

FUNDING THE FIRST YEARS AND BEYOND

State and Local Options to Raise Revenue for Child Care

The need for affordable child care has become an increasingly pressing policy issue facing families, employers, and governments. Wisconsin residents seeking to raise additional revenue to address the issue will find that they have many more levers available at the state level than the local level, which could mean more opportunity for broad-scale solutions but also fewer opportunities for local initiatives like those seen in other states.

Awareness of and concern about the challenging economics of child care has been growing across the country recently, as have efforts to address the problem. State legislatures across all 50 states introduced [over 1,800 bills](#) in 2025 related to early childhood. Past Forum research has [documented](#) the source and impact of the care challenges in Wisconsin: high prices for families, low wages for workers, tight margins for providers, and strain on the broader workforce as employers lose current or potential employees to caretaking duties. While these issues tend to be the most documented in the case of early childhood care, out-of-school care for older children also poses a challenge.

One major source of economic difficulty is the current policy and market assumption that in most cases families should bear the primary burden of funding child care. While it would be costly and challenging to overturn this premise, more state and local governments nationally have been taking steps in that direction.

This brief examines what possibilities for raising additional state or local revenue for child care exist in Wisconsin and analyzes their advantages and disadvantages. In so doing, it does not advocate for or against any specific revenue option and leaves open whether any state or local action is necessary. Instead, we seek to provide information on the currently available levers for any interested policymaker or community. Notably, while this brief focuses on revenue options specific to child care, many of the analyses could apply to any policy area for which elected officials seek additional revenue.

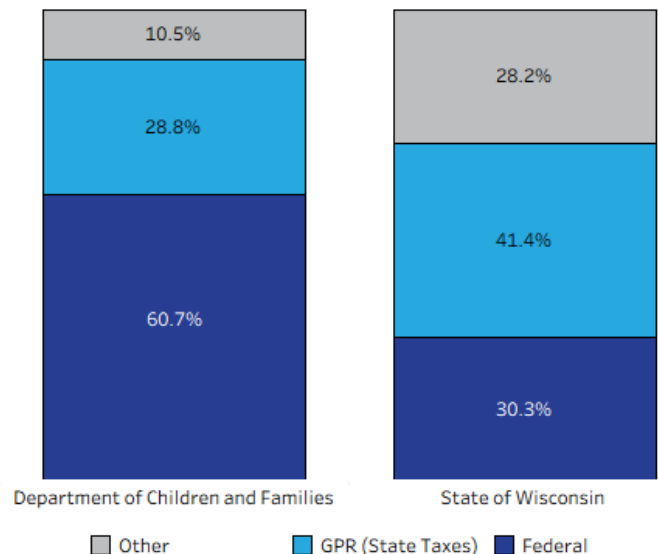
Acknowledgments

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Overall, we find that the state has wide latitude to raise revenue, whether through the use of current federal funds and state tax revenues or through newly established avenues like taxes, trust funds, tax incentives, or cost-sharing agreements. In contrast,

Figure 1: State Services for Children and Families Rely Heavily on Federal Revenue

Agency and state* budget by revenue source shares, 2025-27 budget



Source: Legislative Fiscal Bureau. *Excludes bonding.



local governments in Wisconsin are quite constrained in their ability to raise new revenue for identified priorities or needs, especially compared to other states.

STATE FUNDING

With affordable child care for families and living wages for employees difficult to obtain across much of Wisconsin, child care funding is a statewide issue. As such, one might consider the potential role of the state in a range of responses including but not limited to raising funds to support child care.

Federal Funding Allocated by the State

Historically, federal dollars have driven the majority of Wisconsin’s early childhood education and care funding. As of the 2025-27 budget, the Wisconsin Department of Children and Families – which administers child care as a primary responsibility – is twice as reliant on federal revenue as the state government as a whole, with 60.7% of its \$3.5 billion two-year budget coming from federal revenue (see Figure 1 on the previous page). Expenditures related to child care are budgeted to make up over a third (34.6%, or \$1.2 billion) of the agency’s total spending over that time period.

While some of these federal funds are earmarked specifically for child care at the federal level, the state exercises discretion over other federal revenue streams. Most notably, each U.S. state determines how to

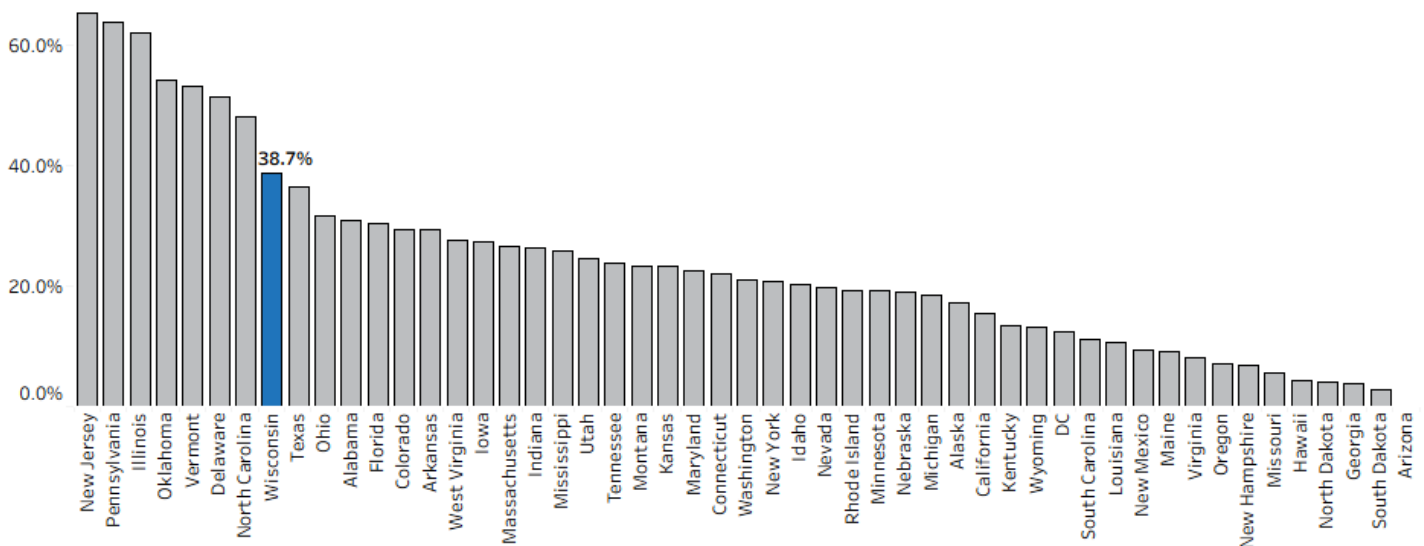
allocate its Temporary Assistance for Needy Families (TANF) block grant. These federal funds can be used for a variety of public assistance programs but do require state maintenance of effort dollars. Theoretically, therefore, Wisconsin could choose to reallocate its existing TANF funds and effectively shift both more federal and more state dollars into child care. With the TANF block grant amount having been locked in place since its inception [30 years ago](#), however, a gain in child care funding through reallocation would mean losses for other TANF-funded programs serving vulnerable children and families.

In addition, Wisconsin already typically ranks in the top third of states for TANF allocations directed toward child care. In 2024, the most recent year of data available, Wisconsin allocated 38.7% (\$231.3 million) of its [total TANF funds](#) (including both the federal funds and the required state maintenance of effort) to early care and education and to activities related to its main federal child care grant. This was the eighth largest share of TANF going toward child care out of the 50 states and D.C. (see Figure 2).

