

# Estimating the True Cost of High-Quality Home-Based Child Care

Insights from True-Cost Modeling in Greater Davidson County, TN



DAVIDSON COUNTY CHILD CARE LANDSCAPE STUDY RESULTS | BRIEF 5

## Introduction

High-quality child care is an essential resource for families and children. Reliable child care enables parental workforce participation, simultaneously providing children with a safe, nurturing, and structured environment that promotes healthy development.<sup>1</sup> Quality child care also strengthens families' economic stability, improving child developmental outcomes and promoting broader economic growth.<sup>2</sup>

Despite the essential need for child care, families face challenges accessing and affording it and child care program directors face challenges recruiting and retaining educators and maintaining financially sustainable businesses.<sup>3,4</sup>

This brief examines the cost of providing high-quality home-based child care for children under age 5 in the greater Davidson County, Tennessee region using a cost estimation model framework. A cost estimation model considers the actual cost of providing high-quality care with a well-compensated workforce, rather than relying on the prices that parents can afford.

This brief is number five out of a five-part series presenting the findings from the Davidson County Child Care Landscape Study conducted by the Prenatal-to-3 Policy Impact Center (Policy Impact Center) at Vanderbilt University. In this brief, we detail the true cost of providing home-based child care, and the previous brief, Brief 4, covers the cost of center-based child care.

## Background

Every day, as families seeking child care across greater Davidson County navigate difficult trade-offs between affordability and quality, child care programs also work to offer enriching and safe environments on limited budgets. A strong child care system supports both families and programs by enabling families to access affordable, high-quality child care and ensuring providers can sustain financially viable programs with a stable, well-supported and adequately

compensated workforce. Reaching this balance requires a clear understanding of what providing high-quality child care actually costs programs.

### **The Role of Home-Based Child Care in Greater Davidson County**

Although home-based child care comprises a small portion of the overall licensed child care landscape in greater Davidson County, the few home-based programs in the region play an important role. Home-based child care offers flexibility, affordability, and cultural alignment with the children and families they serve.<sup>5</sup> Many families with infants and toddlers prefer home-based child care options because they provide a more intimate and flexible environment.<sup>6</sup> Home-based programs offer small group sizes, consistent caregiver-child relationships, and flexible hours, supporting both healthy child development and parental employment.<sup>7</sup>

Greater Davidson County is home to 29 licensed home-based child care programs, accounting for approximately 1 percent of all available child care slots in the region. In contrast, the vast majority of formal child care in greater Davidson County is found within the region's 246 center-based child care programs, in which a provider cares for more than 15 children, typically in a more school-like setting.

Home-based child care is usually provided in a residential setting. Tennessee child care regulations divide home-based child care into two categories: family home-based programs and group home-based programs. Family home-based programs serve up to seven children, whereas group home-based programs serve at least eight and up to 15 children. Depending on the number of children enrolled and the ages of the children, home-based programs may have just one educator, who is usually also the small business owner and program director, or the program may employ one or more additional educators.

### **As Small, Local Businesses, Home-Based Programs Face Revenue Constraints**

Home-based child care directors, similar to their center-based counterparts, face unique challenges to running their business compared to other industries. Home-based program directors are constrained in the tuition prices they can charge by what families are able to pay, which often prevents prices from reflecting the full cost of providing high-quality child care with a well-compensated workforce.

As a result, child care programs often cannot significantly raise tuition to respond to higher operating costs, raise staff wages, or ensure their own pay is sufficient, without potentially pricing the families they serve out of the market. These constraints can make it difficult for some home-based programs to stay in business, and may limit the number of new home-based child care programs seeking to enter the market.

## Cost Estimation Models Calculate the True Cost of High-Quality Child Care

Given the limitations of using tuition prices to accurately measure the cost of operating a child care business, cost estimation models provide an alternative framework. Rather than relying on the constrained amount that families can pay, this model estimates costs from the providers' perspective.

