

Research Plan: Child Care Businesses, Regulations, and Workers in Tennessee

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Deputy Executive Director Approval: Initial:  Date: 5-20-2024

Executive Director Approval: Initial:  Date: 5/20/24

Purpose

To study the laws and regulations that govern child care businesses in Tennessee, identifying—without sacrificing health and safety—any that are unnecessarily burdensome for child care providers, and to also study Tennessee’s child care workforce and consider possible ways to support and retain workers in the child care industry.

Background

Roughly two-thirds of children under six years old in Tennessee—more than 300,000 children—have no stay-at-home parent to care for them. Forty percent of these children have parents that work non-traditional hours like nights and weekends. In a 2022 survey of working parents in Tennessee, researchers found that 80% of respondents experienced employment disruptions because of inadequate child care. Access to care and cost were the two most significant challenges faced by working families. A state task force found that roughly half (48%) of Tennessee families live in a “child care desert”—a census tract with more than 50 children under age five that contains either no licensed child care providers or so few that there are more than three times as many children than capacity at licensed child care centers.

Twenty-five percent of business leaders surveyed by the University of Tennessee Boyd Center for Business and Economic Research in January 2024 said that child care availability affects their ability to attract and retain employees. Thirty percent cited the cost of child care as a problem, second only to housing costs. Single-parents often need to work, and many two-parent families need both parents to work, but child care—

when available—is often unaffordable. Average annual costs for child care in Tennessee range from approximately \$7,000 for home-based care to more than \$11,000 for center-based care—14% of the state’s median annual family income of \$77,000. County median incomes for families with children range from \$34K to \$164K. For single parents making the median \$34,000 a year, even home-based child care could be 20% of their expenses. Meanwhile, the federal government sets its standard for affordable child care at 7% of income. For younger parents, often making lower wages at the beginning of their careers and potentially saddled with student loans, the burden is significant. Although child care workers’ wages and benefits comprise approximately 60% of the expense of operating a child care center—meaning that increasing pay usually increases prices for families—child care workers are already among the lowest paid workers, making it difficult to attract and retain qualified caregivers.

Public Chapter 938, Acts of 2024, directs the Commission to complete a study of state and local laws, regulations, and rules that govern the start-up, operation, and expansion of child care businesses in Tennessee, identifying those that impose costs or operating delays on prospective child care business owners but may not be necessary for the health, safety, and welfare of the children being cared for or residents of neighborhoods where child care businesses are located. The bills direct the Commission to examine these issues in the state’s four largest urban cities, six suburban towns or cities, and six rural towns or counties—with two suburban and two rural jurisdictions from each of the state’s Grand Divisions.

When interviewed by Commission staff, bill sponsor Representative Williams said several people he has talked with intended to open child care businesses and needed space to do so. Representative Williams says he has found the permitting requirements and zoning regulations for child care facilities to be stringent, often requiring that new buildings be fitted with additional needed features. He said removing some burdens could increase the number of child care businesses across the state and make more child care slots available for working families.

Public Chapter 934, Acts of 2024 directs the Commission to describe the current landscape and demographics of child care workers in Tennessee and study the feasibility and effects of implementing a program to cover the cost of child care for child care workers, as well as other ways to expand financial supports for child care workers to incentivize them to remain employed in the early education industry. The Tennessee Department of Human Services (DHS) has a program—Child Care WAGE\$ Tennessee (WAGE\$)—to help “address the low pay of educators working in the early childhood

field.” WAGE\$ also seeks to “reduce turnover in child care facilities” and “reward educators for their higher education.” To qualify, educators must work at least 10 hours per week in a DHS-licensed child care facility for at least six months, earn no more than \$20 per hour, and have at least six credit hours of early childhood college coursework or an accredited bachelor’s degree in an any field. Eligible individuals qualify for annual supplements ranging from \$600 for those who meet the minimum requirements to \$7,800 for those with college degrees and extensive coursework in early childhood education. As of September 2023, WAGE\$ has awarded over \$12 million in salary supplements to over 3,000 educators across Tennessee.

Senate Bill 1805 by Senator Oliver and House Bill 1962 by Representative Powell would have directed DHS to—in addition to the annual market rate study already required of it—construct a cost estimation model of day care rates to determine an amount to be paid by the state to providers as reimbursement on behalf of low-income families for the provision of child care. Following the passage of Senate Bill 2063, Senator Oliver agreed to a motion by Chairman Watson in the Senate Finance, Ways, and Means Committee for Senate Bill 1805 to be combined with the existing child care study already sent to the commission. The bill was then assigned to the general subcommittee of Finance, Ways, and Means.

