



public funds   
public schools

A project of  
**ELC** EDUCATION  
LAW CENTER

No Accountability, No Transparency: Scholarship Granting Organizations under the Federal Voucher Program

**Application for Recognition of Exemption  
 Under Section 501(c)(3) of the Internal Revenue Code**  
 ▶ Do not enter social security numbers on this form as it may be made public.  
 ▶ Go to [www.irs.gov/Form1023](http://www.irs.gov/Form1023) for instructions and the latest information.

OMB No. 1545-0056  
 Note: If exempt status is approved, this application will be open for public inspection.

Use the instructions to complete this application and for a definition of all **bold** items. For additional help, call IRS Exempt Organizations Customer Account Services toll-free at 1-877-829-5500. Visit our website at [www.irs.gov](http://www.irs.gov) for forms and publications. If the required information and documents are not submitted with payment of the appropriate user fee, the application may be returned to you.

Attach additional sheets to this application if you need more space to answer fully. Put your name and EIN on each sheet and identify each answer by Part and line number. Complete Parts I – XI of Form 1023 and submit only those Schedules (A through H) that apply to you.

**Part I Identification of Applicant**

<b>1</b> Full name of organization (exactly as it appears in your organizing document)		<b>2</b> c/o Name (if applicable)	
<b>3</b> Mailing address (Number and street) (see instructions)	Room/Suite	<b>4</b> Employer Identification Number (EIN)	
City or town, state or country, and ZIP + 4		<b>5</b> Month the annual accounting period ends (01 – 12)	
<b>6</b> Primary contact (officer, director, trustee, or authorized representative) a Name:		b Phone:	
		c Fax: (optional)	
<b>7</b> Are you represented by an authorized representative, such as an attorney or accountant? If "Yes," provide the authorized representative's name, and the name and address of the authorized representative's firm. Include a completed Form 2848, <i>Power of Attorney and Declaration of Representative</i> , with your application if you would like us to communicate with your representative. <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>8</b> Was a person who is not one of your officers, directors, trustees, employees, or an authorized representative listed in line 7, paid, or promised payment, to help plan, manage, or advise you about the structure or activities of your organization, or about your financial or tax matters? If "Yes," provide the person's name, the name and address of the person's firm, the amounts paid or promised to be paid, and describe that person's role. <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>9a</b> Organization's website:			
<b>b</b> Organization's email: (optional)			
<b>10</b> Certain organizations are not required to file an information return (Form 990 or Form 990-EZ). If you are granted tax-exemption, are you claiming to be excused from filing Form 990 or Form 990-EZ? If "Yes," explain. See the instructions for a description of organizations not required to file Form 990 or Form 990-EZ. <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>11</b> Date incorporated if a corporation, or formed, if other than a corporation. (MM/DD/YYYY) / /			
<b>12</b> Were you formed under the laws of a foreign country? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," state the country.			