Cost estimation models account for all expenses involved in delivering high-quality child care, including educator wages that reflect a living wage and fair benefits, facility expenses, and learning materials. These expenses are combined to generate a comprehensive estimate of the total cost to sustain a high-quality child care program with a well-compensated, stable workforce.<sup>8</sup>

To estimate the cost of providing high-quality child care, the Policy Impact Center created a child care cost estimation model for greater Davidson County. The Policy Impact Center convened with local child care community partners and experts (the Child Care Workgroup) to tailor the cost estimation model to the local realities of greater Davidson County.

The cost estimation model captures the full range of day-to-day resources needed to operate safe, responsive, and enriching child care programs with a well-supported workforce that earns a wage that meets the local ALICE Household Survival Budget Threshold (\$22.50 per hour) and receives fair benefits.<sup>a</sup>

The cost estimation model relies on local, state, and national cost data, including data from the Davidson County Child Care Provider Experience Survey (Child Care Provider Survey), an original survey developed and fielded by the Policy Impact Center in Summer 2025 (N=275, including 246 centers and 29 homes; 47% response rate).<sup>b</sup>

To create the cost estimation model, we used estimates based on the average home-based child care program size, staffing patterns, and educator credentials seen in the Child Care Provider Survey to ensure cost estimates reflect programs in the area. Family and group home-based child care programs differ in size and subsequent staffing needs, necessitating separate cost estimation calculations for family and group home-based programs.

The cost estimation model estimates costs, including educator wages, specific to the cost of living in the greater Davidson County area, which has a relatively high cost of living compared to other areas in the state. Therefore, cost estimation models designed for most other areas in Tennessee would likely generate lower cost estimates for the true cost of high-quality child care. The following sections present results from the cost estimation modeling process for home-based child care.

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<sup>a</sup> ALICE is an acronym for Asset Limited, Income Constrained, Employed, and represents households with income above the Federal Poverty Level (FPL), but below the basic cost of living. The Household Survival Budget reflects the minimum cost of household necessities (housing, child care, food, transportation, health care, and technology) plus taxes, adjusted for all US counties and various household compositions. The Davidson County ALICE Household Survival Budget income is \$22.50 per hour for a single adult living alone. See [ALICE Budget and Income Status | UnitedForALICE](#).

<sup>b</sup> The Policy Impact Center child care cost estimation model is built on the framework developed by other cost estimation models such as Prenatal to Five Fiscal Strategies (PN5FS) and informed by the Administration for Children & Families' Office of Child Care (ACF PCQC). To review our complete methodology and approach see our online Methods Appendix.

## The Monthly Cost of High-Quality Family Home-Based Care is \$2,158 per Child and Group Home-Based Care is \$1,669 per Child

The true cost of high-quality family home-based care is \$2,158 per month per child for all ages (see Table 1). This framework includes capacity for seven children. Staffing is modeled to include the owner (who serves as the director and an educator) and 20 hours per week of part-time assistant educator support.

The true cost of high-quality group home-based child care in greater Davidson County is \$1,669 for all ages. This estimate includes capacity for up to 12 children up to school age and three additional school age children, and includes resources for the owner (who serves as the director and an educator), one additional full-time educator, and 40 hours per week of time from part-time assistants (i.e., two 20-hour per week assistants).

**Table 1: Estimated Monthly Cost Per Child of Providing High-Quality Home-Based Child Care in Greater Davidson County**

Home-Based Child Care Program Type (Capacity)	Monthly Per Child Cost
Family Home-Based Program (Up to 7 Children)	\$2,158
Group Home-Based Program (Up to 15 Children)	\$1,669

Source: 2025 Davidson County Child Care Cost Estimation Model. The Prenatal-to-3 Policy Impact Center, 2025. Estimates reflect a modeled example home-based child care program based on Child Care Provider Survey data and structured cost assumptions for high-quality care in greater Davidson County.