Define the Problem

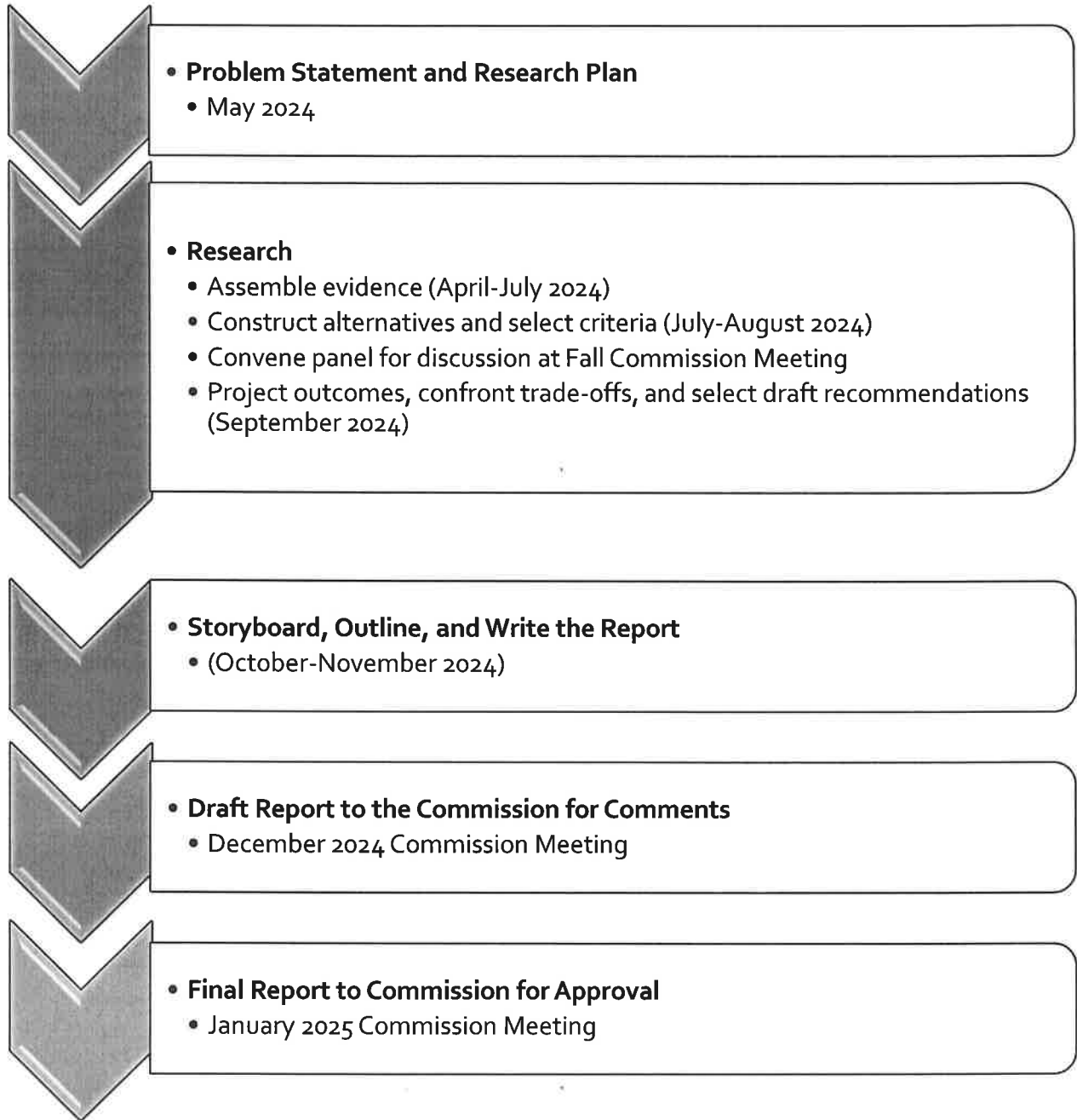
Demand for child care services exceeds available supply in many communities across Tennessee, and where child care is available it is often unaffordable for those who need it.

