Making Quality Child Care Affordable

How can Tennessee help more working families afford care while paying providers what quality costs?

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Families pay more than they can afford, and still less than quality care costs. In 2024, 41% of Tennessee households couldn't cover basic costs.[2] Smart Steps, the state's main help, has had a waitlist since August 2025.[9]

What care costs Tennessee families

$14,300 a year for infant center care, more than UT Knoxville tuition.[4,20]

28.9% of median income goes to care for an infant and a preschooler.[21]

46% rise in infant care prices in six years, outpacing 26% inflation.[5]

What families are giving up

Over the past two years, because of child care costs, voters say they or someone close to them:[6]

49% couldn't save or get ahead

47% cut back on other essentials

38% delayed having a child

Why providers can't just charge less

Parents can't afford to pay, and educators can't afford to stay.

Margins are already thin. For-profit programs typically earn under 1%.[7]

Parents can't pay more. Families already give up savings and essentials to afford care.[6]

Prices don't cover quality. Tuition reflects what families can pay, not what quality takes: well-paid, stable teachers and small classes. State payments follow those prices.[13]

Who falls through the cracks

WAITING FOR HELP

13,835 children were on the Smart Steps waitlist in June 2026. Federal funding is still about $39 million below 2024.[9,10]

EARN TOO MUCH TO QUALIFY

$89,520 is where Smart Steps ends for a family of four: 85% of state median income, the federal limit.[1,8]

BUT STILL SHORT OF STABLE

$116,112 is what that family needs to be stable, by United Way's ALICE measure: enough for basics plus modest savings.[3]

WON IN 2026: PROMISING FUTURES ACT

Smart Steps Plus
Raises the income limit to 150% of state median income, about $158,000 for a family of four.[11]

CareShare Tennessee pilot
Splits child care costs among employers, employees and the state.[11]

Child Care Workforce Scholarship pilot
Helps educators afford care for their children.[11]

Pilots are fully funded; Smart Steps Plus is not. None start before 2027; funding is tied up in court.[12]

More on these income limits and ALICE budgets: TQEE's explainer, *Who Can Afford Child Care in Tennessee?*[15]



77% of Tennessee voters support more state funding to help working families afford child care and preschool.[6]

A Proposed Goal for 2030

By 2030, no eligible family waits for Smart Steps, help reaches working families up to the ALICE Stability Budget on the way to 150% of state median income, and state payments reflect what quality care costs.

Concepts for discussion

1 Clear the Smart Steps Waitlist

Provide recurring state funding to enroll waiting families and keep enrollment open. Clearing the list serves the lowest-income families first. For families in poverty, waiving the copay removes a cost that can keep a parent from working.

EXAMPLE Virginia's 2026–2028 budget uses state funds to eliminate its child care subsidy waitlist. Alabama waives copays for families in poverty.[17,23]

2 Fund Smart Steps Plus

Once the waitlist is cleared, phase in help for working families who earn too much for Smart Steps: first those just over the $89,520 limit, then up to the ALICE Stability Budget ($116,112), then up to 150% of state median income (about $158,000). It is not fully funded.[3,8,11]

EXAMPLE New Mexico uses state funds to help families above the federal income limit.[14]

3 Launch the CareShare Tennessee Pilot

Created by the 2026 Promising Futures Act. Employers, employees and the state split child care costs, with the state's share shrinking as income rises. It is fully funded, but its revenue source is in court.[11,12]

EXAMPLE Michigan, Kentucky, North Carolina, Ohio and West Virginia have tried tri-share programs.[16,18]

4 Launch the Workforce Scholarship Pilot

Created by the 2026 Promising Futures Act to help early educators afford care for their own children, so programs can hire and keep staff. It is fully funded, but its revenue source is in court.[11,12]

EXAMPLE About a dozen states have followed Kentucky in helping child care workers pay for care.[16,19]

5 Make It Easier to Qualify

Let families on SNAP, WIC or TennCare skip a second income check, and apply for several programs at once. Tennessee already serves its most vulnerable families first, such as Families First participants, teen parents and children referred by DCS.[9]

EXAMPLE Virginia auto-qualifies Medicaid and WIC families. Maine and North Carolina put vulnerable families first. South Carolina's First5SC is one application for dozens of programs.[16,22]

6 Pay What Quality Care Costs

Base payments on what quality care costs to provide, not on prices families can afford. Tennessee's base rates sit at the 54th to 60th percentile of market prices; 16 states set them at or above the 75th.[13]

EXAMPLE Virginia and South Carolina set rates using cost-based methods instead of market prices.[13]

Questions for the Room

1. **Which concepts should Tennessee tackle first?** Pick the one or two that would make the biggest difference.
2. **What would make it easier for families you know to get help?** Think about applying, waiting and paying.