Similar to the cost estimation model for center-based care, the home-based care cost estimation models include a living wage for all educators based on the ALICE Household Survival Budget Threshold. Wages for the home-based child care business owner are modeled to reflect their owner and educator roles at \$40.13 per hour.<sup>c</sup> Additional educators who work at home-based programs receive wages reflective of their education and experience using a wage scale starting at \$23 per hour. The average wage modeled in the cost estimation model for home-based educators is \$27.05 (see Appendix A for the full wage scale).

Cost estimates are identical for all children regardless of age because regulations for home-based programs allow the same staff member to serve multiple age groups, preventing unequal allocation of expenses based on ages served.

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<sup>c</sup> Modeled owner wages for this CEM reflect input from the Child Care Workgroup and are equal to the model child care center assistant director wage, plus a 10 percent addition income to account for business responsibilities similar to a center director. To review our complete methodology and approach see our online Methods Appendix.

## Market Prices and Certificate Reimbursement Rates Are Not Sufficient to Cover the True Cost of Home-Based Child Care

Market prices and reimbursement rates do not cover the estimated true cost of high-quality child care for either family or group home-based child care.

The market price reflects what families are able to pay for full-time child care today. The 75<sup>th</sup> percentile of the market rate means that 75 percent of providers charge that amount or less for care, and the remaining 25 percent of providers charge higher prices. The 75<sup>th</sup> percentile is what the US government considers the “equal access target.”<sup>9</sup>

At the 75<sup>th</sup> percentile, market prices underpay the true cost of home-based care by as much as \$1,357 per child, per month for family home-based care and as much as \$669 per child, per month for group home-based care (see Table 2).

**Table 2: Comparison of Monthly Per Child High-Quality Home-Based Care True Costs and Market Prices**

Program Type	Child Age	Estimated Monthly Cost of High-Quality Care	75 <sup>th</sup> Percentile of the Market Rate	Potential Loss to Program Monthly
<b>Family Home-Based Program</b>	Infant		\$974	<b>\$1,184</b>
	Toddler	\$2,158	\$866	<b>\$1,292</b>
	Preschool		\$801	<b>\$1,357</b>
<b>Group Home-Based Program</b>	Infant		\$1,191	<b>\$478</b>
	Toddler	\$1,669	\$1,169	<b>\$500</b>
	Preschool		\$1,000	<b>\$669</b>

Source: 2025 Davidson County Child Care Cost Estimation Model. The Prenatal-to-3 Policy Impact Center, 2025. The University of Tennessee Knoxville, 2025. Note: Calculations assume that families do not use a child care certificate (subsidy).

Families that earn low or moderate incomes and meet specific work or education requirements may qualify for the Child Care Certificate Program, which provides financial assistance, or subsidized child care, to help make care more affordable.<sup>10,11</sup> Child care certificates are limited, however, leading to only a small proportion of eligible families actually receiving a certificate to assist in paying for child care.

When families use certificates for child care, child care programs are reimbursed, with the maximum reimbursement rate set by the state of Tennessee. Most of the reimbursement is paid to providers by the state, and in some instances, families pay a portion of the reimbursement rate in the form of a copay.

Table 3 compares the monthly cost estimates for both family and group home-based child care programs to Tennessee’s current child care certificate reimbursement rates for home-based child care programs in greater Davidson County. Tennessee child care certificate reimbursement rates underpay the cost of high-quality home-based child care for both family and group home-based child care programs by as much as \$1,309 monthly per child. Tennessee reimburses family home-based providers at a lower rate than group home-based providers, despite the higher estimated costs associated with family home-based care. Family home-based care is estimated to be more expensive to provide because the costs are divided among fewer children.

Of the 14 home-based child care programs that responded to the Child Care Provider Survey, 12 reported that their programs accept children who use certificates, indicating that many home-based programs may rely on certificates as a component of their revenue.

The gap between market prices and certificate reimbursement rates and the estimated true cost of high-quality care indicates that child care programs are not receiving sufficient resources to sustainably deliver high-quality care, likely presenting challenges for these small businesses, including keeping educator wages low.

