NATIONAL EDUCATION ASSOCIATION
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To: Massachusetts Policymakers and Stakeholders
From: Michael Petko and Susan Kennedy
Date: October 21, 2026
Re: REMI Analysis — Economic Impact of the Federal Education Tax Credit on Massachusetts

MASSACHUSETTS

Federal Education Tax Credit: Economic Impact Analysis

INTRODUCTION

This report models the economic impact on Massachusetts if the state opts into the federal education tax credit program created by H.R. 1. Using the REMI econometric platform, we calculated projected effects on employment, population, gross domestic product (GDP), and personal income over the next decade.

The analysis was commissioned to answer a question that has emerged among Democratic governors: would accepting federal education voucher dollars help the state's economy or its budget? For Massachusetts the answer is no. Declining to opt in costs the state nothing. Opting in costs it jobs, income and growth.

Massachusetts's private school enrollment is projected to decline, not grow. The credit's scholarships will therefore flow largely to households already enrolled in private education, while Massachusetts receives no lasting economic growth in return.

WHAT IS THE REMI ANALYSIS?

REMI (Regional Economic Models, Inc.) is an advanced economic modeling tool used to simulate the effects of policy changes on a state or regional economy. REMI integrates historical and projected data from the Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, and the Department of Energy.

REMI's policy analysis platform incorporates economic theory, input-output modeling, and behavioral response to project changes in employment, population, income, and economic output. Its clients include government agencies, consulting firms, and academic institutions across the country. REMI has been a standard tool for state-level economic impact analysis since 1980.

THE FEDERAL EDUCATION TAX CREDIT PROGRAM

The One Big Beautiful Bill Act (H.R. 1), signed into law in July 2025, created a federal tax credit of up to $1,700 per taxpayer for donations to Scholarship Granting Organizations (SGOs), beginning January 1, 2027. SGOs use those donations to fund scholarships for qualified elementary and secondary education expenses, including private school tuition, tutoring, books and similar costs, for students in households earning up to 300% of area median income. The credit is available in a state only if the governor, or another official designated under state law, elects to participate. Massachusetts is not on the IRS's list of participating states as of September 14, 2026. Under Treasury and IRS regulations published October 2, 2026, a state's election covers a single calendar year and must be renewed each year. A participating state must list every organization in the state that meets the federal SGO definition and seeks inclusion, and it may not set narrower standards of its own.

Supporters describe the program as federal investment in education. In practice it functions as a publicly supported subsidy for private school enrollment. Several Democratic governors have weighed opting in, on the theory that it would bring federal dollars into the state and ease budget pressure. This analysis was designed to test that assumption.

The REMI model for this analysis incorporates the following key assumptions:

- Although the credit itself is capped per taxpayer, the model uses a $1,700 annual scholarship amount per participating student.
- The analysis models the impact of 7% of the total FTE for private school students utilizing the full voucher. The 7% also considers the growth or decline in private school students.
- Projected public and private school enrollment changes are included in both the baseline and the tax credit scenario, so the reported impacts reflect the credit alone.
- State tax changes are not modeled in this scenario; the figures represent the direct economic impact of the funding shift only.
- Private school costs are weighted by grade level (70.1% grade school, 21.9% high school) and adjusted by the state's five-year average cost increase.
- Both private school and public school totals are counted in overall impact.

THE CREDIT ADDS NO GROWTH

The question in front of Massachusetts's governor is whether opting in would make the state's economy bigger. The REMI results answer it directly.

Under the baseline — Massachusetts's economy with public and private school enrollment following their projected paths and no tax credit available — the state grows by 352,722 jobs and $162.0 billion in GDP from 2027, the year the credit takes effect, to 2036. With the credit in place, it grows by 332,840 jobs and $159.2 billion in GDP. The model shows one small exception: in 2028, employment is 618 jobs and GDP $85 million higher with the credit. In every other year, the credit leaves both below the baseline. By 2036 it has erased 5.6% of the job growth Massachusetts would otherwise see. Because both scenarios use the same enrollment projections, the gap between them is the effect of the credit alone.

