



HOUSE BILL 1979

By White

AN ACT to amend Tennessee Code Annotated, Title 4;
Title 43; Title 49; Title 57; Title 67 and Title 71,
relative to child care.

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

SECTION 1. Tennessee Code Annotated, Title 71, Chapter 1, is amended by adding the following as a new part:

71-1-301. Short title.

This part is known and may be cited as the "Promising Futures Act."

71-1-302. Findings and purpose.

(a) The general assembly finds that:

(1) Access to affordable, reliable child care is essential to workforce participation, economic stability for working families, and the long-term well-being of children;

(2) Employers across multiple sectors in this state report that the lack of available and affordable child care is a significant barrier to employee recruitment and retention;

(3) The child care workforce experiences persistent shortages and high turnover, in part due to the cost of child care for workers with young children;

(4) Strategic, targeted investments in child care assistance can strengthen the workforce, support employers, and promote economic growth;
and

(5) Dedicated revenues derived from vapor products and hemp-derived cannabinoid products provide an opportunity to support child care initiatives without reliance on general fund revenues.

(b) The purpose of this part is to establish the promising futures fund to support pilot programs and targeted child care assistance initiatives that:

- (1) Strengthen and stabilize this state's child care workforce;
- (2) Support employer participation in shared child care cost models;
- (3) Expand access to child care for working families who are ineligible for existing subsidy programs; and
- (4) Provide accountability, transparency, and data-driven evaluation to inform future programming and policy decisions.

71-1-303. Part definitions.

As used in this part, unless the context otherwise requires:

- (1) "Department" means the department of human services;
- (2) "Eligible child care provider" means a child care provider licensed by the department of human services or certified by the department of education to provide child care services in this state;
- (3) "Fund" means the promising futures fund created in this part;
- (4) "State median income" means the most recent estimate of the median household income for residents of this state, as determined by the United States census bureau, adjusted for family size; and
- (5) "Third-party administrator" means a private entity under contract with the department to administer a program authorized in this part.

71-1-304. Promising futures fund - Revenue dedication.

(a) There is created in the state treasury a special fund to be known as the promising futures fund, hereinafter referred to as the fund.

(b) The fund consists of:

(1) Any amounts credited to the fund pursuant to title 57, chapter 7, part 1 or pursuant to title 67, chapter 4, part 10;

(2) Moneys specifically appropriated to the fund by the general assembly;

(3) Any federal funds, grants, gifts, or donations received by the department for purposes consistent with this part; and

(4) Any other moneys authorized by law to be deposited into the fund.

(c) Moneys in the fund must be used solely for the purposes authorized in this part and used as funds are available, subject to appropriation by the general assembly.

(d) Notwithstanding § 9-4-205 or another law to the contrary, interest earned on moneys in the fund must be credited to and remain in the fund. Any moneys in the fund remaining unexpended at the end of any fiscal year do not revert to the general fund.

(e) From any amounts credited to the fund, the department may retain and use up to ten percent (10%) of the fund balance for administrative purposes and to implement, operate, oversee, evaluate, and report on the programs created in this part, including payments to third-party administrators or vendors. Any amounts used by the department pursuant to this subsection (e) are separate from, and may not be used for, the regulation, enforcement, or collection of any taxes, fees, or assessments.

(f) This section must not be construed to limit the authority of any state agency to expend moneys, pursuant to appropriation, for the administration, enforcement, or collection of any taxes, fees, or assessments authorized under title 57 or title 67.

71-1-305. Programs supported by the fund.

(a) Moneys in the fund must be used to establish and operate the following programs, in the following order:

(1) The child care workforce scholarship pilot program created in § 71-1-306 to provide categorical eligibility for free child care for children of eligible child care workers. It is the general assembly's intent that the child care workforce pilot program receives allocations from the fund over each three-year period of the pilot program's operation totaling five million dollars (\$5,000,000);

(2) The CareShare Tennessee pilot program created in § 71-1-307, which is an employer-supported child care assistance program. It is the general assembly's intent that the CareShare Tennessee pilot program receive allocations from the fund over each three-year period of the pilot program's operation totaling five million dollars (\$5,000,000); and

(3) The smart steps plus program created in § 71-1-308, if any funds remain available in the promising futures fund after the funding goals expressed in subdivisions (a)(1) and (2) are met for the respective programs.