Sources

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3 United For ALICE, *The Cost of Basics: Tennessee*, Household Stability Budget, statewide, 2024.

4 Tennessee Department of Human Services, *Determining Child Care Market Rates in the State of Tennessee*, Market Rate Survey for federal fiscal year 2026 (August 2026), Table 3, child care centers, all counties.

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7 U.S. Department of the Treasury, *The Economics of Child Care Supply in the United States* (September 2021). National figure for for-profit child care programs.

8 Tennessee Department of Human Services, *Tennessee Child Care Certificate Program: Income Eligibility Limits and Parent Co-Pay Fees*, effective Oct. 1, 2026.

9 Tennessee Department of Human Services, *Update on Child Care Funding: Frequently Asked Questions*, updated Nov. 3, 2026.

10 Tennessee Commission on Children and Youth, *FY2028 Budget Recommendations: Education and Early Learning* (2026), citing TDHS (June 2, 2026), federal CCDF allocations and the TDHS provider list (Aug. 15, 2026).

11 Promising Futures Act, Tennessee Public Chapter 997 (2026), SB 2062 / HB 1979, as amended by House Amendment 1 and Senate Amendment 2; Fiscal Review Committee, fiscal memorandum on SB 2062 / HB 1979.

12 Financial Technology Association, lawsuit filed June 10, 2026, in Davidson County Chancery Court challenging Public Chapter 1035 (2026), SB 2166 / HB 2502, the Promising Futures Fund's revenue source.

13 U.S. Administration for Children and Families, Office of Child Care, *CCDF Provider Payment Rates by State* (January 2025), Table 1, from FFY 2025–2027 state plans. TQEE's count of states at or above the 75th percentile in all six categories excludes Maryland (no data) and five states using cost-based methods.

14 New Mexico Office of the Governor, announcement of universal child care and state-funded eligibility above the federal income limit (Sept. 8, 2025).

15 TQEE, *Who Can Afford Child Care in Tennessee?* (explainer, November 2026).

16 State examples: Kentucky child care assistance rule for child care workers (2022); Virginia HB 407 (2024), categorical eligibility for Medicaid and WIC families; Maine SB 682 (2025), priority for children receiving child welfare services; North Carolina HB 259 (2023), set-aside for families experiencing homelessness. As summarized in source 1.

17 Virginia 2026–2028 biennial budget, Child Care Subsidy Program, as reported by VPM News (June 26, 2026).

18 Office of U.S. Rep. Hillary Scholten, press release on bipartisan federal Tri-Share Child Care legislation (2025), listing state tri-share programs.

19 New America, *In Effort to Entice Child Care Staff, More States Follow Kentucky's Lead* (2026).

20 UT Knoxville in-state tuition of $13,812 for 2025–26, reported in TCCY's *State of the Child in Tennessee 2025*; held steady for 2026–27 by the UT Board of Trustees (June 30, 2026).

21 Tennessee Commission on Children and Youth, *County Profiles of Child Well-Being in Tennessee* (2026), state child care cost burden for 2024–25: the market price of care for an infant and a preschool-age child as a share of median household income.

22 South Carolina First Steps and Early Childhood Advisory Council, First5SC single application for early childhood programs (first5sc.org), as reported by The Post and Courier (2023).

23 U.S. Administration for Children and Families, Office of Child Care, *CCDF Family Co-Payments by State* (January 2025), Table 2, from FFY 2025–2027 state plans.

How TQEE calculated the figures

Center care costs. TDHS's FY2026 statewide median for infant center care is $275 a week, or $14,300 a year.

Income limits. Yearly Smart Steps limits multiply TDHS's monthly limits for a family of four by 12. The 150% figure is an estimate, since TDHS will set Smart Steps Plus limits by rule.

Years. ALICE budgets reflect 2024 costs, care prices are from 2026 and Smart Steps limits use state median income for federal fiscal year 2027.