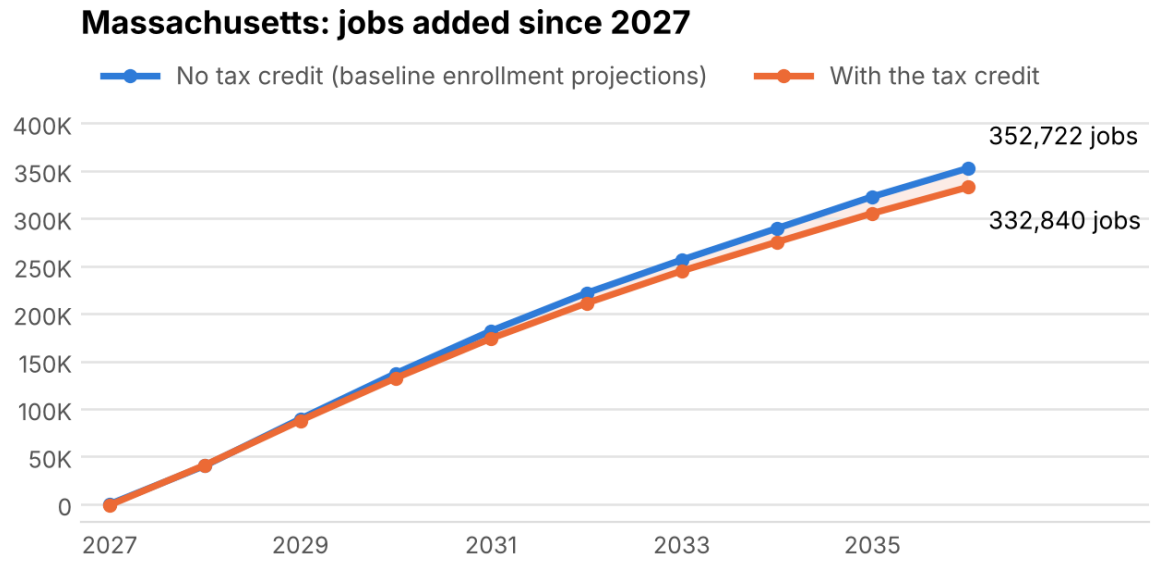


Figure 1. Cumulative jobs added since 2027, the first year of the credit, with and without the tax credit. Source: REMI, $1,700 model run.

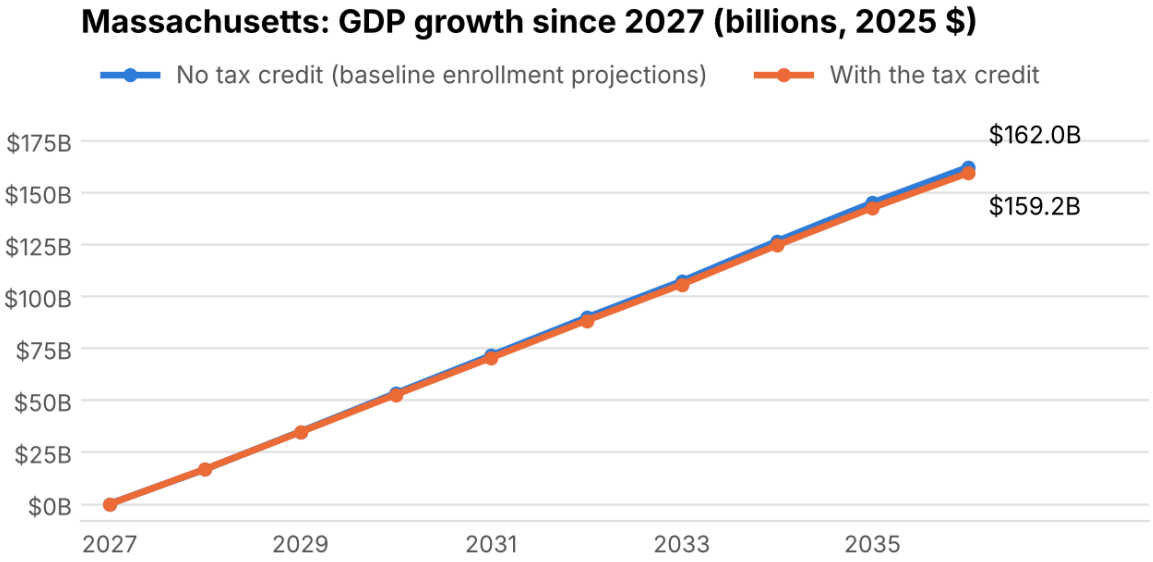


Figure 2. Cumulative GDP growth since 2027, with and without the tax credit. Source: REMI, $1,700 model run.

Whatever growth Massachusetts achieves over the decade comes from the economy it already has — including the public school systems that employ, purchase and build in communities across the state. Apart from the brief 2028 bump, the credit does not add to that growth. It subtracts from it, and from 2029 on the gap widens every year.

STATEWIDE ECONOMIC IMPACT: 10-YEAR PROJECTIONS

The REMI model projects the following impacts on Massachusetts's economy over the first decade of the federal tax credit program:

19,882	21,329	$2.8B	$3.3B	$2.8B
Jobs Lost	Population Decline	GDP Loss	Personal Income Lost	Disposable Income Lost

These figures represent the projected difference from the baseline scenario — projected public and private school enrollment with no tax credit available — by the tenth year of implementation. They isolate the effect of the credit itself.

By 2036, Massachusetts has 19,882 fewer jobs and 21,329 fewer residents than it would have without the program. The losses begin in 2027, reverse briefly in 2028, and grow every year from 2029 on.

WHO THE CREDIT ACTUALLY REACHES

The central claim made for the federal education tax credit is that it expands educational choice. The model does not support that claim for Massachusetts.