As a result, while Wisconsin would have some flexibility to allocate further TANF dollars to child care, it has already done so to a large extent and would risk damaging other services for some of the same populations that additional child care revenue might benefit. The TANF dollars also have limits on their use,

Figure 2: Wisconsin in Top 10 of States Directing Temporary Assistance for Needy Families to Child Care

Percentage of 2024 federal TANF block grant and state maintenance of effort allocated to early care and education or transferred to Child Care Development Fund



Source: U.S. Department of Health and Human Services



making them an important but not necessarily sufficient revenue source for the state's child care needs. Finally, further reliance on federal funds may raise some concern in the present political moment, when the Trump administration has sought to [freeze child care grant funding](#) for five states including Wisconsin's neighbors Illinois and Minnesota.

State General Funding

With child care in Wisconsin already drawing heavily from federal funding, state sources may offer more opportunities for expanding child care revenue, albeit with important policy and political considerations.

Perhaps most straightforwardly, Wisconsin could choose to increase the allocation of its current state general purpose revenue, or GPR, to child care, without a new dedicated funding source or increase in existing GPR sources. These existing sources include income and sales taxes, which flow into the state's main general fund to finance programs such as school aids, shared revenue aid to local governments, and Medicaid health programs. As with the federal funding, reallocating existing general fund revenues to child care would incur tradeoffs if it involved cutting elsewhere in the current budget. (The option of raising additional GPR by raising taxes is discussed later in this section.)

These tradeoffs have been less pronounced in recent years due to a balance of more than \$4 billion in the state's general fund as of June 2025 and a record \$2 billion in its rainy day fund. In our initial analysis of the 2025-27 state budget last summer, we noted the legislation was projected to draw down most of the positive general fund balance and leave the 2027-29 budget with a "sizable potential shortfall to solve." However, recent revenue projections from the Legislative Fiscal Bureau found the state could close the current budget in June 30, 2027 with a general fund balance of nearly \$2.5 billion plus the additional \$2 billion in the state's rainy day fund. That leaves more room for now for using current funds for new goals, though state elected officials have proposed using the projected new funds for tax cuts and potentially K-12 funding.

Wisconsin took a major step toward using existing state dollars in the [2025-27 state budget](#), which established the state's first child care program funded entirely by GPR. Starting in July 2026, the "[Get Kids Ready](#)"

initiative will pay participating child care providers to equip four-year-old children with skills for entering kindergarten at no cost to families. With a [\\$65 million annual appropriation](#), the program intends to increase elementary school readiness, supply providers with flexible funds for program implementation, and decrease costs to families.

This appropriation adds Wisconsin to the ranks of several other states that have increased state support for child care in recent years without a specified new revenue source. Our [2025-27 state budget brief](#) noted that, at the time of the governor's proposed budget, at least 11 other states since 2022 had committed millions in new state dollars to child care.

In some cases, that movement continued in the most recent state budgets passed around the country. [Illinois](#), for example, appropriated an additional nearly \$100 million in general revenue for fiscal year 2026 to kick off its new Department of Early Childhood Education and to increase funding for workforce contracts designed to raise wages and stabilize the industry. On the other side of the political and population size spectrum, [North Dakota](#) included over \$40 million in new general fund dollars in its 2025-27 state budget to continue implementing changes to its subsidy program, bonuses to providers serving the youngest children, and other child care supports.

Conversely, some states may be considering pauses, shifts, or rollbacks of state support for child care as federal pandemic relief funds have expired and states' economic outlooks shift. Child Care Aware of America, a national advocacy nonprofit and support network, has [tracked](#) recent instances of states cutting back on federally funded child care services and [cited](#) the potential for the same to happen with state funding across the country.

Ultimately, assigning a greater proportion of GPR to child care may be an attractive option due to the flexibility of the funds and the relative ease with which a state can implement an increase. On the other hand, a state's ability to sustain such an increase may be contingent upon maintaining a strong fiscal position and focus on child care. It would also involve tradeoffs with other general fund priorities including K-12 schools, health care, aid to local governments, the University of Wisconsin System, the corrections system, and tax relief.



Dedicated State Funding Source: Taxes

If the state wished instead to establish *new* state-level funding streams and earmark the resulting revenue for child care, it would have numerous options and examples available from other states. These approaches generally fall into two categories: dedicated tax revenue or trust funds.

The mechanism behind dedicated tax revenue is simple, although the politics may be anything but: The state creates a new tax and legislates that the revenue generated by that new tax will go toward child care (or any other specified state priority).

Examples of states taking this approach include [Vermont](#), which enacted a 0.44% **payroll tax** via contributions from both employers and employees to increase child care affordability and increase provider quality incentives; [Washington](#), which allocates revenue from its newly expanded **excise tax on capital gains** to an education legacy trust account funding a wide range of education projects; [Louisiana](#), which recently increased its **tax on net proceeds from sports wagering**, up to 21.5% for online gambling (while retaining a 10% tax on in-person sports gambling), and assigns a portion of revenue to the Louisiana Early Childhood Education Fund; and [Massachusetts](#), which amended its constitution to implement a 4% “surtax” – essentially, an additional **income tax** on state taxable income over \$1 million as of tax year 2023, with the threshold adjusted annually for inflation. The receipts from that tax are dedicated for public education and transportation measures, including early childhood education and care.

The scale of revenue and potential impact from such tax measures can be large. In fiscal year 2025, the Massachusetts surtax brought in [\\$3.0 billion](#). Only a portion of the new revenue goes toward child care, but that amount is still material: [\\$706 million](#) in the fiscal year 2026 budget. In Washington, the capital gains excise tax has generated [between \\$418.6 million and \\$840.3 million](#) in each year of implementation so far. The Washington Budget and Policy Center, which advocated for the tax, calculated that \$386 million in the first two years had gone toward child care and early learning, or [\\$833 per child](#) under the age of six. Louisiana’s gambling tax is estimated to bring in \$98.5 million annually, with [\\$20 million](#) estimated for early childhood education. And, Vermont’s payroll tax raised

[\\$59.4 million](#) in the first year of implementation, all of which was earmarked for child care initiatives.

For child care advocates, these new revenue streams are especially attractive not only because of their magnitude but also because in theory they are more protected than general funds, the allocations of which are subject to negotiation in each new budget. For legislators, this same feature may be a con rather than a pro, since it limits their flexibility to adjust funds according to economic or political factors unless they change tax rates. Ultimately, however, lawmakers and the governor can still use legislation to redirect revenues or to increase, reduce, or repeal any tax that is not in the state Constitution.

Legislators can also face an uphill battle with voters to impose new taxes, as was perhaps most acutely [evidenced](#) in Wisconsin by the historic 1996 recall of state senator George Petak over his vote to implement a 0.1% **sales tax** across five counties including his home county of Racine to fund construction of a new baseball stadium for the Milwaukee Brewers.

Notwithstanding today’s American Family Field, new taxes may be more palatable to voters when they finance new opportunities or services. If Wisconsin were to join the growing number of states [legalizing marijuana](#), for example, it could dedicate the resulting sales tax revenue to child care or any other state priority. Sports betting could be another avenue, following Louisiana’s lead. Wisconsin already allows gambling at tribal casinos, including [sports betting](#). The state constitution currently bans most forms of non-tribal gambling, and the state has already negotiated gaming payments in compacts with the tribes and cannot simply increase them unilaterally. However, the state could negotiate additional payments in exchange for allowing online sports betting in the state through tribal casinos.

