



Employee Child Care Assistance Partnership: FAQ

General Description of the Program

The Employee Child Care Assistance Partnership is a new program in Kentucky aimed at helping employers attract and retain talent and assisting working Kentuckians with the cost of quality child care. Through this program, the Kentucky Cabinet for Health and Family Services can partner with individual employers to help workers afford child care. If an employer contributes financial assistance directly to an employee's child care costs, the Cabinet can match that contribution, potentially doubling the value of an employer-provided benefit and helping that worker afford quality child care and remain in the workforce. Various restrictions apply, and participation is 100 percent voluntary for employers, employees, and child care providers.

This document provides responses to frequently asked questions by employers regarding this new program.

Application Process

▪ What are the key steps in the process from application to approval to active participation?

Employers should first gauge the child care needs of their workforce to determine how many employees would benefit from participation in the partnership (consider using the Kentucky Chamber's survey template). Once an employer determines how much they would like to contribute to their workers' child care needs, they would download an application from the Cabinet's website and fill out the necessary information in coordination with the employee and their child care provider. Once all information is complete and the employer, employee, and provider have signed the document, the employer should send the agreement to the Cabinet for review. If approved, the Cabinet will notify the employer within 30 days. After that, the employer simply needs to make payments to the employee's child care provider in accordance with the details of the contract. Meanwhile, the Cabinet will start making matching payments at the same time.

- **What is the anticipated timeline for an employer or employee to hear back from the Cabinet after an application has been submitted?**

Within 30 days.

- **Will employers be able to submit applications online?**

Applications will be available at kynect.ky.gov/benefits/s/eccap-program on April 2, 2023. Completed applications should be emailed to the Cabinet at PartnershipChildCare@ky.gov.

- **When will employers be able to begin submitting applications to the Cabinet?**

The Cabinet will begin accepting applications on April 2, 2023.

- **What entity is responsible for initiating and submitting applications?**

The employer is responsible for actually submitting the application to the Cabinet via email at PartnershipChildCare@ky.gov. The employer and employee can work together to initiate the process and complete the contract. Either the employer or the employee can coordinate with the child care provider to secure their participation. All three parties must sign the contract before the employer sends it to the Cabinet.

- **Will the program be marketed to Kentucky employers?**

Yes. The Kentucky Chamber and other partner organizations are marketing the program through newsletters, events, radio, and other media.

- **What staffing and technological capacity will the Cabinet have to process applications and respond to questions from employers, workers, and providers?**

Questions can be sent to PartnershipChildCare@ky.gov or Cabinet staff can be reached by phone at 1-844-209-2657.

Administrative Process

- **Can an employer submit an application for a new employee midyear?**

Yes. However, the state match is contingent upon available funding. The General Assembly appropriated \$15 million for this program starting July 1, 2023. Once funds are depleted, the Cabinet will cease entering into new contracts, although they will be maintaining a waitlist in case any existing contracts are cancelled or additional funds become available. Employers may still make contributions to an employee's child care costs even though a state match might not be available.

- **How long does a contract last?**

A contract can go no longer than June 30, 2024, and can begin no earlier than July 1, 2023. However, if an employer wanted to enter into a contract that ended earlier than June 30, 2024, they could do so. Note, however, that this timeline only applies to state matches.

▪ **What should an employer do if the relationship with the employee is terminated?**

The employer should notify the Cabinet and child care provider within three business days of the separation and include the calendar date on which the contract is to be terminated. It is recommended the employers incorporate this step into their separation procedures.

▪ **What happens if the employee no longer needs paid child care?**

The employer may terminate the contract and cease making payments. However, the program requires at least a two-weeks' notice to the child care provider, unless the provider agrees to terminate the contract earlier. It is recommended that employers remind employees that they should seek to notify HR management of any potential changes to their child care arrangement as soon as possible.

▪ **Can the employer terminate a contract?**

Yes, the employer can terminate the contract at any time and for any reason but the child care provider must be given at least a two-weeks' notice. However, the provider may consent to an earlier termination date.