# IRC 501(c)(3)

# Maximum Federal Tax “Incentive” to “Donate” to 501(c)(3)s Nonprofits

**35¢ per \$1**



**American  
Red Cross**



**WORLD  
CENTRAL kitchen**



**Habitat  
for Humanity®**



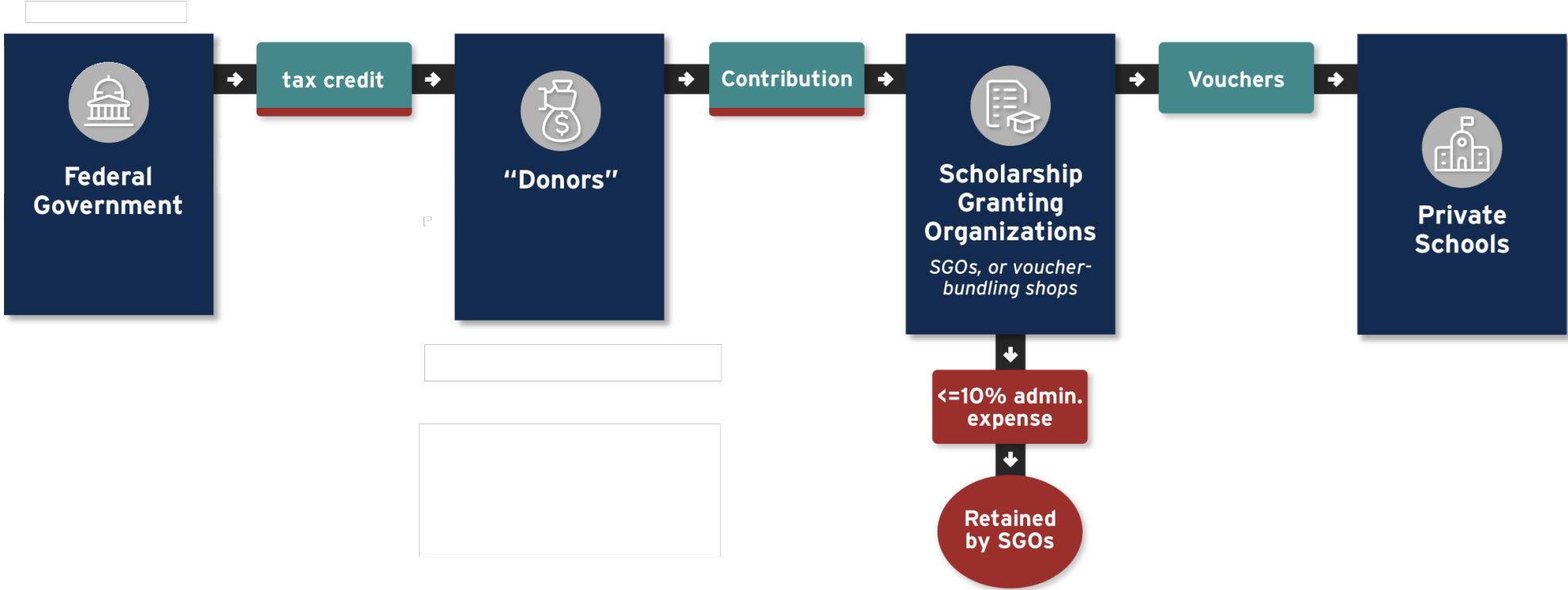
**St. Jude Children's  
Research Hospital**

**and many more...**

**\$1 per \$1**


**SGOs on governors' lists  
in states that opt-in**

# Flow of Funds



Source: Institute on Taxation and Economic Policy

Lack of accountability is the point.  
There are little or no standards around...

- Teacher certification
  - Curricula
  - Testing
  - Anti-discrimination
  - Steering vouchers based on genuine financial need
- 

# Preliminary Investigative Report

## Step Up for Students

March 2021



League of Women Voters of Florida Education Task Force

# Largest SFO (Scholarship Funding Organization)

## Step Up for Students

### Jacksonville, FL

Administers 99% of Florida's vouchers.  
Receives 3% of every voucher.  
\$1.5B total assets (per IRS990 for 2023)  
Audited every 3 years.

Founded in 2002 by John Kirtley  
Doug Tuthill is CEO  
Well-connected Board of Directors



# Florida's \$5B Voucher Program (\$8,000 on average)

## Family Empowerment Scholarships

Education Savings Accounts (ESA) for tuition & expenses  
Funded from General Revenue

## Tax Credit Scholarships

Tuition for private schools and transportation  
Funded from corporate sales tax "donations"; vehicle sales taxes

