

In The Red:

The Financial Shortfall of Mission-Driven Early Childhood Education Centers

Produced in partnership by



This white paper analyzes financial data from 11 Nashville early childhood education centers that serve primarily low-income families. The report highlights the reality that the tuition and state subsidies that these centers receive does not cover the true cost of high-quality education and care.



In The Red: The Financial Shortfall of Mission-Driven Early Childhood Education Centers

From January 2025 to September 2025, NEEC collected data from 11 early childhood education centers that share a mission to serve a large percentage of low-income families and that were participating in the Bridge to Sustainability funding.

BACKGROUND

This white paper would not have been possible without the 11 early childhood education centers that generously took the time to do “one more thing,” and provide us with meaningful, actionable data to inform this work. A huge thank you to 15th Avenue Learning Academy North, Eighteenth Avenue Family Enrichment Center, Equally Created, Fannie Battle Day Home for Children, First Steps, Inc., King’s Daughters Child Development Center, McNeilly Center for Children, Schrader Lane Vine Hill Childcare Center, St. Luke’s Community House, St. Mary Villa Child Development Center, and Wayne Reed Christian Childcare Center.

In 2025, the Nashville Early Education Coalition began looking for ways to help stabilize the local early childhood education ecosystem. NEEC began this work by focusing resources and advocacy on early childhood education providers that needed the most support: those that make it their mission to serve low-income families. NEEC worked closely with its unique set of stakeholders: early childhood education providers, business leaders, lawmakers, and philanthropists to identify opportunities where our resources would have the biggest impact on this critical ecosystem.

As a result of this work, NEEC launched the Bridge to Sustainability cohort, a year-long stabilization and capacity-building initiative for 11 mission-driven early childhood education centers. The cohort paired flexible operating support with data collection, peer learning, and targeted technical assistance to help centers offset chronic operating deficits and better understand the true cost of providing high-quality care. The overarching goal was to stabilize access to quality early childhood education for working and low-income families while strengthening the long-term sustainability of participating centers.

In addition to supplemental funding, Bridge to Sustainability provided technical assistance to address common operational barriers, including staff attrition and business operations, identifying sustainable strategies to increase enrollment, and strengthening peer relationships to support more coordinated, collective advocacy for the early childhood education ecosystem.

Each month, participating providers reported enrollment, vacant seats, teacher retention, and student-generated revenue. Providers also shared annual operational costs by category, the number of classrooms in operation, and the number of children served per classroom, broken down by age group (infants, toddlers, and preschoolers).

Using the data shared by centers, this report focuses on the following:

1. The **average operational expenses** of running a high-quality early childhood education center in Davidson County,
2. The **average revenue** brought into each center from tuition dollars, and
3. The **financial shortfall** that these centers experience.

Given the population of families these 11 centers prioritize, they are not designed to be financially solvent, no matter how well they are run. **The revenue they bring in does not cover the true cost of providing a high-quality early childhood education.** As a result, each of the 11 centers expends tremendous energy and staff time on fundraising and grant writing simply to cover operating expenses.

While this report examines data from these 11 Nashville centers, **we know these challenges exist for providers across the state, beyond these centers and beyond Davidson County.**

Nonprofit early childhood education centers face continual pressure to align enrollment, tuition, and operating costs to break even while keeping high-quality care affordable for low-income families and equitably available for all families.

THE IRON TRIANGLE

In order to maintain financial viability, early childhood education centers have three interrelated conditions, [an iron triangle](#), that they must continually adjust:

1. Maintaining **full enrollment**,
2. Setting **tuition rates** and collecting all payments on time, and
3. Managing **operating costs** to optimize the per-child cost of care.

The goal of any business is to bring in revenue above operating costs, resulting in a profit. However, for these nonprofit, mission-driven centers, the goal is to simply break even each year, covering their operating costs, while keeping care as affordable as possible for low-income families.

It is worth noting that even for-profit childcare providers often operate on thin margins. Between strict educator-to-child ratios, rising rent, food, and insurance costs, about 70-80 percent of a center's budget is already payroll. Unlike K-12 public education, there is no consistent public funding stream for early childhood education. When you add in a population of families, most of whom either receive tuition certificates from the state or make payments on a sliding scale, the financial gap is exacerbated.

