide a more streamlined path to participation.

The Preview of Forthcoming IRC §25F Guidance provides important insight into anticipated program administration, including student eligibility verification, SGO requirements, audits, donor reporting, and multi-state operations. We encourage organizational leaders to [review the preview](#) as they develop their implementation strategy.

Bring the Right Leaders Together

Implementing FSTC is not solely a finance, legal, or technology initiative. It benefits from perspectives across education, philanthropy, and administration.

Your planning team may include:

- **Board and executive leadership** – Provide strategic direction and ensure participation aligns with your organization's mission.
- **Academic and school services leadership** – Represent the needs of schools, students, and families while leading implementation planning.
- **Finance, foundation & development leadership** – Evaluate organizational structure, financial sustainability, donor strategy, and existing charitable infrastructure.
- **Legal & tax counsel** – Advise on governance, compliance, and organizational considerations.
- **State or national association leadership (where applicable)** – Share state policy updates, implementation guidance, and opportunities for collaboration.
- **School leaders** – Provide practical insight into enrollment, financial assistance (where applicable), qualified educational expenses, scholarship administration, and family communication.

Each of these leaders brings a different perspective, but they share a common responsibility: building a scholarship program that is mission-driven, operationally sustainable, and positioned for long-term success.

02 SECTION 2: MAKING STRATEGIC DECISIONS

A Foundational Decision: Governance

Before selecting an organizational model, leadership should first determine how much strategic control they want to retain and what level of operational responsibility they are prepared to assume. Establishing and operating an SGO provides greater influence over scholarship strategy, donor engagement, and program direction, but it also requires governance, staffing, compliance, fundraising, and administrative capacity. Partnering with an existing SGO can reduce the operational burden while requiring the organization to align with another organization's governance structure and operating model. The following questions are intended to help guide that decision.

Mission & Vision

- How does the Federal Scholarship Tax Credit advance your organization's long-term vision for the schools it serves?
- What outcomes do we hope this program will achieve for our schools, students, and families over the next five to ten years?
- Beyond increasing enrollment, how can scholarships strengthen the mission and sustainability of our schools?
- How will we define and measure success?

Scholarship Strategy

- What scholarship philosophy best reflects our mission?
- Should awards be based solely on federal eligibility, or should we establish additional priorities?
- Should we incorporate a needs-based assessment, award tiers, or other methodologies to direct limited scholarship resources to families with the greatest financial need?
- Are there schools, programs, or student populations we hope to prioritize within the parameters of the law?
- How will scholarship decisions align with our broader enrollment and affordability strategies?

Organizational Capacity

- Do we have the governance, staffing, financial infrastructure, and operational expertise necessary to establish and sustain our own SGO?
- Which responsibilities can we effectively manage internally, and where would outside expertise strengthen our program?
- Would leveraging an existing foundation or partnering with an experienced SGO better support our long-term objectives?

Leadership Alignment

- What guidance has our board, state association, or other leadership provided regarding participation in the program?
- How will this initiative align with existing priorities, advancement efforts, and strategic plans?
- How will schools, organizational leadership, and other stakeholders participate in shaping the program?

Donor Strategy

- What role should donor philanthropy play in advancing our mission?
- What type of relationship do we want to build with donors over the long term?
- How will donor cultivation, stewardship, and communications be coordinated across the organization, schools, foundations, and any SGO partner?
- What expectations should be established regarding donor information, privacy, and ownership of donor relationships?
- How can this program strengthen, not fragment, our broader fundraising strategy?

Partnerships

- Are there mission-aligned organizations with whom we should explore partnership?
- What capabilities would we expect a partner to provide?
- Which strategic decisions and relationships do we want to retain, and which operational responsibilities are we comfortable delegating?
- How will we evaluate potential partners to ensure long-term alignment with our mission and goals?

Timing & Readiness

- If our state has not yet opted into the program, how quickly will we need to respond once it does?
- Does the anticipated implementation timeline influence whether we establish our own SGO or partner with an existing organization?
- What planning, legal, financial, and technology decisions should be made now to ensure we are ready to launch?



IMPLEMENTATION INSIGHT

Governance decisions establish the strategic direction for the program before operational planning begins. By first defining the organization's mission, priorities, capacity, and desired level of involvement, leadership can make more informed decisions about organizational structure and implementation. The operational considerations that follow build upon these foundational governance decisions.