**Universal access\*** – no income requirements nor prior public school enrollment.

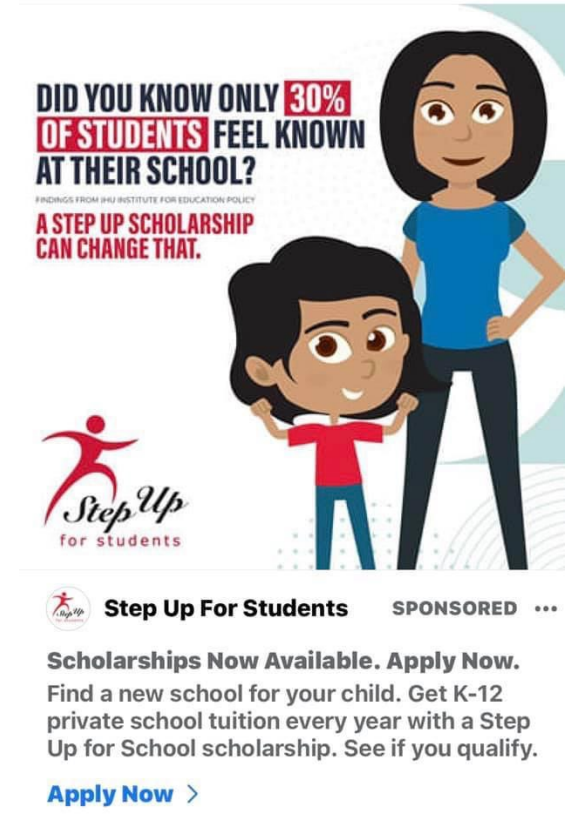
**Once in – always in;** siblings included.

**Unspent ESA** - can be rolled into a college savings account.

**\*over 60% are religious schools**

# Hiding in plain sight!

- Misleading terminology
  - Scholarship = Voucher
  - Donation = Dollar for dollar tax credit
  - Charity = Money management/marketing firm
- Using taxpayer funds for marketing/lobbying/selling
  - Webinars
  - Consultants
  - Legislative testimony / Rallies at the Capitol
  - Campaign contributions
  - Vendor links on Step Up's website
  - Corporate marketing



**DID YOU KNOW ONLY 30% OF STUDENTS FEEL KNOWN AT THEIR SCHOOL?**  
FINDINGS FROM IHEU INSTITUTE FOR EDUCATION POLICY  
**A STEP UP SCHOLARSHIP CAN CHANGE THAT.**

**Step Up for students**

**Step Up For Students** SPONSORED ...

**Scholarships Now Available. Apply Now.**  
Find a new school for your child. Get K-12 private school tuition every year with a Step Up for School scholarship. See if you qualify.

[Apply Now >](#)

## Oversight and supervision - NOT

### Monitoring for:

Enrollment requirements

Eligible ESA spending on goods and services

Testing "requirements" and reporting

Timely payments to parents and schools

### Quality control left to parents:

Teacher qualifications

Curriculum content

Learning outcomes

Discipline policies

Safety and security

Support for students with special needs

## Most recent 22-page audit...

30,000 students unaccounted for representing \$270M;

DOE paid \$655M to Step Up before school started, creating a “paying and chasing” system;

At least \$7M sent to families before verifying if the student was attending private school;

\$400M sat, unused, in scholarship accounts;

\$2.3M “excess balances” for students with disabilities.

Meanwhile - \$47M shortfall for district public schools!!

NO CORRECTIVE ACTION TAKEN!

*“Fraudsters, unfortunately, have discovered our school choice program and they scammed millions of dollars by creating fictitious students.”*  
Senator Don Gaetz

From public funds to private pockets...



**UNMASK**

**THE ATTACKS ON OUR PUBLIC SCHOOLS**

# UNMASK THE MONEY

\$3.2 Million<sup>1</sup>

MOMS *for*  
LIBERTY★

Backed Jan. 6 insurrectionists to run for school boards. Reported librarians to police for books with LGBTQIA+ representation. Offered a BOUNTY to report teachers who talk about race and gender.

\$18.7 Million<sup>2</sup>



PARENTS DEFENDING  
EDUCATION

Filed suits attacking policies that support students. Trained right-wing foot soldiers to grab media attention, record classrooms, and make complaints against teachers.



\$12.3 Million<sup>3</sup>

Has spent hundreds of thousands of dollars promoting far-right school board candidates across the country.

>\$105.6 Million<sup>4</sup>

Founded and funded by former Trump Ed Secretary Betsy DeVos and her billionaire husband. Backs school privatization policies and politicians. Targets rural Republicans who support public schools with attack ads.

AFC  
AMERICAN  
FEDERATION  
*for* CHILDREN



Free  
TO LEARN

>\$710 Million<sup>5</sup>

Spent over \$1 million on ads attacking schools. Part of network to take over the courts and roll back reproductive rights. May be eclipsed by "American Parents Coalition."

