**Fiscal Facts: Unpacking the Economics of Early Childhood Education and Care in Wisconsin**

Early childhood education and care provides an essential service to Wisconsin families and supports Wisconsin children at a critical stage of brain development. Yet its labor-intensive economics prove challenging for all of its stakeholders, resulting in high costs for families, low wages for employees, and thin margins for providers.

A wave of federal aid provided temporary relief during the COVID-19 pandemic but is now approaching its end, raising concerns for all stakeholders. However, the transition period also offers an opportunity to reassess the industry’s challenges and perhaps put it on a more sustainable long-term footing.

High levels of staffing are at the heart of the difficult economics for the early childhood education and care industry. State law and national best practices prescribe staff-to-child ratios that limit the number of children for whom each adult can be responsible. A single adult can supervise 13 four-year-olds at once, and no more than four infants. Even relatively high per-child tuition revenue only goes so far when it must be split among a number of staff, yielding low wages and tight profit margins for providers.

The average annual cost of care for a four-year-old in Milwaukee County is $12,142 and for an infant is $16,236, according to the state Department of Children and Families. That’s more expensive than in-state tuition at any University of Wisconsin campus, and equates to 22.2% (for a four-year-old) or 29.6% (for an infant) of the 2021 annual median household income in Milwaukee County.

Federal guidelines recommend that a household pay no more than 7% of its income toward child care. Wisconsin Shares, the state's income-based child care subsidy program, reduces costs for qualifying low-income families but still leaves many paying more than federal guidelines.

Meanwhile, hourly wage comparisons emphasize the low pay for child care workers and why the industry struggles to retain employees. A lead educator’s $24,981 annual salary at a two-star Milwaukee County provider is equivalent to $12.01 per hour. This falls under the $15 per hour starting wage increasingly adopted by “big box” stores like Target. Some child care workers even fall under the federal poverty line.

Improving the quality of care offered to children should be a goal for both families and society. Yet it also requires early childhood center staffers to hold higher credentials, which drives up costs.

Recognizing the unique threat that the pandemic posed to child care providers, workers, and families, the state Department of Children and Families drew upon federal pandemic aid to launch the Child Care Counts program in 2021.

Those temporary federal funds are set to expire in January, and policymakers face a choice: revert to pre-pandemic early childhood education policies or seek to establish a more permanent set of solutions. The state’s record budget surplus and overall sound financial health make 2023 a unique moment to consider such measures.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at* [*wispolicyforum.org*](https://wispolicyforum.org/research/state-tax-burden-up-but-overall-burden-still-falling/)*.*