With private enrollment projected to decline, a $1,700 credit does little to change where families send their children. For a family not already paying private tuition, it covers a fraction of the cost. For a family already paying it, the credit is a reduction in a cost it was absorbing anyway. The program works less as a school choice measure than as a subsidy for households that had already made that choice.

Private educational services appears in the loss column rather than the gain column, at 299 jobs. In a program designed to shift students into private education, the state's private education sector ends the decade below the baseline, alongside nearly everything else.

ANALYSIS: WHY THE ECONOMICS WORK AGAINST OPTING IN

The fiscal logic that makes the program look attractive does not hold up. In the model, state and local government is among the largest sources of job losses, and public school spending reaches every community — on payrolls, purchases and construction that support local businesses.

State and local government accounts for 9,012 of the 19,882 projected job losses — nearly half. Those are teachers, paraprofessionals, bus drivers and support staff in districts across the Commonwealth. Construction follows at 2,788 jobs.

Through the Student Opportunity Act of 2019, Massachusetts committed to a multiyear increase in state aid aimed at its lowest-income districts. A program that draws down public school funding while producing no lasting economic growth works against that commitment.

JOB LOSSES BY INDUSTRY

The program's negative employment effects are not limited to the education sector. The REMI model identifies losses across Massachusetts's economy as reduced wages, income, and spending ripple through local communities. The fifteen industries projected to experience the greatest job losses over the decade are:

Industry	Jobs Lost (10-Year)
State and Local Government	**9,012**
Construction	**2,788**
Retail trade	**993**

Industry	Jobs Lost (10-Year)
Food services and drinking places	**792**
Real estate	**716**
Professional, scientific, and technical services	**683**
Administrative and support services	**577**
Ambulatory health care services	**513**
Social assistance	**417**
Personal and laundry services	**317**
Wholesale trade	**302**
Educational services; private	**299**
Transit and ground passenger transportation	**290**
Hospitals	**243**
Securities, commodity contracts, investments, and funds and trusts	**184**

Public employment accounts for nearly half the total, with construction second. Beyond those, the losses run through retail, food service, real estate and professional services — the consumer-facing sectors that depend on the household spending public school wages support.

BUDGET IMPLICATIONS: WHAT POLICYMAKERS NEED TO KNOW

The federal tax credit is not free money for Massachusetts. Consider the compounding effects:

- **Lower tax receipts:** 19,882 fewer jobs and $3.3 billion less in personal income reduce the income and sales tax collections that fund state school aid.
- **No offsetting growth:** apart from a one-year gain in 2028 (618 jobs and $85 million in GDP), the credit never lifts Massachusetts's GDP or employment above the baseline. Whatever federal dollars flow in, the state does not get lasting economic expansion in exchange.
- **Fixed costs in public education:** districts cannot scale down proportionally when enrollment falls. Buildings, transportation fleets, special education mandates, and administrative functions remain as per-pupil revenue declines.
- **Population loss:** 21,329 fewer residents by year ten means a smaller tax base and weaker local demand, while the state's fixed obligations remain.
- **Annual commitment, limited control:** participation must be renewed every year, and a participating state must list every qualifying SGO that asks to be included, under federal rather than state standards.

The program does not generate the fiscal relief that governors seeking to close budget gaps are looking for. It narrows the tax base while adding pressure to the public institutions the state depends on.

MESSAGING AND RESEARCH

The economic harm modeled by REMI is consistent with a broad body of independent research on school voucher programs:

- A 2023 analysis by the Economic Policy Institute found that voucher programs reduce public school funding while districts face fixed costs that do not shrink with enrollment losses.
- A survey of the economics literature in the Journal of Economic Literature (Epple, Romano & Urquiola, 2017) found that the evidence of academic gains from voucher programs is mixed and, for large-scale programs, weak — undermining the argument that the program's private schools deliver better results.
- A multi-state analysis by Public Funds Public Schools, the Education Law Center and the Southern Poverty Law Center found that in states with expansive voucher programs, public investment in K-12 education declined as a share of GDP even as enrollment increased, creating structural funding gaps in public schools.

For Massachusetts, the credit would not expand choice; private enrollment is projected to decline. It would subsidize families already paying private tuition while drawing on the public school investment the state committed to in 2019.

BOTTOM LINE

The federal education tax credit will not grow Massachusetts's economy, and it will not help close a budget gap.

Without the credit, REMI projects Massachusetts adding 352,722 jobs over the decade. With it, 332,840. Opting in costs Massachusetts 19,882 jobs, 21,329 residents, $2.8 billion in GDP and $3.3 billion in personal income by 2036. Passing on the program costs the state nothing.

Democratic governors weighing this choice deserve an honest economic picture. This analysis provides one: the state is not missing out on anything by declining to opt in.

Underlying data and full REMI analysis available upon request.

Figures are drawn from the $1,700 voucher model run. The baseline is a REMI run using projected public and private school enrollment with no tax credit available; "with the credit" is the same run with the credit in effect. Decade growth is measured from the baseline's 2027 level. Differences between industry-level detail and statewide totals reflect rounding and offsetting sector gains.

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