Right-Sized Rules, Stronger Businesses

How can Tennessee keep children safe while making it easier to open, run and grow a child care business?

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Most Tennessee child care programs are small businesses that run on thin margins.[1] Child safety comes first, and child care is heavily regulated.[2] A licensed program answers to up to four agencies and six or more routine inspections a year.[3,4,5] For a one-person business, that competes with caring for children and keeping the doors open. Tennessee has made rules clearer and quicker to meet since 2024, but providers still face rising costs and limited help to grow.

3,988 licensed or approved providers: 57% overseen by DHS, the rest by Education[6]

11,660 child care businesses in 2023; nearly 9 in 10 had no paid employees[7]

6+ routine inspections a year: 4 from DHS, 2 from the health department, plus fire[3,4,5]

<1% typical margin for for-profit programs nationally[1]

Who regulates a child care business

DHS
Licenses centers and homes; runs quality ratings and payment assistance

Education
Approves school-run care, including pre-K and after-school

Fire Marshal
Reviews plans and inspects for fire safety

Health departments
Inspect kitchens and sanitation

Cities and counties
Set zoning and local building codes

Where the friction is

- **Small owners carry it alone.** Most child care businesses are one-person operations.[7] Many have no formal business training, and 35% of family child care providers nationally take home under $10 an hour after expenses.[8]
- **Rules come from many directions.** Tennessee's 2022 task force found state and local rules "often conflicting and confusing, and in many cases not necessary to ensure the health and safety of children."[9] In 2025, TACIR called fire and building requirements "frequently the source of confusion and delay."[10]
- **Costs are rising.** State law requires liability insurance.[11] In a 2024 national survey, 11% saw premiums rise $10,000 or more and 65% said they would close without coverage.[12]
- **Revenue is tighter.** Facing reduced funding, DHS ended three payment differentials in October 2025 and cut quality bonuses from 15% and 20% to 5% and 10% in January 2026. With Smart Steps waitlisting new families since August 2025, programs can't enroll new children who depend on that help; DHS has begun contacting families on the waitlist.[13,14]

Tennessee Is Moving[5]

TACIR's January 2025 study made seven recommendations; laws passed since have acted on most.[5,10]

2025

- After-school programs can use their host school's fire inspection and facilities
- Family child care homes are zoned as residential
- Child care can use vacant school buildings
- Programs for up to 49 children in existing buildings can use a Fire Marshal consultation instead of architect plans

2026

- The State Fire Marshal is the only licensing fire inspector, with a 30-day deadline (Red Tape Reduction Act)
- Faster local permits and statewide zoning rules
- Liability protection for employers and others that host licensed providers

ALREADY IN PLACE

DHS: a Pre-Licensure Unit and program specialists who coordinate inspections for new providers, an online Provider Portal, required business training for new owners and directors, and shared services hub pilots.[8,9,15,16,17]

CCR&R, funded by DHS: 7,755 coaching sessions, 2,575 trainings and 29,977 technical assistance contacts in fiscal 2026, plus family and group child care coaches, an administrator series and accreditation help.[18,19]

A Proposed Goal for 2030

Every child care rule in Tennessee has a clear safety purpose and is easy to find in one place, the cost of doing business is lower, and providers of every size, including family child care homes, have the support they need to open, grow and stay open.

Concepts for discussion

1 Review the rules with providers

Convene providers with DHS, Education and the Fire Marshal for a facilitated, line-by-line review that asks of each rule whether it makes children safer and whether its cost is worth it. Include how monitoring visits and the quality rating score programs.

EXAMPLE Indiana, New Hampshire and Kansas ran provider-led, line-by-line reviews; New Hampshire cut its rules from 132 pages to 83.[20,21]

2 Put every requirement in one guide

Publish one plain-language guide to every state requirement for opening and running a program, issued and kept current by DHS, the Fire Marshal and the Department of Health together. Build on the standardized Fire Marshal checklist the 2026 law requires and Chattanooga 2.0's multi-agency handbook.[5,22]

EXAMPLE Florida's child care facility handbook puts licensing standards alongside the state fire marshal's and health department's requirements.[23]

3 Tackle rising insurance costs

State law requires child care programs to carry liability insurance, and in a 2024 national survey, 65% of programs said they would close without it.[11,12] Ask TACIR to study why premiums are rising and coverage is shrinking, and test ways to keep it affordable.

EXAMPLE Texas created a state-supported liability insurance pool in 2007; Connecticut, North Carolina and Oregon are studying the problem.[8]

4 Lower taxes on child care businesses

Tennessee already exempts businesses under $100,000 in receipts from its business tax, and nonprofit programs can qualify for property tax exemptions.[24,25] Exempt larger programs from state and local business taxes, as TACIR recommended.[10] Property tax relief for for-profits would likely require a constitutional amendment.[26]

EXAMPLE Washington exempts most child care income from its gross receipts tax through 2035; Texas lets cities and counties exempt qualifying child care property from property taxes.[27,28]

5 Restore grants and build on business supports

Bring back DHS's start-up, expansion and enhancement grants to help programs open, add seats and meet licensing standards. Build on CCR&R's business coaching, training and technical assistance, and expand shared back-office services for small programs.[8,9,18,29]

EXAMPLE Kansas and Missouri have given licensed programs grants for minor renovations that licensing requires.[30,31] Wisconsin offers shared payroll and benefits services.[8]

6 Support family child care

Build on CCR&R's family and group coaches, who help providers get licensed and connect with peers, to reach more unlicensed caregivers with mentoring and start-up help. Protect licensed homes, including group homes, from zoning limits and HOA and landlord bans.[5,8,9,19,32]

EXAMPLE Connecticut's All Our Kin helps home caregivers get licensed; Nebraska has piloted its model.[33] Colorado funds training for family, friend and neighbor caregivers, and Idaho bars HOAs from banning family child care homes.[8]

Questions for the Room

1. **Which rule or requirement costs your program the most time or money without making children safer?** Be specific.
2. **Which concepts should Tennessee tackle first?** Pick the one or two that would make the biggest difference.

Sources

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