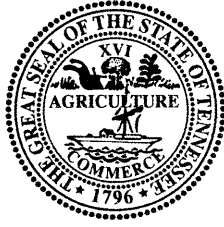
Assemble Some Evidence

- Review referred legislation—Public Chapters 934 and 938, Acts of 2024, and Senate Bill 1805 by Oliver and House Bill 1962 by Powell—and interview the sponsors and any other members of the General Assembly who have a particular interest in child care policy.
- Interview other stakeholders to determine what is driving this issue.
 - Tennessee Department of Human Services, Division of Child Care and Community Services
 - Tennessee Department of Education
 - State Fire Marshal’s Office
 - Local building and zoning officials

- Child care and early education advocacy groups (Examples: Tennesseans for Quality Early Education, Child Care Aware, National Child Care Association)
- Conduct focus groups and interviews with child care business owners and directors.
- Review Tennessee's statutes and regulations relevant to child care businesses, zoning and permitting, and other topics germane to the study.
- Review existing programs, including those of nonprofit organizations in Tennessee designed to support Tennessee's child care businesses and workers, and interview stakeholders involved with such programs.
- Review relevant federal statutes and regulations.
- Review similar laws, regulations, and programs in other states.
- Review relevant literature.
- Gather relevant data sets, including statistics related to Tennessee's child care workforce, the number and locations of child care deserts, and costs and demand for child care services in the state.

Proposed Research Timeline





State of Tennessee

PUBLIC CHAPTER NO. 938

SENATE BILL NO. 2374

By Watson, Yager, Massey, Yarbrow, Oliver

Substituted for: House Bill No. 2317

By Williams, Hardaway, Powell

AN ACT to amend Tennessee Code Annotated, Title 4; Title 8; Title 36; Title 37; Title 49 and Title 71, relative to child care.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1.

(a) For purposes of this act, "child care business" means a residential or commercial place or facility that operates as a child care agency, family child care home, a group child care home, a child care center, or a drop-in center as those terms are defined in § 71-3-501.

(b) The Tennessee advisory commission on intergovernmental relations (TACIR) shall complete a study of state and local laws, regulations, and rules that govern the start-up, operation, and expansion of child care businesses in this state. At a minimum, the study must:

(1) Analyze this state's four (4) largest urban cities; six (6) suburban towns or cities, which must include two (2) suburban towns or cities from each grand division of this state; and six (6) rural towns or counties, which must include two (2) rural towns or counties from each grand division of this state;

(2) Conduct focus groups and interviews of child care business owners and directors to identify problems and document examples that illustrate trends amongst child care businesses in this state; and

(3) Identify laws, regulations, and rules that:

(A) Impose costs, financial burdens, or operating delays on child care business owners or prospective owners;

(B) Are not necessary for the health, safety, and welfare of children served or to be served by the child care businesses; and

(C) Are not necessary for the health, safety, and welfare of residents of the neighborhoods where the child care businesses are located.

(c) All appropriate state departments and agencies shall provide assistance to TACIR in connection with the study required by subsection (b).

(d) TACIR shall submit a report disclosing findings from the study and recommended legislation to the governor, the speaker of the house of representatives, the speaker of the senate, and the legislative librarian no later than January 31, 2025.

SECTION 2. This act takes effect upon becoming a law, the public welfare requiring it.

SENATE BILL NO. 2374

PASSED: April 22, 2024



RANDY McNALLY
SPEAKER OF THE SENATE

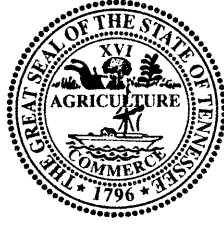


CAMERON SEXTON, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 10th day of May 2024



BILL LEE, GOVERNOR



State of Tennessee

PUBLIC CHAPTER NO. 934

SENATE BILL NO. 2063

By Oliver, Yarbrow, Campbell, Lamar

Substituted for: House Bill No. 2232

By Freeman, Whitson, Hardaway, Camper, Powell

AN ACT to amend Tennessee Code Annotated, Title 49 and Title 71, relative to public benefits for child care workers.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1.