Student Enrollment

Center directors must navigate multiple constraints while attempting to adjust the three conditions. For instance, maintaining student enrollment is made complex by the differing needs of infants, toddlers, and preschoolers, as well as the centers' commitment to enroll at least 50% of students from low-income families.

Requirements around teacher-student ratios and classroom size also vary by age group. For example, the per-child cost of care in an infant room is much higher than in a preschool room. Many centers occasionally face the challenge of matching the type of seats they have open to actual children wishing to enroll. A center may have three open preschooler seats and fewer than 50% low-income families, but have no low-income families with a preschooler available to fill those seats.

Tuition Rates

In setting tuition rates, centers are balancing the needs of low-income families and families who are able to pay the full market rate. As mentioned, income-constrained low-income families have two options to make high-quality early childhood education affordable: applying to the Tennessee Department of Human Services childcare certificate program, or applying for the center's sliding scale, neither of which covers the actual per-child cost of care for any age group, ultimately requiring that individual centers make up the difference.

Operational Costs

When it comes to operating costs, providers are always aware of and advocating for the critical need to *increase* teacher pay and benefits to address the chronic workforce challenges faced by centers. Additionally, they are continuously working to manage the costs of food, facility maintenance, fire and regulatory costs, curriculum and equipment, and many more.

Across all centers, per-child revenues fall short of true operating costs, illustrating an unsustainable funding model intensified by reliance on below-cost subsidy rates.

THE NASHVILLE IRON TRIANGLE STUDY

The average annual operating expense across the 11 Nashville centers is \$1.6 million. The overall range is significant, with the operational costs at individual centers ranging between \$330,000 per year and more than \$3 million, depending on the number and ages of children enrolled. To ensure comparability, operating costs and revenue were broken down to the average per-child cost and revenue overall as well as the three key age groups: infants, toddlers, and preschoolers. Annual average operating costs and revenues were determined based on the average monthly actual enrollment during the reporting period.

This per-child cost and revenue comparison makes it clear that **tuition revenue does not fully cover the operating expenses for any of the centers, even for families who are paying the full tuition rate.**

BY THE NUMBERS

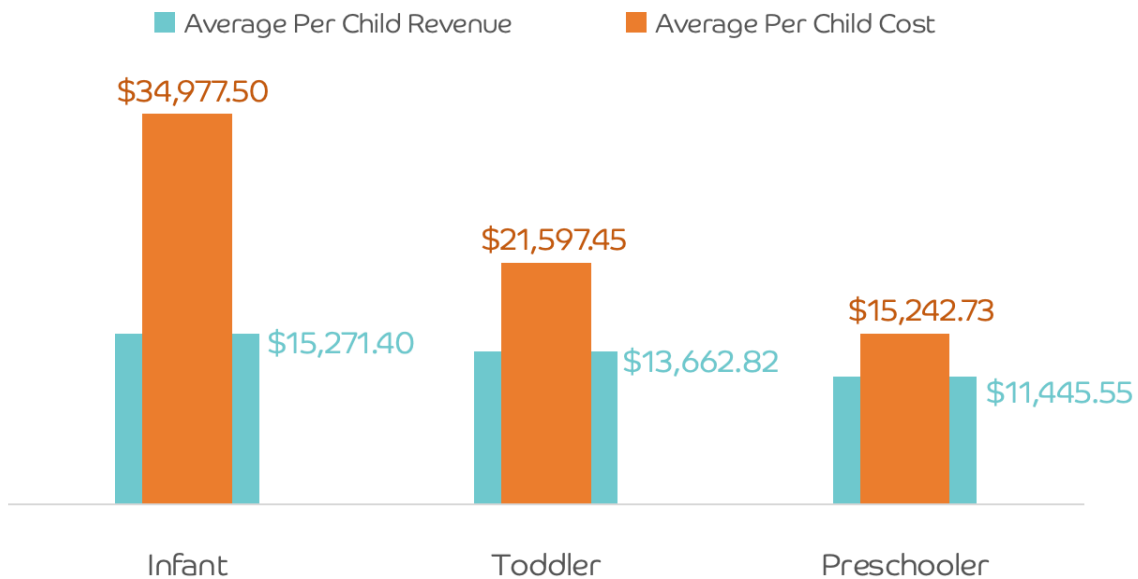
The data provided in real-time by Nashville’s 11 centers providing care for income-constrained families show that the average cost to centers to provide one year of care for an infant is \$34,977, nearly \$22k for toddlers, and \$15,242 for preschoolers.

