

PROVIDER–SGO PARTNERSHIP GUIDANCE

Companion Guide to the Provider–SGO Partnership Agreement

NOTICE This document is not and should not be taken as legal advice. Consult with an attorney in your state if you need legal representation.

PURPOSE AND GUIDING PRINCIPLES

This guide supports Scholarship Granting Organizations (SGOs) participating in the Education Freedom Tax Credit (EFTC) to develop partnership agreements with an education provider. It serves as an accompanying document to the Provider–SGO Partnership Agreement and offers questions and scenarios to help SGOs establish clear expectations and make informed operating decisions.

This guide reflects the following principles:

1. **SGO Authority:** Each SGO retains the authority to establish its operating policies, make program decisions, and determine the terms of its provider partnerships, consistent with applicable law and its organizational mission.
2. **Transparency and clear expectations:** SGOs should clearly communicate their policies, decision-making criteria, and partnership expectations, so providers and families understand how the program operates.
3. This guide provides a list of potential questions and scenarios that an SGO may encounter when developing a partnership agreement to work with an education provider. It is not meant to be an exhaustive list of all possible scenarios the SGO might encounter.

POTENTIAL QUESTIONS TO CONSIDER

Some frequently asked questions and common scenarios based on the Provider–SGO Partnership Agreement template to consider when working with providers are listed below. Each item is tied to a specific clause in the Provider–SGO Partnership Agreement.

1 Information Shared With Families

ASSOCIATED CLAUSE *The provider agrees to provide families accurate, timely information on tuition, fees, aid, balance, withdrawal, and refund terms.*

The SGO may establish minimum requirements for information providers must share with families, including when and how the information should be provided. However, the Provider–SGO Partnership Agreement should preserve a direct relationship between providers and families. Providers, not the SGO, should help families understand their costs, enrollment obligations, and provider-specific policies.

PROVIDER'S ROLE

The Provider communicates directly with families before enrollment and whenever the cost of different policies changes. The provider should also respond directly to routine family questions about enrollment, billing, services, and amounts owed.

SGO'S ROLE

The SGO establishes minimum disclosure requirements and timelines. The SGO is responsible for communicating its own policies. The SGO should not be expected to interpret a Provider's policies or serve as the intermediary for routine communication between the Provider and the family.

2 Withdrawals and Returned Funds

ASSOCIATED CLAUSES *The provider agrees to return or reconcile any unearned, excess, or improperly paid funds, and provide an account statement on request.*

The provider agrees to notify the SGO promptly of a student's withdrawal from the Provider.

The agreement should establish what happens when a student withdraws, or a payment error occurs, including how the SGO is notified, how the amount owed is calculated, and when and where funds must be returned.

PROVIDER'S ROLE

The Provider is responsible for notifying the SGO promptly when a student withdraws, and for returning or reconciling any unearned, excess, or improperly paid funds, and for providing an account statement if the SGO requests one.

SGO'S ROLE

The SGO may consider establishing a clear policy that:

- Defines a withdrawal and the required notification and repayment timelines.
- Explains how earned and unearned funds will be calculated.
- Identifies what documentation may be required.

3 Records and Audit Readiness

ASSOCIATED CLAUSE *The provider agrees to keep required records and cooperate with compliance reviews.*

When establishing a partnership agreement, SGOs may also consider what documentation and records are needed from the provider to have a successful audit. In the October 1 regulations, [26 CFR 1](#), in the Federal Register states that SGOs are required to have an annual third party financial and programmatic audit.

PROVIDER'S ROLE

The Provider is responsible for maintaining all student records and providing this information in a timely manner to the SGO.

SGO'S ROLE

The SGO may consider clearly identifying and prioritizing the documentation and processes for which the Provider is responsible for satisfying audit requirements. To facilitate a streamlined process for programs, the SGO may provide guidance on what documentation is required, when it must be submitted, and the circumstances under which additional documentation may be requested.

When developing this provision, the SGO should consider:

- What records are needed to satisfy applicable compliance and audit requirements?
- Which party maintains the records required for audit requirements?
- Can enrollment, billing, and payment information the SGO or Provider already have meet these requirements to avoid duplication of efforts?

Remember, the goal is a reliable, auditable record supported by processes that remain manageable as participation grows.

4 Student and Provider Eligibility

ASSOCIATED CLAUSES *The SGO agrees to verify household income, family size, and student eligibility under the applicable law. The provider agrees to meet and maintain all requirements for participating in the scholarship program.*

The agreement should clearly distinguish between student eligibility, which is determined by the SGO, and Provider eligibility, which is the Provider’s responsibility to maintain.

PROVIDER’S ROLE

The Provider maintains its eligibility to participate, provides documentation reasonably necessary to confirm its eligibility and promptly notifies the SGO of any change that could affect its participation. The Provider is not responsible for independently determining a student’s eligibility.