Define Success Before Designing the Program

Before evaluating implementation partners or organizational structures, take time to define what success looks like for your organization. Consider questions such as:

- How can we coordinate outreach to families, alumni, and the broader school community to maximize awareness and participation?
- How can school leaders and community partners help connect families with educational opportunities and inspire donors to support our schools?
- What experience do we want families to have when applying for scholarships?
- How can we make participation simple and consistent for our schools?
- What experience do we want donors to have as they invest in our schools?
- How should this program strengthen enrollment, accessibility, and the long-term mission of our schools?

The answers to these questions become the foundation for every implementation decision that follows: from governance and staffing to communications, scholarship administration, donor engagement, and technology.

03 SECTION 3: KEY OPERATIONAL CONSIDERATIONS

Key Operational Considerations

Every organization will make dozens of important implementation decisions as it prepares for the FSTC. While organizational structures may differ, the same core operational considerations apply to every scholarship program. Thinking through these decisions early helps create a consistent experience for families, schools, donors, and leadership while reducing operational complexity over time.

1. Family Operations

For many families, the scholarship application will be their first interaction with the program. A simple, intuitive experience encourages participation and reduces administrative burden for both families and schools.

Consider:

- How will families know where to begin and who to contact throughout the scholarship process?
- How can we streamline the application for families who have already provided information to their school, such as through enrollment or financial aid, where applicable?
- How will families apply, and can existing information be leveraged to reduce duplicate data entry?
- How can eligibility be verified while minimizing documentation requests and avoiding duplicate collection of information already available?
- How will families receive application updates, award notifications, and renewal reminders?
- How will renewal applications be simplified for returning families?
- Who will provide timely support when families have questions throughout the application process?



IMPLEMENTATION INSIGHT

Families increasingly expect a seamless digital experience. Wherever possible, implementation should reduce duplicate applications, eliminate unnecessary paperwork, and build on information families have already shared with their schools.

2. School Operations

Schools should spend their time serving students, not managing unnecessary administrative work. The most effective scholarship programs connect school operations, scholarship administration, and family communication, creating a more seamless experience for everyone involved.

Consider:

- Who within each school will serve as the primary point of contact for scholarship administration?
- How will schools verify enrollment and student eligibility while minimizing duplicate requests to families?
- How can scholarship administration be integrated with existing school enrollment, student information, and, where applicable, admissions and financial aid processes?
- How will scholarship awards be accepted, funds distributed, and payments reconciled with school records?
- What reporting responsibilities will schools have, and how can administrative work be minimized through shared systems and workflows?
- How will schools reconcile scholarship awards with student fees, tuition (where applicable), and accounts?
- How will schools, scholarship organizations, and families stay informed throughout the application, award, and renewal process?



IMPLEMENTATION INSIGHT

Families should not have to navigate separate processes for admissions, financial aid, and scholarships. Likewise, schools and scholarship organizations should not rely on duplicate data entry, disconnected systems, or manual communication. The strongest implementations connect these experiences—streamlining operations while improving visibility and communication for schools, SGOs, and families alike.

3. Donor Operations

Strong scholarship programs depend on more than attracting donors—they depend on building lasting relationships rooted in trust, transparency, and stewardship.

Consider:

- How will donor data be managed, shared, and protected across participating organizations?
- How will donor inquiries and support be coordinated across the organization, schools, and the SGO?
- How will we educate potential donors about the FSTC and its impact on our schools?
- How can we coordinate outreach across schools, foundations, alumni networks, and the broader school community?
- How can schools become active partners in donor education, advancement, and stewardship while maintaining a coordinated strategy?
- What opportunities, such as payroll deduction, workplace giving, or recurring gifts, can help engage middle-income donors?
- How will donor contributions, acknowledgments, and required tax documentation be managed?
- How will donors see the impact of their gifts and remain engaged over time?
- How will donor communications and stewardship remain consistent across the organization and participating schools?

4. Compliance & Program Administration

Whether an organization establishes its own SGO, operates through an affiliated foundation, or partners with another organization, leadership should have a clear understanding of the compliance responsibilities associated with administering an FSTC program.