(a) The Tennessee advisory commission on intergovernmental relations (TACIR) is directed to conduct a study on the following:

(1) The current landscape of child care workers in this state, including, but not limited to:

(A) Demographic and racial makeup of the child care workforce;

(B) Salary and wage compensation;

(C) Tenure of employment at a child care agency;

(D) Amount of child care workers on public assistance or working second employment; and

(E) Whether the child care workers have children enrolled in a child care agency;

(2) The establishment, feasibility, and impact of implementing a program that covers the cost of child care for a child care worker who:

(A) Works at least twenty (20) hours per week at a licensed child care agency, regardless of the employee's role at the agency;

(B) Has worked continuously at a child care agency for at least ninety (90) days;

(C) Is eligible to have their children attend the child care agency at no cost, or has children that attend a licensed, certified, or registered provider that accepts and is approved to receive child care assistance payments; and

(D) Is a resident of this state; and

(3) For the purpose of excluding a child care worker's income or household income level from being considered when determining eligibility as a protected population and addressing the workforce shortage by incentivizing child care workers to remain employed in the early education industry:

(A) The feasibility and impact of expanding financial supports for early educators, such as through the use of the child care WAGE\$ program, bonuses, and other public benefit eligibility options;

(B) The establishment and feasibility of a target compensation scale for employees of child care agencies, as defined in § 71-3-501; and

(C) The benefits cliff and whether public benefits program eligibility thresholds are in alignment with state program income eligibility requirements. For purposes of this subdivision (a)(3), "benefits cliff" means the loss of public benefits by employees of child care agencies whose incomes exceed public benefits eligibility thresholds following wage increases.

(b) All appropriate departments and agencies of this state shall provide assistance to TACIR in connection with the analysis required in subsection (a).

(c) TACIR shall submit a report disclosing the findings of the study and recommendations to the speaker of the senate, the speaker of the house of representatives, and the legislative librarian no later than January 31, 2025.

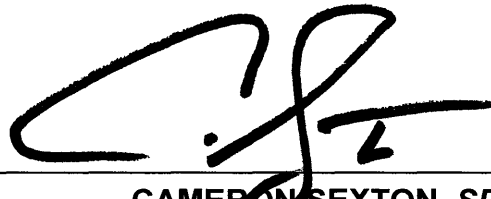
SECTION 2. This act takes effect upon becoming a law, the public welfare requiring it.

SENATE BILL NO. 2063

PASSED: April 22, 2024



RANDY McNALLY
SPEAKER OF THE SENATE



CAMERON SEXTON, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 6th day of May 2024



BILL LEE, GOVERNOR

SENATE BILL 1805

By Oliver

AN ACT to amend Tennessee Code Annotated, Title 4;
Title 5; Title 6; Title 7; Title 68 and Title 71, relative
to child care.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 71-1-130, is amended by deleting subsections (a)-(c) and substituting:

(a) The department shall perform a cost estimation model of day care rates annually.

(b) In compliance with federal law and regulations and from the cost estimation model, the department shall annually determine an amount to be paid as reimbursement on behalf of low-income families, for the provision of child or infant care by a day care center, family day care home, or group day care home.

(c) The commissioner shall report to the governor and the general assembly, no later than October 1 of each year, the results of the cost estimation model and the annual rate that has been requested by the department in its budget.

SECTION 2. Tennessee Code Annotated, Section 71-1-130, is amended by deleting subsection (h) and substituting:

(h) For purposes of this section, "cost estimation model":

(1) Means a method of determining costs of day care that incorporates both data and a set of assumptions to estimate expected costs that would be incurred by child care providers under different cost scenarios;

(2) Accounts for factors that affect the cost of service delivery, including, but not limited to:

- (A) Staff salaries and benefits;
 - (B) Training and professional development;
 - (C) Curricula and supplies;
 - (D) Group size and ratios;
 - (E) Enrollment levels;
 - (F) Licensing requirements;
 - (G) Quality level;
 - (H) Facility size;
 - (I) Other factors; and
- (3) Considers variations in cost, including, but not limited to:
- (A) Provider type, including program model, tax status, licensing structure, and other factors as applicable;
 - (B) Levels of provider star-rated quality;
 - (C) Educator and administrator qualifications and compensation;
 - (D) Child age;
 - (E) Expanded access in childcare deserts;
 - (F) Expanded access in areas with lack of access in one or more child age ranges;
 - (G) Geographic location and local or regional economic conditions and economic mobility rating; and
 - (H) Fiscal and political viability.

SECTION 3. This act takes effect upon becoming a law, the public welfare requiring it.