SGO’S ROLE

The SGO collects required information from families and determines student eligibility under applicable law. The SGO also establishes the Provider’s participation requirements, confirms Providers meet them, and communicates any documentation or ongoing compliance expectations through the agreement.

5 Scholarship Priority

ASSOCIATED CLAUSE *The SGO agrees to award scholarships in the priority order required by law: first to returning recipients, then to their siblings, then to other eligible students.*

SGOs must follow the statutory order first. That sequence is mandatory, not optional. Only after this is satisfied does the SGO have discretion over remaining awards. The SGO may wish to consider outlining in the partnership agreement which groups of students are prioritized after scholarships are awarded in accordance with the law.

PROVIDER’S ROLE

The awarding of scholarships is a responsibility that rests exclusively with the SGO.

SGO’S ROLE

After following federal requirements, SGOs will want to consider the following questions:

- Which student groups will the SGO prioritize? Potential examples include students in foster care, military-connected students, or students in a certain geographic region.

6 Payment Processing

ASSOCIATED CLAUSE *The SGO agrees to process payments on schedule, communicate any holds or delays, and correct its own errors.*

SGOs should communicate clearly with providers about payment processing timelines. The date a family is notified that a payment has been approved rarely is the date a provider receives the funds. Clear communication about the full payment-processing timeline can help providers plan accordingly and avoid misunderstandings with the SGO.

PROVIDER’S ROLE

The Provider is responsible for submitting accurate, on-time payment requests, along with any required documentation, to the SGO. The Provider should understand the SGO’s payment-processing timeline, including the steps between payment approval and receipt of funds.

SGO’S ROLE

The SGO determines its payment-processing timeline and communicates it clearly to avoid misunderstandings.

When developing a payment-processing timeline, the SGO should consider:

- What information will the SGO need from the Provider to make sure payments are received on time?
- Where does the SGO already have access to the required information to avoid duplicative efforts?

7 Family Choice and Flexibility

ASSOCIATED CLAUSE *The SGO agrees to provide families with choice and flexibility when selecting education providers, including the option to work exclusively with one provider or to use multiple providers simultaneously.*

Each provider offers a unique set of services to the students and families they serve. A partnership agreement gives SGOs an opportunity to clarify expectations for their relationship with each provider while ensuring those expectations prioritize the needs of the families they serve.

PROVIDER'S ROLE

The Provider is responsible for clearly outlining the services it provides, including whether those services may be accessed on a full-time or part-time basis, and providing this information to the SGO.

SGO'S ROLE

The SGO is responsible for establishing clear expectations for the information that individual providers must share about the services they offer. This could include whether the services may be accessed on a full-time or part-time basis.

When developing this provision, the SGO may also consider:

- What information will the SGO need from providers to verify the enrollment of students?
- How will the SGO specify how each provider's share is tracked and confirmed, so both parties are working from the same numbers?

8 Earmarked Donations

ASSOCIATED CLAUSE *The SGO agrees that donors may earmark funds for a specific Provider. The Provider agrees that any excess earmarked funds that cannot be utilized by the Provider may be reallocated to the SGO's general fund.*

At times, donors may donate funds to an SGO and explicitly state that those funds are earmarked for a specific Provider. A partnership agreement should address how these earmarked funds will be used and how any excess funds will be handled.

SGO'S ROLE

The SGO should clearly communicate to providers when it receives funds earmarked for that specific provider, as well as the SGO's policy for handling unused earmarked funds.

When developing this provision, the SGO should also consider:

- How long will the SGO wait before reallocating unused earmarked funds to the general fund?
- How will the SGO notify the Provider when unused earmarked funds are being reallocated to the SGO's general fund?

9 Evidence of Provider Eligibility

ASSOCIATED CLAUSE *Evidence of the Provider's ability to meet applicable state/federal requirements.*

Providers must meet the eligibility requirements of each state in which they wish to receive EFTC funds through an SGO, including being authorized to do business in each individual state.

SGO'S ROLE

The SGO verifies that the Provider has provided the necessary documentation demonstrating the Provider's eligibility. When developing this provision, the SGO should consider:

- Does the collected documentation meet the requirements outlined in [26 U.S.C. § 25F\(c\)\(4\)](#)?
- Will the documentation from the Provider hold up in an audit if asked to demonstrate the SGO only worked with eligible providers?
- Will the documentation requirement look different for a school provider versus an out-of-school provider?

KEEP IN MIND

SUBJECT TO CHANGE As SGOs and providers use this document to develop their partnership agreements, it is important to keep i mind that the information in this guide follows the information in the temporary and proposed regulations released on October 1, 2026. The information is subject to change as future regulations may result in changes to the program.

The goal of the document is twofold: to help SGOs and providers build transparent partnerships at the beginning of their working relationship and to establish clear expectations for how they will work together. By working through these considerations and establishing clear expectations upfront, SGOs and providers can help streamline processes, minimize potential misunderstandings, and create a stronger foundation for their partnership moving forward.