Meanwhile, the average **weekly** tuition rate across these 11 centers is \$353 for infants, \$326 for toddlers, and \$283 for preschoolers. This translates to between \$11,445 and \$15,271 annually. In the best of financial scenarios, centers are still experiencing a financial loss, even on students whose families pay full tuition. The highest annual revenue gap is \$19,706.10 per enrolled infant, regardless of payment type.

(Note: This is ultimately why most centers operate with far fewer infant seats than toddler and preschool seats - the gap they must make up for is smallest for preschool children, with an average loss of \$3,797 per child.)

And because these centers have a mission to serve mostly low-income families — meaning that between 52% and 100% of their enrolled students are receiving a childcare certificate which directly reimburses early childhood education centers for a portion of the cost of care, with parents paying an additional copay based on their household income and size — the average financial losses for these centers are actually much larger per child.

Average per child costs exceed average per child revenue for all age groups, all pay types



THE TRUE COST OF EARLY CHILDHOOD EDUCATION

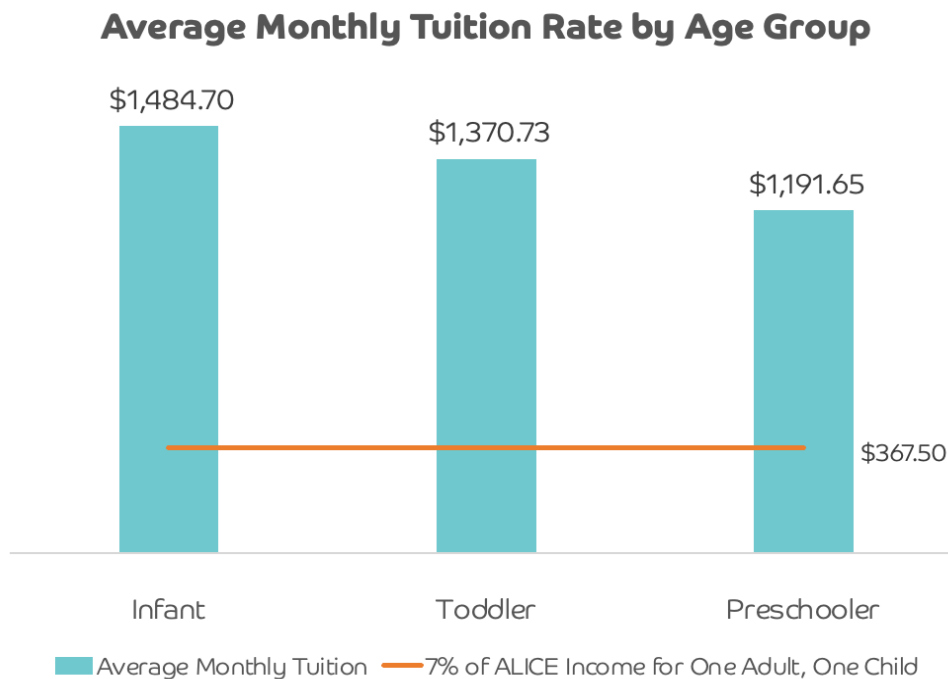
The exact annual deficit experienced by each center will vary based on the number of children they serve in each age category, their specific per-child costs, and their specific tuition scale. The estimates provided above illustrate how far the average full tuition rate is from covering the true cost of providing care for a child in each of the age groups.