(b) Subject to available funding, the department may continue or expand the child care workforce scholarship pilot program created in § 71-1-306, and the CareShare Tennessee pilot program created in § 71-1-307, if the department's continuation or expansion of one (1) or more of the programs are approved by the governor.

71-1-306. Child care workforce scholarship pilot program.

(a) As used in this section:

(1) "Categorical eligibility" means eligibility for child care assistance based solely on an individual's employment in the child care workforce, without regard to the individual's household income;

(2) "Child care workforce" means individuals employed in this state by an eligible child care provider in a position involving the direct care, supervision, or education of children, including, but not limited to, teachers, assistant teachers, aides, and other instructional or caregiving staff, as determined by the department;

(3) "Eligible child care worker" means a member of the child care workforce who works at least thirty (30) hours per week on average and who meets any additional employment, residency, and participation requirements established by the department;

(4) "Free child care" means child care services provided to an eligible child care worker at no cost to the worker, after application of any federal or state child care assistance for which the worker or child is otherwise eligible;

(5) "Marketing and outreach vendor" means a private entity under contract with the department to conduct recruitment, outreach, and related activities for the pilot program;

(6) "Pilot program" means the child care workforce scholarship pilot program created in this section; and

(7) "Scholarship" means financial assistance paid on behalf of an eligible child to an eligible child care provider to cover the costs of child care services through the pilot program.

(b) The department shall administer a child care workforce scholarship pilot program to provide categorical eligibility for free child care for children of eligible child care workers employed in this state after application of any federal or state child care assistance for which the child or family is otherwise eligible to receive.

(c) The department shall enter into a contract with one (1) or more marketing and outreach vendors to conduct recruitment and outreach activities for the pilot program. Any contract entered into pursuant to this subsection (c) must be performance-based and include measurable targets and key performance indicators tied to the recruitment of new child care workers into the workforce.

(d) A marketing and outreach vendor under contract with the department pursuant to subsection (c) is responsible for collecting, maintaining, and reporting data necessary to measure performance against the key performance indicators established in the contract and documenting all outreach and recruitment activity.

(e) The department shall submit the report required in § 71-1-309 for purposes of evaluating the pilot program. The following are the minimum key performance indicators that must be used to evaluate the pilot program:

(1) The number of individuals entering the child care workforce for the first time that is attributable to outreach and recruitment activities;

(2) The number of eligible child care workers with categorical eligibility;

(3) Child care workforce retention rates for each three-year period for which the pilot program is in operation;

(4) Geographic distribution of eligible child care workers and eligible child care providers participating in the pilot program; and

(5) Outreach efficiency measures, including costs per recruited worker.

(f) All reports submitted for purposes of the pilot program must be independently verified by the office of research and education accountability in the office of the comptroller of the treasury or by an independent entity selected by the comptroller.

(g) The department shall coordinate eligibility criteria and benefit administration for the pilot program with existing child care subsidy programs.

(h) At the end of each three-year period for which the pilot program operates, the department may, subject to available funding, continue or expand the pilot program if the pilot program's continuation or expansion is approved by the governor.

(i) The department shall complete procurement and selection of any marketing and outreach vendors required for the pilot program by November 1, 2026, and, subject to available funding, begin operating the pilot program by January 1, 2027.

71-1-307. CareShare Tennessee pilot program.

(a) The department shall establish a CareShare Tennessee pilot program within the department to provide employer-supported child care assistance through shared contributions by participating employers, participating employees, and the state.

(b) As used in this section:

(1) "Contribution" means a payment made by an employer or employee, whether directly or through a third-party administrator, to subsidize eligible child care costs;

(2) "Eligible child care costs" means the costs incurred for child care services provided by an eligible child care provider;

(3) "Employee" means an individual employed in this state by a participating employer;

(4) "Employer" means a for-profit or nonprofit entity, including, but not limited to, a local government or local education agency, that employs one (1) or more employees in this state;

(5) "Participating employer" means an employer approved by the department or a third-party administrator to participate in the program;

(6) "Pilot program" means the CareShare Tennessee pilot program created in this section; and

(7) "State match" means the funds paid from the promising futures fund created in § 71-1-304 to an eligible child care provider to match employer and employee contributions received through the pilot program.