There is also some precedent for Wisconsin implementing new or increasing existing taxes in the face of a pressing priority and a broad coalition of support. In one prominent recent example, the Legislature and governor in 2023 [authorized](#) a 2% **local option sales tax** for Milwaukee to address the city’s financial straits. Note that this was not a *state* sales tax but rather authorization from the state for a municipality to levy its own *local* sales tax. State limits on these local



taxes are discussed in the following section on local funding.

In any new tax proposal – to levy more at the state level or to allow for additional levies at the local level – state policymakers would likely seek to balance the benefit of increased revenue with the impact on the overall tax burden. Forum research has shown that the latter is currently at an [all-time low](#) in Wisconsin.

Policymakers may also wish to consider how any additional burden is spread across taxpayers. For example, sales taxes are regressive, since their flat rate does not distinguish between low-income and high-income individuals. Income taxes, on the other hand, tend to be progressive, with marginal tax rates rising for individuals as their income increases. At the same time, income taxes can also be a volatile source of revenue, and Wisconsin already relies heavily on them, compared to its underutilization of sales taxes. Previous Forum research has summarized these and other [pros and cons of various tax options](#).

Dedicated State Funding Source: Set-Aside Trust Funds

Designated state endowments or trust funds to fund child care have been [gaining in popularity](#) across the country, either in isolation or in combination with established tax revenue streams. Like dedicated taxes, these trust funds are shielded from competition with other state priorities. They may also be able to better weather economic uncertainty or changing political winds. Detractors counter that they may also be less responsive to shifting state needs or circumstances. Some of these funds are also not true trust funds with investment assets and drawdowns akin to endowments but rather semi-protected set-aside funds.

New Mexico has garnered the most national attention for child care trust funds with its Early Childhood Trust Fund, which is funded in part by the **fees** that the state collects on oil and gas development done on its public land. While the fund is notable for its scale (at least [\\$500 million annually](#) going directly toward child care initiatives), other states without such natural resources may serve as better models for Wisconsin.

Connecticut, for example, leveraged its fiscal year 2025 **general fund surplus** to seed a new Early Childhood Education Endowment with an initial [\\$300 million](#) investment. As an endowment, the fund does not immediately direct all of its contents toward child care

spending. Instead, the state will draw down from the endowment at a capped rate (between 10% and 12%) each year to support long-term funding. State law directs any future general fund surpluses into the endowment as well and specifies initial use of the endowment to cap families' child care costs, support infant and toddler slots, and encourage quality care.

Budget surpluses also supported Montana's newly established Growth and Opportunity Trust. State legislators are putting [\\$1 billion](#) into the trust in its first two years and have devised a distribution plan for the annual interest earned to support various state priorities. Child care grants are included alongside other infrastructure projects and will receive up to [\\$15 million](#) annually.

Kentucky used one-time funds from a 1998 tobacco **settlement** to establish a [Tobacco Settlement Agreement Fund](#). While the fund prioritizes distributions for "tobacco-impacted communities and health-related areas," a quarter are directed into an early childhood development fund. In 2025, [\\$25.1 million](#) in settlement payments went toward early childhood funding in Kentucky.

Finally, Louisiana complements its tax on sports wagering with the [Early Childhood Education Fund](#), a **state matching fund**. Local entities allocate or raise money for child care projects and apply to the state to match on a dollar-for-dollar basis, resulting in increased child care spending at both the local and state level. The state has exercised creativity in its [revenue sources](#); while the tax on sports wagering is the primary contributor, the matching fund also claims 50% of the revenue from sales of NBA Pelicans **specialty license plates, surplus revenues from payments from casinos** to the state, tax revenue from **sales of hemp-derived CBD products**, and a portion of tax revenue from **fantasy sports betting**. In the state fiscal year 2024-25, the state expended [\\$19.5 million](#) from the fund to match qualifying local child care expenditures.

Iowa also matches local spending via its new [Statewide Child Care Solutions Fund](#). The fund is not a trust fund but rather a state-administered pool of donations received from individuals or businesses to address child care needs. If donors designate a specific region, their funds will go directly to that geographic site; if they leave the donation unrestricted, the state will offer a two-to-one match. The statewide fund grew out of the



success of several regional initiatives in the state, which analysts [reported](#) led to meaningful increases in child care slots, wages, and staff hires. The state had allocated a maximum of \$3 million in state matching funds from federal pandemic relief dollars for these regional solutions funds; it remains to be seen how sustainable and impactful the statewide fund will be now that pandemic aid has expired.

Notably, these examples span the political spectrum in the country and reflect a growing consensus that child care is a long-term investment for states, with benefits for the workforce and economy in addition to children and families. In the case of true trust funds such as in Connecticut, they required a large upfront appropriation, with different states tapping different sources. Wisconsin's possible sources could include the tax options discussed previously or new means like those employed in Louisiana. Some might think of its [opioid settlement](#) money as a possible source, especially given the Kentucky model, although at least 85% of those dollars must go toward "abatement of the opioid epidemic." The most straightforward source in the current fiscal climate would be the state's large balance in its main fund, with the state using these funds to generate a stable revenue source for the future.

Other State Actions: Tax Incentives, Cost Sharing

Our [2025-27 state budget brief](#) detailed two other types of common actions that states can take to raise revenue for child care: establishing **tax incentives** and engaging **employers in cost-sharing**. Both have grown in popularity around the country, although their monetary impact has tended to be more limited than the direct taxes or trust funds previously discussed.

Tax incentives can take multiple forms and target different nodes of the child care system, including:

- An **income tax credit to employers** based on their expenditures supporting child care facilities, providers, or employees' access to care. Nationally, [25 states](#) offer a version of this credit.
- A **child care contribution tax credit** to businesses or households based on donations to care providers. [Colorado](#), for example, offers a 50% tax credit on donations.
- A **child and dependent care income tax credit** to households based on the care expenses they

incur. Nationally, [26 states](#) offer a version of this credit. Two more states (Idaho and Virginia) do not offer a credit but do offer an **income tax deduction** which allows taxpayers to subtract eligible care expenses from their taxable income.

Two additional income tax credits are not specifically tied to child care but do support growing families by reducing their tax burden and therefore increasing their discretionary income to spend on expenses like care:

- A **child tax credit** to households with children based on age of children, income, filing status, and size of household. Nationally, [16 states](#) offer a version of this credit.
- The **earned income tax credit** to households based on income, filing status, and size of household. Nationally, [31 states](#) offer a version of this credit.

Dependent care flexible savings accounts also offer potential tax savings to families with child care expenses, although their availability is tied to specific employer benefits rather than state policy. The One Big Beautiful Bill Act will expand the amount by which individuals can reduce their federal taxable income via these accounts; the state is currently deliberating whether to apply the same change to state taxable income, at an [estimated expense](#) of \$4.2 million for 2026-27 and \$2.7 million annually thereafter.

Of these incentives, Wisconsin currently has in place a limited employer tax credit, the child and dependent care tax credit, and the earned income tax credit. The governor called for expanding the earned income tax credit in his 2025-27 budget proposal, but the final budget did not do so. In 2023 Wisconsin Act 101, the state expanded the child and dependent care tax credit for tax year 2024 and beyond at an estimated expense of [\\$72.9 million](#) annually. The credit will expand again in tax year 2026 as a result of new federal provisions.