# UNMASK THE BILLIONAIRES



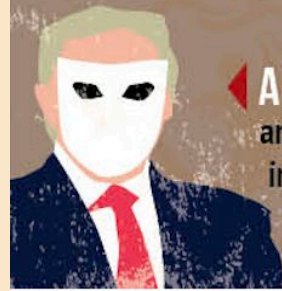
◀ **JEFFREY YASS** 64th richest person in the world and GOP megadonor. Called public schools a “government monopoly.” Contributed millions to elect candidates backing school privatization and millions more to capture the Pennsylvania Supreme Court.

**BETSY DEVOS** Billionaire Trump Ed Secretary. Advocates abolishing the Education Dept. and replacing public schools with Christian schools. Ties to MOMS FOR LIBERTY and PARENTS DEFENDING EDUCATION. Runs AMERICAN FEDERATION FOR CHILDREN ▶



◀ **CHARLES KOCH** Oil industry billionaire, major funder of privatization and opponent of climate change mitigation. His network has funded MOMS FOR LIBERTY. Close ties to PARENTS DEFENDING EDUCATION

**BARRE SEID** Ultra secretive right-wing power-strip magnate and billionaire. Funded Leonard Leo network that seeks to destroy reproductive rights and tied to FREE TO LEARN ▶



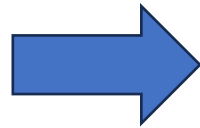
◀ **ANONYMOUS** There are other big money donors to these and other dark money organizations attacking schools. They intentionally keep their donors secret from the public, which is possible due to weak disclosure laws.

# What Do We Know About SGO's?

1.00 ....			X				596,392	
1.00 ....			X				484,213	
1.00 ....			X				184,688	
1.00 ....					X		226,225	
1.00 ....					X		260,807	
1.00 ....					X		180,047	

- Already exist across states
- Bloated salaries=huge potential for graft
- Funded by anonymous donors
- Far-right state infrastructure that could fill that role

# SGO's: Funneling Our Tax Dollars Into Private Hands?



**C** Name of organization  
ALLIANCE FOR CHOICE IN EDUCATION

Doing business as  
ACE SCHOLARSHIPS

## Section B. Independent Contractors

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
EACCOUNTABLECOM LLC, 205 DETROIT ST 6TH FLOOR DENVER, CO 80206	MARKETING SERVICES	561,901

(459) ALLIANCE FOR CHOICE IN EDUCATION 5251 DTC PKWY STE 1150 GREENWOOD VILLAGE, CO 801112771	84-1531066	501(C)(3)	580,875	(381) ALLIANCE FOR CHOICE IN EDUCATION 5251 DTC PKWY GREENWOOD VILLAGE, CO 80111	84-1531066	501(C)3	1,525,250
(16318) ACE SCHOLARSHIPS (ALLIANCE FOR CHOICE IN EDUCATION) 5251 DTC PKWY STE 300 GREENWOOD VILLAGE, CO 80111	84-1531066	501(C)(3) PUBLIC CHA	23,729,900	(923) ALLIANCE FOR CHOICE IN EDUCATION 5251 DTC PKWY STE 1150 GREENWOOD VILLAGE, CO 80111	84-1531066	501 (C)(3)	1,991,353

# Contextualizing Privatization: The Big Picture



The  
strategy:  
undermine  
public  
education

Vouchers

Test-based  
accountability

Pay-for-  
performance

Fast track  
certification

White-washed  
curriculum

Censorship

Underfunding

Safety

Higher  
Education

# How?

Think Tanks: State Policy Network

Legislation: ALEC

Advocacy: American Federation for Children

Political Engagement: Moms for Liberty

Communications

Litigation: Pacific Legal Foundation

Judiciary: Federalist Society

Leadership Development: Leadership Institute

**BUT WHY HATE ON  
PUBLIC EDUCATION?**



It's Not  
Just  
About  
Education

Voting Rights

Immigration

Freedom of  
Religion

Women's Rights

Civil Rights

Labor Rights

LGBTQ+ Rights

Tax Policy

Climate/  
Environment

Health