Consider:

- Who is responsible for ensuring compliance with federal FSTC requirements?
- What reporting, audit, and recordkeeping responsibilities will the SGO be expected to fulfill?
- How will student eligibility and income verification be documented and retained?
- How will scholarship funds be tracked, reconciled, and reported?
- How will required donor acknowledgements and IRS reporting be managed?
- Who will monitor Treasury guidance and ensure operational processes are updated as federal requirements evolve?
- What internal controls should be established to protect the integrity of the program and prepare for audits?
- How will policies and procedures be documented so compliance can be executed consistently across staff and participating schools?



IMPLEMENTATION INSIGHT

Successful compliance is built into daily operations—not addressed after the fact. Clearly defining responsibilities, maintaining strong documentation, and establishing sound internal controls from the outset can reduce administrative burden and help ensure long-term program integrity.

5. Technology & Systems

Technology should support the operational strategy, not define it. Once governance and operational decisions have been made, technology should enable integrated workflows, reduce administrative effort, and improve communication across the scholarship lifecycle.

Consider:

- How will scholarship, donor, and financial information be managed across the organization?
- Can existing admissions, enrollment, financial aid, tuition management, accounting, and CRM systems be leveraged?
- How will duplicate data entry be minimized?
- What reporting capabilities will leadership need?
- How will data security, privacy, and user access be managed?
- Will the selected technology support future program growth and evolving federal requirements?



IMPLEMENTATION INSIGHT

Technology should support operational workflows—not dictate them. The strongest implementations leverage integrated systems that reduce administrative effort while improving the experience for families, schools, donors, and administrators.

Preparing for January 2027

The FSTC represents a significant opportunity to expand educational options for families. While Treasury guidance and state implementation will continue to evolve, organizations do not need to wait to begin preparing.

Many of the most important decisions including aligning leadership, establishing governance, defining scholarship strategy, and designing operational workflows, can be made well before the program launches. Organizations that begin planning early will be better positioned to respond quickly, minimize administrative burden, and deliver a seamless experience for families, schools, and donors.

A Readiness Roadmap

1

PHASE 1: STRATEGIC PLANNING

- Align organizational leadership around a shared vision and implementation strategy.
- Evaluate governance options and organizational models.
- Assess organizational capacity and identify mission-aligned implementation partners, if appropriate.
- Define scholarship priorities, donor strategy, and operational goals.

2

PHASE 2: OPERATIONAL DESIGN

- Develop family, school, donor, and compliance workflows.
- Establish policies, procedures, and internal controls.
- Identify technology and operational support needs.
- Prepare communication plans for schools, families, and donors.

3

PHASE 3: LAUNCH PREPARATION

- Onboard participating schools and key stakeholders.
- Train staff and establish support processes.
- Validate reporting, audit, and scholarship administration workflows.
- Finalize communications and launch readiness.



January 2027: Program Launch

Launch with confidence, knowing the program has been intentionally designed to advance the mission of your schools while providing a seamless experience for families, schools, donors, and organizational leadership.

Why FACTS Prepared This Guide

For nearly 40 years, FACTS has partnered with schools to simplify operations and strengthen the experience for families. Today, we also support scholarship organizations serving thousands of schools nationwide, helping administer scholarship programs from donor contribution through scholarship award, fund distribution, compliance, and ongoing program administration.

As Congress created the FSTC, we recognized that many associations and foundations would soon be making important strategic and operational decisions. Over the past year, we've had the privilege of working alongside school associations, scholarship organizations, policymakers, and national education organizations as they prepare for implementation. While every organization approaches the opportunity differently, many of the questions have been remarkably consistent.

This guide was developed to help organizational leaders think through those decisions, not by advocating for a particular organizational model, but by sharing practical implementation considerations drawn from decades of experience supporting schools and scholarship programs. As federal guidance continues to evolve, we'll continue sharing what we're seeing across the organizations we work with.

Talk with the FACTS Compass team about your implementation strategy

Every organization is working through these decisions in a different order and at a different pace. We're happy to share what we're seeing across the network, talk through where your organization is in the process, and answer questions about how FACTS Compass fits.



SCAN TO START THE CONVERSATION
or visit factsmgmt.com/FSTC-resource



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