Wisconsin's employer tax credit is [currently under discussion](#) in the state Legislature. One [bill](#) would expand the state's refundable [business development tax credit](#) to cover more eligible expenses related to child care. Under current law, capital investment qualifies as an eligible activity for the credit, and [state law](#) specifically names capital expenditures for child care programs, including contributions to local revolving



fund loan programs. The Wisconsin Economic Development Corporation, which certifies businesses' eligibility for the credit, notes that the credit has historically been "[underutilized](#)."

A second bill would adopt the federal employer-provided child care tax credit known as 45F, establishing a new state tax credit for employers that directly operate or partner with a child care business. The federal version of this credit was [expanded](#) for 2026 in hopes of attracting more businesses and increasing its impact. In 2021, [only](#) 176 businesses nationally claimed the federal credit.

If Wisconsin were to implement any further tax credits specifically for employers, policymakers would have to decide whether to make them available to business owners who pay taxes on their profits through the corporate income tax or individual income taxes. They would also have to choose whether tax credits to businesses or parents would be refundable or not. A refundable credit would get used more widely since it is paid to taxpayers with and without any tax liability, but for that reason it also would cost the state more.

Unlike direct taxes, tax incentives are optional. Their monetary impact is constrained both by state-imposed caps, which limit the total amount of revenue to be diverted from state income toward recipients; and by uptake – that is, how many individuals or businesses will participate in the incentive.

The tax credit landscape in Iowa helpfully illustrates the range of possible uptake and impact. In 2022, [Iowa](#) created a state employer child care tax credit capped at \$2 million statewide each year. At the time, [state analysts](#) were unsure of how many businesses would participate. On the one hand, few had availed themselves of the existing similar federal tax credit. On the other hand, the new state credit might spur greater participation.

The [Iowa Department of Revenue](#) later reported no tax credits had been redeemed through fiscal year 2025, and that legislators had repealed the credit. The same report noted, however, millions of dollars claimed in separate individual income tax credits: Iowa's child and dependent care tax credit, early childhood development tax credit, and earned income tax credit.

The Iowa experience on its own does not prove the efficacy of one type of credit over another or the overall virtue of tax credits. This and [other experiences](#), however, may inform any state policy efforts to fully leverage tax incentives.

Employer tax credits represent not only a possible tax incentive for states but also another popular avenue by which states are attempting to raise revenue for child care: leveraging businesses. The National Conference of State Legislatures named this movement as one of its key findings from a [review of 2025 legislative trends](#), commenting that "[I]ack of child care has far-reaching consequences for employees, employers and the overall economy." For many states pursuing this approach, directly involving businesses in child care affordability and expansion reflects the nature of child care as a workforce need as much as a family need.

Past Forum [research](#) has described the **direct cost-sharing programs** set up in Michigan and Kentucky to split the cost of child care between employers, employees, and the state. [Missouri](#) and Ohio have since established similar programs. In Missouri, participating employers or community agencies that pay a set monthly [minimum](#) unlock additional state subsidies for eligible employees. Policymakers hope that the result will be a [cost reduction of up to 75%](#) for affected families and appropriated [\\$2.5 million](#) in state general fund revenue for fiscal year 2026.

In Ohio, legislators and the governor set aside [\\$10 million](#) in state general fund revenue for fiscal year 2026 to fund state contributions to the [Child Care Credit](#) pilot program. Under the program, participating employers pay a minimum of 40% of eligible employees' child care costs, the state covers 20%, and employees pay the balance. The initiative builds upon Ohio's existing efforts to leverage [public-private partnerships](#) through its Early Care and Education Business Partnership grant program.

Like tax incentives, the ultimate impact of these new programs is likely to rely upon the actual uptake among businesses, in addition to continued state support. In Michigan, for example, the cost-sharing program served 800 families, including more than 1,000 children, as of [November 2025](#). These figures fall short of initial [growth projections](#) that targeted 5,000 families and 7,500 children by 2028.



State Limits on Local Revenue

Finally, the state has the option of authorizing local governments to raise more revenue on their own for child care specifically or local priorities more generally.

Table 1: Wide Variety of State Revenue Options Available

Summary of possible state-level approaches to increase child care revenue in Wisconsin

Revenue option	Notes for potential impact
Reallocate federal Temporary Assistance for Needy Families (TANF) funds	<ul style="list-style-type: none"> Federal funding already major driver of state child care policy Child care already prioritized in TANF allocation TANF has not seen an increase in 30 years, meaning reallocation equates to defunding other programs serving vulnerable children and families
Increase GPR allocation	<ul style="list-style-type: none"> GPR is the state's most flexible funding source and is under the state's control WI currently has positive general fund and rainy day fund balances If GPR sees no increase, reallocation means less for other state priorities Economic uncertainty means GPR may see an increase in some years but not others, meaning some instability for continued funding
Implement or raise taxes	<ul style="list-style-type: none"> Can raise a material sum of money May be earmarked for specific policy priorities, including child care Politically unpopular WI currently has the lowest state and local tax burden on record
Establish trust fund	<ul style="list-style-type: none"> Requires a large upfront investment to establish the fund and regularly draw from it without depleting it Protected funding but less responsive to changing economic or political realities Treats child care as a long-term issue
Set tax incentives	<ul style="list-style-type: none"> Widely used around the country Sometimes more limited in revenue raised due to opt-in nature and state caps
Cost share with employers	<ul style="list-style-type: none"> Relatively new policy option Initial monetary impact has been modest but may grow Treats child care as a workforce issue
Authorize more local revenue options	<ul style="list-style-type: none"> Widely used around the country Empowers communities to raise revenue to reflect local priorities May create disparate outcomes between communities

As we will discuss in the next section, these local options are currently constrained, especially compared to other states.

In sum, lawmakers and the governor in Wisconsin have significant autonomy in determining if and how to raise additional revenue through a wide range of options (see Table 1). Up until this point, the state has largely restricted its use of that autonomy to the funds already available through federal grants. The inclusion of a fully state-funded child care initiative in the 2025-27 budget marks an exception to that rule, but it remains to be seen whether it is a harbinger of future actions to come.

LOCAL FUNDING

For some, local public funding of child care may make logical sense. First, K-12 schools for older children already receive local funding through property taxes. Local funding would allow for communities that value child care to pursue this priority even if it is not supported at the state level.

However, relying on local funding for child care would likely mean large differences in funding levels around the state based on community wealth and politics. In addition, local officials in Wisconsin considering funding for child care have much more limited options than elected officials in the state Capitol.

In general, state laws preempt local governments in Wisconsin from most of the forms of taxation that are available to state government here and to local governments in other parts of the Midwest and nation, most notably municipal sales taxes.

Here we analyze the options available to local officials in our state by the type of government. We start with the options that local governments could adopt with a vote of their governing body and then discuss an option available to all local governments in Wisconsin: a referendum to voters to raise property taxes. In doing so, we are not advocating for an increase in local spending or property taxes for child care but simply laying out the possibilities available to communities.

In general, we do not consider the question of private or federal grants that could be available to local governments, since those are not under the control of state and local officials and are therefore outside the scope of this brief.



School Districts and Other Schools

In principle, at least, schools represent one tool for expanding child care options because they offer established programming for children of school age. K-12 districts already have in place teachers, administrators and support staff, and assets such as gymnasiums, kitchens and cafeterias, playgrounds, and classrooms that are often underutilized due to enrollment loss. However, Wisconsin school districts and other schools face limits in what they can undertake in this area within the existing system. There can also be unintended impacts to child care providers when school districts expand programming to serve younger children.