▪ **What happens if the child care provider ceases operations or loses its eligibility to participate in the program?**

The provider is to notify all parties immediately and the contract is terminated. Depending on funding and child care availability, the employer and employee may be able to find a new child care provider and start a new contract.

▪ **Does the employer make payments to the child care provider, to the state, or directly to the employee?**

All payments, including the state match, are made directly to the child care provider.

▪ **How often do the employer and Cabinet make payments to the provider?**

In accordance with the agreement reached in the contract between the employer and the provider. In general, most child care providers will have established billing cycles.

▪ **Will the employee or employer have a direct contact at the Cabinet for their account?**

Questions can be sent to at **PartnershipChildCare@ky.gov** or Cabinet staff can be reached by phone at **1-844-209-2657**.

▪ **Are there comparable benefits that employers could offer to employees without children or who do not need or utilize child care services?**

Each employer interested in participating in the program should consider this question on a case-by-case basis just as they likely already do when considering total rewards benefits. Employees without children or with children who do not need child care services could face other barriers that affect their ability to remain in the workforce or in their current position.

▪ **This program doesn't work for my company. Are there other programs that I should consider that could help my employees find and afford child care?**

There are numerous options available that employers might consider to assist their workers with child care challenges. Read more at **kychamber.com/childcare**.

HB 499 Basics

- **Is there a specific dollar amount an employer must commit to before the employee becomes eligible for the state match?**

No. The employer has flexibility to determine how much it wishes to allocate towards an employee's child care expenses.

- **How much will the state match for the employee be?**

The state match is paid directly to child care providers on the employee's behalf. The size of the match will depend on the employee's income relative to state median household income (read more at <https://kynect.ky.gov/benefits/s/eccap-program>). Employers ultimately have no control over the size of the state match because this is determined by the program's rules. All qualifying employees are eligible to receive a match, but the lower- and middle-income workers may qualify for a 100 percent match, while higher-income workers may qualify for a lower match but no less than 50 percent.

- **Does it matter what child care provider the employee uses?**

To receive a state match, the provider must be a licensed participant in the KY All STARS program, the state's quality rating system.

- **Does the employee have to be the actual parent or legal guardian of the child in order to participate?**

To receive a state match, the provider must be a licensed participant in the KY All STARS program, the state's quality rating system.

- **If the employee is ineligible for the match, for whatever reason, can the employer still contribute to the employee's child care costs?**

Yes. For example, if the employee utilizes services provided by a child care provider that does not participate in the All STARS program, the employer may still contribute to their child care expenses. However, the employee will not be eligible to receive a state match.

- **Do you qualify for this program if you are a sole proprietor or a single-member LLC without staff beyond your individual person?**

No. Under the program, an employer is defined as an entity with at least one (1) employee, while an employee is defined as someone who is employed by an employer.

- **Is the employer contribution considered taxable income?**

It is always recommended that employers consult with a qualified professional on issues of taxation. However, the Internal Revenue Code allows employees to exclude from their gross income up to \$5,000 per tax year (\$2,500 if married filing separately) in dependent care benefits such as those provided by an employer for a program like the Employee Child Care Assistance Partnership. Benefits provided beyond those thresholds would be considered taxable income for the employee. For additional information, please review IRS publication 15b 2023 (p. 9-10). Kentucky follows the federal treatment of these benefits, meaning the same benefit threshold applies at both the state and federal levels.

▪ **Is the state match considered taxable income?**

It is always recommended that employers consult with a qualified professional on issues of taxation. House Bill 499 specified that state matches are for the promotion of the general welfare and are not considered employee compensation. To that end, the state match should not be considered taxable income.

▪ **If an employee is currently participating in Kentucky's Child Care Assistance Program, can they still participate in this new program?**

An employee is not eligible to participate in the Employee Child Care Assistance Partnership if their family is eligible for the Child Care Assistance Program (CCAP).

▪ **Are there any additional state or federal tax benefits for employers that could be associated with this program?**

Not directly associated with this program, but there may be other tax programs and incentives that could work for your company. Learn more at kychamber.com/childcare.

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