**Table 3: Comparison of Monthly Per Child High-Quality Home-Based Care Costs and Certificate Reimbursement Rates**

Program Type	Child Age	Estimated Monthly Per Child Cost of High-Quality Care	Current Monthly Reimbursement Rate	Potential Loss to Program
<b>Family Home-Based Program</b>	Infant		\$1,040	<b>\$1,118</b>
	Toddler	\$2,158	\$936	<b>\$1,222</b>
	Preschool		\$849	<b>\$1,309</b>
<b>Group Home-Based Program</b>	Infant		\$1,118	<b>\$551</b>
	Toddler	\$1,669	\$1,040	<b>\$629</b>
	Preschool		\$958	<b>\$711</b>

Source: 2025 Davidson County Child Care Cost Estimation Model. The Prenatal-to-3 Policy Impact Center, 2025. Tennessee Department of Human Services, 2025.

## Conclusion

Child care market prices (i.e., tuition rates) are constrained by what families can afford to pay for child care, and tuition rates therefore cannot reflect the true cost of providing high-quality child care without pricing families out of the market. The Policy Impact Center and United Way of Greater Nashville partnered with the Child Care Workgroup, a local group of community partners and child care experts, to create a cost estimation model that estimates the true cost of high-quality child care in greater Davidson County.

The cost estimation model reveals the estimated cost of high-quality family home-based care is \$2,158 per month per child for all ages. The monthly true cost of high-quality group home-based child care in greater Davidson County is \$1,669 per child for all ages.

Both market prices and child care certificate reimbursement rates fail to cover the true cost of high-quality child care. At the 75<sup>th</sup> percentile of market prices – meaning that 75 percent of programs charge less in tuition – home-based tuition rates leave a gap of as much as \$1,357 per child per month between the tuition rate and the true cost of care. Tennessee’s child care certificate reimbursement rates leave a gap of up to \$1,309 per child per month between the reimbursement rate and the true cost of care.

The gap left by current market prices and reimbursement rates, combined with families’ limited ability to absorb significantly higher tuition rates, leaves home-based programs with limited resources. These resource constraints can limit home-based business owners’ profitability, limit the wages they can pay themselves and their staff, and can limit the number of providers who choose to start or sustain a home-based child care program.

Greater Davidson County currently only has 29 licensed home-based child care programs in the entire region. Ensuring potential home-based directors have adequate resources to start and sustain a profitable home-based child care business could be an important step toward expanding home-based child care in greater Davidson County.

## Appendix A: Educator Wage Scales

The cost estimation model implements wage scales based on an educator's highest degree of education and years of experience, by role, as shown in Table A-1.

**Table A-1: Wage Scale for Center-Based Rotating Assistant Educators and Home-Based Educators**

Years of Experience	Education Level			
	High School	CDA	Associate Degree	Bachelor's Degree
0	\$23.00	\$24.53	\$26.07	\$27.60
1	\$23.34	\$24.90	\$26.46	\$28.01
2	\$23.70	\$25.27	\$26.85	\$28.43
3	\$24.05	\$25.65	\$27.26	\$28.86
4	\$24.41	\$26.04	\$27.67	\$29.29
5	\$24.78	\$26.43	\$28.08	\$29.73
6	\$25.15	\$26.83	\$28.50	\$30.18
7	\$25.53	\$27.23	\$28.93	\$30.63
8	\$25.91	\$27.64	\$29.36	\$31.09
9	\$26.30	\$28.05	\$29.80	\$31.56
10	\$26.69	\$28.47	\$30.25	\$32.03
11	\$27.09	\$28.90	\$30.71	\$32.51
12	\$27.50	\$29.33	\$31.17	\$33.00
13	\$27.91	\$29.77	\$31.63	\$33.49
14+	\$28.33	\$30.22	\$32.11	\$34.00

## About the Davidson County Child Care Landscape Study

The United Way of Greater Nashville is engaging the Prenatal-to-3 Policy Impact Center at Vanderbilt University (Policy Impact Center) to conduct the Davidson County Child Care Landscape Study to examine child care supply, population metrics that inform demand, and the estimated cost of providing high-quality child care in Davidson County. The Davidson County Child Care Landscape Study consists of three phases.