The main challenge is funding. On the K-12 side, at present, state law caps the funds that districts can raise per pupil from their two main forms of revenue: state general school aids and local property taxes. If school boards do not wish to seek a referendum to exceed this limit, districts in Wisconsin have two main options for raising revenue to provide affordable programming for students not currently cared for within traditional schools: expanding kindergarten classes or expanding community service offerings.

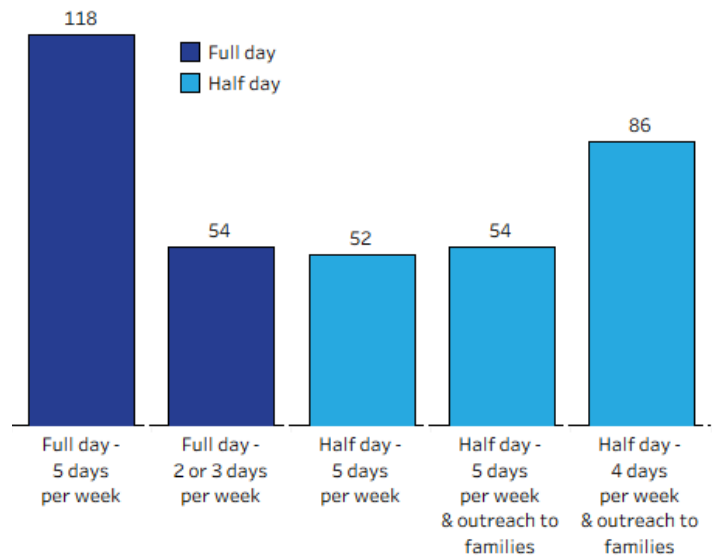
Funding Through Revenue Limits and State Aid

The first option involves extending traditional kindergarten to younger students such as four-year-olds. For the 2024-25 school year, all but 17 of the state's 420 school districts reported at least some four-year-old kindergarten (4K) enrollment to the state Department of Public Instruction (DPI).

More [detailed programming data](#) are available from DPI for the previous school year (2023-24). Of the 364 districts and independent charter schools that reported offering 4K programs in that year, a slim majority – 192, or 52.7% – were limited to a half day (see Figure 3). In a further limitation, 86 of these half-day programs (44.8%) operated four days per week rather than for the full work week. Of the 172 full-day programs, 54 also did not operate for the full work week but rather for two to three days of the week. The remaining 118 were all day for each work day.

Most districts, therefore, have in theory the opportunity to expand 4K, either by offering full-day programming or by offering it five days a week. Some districts also offer programming for three-year-olds, another possibility to

Figure 3: More than Half of 4K Programs Are Half Day
Number of Wisconsin school district 4K programs by length of day and number of days, 2023-24 school year



Source: Wisconsin Department of Public Instruction

consider. Children in three-year-old programs do not receive state funding, however, and no statewide data are available on these students.

When districts add 4K enrollment in their territory, they receive greater funding under state revenue limits and general school aids. In the 2024-25 school year, the average revenue limit per student across the state was \$13,362 and the average general aid payment per student was \$6,745, according to data from DPI and the Legislative Fiscal Bureau. For the exact revenue limit per student for each district, readers can consult the Forum's [School DataTool](#). If districts add K-12 students from outside their service area through a program known as open enrollment, they receive a payment for each of these students from the pupils' home districts - \$8,962 per child last year.

However, each additional 4K student does not add a whole student to the enrollment counts used for revenue limit and general aid calculations. In the past, as the [Fiscal Bureau notes](#), 4K students were only counted as either half or 60% of a student depending on the amount of district outreach activities to families. (Children ages three or older in a preschool special education class are also counted as half a student for revenue limit and general aid enrollment.) Starting with the current school year (2025-26), all 4K students are counted at 60%.



How One District Funds Its Child Care Program

The Frederic School District has operated a child care center since 2016, with the program requiring tax dollars in some years and essentially paying for itself in others.

Based in a wing of the district's elementary school in the Polk County village of Frederic, Roots and Branches Community Early Learning Center serves 64 children from ages eight weeks to four years old and also runs before and after school programs for roughly 60 more children.

In its first year, the Center drew on \$250,000 from the district's community recreation and services (Fund 80) balance for startup costs such as cribs and staff training. By 2019, the center was able to run without any taxpayer funds. It continued breaking even through COVID-19, aided in part by the state Child Care Counts program. In the 2024-25 school year, however, it received \$86,000 in property tax revenues through Fund 80 in addition to its \$682,000 in revenues from fees and other sources. Officials said the most recent levy funds primarily paid for market-rate salaries to retain staff.

The Center makes use of six classrooms that were previously empty due to enrollment losses – a common problem for Wisconsin schools. The arrangement lowers its facilities and rent costs.

The Center is rated four stars out of five under the state's YoungStar quality rating system. It charges \$215 per week for full-time care. Workers earn \$18 per hour on average, with paid time off and retirement but not health insurance.

The Center draws in children from 14 zip codes, including families from outside the district. Many choose to keep their children in the district once they reach kindergarten age. The district has validated that last year 17 children who graduated from the child care program attended the district through open enrollment. Their home districts paid \$8,962 for each of these students - \$152,000 in all - to the Frederic School District as required by state law. In other words, taxpayers within the district are currently receiving back more than the annual cost that they are paying for the Center.

Second, it takes several years for districts with new programs to receive even this level of funding for these students. Revenue limit enrollment is calculated using a three-year rolling average. As a result, a district offering 4K classes for the first time in year one would not receive the full additional revenue limit until year three.

Legislators could consider changing state law to count 4K students in full-day programming five days a week

as a full student for revenue and general aid purposes and to count them immediately outside of the three-year average. Similarly, they might consider how three-year-old children served by district-sponsored programs (outside of preschool special education) might count toward formula enrollment counts, although they do not currently receive state funding. These changes would come at a cost to state and local taxpayers but would increase the resources available to districts to offer such programming.

Notably, schools participating in state private school choice programs can also receive a payment from the state for [4K students](#), as can independent charter schools not authorized by a school district. (District-authorized charter schools count toward the district's total enrollment.)

For parents and children, the rise in 4K has helped to provide quality programming and substantially lowered the costs of care for four-year-olds, making it popular with families for obvious reasons. There may be some invisible tradeoffs, however, in terms of the cost and availability of care for younger children given the impact to providers.

For child care providers, a move by districts to expand 4K programs is a mixed bag at best and at worst an outright loss. That is because four-year-olds are often more profitable to serve since they require less intensive care and allow for a higher ratio of children to staff than younger children and infants. The loss of these children, therefore, can represent a financial blow to providers.

Some districts have chosen to lessen this blow by [collaborating with local child care providers](#) to serve 4K students when they roll out the new grade. The 2025-27 state budget went a similar route with the [Get Kids Ready initiative](#), as discussed previously. Only providers who do not already have a contract with school districts can participate in Get Kids Ready, with an intended effect of expanding access to and participation in school readiness programming without solely funding programs housed in public schools. The program will begin in the 2026-27 school year.