(c)

(1) The state match for the pilot program must be used to supplement employer and employee contributions toward eligible child care costs.

(2) Subject to available funds, the state match must be determined using a declining match formula based on household income as follows:

(A) The state match may equal up to one hundred percent (100%) of the employer contribution for participating employees with household incomes at or below one hundred percent (100%) of the state median income;

(B) The state match must decrease by ten percent (10%) for each twenty percent (20%) increase in household income over one hundred percent (100%) of the state median household income up to one hundred fifty percent (150%) of the state median household income; and

(C) The state match is fifty percent (50%) if the employee's household income exceeds one hundred fifty percent (150%) of the state median household income.

(d)

(1) The department shall contract with one (1) third-party administrator to administer the pilot program. The contract must be performance-based and include measurable targets and key performance indicators.

(2) The third-party administrator is responsible for:

(A) Developing and managing standardized participation agreements among employers, employees, and child care providers;

(B) Verifying eligibility of employers, employees, and child care providers for purposes of the pilot program;

(C) Collecting and disbursing employer and employee contributions and issuing state match payments to child care providers;

(D) Collecting, maintaining, and reporting data necessary to measure performance against the key performance indicators established in the contract and documenting all pilot program activity;

(E) Ensuring that state match payments are made only when sufficient funds are available and that program obligations do not exceed the balance of the promising futures fund created in § 71-1-304; and

(F) Maintaining waitlists when sufficient funding is unavailable.

(3) The department shall submit the report required in § 71-1-309 for purposes of evaluating the pilot program. The following are the minimum key performance indicators that must be used to evaluate the pilot program:

(A) The number of participating employers, disaggregated by size, sector, and geographic region;

(B) The number of participating employees receiving child care assistance;

(C) The total amount of employer, employee, and state contributions made through the pilot program;

(D) The number and characteristics of participating child care providers;

(E) Utilization rates of approved child care assistance by participating employees; and

(F) Administrative timeliness and accuracy, including contract processing times and payment disbursement timelines.

(e) All reports submitted for purposes of the pilot program must be independently verified by the office of research and education accountability in the office of the comptroller of the treasury or by an independent entity selected by the comptroller.

(f) Participation in the pilot program is voluntary for employers, employees, and child care providers.

(g) At the end of each three-year period for which the pilot program operates, the department may, subject to available funding, continue or expand the pilot program if the pilot program's continuation or expansion is approved by the governor.

(h) The department shall complete procurement and selection of the third-party administrator for the pilot program by November 1, 2026, and, subject to available funding, begin operating the pilot program by January 1, 2027.

71-1-308. Smart Steps Plus program.

(a) There is established the Smart Steps Plus program to provide child care scholarships to eligible working families whose household income exceeds eligibility thresholds for existing child care assistance programs.

(b) As used in this section:

(1) "Eligible working family" means a household with one (1) or more children requiring child care in which the household income is greater than eighty-five percent (85%) of the state median income, but does not exceed one hundred fifty percent (150%) of the state median income; and

(2) "Program" means the Smart Steps Plus program created in this section.

(c) Subject to available funding, the department shall administer a Smart Steps Plus program to provide child care scholarships on a sliding scale basis, after application of any federal or state child care assistance for which the child or family is otherwise eligible to receive.

(d) The department may establish eligibility criteria, benefit levels, copayment requirements, and prioritization schedules for the program by rule; provided, that the assistance must be targeted to support workforce participation and employment stability. Any rules promulgated by the department must be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5.

(e) The department may administer and begin operating the program on or after January 1, 2027, subject to available funding.

71-1-309. Reporting and evaluation.

(a) The department shall submit an annual report for evaluating each of the programs created in this part. Each report must be submitted to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the finance, ways and means committee of the senate, and the chair of the committee of the house of representatives having jurisdiction over finance by March 31 immediately following a year for which one (1) or more of the programs operated in this state.

