

Your Question:

What are the ways to fund acquisition of and upgrades to preschool and child care facilities? Which funding streams allow for capital expenses for upgrades to or acquisition of the physical space needed to expand access for preschool and child care?

Our Response:

Financing for preschool and child care facilities may be appropriated at the state level, and some federal funding streams allow for this use. Below are some examples of state funding mechanisms, as well as federal programs that allow for facilities funding. These examples focus primarily on funding streams that allow for major renovations or capital expenses, rather than those that might be used for minor upgrades to maintain regulatory compliance.

Please keep in mind that our purview at Education Commission of the States primarily limits us to policies that touch the pre-K and early elementary space, but there may also be some child care-focused funding streams that are applicable. We have included some additional resources that may be useful.

State Examples of Preschool Facility Financing

Few states provide dedicated funding for preschool facilities. Many school funding formulas direct a limited amount of [state funds for school capital expenses](#), but this funding is typically calculated based on K-12 enrollment, which excludes pre-K. Local districts have flexibility in their capital spending plans and may also raise additional funds through property tax levies that can be directed toward pre-K facilities, but this is limited to programs that are administered by school districts. Reliance on local funding mechanisms for capital projects also raises equity questions given the disparities in property wealth between districts.

- In 2018, **California** created a one-time appropriation of \$177 million in general education funds for [facilities grants](#) to increase access to preschool and child care for children with disabilities. Both local education agencies and non-LEA providers were eligible to apply for funding. The governor's budget for 2020-21 [proposed an additional appropriation](#) for this program, as well as a new program to provide facilities financing for LEAs providing State Preschool Program or Head Start programs. These programs were cut from the final budget, part of a nearly 20% reduction in proposed education spending caused by COVID-19 shortfalls.
- The **Massachusetts [Early Education and Out of School Time Capital Fund](#)** received \$45 million in legislative appropriations in 2018 to be disbursed over five years. The program is jointly administered by the Community Economic Development Assistance Corporation and the Department of Early Education and Care.
- The **[Rhode Island Child Care & Early Learning Facilities Fund](#)** is a public-private partnership that provides grants for development and planning of facilities, as well as low-interest loans to eligible providers serving primarily low-income populations. The state provides 28% of the funding for these projects.

Additional ECS Resource

Policy Analysis:

[How States Fund Pre-K](#)

Federal Funding Sources

For providers eligible to receive federal funds, some funding sources include allowable uses for capital projects. Other federal programs may provide low-interest loans or planning grants. Often these funding sources involve complying with detailed application processes and monitoring or accountability requirements.

- [Head Start](#) funds may be used for paying rent or minor facility improvements. Major capital projects, such as property purchases or construction, are also allowed but require a separate application. This option is also available to Early Head Start providers.
- In 2019, 45 states and Washington, D.C., received planning grants through the [Preschool Development Grants](#). These one-year grants included a requirement that states conduct a needs assessment, for which [about half of states](#) (including Kansas) conducted an assessment of current early childhood facilities. Twenty-six states received additional three-year PDG funding in 2020 to continue the work identified in their planning grants. While the funding cannot be used for capital improvements, states can continue addressing facility conditions through systemic policy approaches.

Additional Resources

- [From the Ground Up: Improving Child Care and Early Learning Facilities](#) – Bipartisan Policy Center, 2019.
- [Rhode Island Early Learning Facilities Needs Assessment](#) – Local Initiatives Support Corporation, 2019.
- [Financing and Budgeting for Early Care and Education Facilities](#) – Administration for Children and Families, 2017.