The DPI data for 2023-24 show the full range of collaborative approaches to operating 4K (see Figure 4 on the next page). Of the 364 districts and independent charters with 4K programs, 263 operated in a public



Figure 4: Most 4K Programs Run by Public Schools Alone, But Many Models Exist

Number of 4K programs by type of partner*, 2023-24 school year

Number of Partners Involved	Specific Partners	Count	Partner Type
One	Public School	263	Public School Only
	Child Care	6	No Public School Involved
	Head Start	1	No Public School Involved
Two	Public School and Child Care	23	Public School and Other Partners
	Public School and Head Start	16	Public School and Other Partners
	Private School and Public School	7	Public School and Other Partners
	Head Start and Child Care	3	No Public School Involved
	Private School and Child Care	1	No Public School Involved
Three	Public School, Head Start, and Child Care	20	Public School and Other Partners
	Public School, Private School, and Child Care	7	Public School and Other Partners
	Public School, Private School, and Head Start	4	Public School and Other Partners
	Private School, Head Start, and Child Care	1	No Public School Involved
Four	Public, Private, Head Start, and Child Care	9	Public School and Other Partners

Source: Wisconsin Department of Public Instruction. *The programs in three districts could not be categorized.

school setting without additional partners. Another 59 programs operated through a public school and child care partnership that in some cases also involved a federally funded Head Start program or private school. Child care providers served 4K children in 11 other programs without public schools, either on their own or in partnership with a private school or Head Start. Three programs could not be categorized. The remaining 28 were operated by a combination of public school, Head Start, and private school providers.

Community Service Programs

The second option for public schools to fund child care involves districts' [community service programs](#). Often called Fund 80 programs after the special district funds established for them, these extension programs can serve both adults and children and include activities like softball leagues, swim classes, and meals for the elderly. They can also include full-day child care programs as well as after school and summer programs and camps that offer activities for children and double as supervision and care.

These programs can make use of school facilities, such as classrooms, basketball gyms, and swimming pools. They must be open to all members of the community of the relevant age, not just students in the district.

Fund 80 programs can raise revenue from fees charged to participants and their families, but they can also draw on the school district's property tax levy. The Fund 80 levy is not subject to the state revenue limits on other school district funds and can be raised by a district's school board without a referendum. The Forum, for

example, has written about how the Milwaukee Public Schools raised its Fund 80 levy on December 2023 tax bills [by \\$77.7 million](#).

However, raising the Fund 80 levy for child care programs in a given school district would increase the overall property taxes being paid by residents. For that reason, the district's school board would have to consider whether raising its overall levy for child care would effectively limit the amount of taxes that residents were willing to pay for traditional K-12 education in their community.

Statewide, 325 school districts levied a total of \$180.1 million in property taxes for Fund 80 programs on December 2024 tax bills. No figures are available on what portion of these funds went to child care programs as opposed to other services. The remaining 95 districts did not levy anything for community programs.

Other School District Efforts

Some other districts have partnered on child care projects with support from their community. The [Sauk Prairie School District](#), for example, opened a [center with 168 slots](#) for infants and pre-school age children in the village of Prairie du Sac in September 2025 and had attracted scores of children within a matter of weeks. The opening was the culmination of close collaboration between the district, the village, over 50 businesses, and the chamber of commerce after all parties identified child care as a critical community need.

The partners used a \$75,000 [Dream Up! grant](#) from the Wisconsin Department of Children and Families to



develop a business plan. They ultimately opened a new facility after determining that they could not convince existing providers in their community to expand or recruit a new provider. Existing providers also validated that a new center would add to the number of child care slots rather than simply redistributing them.

The \$4.5 million center was built on land in a village park. Private donations paid for construction, but the village also worked with a local bank to obtain a short-term loan for the building, and the village continues to own the land and facility. The center pays just \$1,000 in monthly rent, or less than an apartment, and will put money into a fund for capital expenses for the building. Officials stated this rent arrangement was “the key to making the numbers work,” with the savings going toward lower costs for families and higher wages and benefits for workers.

The center is designed to require no further subsidy from the district, which aims to charge market-rate prices of between \$330 and \$355 per week, accept the state’s Wisconsin Shares family subsidy for all slots, and provide wages of between \$17 and \$22 per hour for a staff that could eventually total 30 workers. Workers also receive the same health, retirement, and paid time off benefits of other district staff. The center does not receive tax funding but continues to benefit from tens of thousands of dollars in startup funding from local businesses. It also benefits financially from operating within the school district, which provides administrative support, better buying power for purchasing, and food service infrastructure. The center’s budget is projected to be \$2.3 million per year once it is fully enrolled, with the school district simply aiming to break even each year rather than make a profit. District leaders hope the center will not only fulfill a community need but also result in kindergarteners arriving to school more ready to learn.

Takeaways for School Districts

Among the various forms of local governments, K-12 school districts have the most to gain financially from promoting child care efforts in their communities.

As we have discussed, adequate access to child care can be one factor in retaining or attracting families with children to a community – an important factor to consider given that most districts currently face declining enrollment. When these children reach school

age, their added enrollment will help to support district revenue limits and state school aids and help to fund ongoing school operations.

In other cases, families may not move to a school district but may still start taking their child to a child care within a school and continue driving that child to the same school as they grow older. In these cases, the district can benefit from open enrollment payments for that child from the family’s district of origin.

Compared to other entities, school districts may also be especially well positioned to support a child care center because of the operations and assets they already have in place. Districts also have a quality incentive if their investment in early childhood education and care yields increased kindergarten readiness, stronger school outcomes, and an improved reputation that further attracts families.

These advantages do not mean that expanding child care through school districts will or should be the answer in every community. Local leaders will want to weigh the specific pros and cons of extending kindergarten to more three- and four-year-olds or running child care through district extension funding. Those factors and tradeoffs include the mixed incentives of the current state K-12 funding formula, the impact of district programs on existing child care providers, and the potential added costs for taxpayers.

Still, examples from around Wisconsin demonstrate ways in which school districts can supplement and complement local child care offerings. Under the right conditions, they may be able to do so while limiting taxpayers’ contribution or even recouping it.

Municipalities

While [numerous municipalities and counties around the country](#) have raised revenue for child care through voter-approved property taxes, sales taxes, and other sources such as marijuana taxes, [Forum research has shown](#) that cities, villages, and towns have very limited options under Wisconsin law for raising tax revenues. The vast majority of their local tax revenues come from the property tax.

Annual increases in municipal property taxes used for operations are, in turn, limited by state law to the percentage growth in property values in the community due to net new construction. That typically amounts to



about 1.7% a year on average across the state, well below the recent rate of inflation (see Figure 5).

To levy more than that for their operating budgets, local officials must put the question to voters in a referendum. Given the challenges from inflation in recent years, many if not most local governments would struggle to set aside a large subsidy for local child care providers from their tax levy or other revenues such as state aid without turning to either a property tax referendum, substantial fee increases, or spending cuts in other areas.

In one notable exception, local governments can raise their levies each year by the amount needed to make debt payments. In theory, therefore, a city or village could issue bonds to contribute funding toward a capital project involving a local child care provider so long as it was considered to be for a public purpose. Local officials could then raise property taxes to repay the debt. However, these funds could not be used to subsidize ongoing child care operations.

Local governments can also use tax increment financing (TIF) as a mechanism to fund development or redevelopment of designated areas, using the increased property taxes realized from those investments to pay for the improvements over time. If a municipality wished to specifically encourage child care providers to open and operate within a TIF district – as the [city of Beloit](#) is attempting, for example – TIF could in theory support their capital costs.

Unlike in some other states, no local government in Wisconsin can impose an income tax and only a handful of municipalities can impose a sales tax. They include the city of Milwaukee, which imposes a 2% general sales tax that was first implemented in 2024.