(b) Each report must include, at a minimum:

(1) A summary of fund revenues, expenditures, and balances, including amounts expended for administrative, regulatory, and evaluation purposes;

(2) Verified performance data for the child care workforce scholarship pilot program, including the key performance indicators specified in § 71-1-306;

(3) Verified performance data for the CareShare Tennessee pilot program, including the key performance indicators specified in § 71-1-307;

(4) Participation and utilization data for the Smart Steps Plus program, including the number of families served, income distribution of participating families, and average benefit levels;

(5) An assessment of the effectiveness of each program in meeting its stated goals, based on independently verified data;

(6) Identification of any barriers to implementation or participation; and

(7) Any recommendations for continuation, modification, expansion, or termination of one (1) or more of the programs.

(c) Performance data used in the report must be based on reports submitted by third-party administrators or vendors and independently verified by the office of research and education accountability in the office of the comptroller of the treasury or by an independent entity selected by the comptroller.

(d) The department shall make the report publicly available on its website.

SECTION 2. Tennessee Code Annotated, Section 57-7-106, is amended by deleting subsection (e) and substituting instead the following:

(e)

(1) The revenue collected from fees established under subdivision (b)(1)(B) must be deposited with the state treasurer and earmarked for and allocated to the commission and used solely for the administration of this title.

(2) Notwithstanding subdivision (e)(1), if the revenue collected from fees established under subdivision (b)(1)(B) exceeds the costs to the commission for the administration of this title, then any such excess revenue must be reallocated

and deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in title 71, chapter 1, part 3.

SECTION 3. Tennessee Code Annotated, Section 57-7-106(f), is amended by deleting subdivision (8) and substituting instead the following:

(8)

(A) The revenue collected from fees established under this subsection (f) must be deposited with the state treasurer to be earmarked for and allocated to the commission and used solely or the administration of this title.

(B) Notwithstanding subdivision (f)(8)(A), if the revenue collected from fees established under this subsection (f) exceeds the costs to the commission for the administration of this title, then any such excess revenue must be reallocated and deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in title 71, chapter 1, part 3.

SECTION 4. Tennessee Code Annotated, Section 57-7-108, is amended by deleting subsection (d) and substituting instead the following:

(d)

(1) All moneys collected under this section must be turned over to the state treasurer for deposit in accordance with this subsection (d).

(2) Eighty percent (80%) must be deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in the Promising Futures Act, compiled in title 71, chapter 1, part 3.

(3) Ten percent (10%) must be deposited into a special account in the state general fund to be appropriated for use by the commission. At least fifty percent (50%) of the amount described in this subdivision (d)(3) must be used for the administration and enforcement of this chapter, and not more than fifty

percent (50%) of the amount described in this subdivision (d)(3) may be used for the administration and enforcement of this title.

(4) Ten percent (10%) must be deposited into a special account in the state general fund to be appropriated for use by the department of revenue in the administration and enforcement of this chapter.

(5) Notwithstanding subdivisions (d)(3) and (4), any unexpended funds remaining in the special accounts referenced in subdivisions (d)(3) and (4) at the end of a fiscal year do revert to the general fund, but must be reallocated and deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in title 71, chapter 1, part 3.

SECTION 5. Tennessee Code Annotated, Section 57-7-112, is amended by adding the following as a new subsection:

(f) The amount of any fees collected pursuant to this section must, except as provided in this subsection (f), be used by the department for the administration and enforcement of this section. Any funds generated by the fees collected pursuant to this section that remain unexpended at the end of a fiscal year do not revert to the general fund, but must be reallocated and deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in the Promising Futures Act, compiled in title 71, chapter 1, part 3.

SECTION 6. Tennessee Code Annotated, Section 57-7-113, is amended by adding the following as a new subsection:

(d) The amount of any civil penalties assessed and collected pursuant to this section must, except as provided in this subsection (d), be used by the commission for the administration and enforcement of this section. Any funds generated by the civil penalties assessed and collected pursuant to this section that remain unexpended at the

end of a fiscal year do not revert to the general fund, but must be reallocated and deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in the Promising Futures Act, compiled in title 71, chapter 1, part 3.