- Phase 1 focuses on using state- and national-level publicly available data to understand the population and demographic characteristics of Davidson County that inform local child care demand and current supply. Though these data provided a foundational overview of the local child care landscape, they also revealed limitations in what could be understood without targeted data collection to provide more detailed, local data. A summary of key findings was released in March 2024.<sup>d</sup>
- Phase 2 consists of an in-depth child care supply analysis based on an original child care provider survey. The Policy Impact Center developed and fielded the 2025 Davidson County Child Care Provider Experience Survey (Child Care Provider Survey) between June and August 2025 to all licensed child care programs in the greater Davidson County area. The Child Care Provider Survey asked about:
  - Child care enrollment and open slots,
  - Staffing, workforce characteristics, and educator wages,
  - Child care program director experiences and challenges.
- A total of 130 (116 center-based and 14 home-based) out of 275 (246 center-based and 29 home-based) reachable child care programs participated in the Child Care Provider Survey (47% response rate) and provided sufficient information to be included in our analyses. We present findings from this phase throughout this five-part brief series.
- Phase 3 uses a cost estimation model informed by Tennessee- and Davidson County-specific data and input from local child care experts and community partners to estimate the cost of providing high-quality child care in Davidson County. We discuss findings from this phase pertaining to center-based child care and home-based child care in Briefs 4 and 5, respectively, of this five-part series.

Results from the Nashville Child Care Landscape Study will inform child care expansion planning, resource allocation decisions, and policy and funding advocacy.

A complete description of the methods used in this brief can be found in the online Methods Appendix.

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<sup>d</sup> The Davidson County Child Care Landscape Study Phase 1 Executive Summary can be found here: [RaisingReadersNashville\\_ChildCare\\_Study\\_Phase1Summary\\_0324.pdf](#)

## Who We Are

### **Prenatal-to-3 Policy Impact Center**

The Prenatal-to-3 Policy Impact Center translates the science of the developing child into state-level policies that have the strongest evidence of improving outcomes for infants, toddlers, and their parents. Based in Vanderbilt University's Peabody College of Education and Human Development, the Center's team of researchers and nonpartisan policy experts work with policymakers, practitioners, and advocates to navigate the evidence on solutions for effective child development in the earliest years. Learn more at [www.pn3policy.org](http://www.pn3policy.org).

### **United Way of Greater Nashville**

At United Way, we unite the community and mobilize resources so that every child, individual and family thrives. Together, we are working to create a community where every child receives a quality education, no one lives in poverty or poor health, and the most basic needs of our families are met. Serving the community for more than 100 years, United Way of Greater Nashville is also recognized as the founding chapter of the Alexis de Tocqueville Society, a now global giving society that has invested more than \$10 billion in the work of United Ways worldwide. United Way of Greater Nashville is creating lasting change throughout Middle Tennessee. We are uniquely positioned to do this work by bringing individuals, businesses, nonprofits and government to the table to have the tough conversations, mobilize the resources and make the smart investments that will create lasting solutions for our region's most pressing issues. Our service area includes Cheatham, Davidson, Dickson, Hickman, Houston, Montgomery, Robertson, Stewart and Williamson counties. Learn more at [www.unitedwaygreaternashville.org](http://www.unitedwaygreaternashville.org).

### **Raising Readers Nashville**

Raising Readers Nashville is a collaborative working to support systems change in the area of early childhood education. We serve the early childhood community by working to improve literacy in four domains of focus: Ready to Read, Literacy Skill Development, Family and Caregiver Engagement and Educator Support. We do this in four ways, incubator, a leader of active initiatives, convenor or accelerator where we partner with community and as champion to amplify the work of others. Learn more at [www.raisingreadersnashville.org](http://www.raisingreadersnashville.org)

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