Eight other tourism-oriented municipalities (the number [may soon grow to ten](#)) can [impose a premier resort area sales tax](#) of 0.5% or 1.25% on tourism-related retailers. However, these revenues can only be used for infrastructure and, in the case of two of the communities, for public safety. Under current law, therefore, child care could not be funded through this tax.

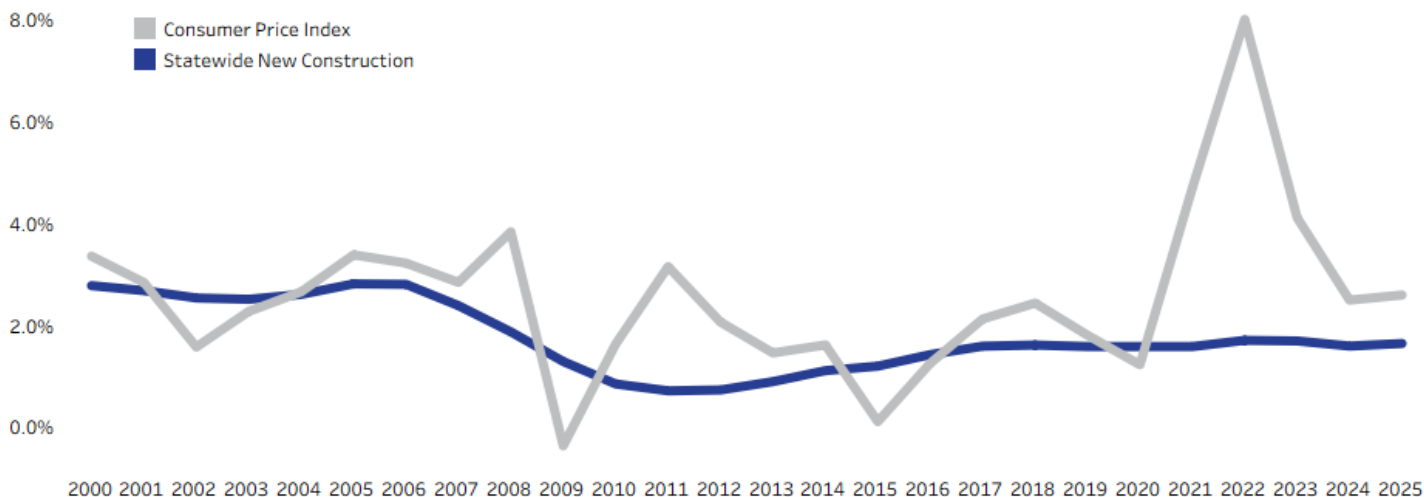
One other local tax available to municipalities is the so-called room tax, which is levied on the cost of a hotel room or lodging in addition to any applicable state and county sales taxes. As of 2023, some 341 municipalities in Wisconsin imposed a room tax, which is generally limited to 8%.

In theory, communities without a room tax at present could choose to approve one and use part of the proceeds toward new programming. However, under state law 70% of room tax proceeds must be used for promoting tourism and overnight stays in a community, which limits how useful a room tax would be for groups that are not primarily focused on tourism.

Even within the tight fiscal constraints imposed on cities and villages in the state, some of them have still found

Figure 5: Inflation Has Outpaced State Levy Limits on Local Governments in Recent Years

Rate of change in net new construction* and consumer prices, 2000 to 2025



Sources: Wisconsin Department of Revenue and U.S. Bureau of Labor Statistics; *Represents value of annual net new construction as share of equalized property values, which is used to set levy limits for local governments.



ways to advance child care in their communities. Here are some examples compiled by the League of Wisconsin Municipalities and news media:

- The Antigo Housing Authority [renovated a building it owned](#) and provided it to a child care business and then assisted the owner in applying for federal pandemic grants. Local employers also have assisted the center, including the Unified School District of Antigo.
- The city of [Sheboygan pledged](#) federal Community Development Block Grant funds to help a local provider start an around-the-clock facility.
- The city of Hillsboro [made a low-interest loan](#) to a private partnership seeking to build a 33-slot child care center that also will serve as a senior recreation center. The Wisconsin Economic Development Corp. is also providing a Community Development Investment grant.
- Various local governments provided federal pandemic funds to child care providers in their area, including [Green Bay](#), [La Crosse](#), [Milwaukee](#), [Sun Prairie](#), and [Oshkosh](#).

These examples show that many local officials see child care as an important priority to support. However, most of them were funded with federal pandemic aid – an exceptional source of revenue that municipalities will struggle to duplicate in future years.

Counties

Counties are similar in some respects to municipalities in Wisconsin. Their property taxes for operations are subject to the same levy limits tied to new construction, and the 1.7% statewide average that applies to municipal levy limits also applies to average county levy limits across the state.

In addition to the property tax and in contrast to municipalities, counties in Wisconsin do have the option of raising a 0.5% general sales tax. (Milwaukee County is the one county that imposes a 0.9% sales tax.) Counties can use this revenue for their own programs and services or distribute a portion of it to municipalities in their territory.

Seventy of the 72 counties in the state have already exercised their authority to impose a sales tax and so only two remaining counties have any remaining power

to raise a tax to fund new programming. These counties, Waukesha and Winnebago, could in theory vote to impose a sales tax and use the funds for new programming. In fact, elected officials in each county have recently [debated the possibility](#), though Waukesha County officials say their sales tax [proposal is now dead](#).

There are several potential obstacles to imposing a county sales tax to fund child care. First, as the [Waukesha County debate shows](#), there is often political opposition to raising taxes and so far opponents have been successful in blocking attempts in those counties. Second, in seeking to raise the tax in both counties, officials there have cited the need to do so at least in part to fund the rising cost of existing services rather than new ones. Last, state law states that county sales taxes should be used to reduce property taxes, though the courts have given counties a [good deal of flexibility](#) in how the sales tax funds are used.

Technical College Districts and Special Districts

The Wisconsin Technical College System has 16 districts with four dozen main campuses and satellite locations and hundreds of thousands of students. To help fund their operations, technical college districts can levy property taxes, which are subject to state levy limits that operate in a similar way to those on municipal and county levies.

Staff at the Wisconsin Technical College System report that their campuses in Wisconsin offer a range of credentials and programs in [early childhood education](#) including associate's degrees, giving the colleges expertise on the subject. In addition, for the 2023-24 academic year, four technical college districts received a total of \$1 million in federal funds for child care for the children of low-income students through the [Child Care Access Means Parents in School Program](#). (That year, University of Wisconsin System campuses and private institutions such as Alverno College and Mount Mary University also received \$1.8 million, for a total of \$2.8 million across all types of higher education institutions in the state.)

Some campuses including Madison College, Milwaukee Area Technical College, and Fox Valley Technical College also offer [child care centers](#) that are available to students and staff and, in some cases, to community members. Madison College, for example, has opened a [second child care center](#) adjacent to its south campus,



and Milwaukee Area Technical College has [centers at four campuses](#). Some technical colleges operate these programs in partnership with a local community partner such as a YMCA or YWCA.

In communities around the state, technical colleges have staff with expertise in early childhood education, students interested in working in the field, limited federal grant funds, administrative capacity, and in some cases child care facilities. All of these factors suggest that technical colleges might be able to enhance their already notable role in promoting access to care. But limits on technical college property taxes and state aid suggest that campuses may find it challenging to substantially expand their roles without a new source of funding.