It is also important to note that these “true cost” figures already reflect a reality in which many nonprofit early childhood education centers receive extraordinary external support, such as donated or below-market rent, facility partnerships with religious institutions, and ongoing philanthropic operating support. Providers note that this supplementary support, while critical, is uneven, fragile, and not scalable, and even with them in place, centers continue to experience persistent operating deficits.

Tuition rates fail to meet provider costs while still exceeding what the average family can reasonably afford.

THE CHILDCARE AFFORDABILITY PROBLEM

The Administration for Children and Families uses 7% of household income as a benchmark for how much families should be paying for early childhood education. For families who fall into the Asset Limited, Income Constrained, Employed (ALICE) category in Davidson County, 7% of the household income every month for one working adult and one child in early childhood education is \$367, and \$560 for two working adults and two children in early childhood education. ALICE also builds in an estimated monthly cost for early childhood education for each household type, recommending \$625 per month and \$1,292 per month, respectively.



While the full tuition rates for each age group do not cover the actual operating expenses per child, they are much higher than either of these affordability benchmarks. While ALICE families would likely be eligible for state certificates or a sliding scale rate, this comparison illustrates how centers serving low-income families find themselves between the rock and the hard place of affordability for families and earning sufficient revenue to keep the center open.

State childcare certificate policy shifts are creating immediate financial strain for centers and shrinking affordable early childhood education options for the families who need them most.

CHANGES TO CHILDCARE CERTIFICATES

Effective October 1, 2025, the Tennessee Department of Human Services implemented significant changes to the childcare certificate program to close a funding gap created by a \$44 million federal budget reduction. These changes include removing a 15% bonus for serving toddlers (which is reflected in the estimates given here), an increase in the required parent copayments, and the introduction of a waitlist. In addition, the Department notified providers in early December that effective January 1, 2026, the certificate reimbursement rates will again be adjusted, representing a 50% reduction in quality incentive bonuses statewide.

The lower reimbursement rate created an immediate revenue shortfall for child care centers, with the greatest impact falling on providers serving a higher percentage of low-income families. Increased parent copays may also put child care out of reach for many families, forcing some parents to stay home with their children rather than participate in the workforce. In addition, all newly applying families are now placed on a waitlist, with no clear timeline for when the state will begin processing those applications. As a result, centers cannot enroll new childcare certificate families and must decide either to absorb substantial financial losses by accepting children at deeply discounted sliding-scale rates or to turn families away. This will also likely reduce the pipeline of low-income families ready to fill empty seats at these centers and may cause some centers to fall below 50% low-income families enrolled.

NEEC will continue to work with cross-sector stakeholders to develop shared strategies to mobilize local and state government, as well as philanthropy, to address these systemic gaps and to improve the system.

WHERE TO GO FROM HERE

NEEC has engaged stakeholders from the early childhood education workforce, local government, and philanthropy to determine the greatest pain points as well as the strongest levers for change. Nonprofit early childhood education centers providing high-quality care for low-income families cannot better manage their business model to break even - the per-child deficits are baked into both the full-rate tuition as well as the childcare certificate program.

Rather than abandoning their missions of ensuring affordable care for low-income families, they turn to minimizing costs and continually fundraising. Private philanthropy has made a tremendous impact in stabilizing these centers through the end of the American Rescue Plan funding, yet those investments are not sustainable. With the substantial cut in the childcare certificate program, one of the early childhood education providers' most reliable revenue streams is further shrinking.

As part of NEEC's strategy, we will continue to advocate for city and state-level permanent investment in making early childhood education affordable while paying the early education workforce living wages. These are challenges that can indeed be solved with consistent funding and will only remain solved with ongoing investment.

About Nashville Early Education Coalition

The Nashville Early Education Coalition (NEEC), founded in 2024, is a group of stakeholders dedicated to addressing Nashville's childcare crisis who are working to create a centralized, integrated childcare system that ensures all children can access affordable, high-quality care and education.

NEEC is committed to reshaping the landscape of early childhood education, ages birth to five, in Nashville. We are focused on transforming the early childhood education system by aligning resources, enhancing collaboration, and advocating for impactful policy changes. The coalition aims to improve workforce development, expand childcare options, and support early childhood providers to give Nashville's children the best start in life.

About Elevate Consulting

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