SECTION 7. Tennessee Code Annotated, Section 67-4-1025, is amended by deleting subsection (f) and substituting instead the following:

(f)

(1) Eighty seven and one-half percent (87.5%) of the revenue from taxes on vapor products collected under this part must be deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in the Promising Futures Act, compiled in title 71, chapter 1, part 3.

(2)

(A) Twelve and one-half percent (12.5%) of the revenue from taxes on vapor products collected under this part must be deposited with the state treasurer to be earmarked for and allocated to the alcoholic beverage commission for the administration and enforcement of this part.

(B) Notwithstanding subdivision (f)(2)(A), any funds allocated to the commission for the administration and enforcement of this part that remain unexpended at the end of a fiscal year must be reallocated and deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in title 71, chapter 1, part 3.

SECTION 8. Tennessee Code Annotated, Section 67-4-1034, is amended by deleting subsection (p) and substituting instead the following:

(p)

(1) All fees and penalties collected by the department pursuant to this section must be used for the administration and enforcement of this section.

(2) Funds collected pursuant to this section must be placed in a special account within the general fund.

(3) Notwithstanding subdivisions (p)(1) and (2), if, in any fiscal year, the fees and penalties assessed and collected pursuant to this section exceed the costs of the administration and enforcement of this section, then any such funds remaining unexpended at the end of a fiscal year must be reallocated and deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in title 71, chapter 1, part 3.

SECTION 9. Tennessee Code Annotated, Section 67-4-1035, is amended by adding the following as a new subsection:

(f) The amount of any fines collected pursuant to this section must, except as provided in this subsection (f), be used by the commission for the administration and enforcement of this section. Any funds generated by the fines collected pursuant to this section that remain unexpended at the end of a fiscal year do not revert to the general fund, but must be reallocated and deposited into the promising futures fund created in § 71-1-304 and used solely for the purposes authorized in the Promising Futures Act, compiled in title 71, chapter 1, part 3.

SECTION 10. The headings in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 11. This act takes effect July 1, 2026, the public welfare requiring it.

Amendment No. 1 to HB1979

Hicks G
Signature of Sponsor

AMEND Senate Bill No. 2062*

House Bill No. 1979

by deleting subdivisions (a)(3)-(5) in § 71-1-302 in Section 1 and substituting:

(3) The child care workforce experiences persistent shortages and high turnover, in part due to the cost of child care for workers with young children; and

(4) Strategic, targeted investments in child care assistance can strengthen the workforce, support employers, and promote economic growth.

AND FURTHER AMEND by adding the language "and described in § 67-6-205(d)(4)(C)" immediately after the language "the promising futures fund created in this part" in § 71-1-303(3) in Section 1.

AND FURTHER AMEND by adding the following at the end of § 71-1-304(a) in Section 1:

The fund created by this subsection (a) is the same fund described in § 67-6-205(d)(4)(C).

AND FURTHER AMEND by deleting § 71-1-304(b)(1) in Section 1 and substituting:

(1) Any amounts credited to the fund pursuant to § 67-6-205(d)(4)(C);

AND FURTHER AMEND by deleting the language "title 57 or" in § 71-1-304(f) in Section 1.

AND FURTHER AMEND by deleting Sections 2-11 and substituting instead:

SECTION 2. The headings in this act are for reference purposes only and do not constitute a part of the law enacted by this act. However, the Tennessee Code Commission is requested to include the headings in any compilation or publication containing this act.

SECTION 3. For purposes of promulgating rules and the procurement and selection of a third-party administrator and marketing and outreach vendors, this act

takes effect upon becoming a law. For all other purposes, this act takes effect January 1, 2027, the public welfare requiring it.

Amendment No. 2 to SB2062

Watson
Signature of Sponsor

AMEND Senate Bill No. 2062*

House Bill No. 1979

by deleting the language "is greater than eighty-five percent (85%) of the state median income, but" in § 71-1-308(b)(1) in Section 1.

AND FURTHER AMEND by inserting the language ", including any federal temporary assistance for needy families (TANF) funds set aside to be transferred to the child care and development fund (CCDF)," immediately after the language "state child care assistance" in § 71-1-308(c) in Section 1.