There are also more than [700 special district governments](#) in Wisconsin that were generally created to serve a particular limited purpose. The majority of these units are sewerage, lake, sanitary, or drainage districts. A substantial portion are also housing authorities, and a handful exist in other areas that are expressly authorized under state law such as long-term care for the elderly and disabled and fire protection.

Only a portion of special districts can impose a tax. State Department of Revenue data show more than 200 sewerage, lake, and sanitary districts in Wisconsin levy at least some property taxes. [Almost all of the special district property tax revenues, however](#), are collected by a single exceptionally large entity: the Milwaukee Metropolitan Sewerage District. None of these districts can meaningfully contribute to child care programs for the public, though they might assist their employees in accessing the service. The Policy Forum could not find any other type of special district that levies a property tax directly, nor to our knowledge is there any special district at present in Wisconsin that deals directly with child care.

Takeaways for Local Governments

Local governments do not have the same direct incentives to promote local child care efforts as school districts, since relatively little of their revenue or state aid depends directly on the number of children in their territory or even the overall population.

However, local governments such as municipalities and counties do have a notable indirect incentive. Their local tax levies used for operations can only grow if new

housing and businesses are built in their territory. A lack of good child care options can serve as a major obstacle to families looking to build or purchase housing in a community and businesses looking to expand by hiring workers with young children. To the extent that local governments are employers as well, greater child care availability can also serve their own staffing efforts. One state official shared that county leaders often cite lack of available child care as an impediment to their hiring.

Last, technical colleges also have important incentives to promote child care, both to serve their students and faculty and to double as a training opportunity for students in early childhood education programs.

In nearly all instances, however, these local units must contend with strict levy limits on property taxes that constrain efforts to raise a meaningful amount of revenue for child care. Other taxes are largely not an option. In addition, almost all local governments in Wisconsin would need the Legislature to authorize sales, income, or other new taxes that are common among local governments from other states.

Referenda Make Major Local Impacts

As noted above, referenda to increase property taxes represent one of the few possible ways to raise significant funds for child care at the local level in Wisconsin. Referenda generally work in a similar fashion for all types of local governments, but we will note a few important differences among them.

Referenda to raise property taxes are generally placed on the ballots for April non-partisan elections, which are held every year, or November partisan elections, which are held in even-numbered years. The board of a school district, municipality, county, or technical college district must first vote to place a question on the ballot asking whether voters wish to raise property taxes by a specific amount for a given purpose. The measure could finance borrowing for a capital project or a temporary or permanent increase in the local government's operating budget (see the box on the next page with a sample ballot question for the Madison Metropolitan School District).

If the measure passes, the property tax can be increased by the authorized amount on the December tax bills of that year or a subsequent year. If the measure fails, the local governing board could choose to bring back the same ballot question or a modified



How does a Referendum Question Read?

Here is the language of the 2024 referendum for school operations approved by Madison voters:

“BE IT RESOLVED by the School Board of the Madison Metropolitan School District, Dane County, Wisconsin that the revenues included in the School District budget be authorized to exceed the revenue limit specified in Section 121.91, Wisconsin Statutes, by \$30 million for the 2024-2025 school year; by an additional \$30 million for the 2025-2026 school year; by an additional \$20 million for the 2026-2027 school year; and by an additional \$20 million (for a total of \$100 million) for the 2027-2028 school year and thereafter, for recurring purposes consisting of operational and maintenance expenses, including for educational programming and employee compensation and benefits.”

one in a later election. Under a [2018 state law](#), a failed referendum can lead to school districts missing out on certain increases to a state minimum revenue limit.

One of the key differences between local referenda is the nature of the tax increase. School boards can put forward ballot questions that ramp up property taxes for their operating budget over multiple years. Municipalities and counties can only seek a one-time property tax increase that is either permanent or temporary. For example, if municipal and county governments want to increase property taxes in excess of state limits for three years in a row, they need to win approval from voters in three separate referenda.

School district referenda tend to be put forward and to succeed in much greater numbers than those for other local governments. In February and April elections in 2025, Wisconsin voters approved [53 out of 94](#) school district referenda for a 56.4% rate of approval. At least 60 school referenda have appeared on ballots statewide in every year since 1994, testifying to their frequent use.

In 2025, 14 municipalities went to voters to raise funds for operations. Only six of the measures succeeded, for an approval rate of 42.8%. Even with K-12 referendum approval rates falling somewhat in recent years (and tending to be lower in odd-numbered years when midterm and presidential elections are not on the ballot), the contrast is notable.

When seeking operating referenda, school districts generally say they will use the funds to expand

education programming or preserve existing services for traditional grades. A review of past ballot questions in Wisconsin finds that relatively few mention 4K specifically, though a handful of capital referenda sought by districts were intended to finance building projects at schools that included 4K classes. The lack of specific mention does not necessarily indicate that referendum funds do not get used for 4K, however. Districts often use broad language to give themselves more latitude in using the funds. For example, the [2020 referendum approved by Milwaukee voters](#) referred to “sustaining and expanding educational programming,” while [later Milwaukee Public Schools budget documents](#) itemized spending on lowering class sizes for early childhood education, among other expenditures.

The data for municipal and county referenda are not as complete but they tend to be held to seek funding for core local functions such as police, fire protection, and emergency medical services. The Forum is not aware of any case in which a municipality or county in Wisconsin held a referendum to fund child care.

Ultimately, referenda may serve as a tool in communities where local leaders have identified access to quality, affordable care as a major priority. However, these leaders likely would need to undertake substantial efforts to inform the public about their plans and win support for them before putting a question on voters’ ballots.

CONCLUSION

Wisconsin’s longstanding use of federal sources to fund child care in the state yields hundreds of millions of dollars for early childhood initiatives each year. On their own, however, these funds have not been sufficient to resolve the fundamentally difficult economics of child care.

Some communities, seeking to take matters into their own hands, have leveraged local government options to raise more revenue. Some of these options appear promising, particularly those that involve school districts such as collaborations between child care providers and districts or child care centers run by districts themselves. Other examples include local governments supporting child care providers through city-owned, provider-operated buildings and renovations, assistance applying for federal grants, and loans. Theoretically, a municipality may also go to referendum to raise taxes



specified for child care, although the Forum is not aware of any such case in Wisconsin.

By and large, however, local governments are constrained by state law in the additional revenue they can raise, and to a greater degree than many other states. Many of the voter-initiated innovations occurring elsewhere in the nation are simply not possible under current law in Wisconsin.

Instead, the most opportunities for raising new funds for child care – or any other policy priority – lie with the state. These options vary in their popularity and potential impact. On one side of the spectrum, tax incentives tend to be more popular and bipartisan but may be underutilized and less impactful as they are typically put forward in other states (although they could be engineered to raise more money). On the other side of the spectrum, additional taxes are rarely popular but can have a large financial impact.

Two relatively new policy options fall in between these two poles: cost-sharing arrangements with employers and trust funds. Both have recently gained in popularity across the country. Proponents of the former hope to unlock businesses as a major contributor to care costs, while the latter has proved especially appealing for its long-term promise when states can afford large upfront investments.

As the state and local communities consider any next steps forward, they may wish to adopt complementary policies rather than relying on a single solution. Considerations of how to *use* any new revenue will also be paramount, whether for greater access and affordability for families, better wages and benefits for workers, or increased quality of care for children.

Notably, the popularity of any new policy can be influenced by communication and advocacy campaigns on either side, and a growing number of other states prove the range of possibilities. Ultimately, the decision of whether the possible becomes reality lies with Wisconsin policymakers and voters.

