

During the 2022 Regular Session of the Kentucky General Assembly, House Bill 7, relating to welfare and family services, was passed. Section 32 of the bill required the Cabinet for Health and Family Services (CHFS/cabinet) to provide the following information relating to the Child Care Assistance Program (CCAP) to the Interim Joint Committee on Health, Welfare, and Family Services and the Benefits Cliff Task Force. CCAP is a public assistance program for eligible low-income, working families in which their child care provider directly receives part or the entirety of the child’s tuition costs from the Department for Community Based Services (DCBS). The amount of assistance received per child is affected by the household income of the family and, as with many other public assistance programs, the benefit goes directly to the provider rather than the family themselves. As of May 2022, 26,946 children (15,096 families) were enrolled in the program and over 1,600 child care providers were participating in the program.

The number of additional families served by the Child Care Assistance Program following the increase in eligibility to 200% of the federal poverty level:

The Department for Community Based Services (DCBS) increased the Child Care Assistance Program (CCAP) eligibility criteria from 160% of the federal poverty guidelines (FPG) to 200% FPG, effective January 1, 2022. Federal American Rescue Plan Act (ARPA) funds specified for child care were used to implement this eligibility increase. The data highlighted in green in Table 1 is the number of cases and children that were eligible for child care assistance solely because of the eligibility level increase. From January through June, an additional 1,350 children (914 families) received financial assistance in attending a child care program because of this increase. The data highlighted in yellow is the overall number of CCAP applicants deemed eligible during the same timeframe.

Table 1. Effect of increasing the CCAP eligibility threshold to 200% FPG.

Month - Year	Benefitted from 200% FPG change			Total Eligible	
	Number of distinct cases	Children count	Expenditures	Number of distinct cases	Children count
Jan-22	212	313	\$124,834.00	1,975	3,445
Feb-22	140	219	\$194,592.00	1,177	2,111
Mar-22	132	186	\$283,885.00	1,292	2,286
Apr-22	154	224	\$321,251.00	1,271	2,281
May-22	140	211	\$374,805.00	1,243	2,168
Jun-22	137	197	\$406,916.00	1,151	2,107
Grand Total	914	1,350	\$1,706,283.00	8,109	14,398

With hundreds more families receiving assistance in paying for child care with the increased eligibility, DCBS used remaining ARPA funds to once again increase eligibility effective July 1, 2022. The eligibility was increased from 200% FPG to 85% of the state median income (SMI), as provided by the U.S. Census Bureau. This was already the program recertification limit (after twelve months of program participation). The impact of increasing the income eligibility threshold from 200% FPG to 85% SMI is displayed in Table 2. For example, a household of two (a single parent and child) would previously have been ineligible for child care assistance if the parent's annual income was more than \$34,836. With the increase to 85% SMI, this same family would be ineligible if the parent's annual income was above \$44,916. Through this change, in this example, the single parent was allowed to make an additional \$10,000 in annual income and still receive financial assistance for child care, which currently costs approximately \$750/month for full-day infant care on average statewide.

Table 2. Monthly household income at varying eligibility thresholds.

Family Size	200% FPG	85% SMI/Monthly
2	\$2,903	\$3,743
3	\$3,660	\$4,623
4	\$4,417	\$5,504
5	\$5,173	\$6,384
6	\$5,930	\$7,265
7	\$6,687	\$7,430
8	\$7,410	\$7,595
Over 8		Add \$166 for each

Increasing CCAP eligibility from 200% FPG to 85% SMI on July 1, 2022, has resulted in an additional 222 children (155 families) being eligible to receive assistance, as demonstrated in Table 3.

Table 3. Effect of increasing the CCAP eligibility threshold to 85% SMI.

Month - Year	Benefitted from SMI change			Total Eligible	
	Number of distinct cases	Children Count	Expenditures	Number of distinct cases	Children Count
July -22	155	222	\$34,695.00	2,646	4,679
Grand Total	155	222	\$34,695.00	2,646	4,679

An assessment of the additional cost incurred by the state due to increasing Child Care Assistance Program eligibility to 200% of the federal poverty level:

As demonstrated in Table 1, the cost of increasing the CCAP eligibility threshold from 160% FPG to 200% FPG was \$1,706,283 from January through June 2022. This amount was calculated by determining the number of children that were deemed eligible because of the eligibility increase specifically (also in Table 1) and calculating the expenditure amount based on the service month for active program participants. The expenditures vary from month-to-month because CCAP reimbursement rates vary based on child care provider location, provider type, whether enrollment is part-time or full-time, whether the full cost of tuition is provided or if there is a co-payment, and additional considerations. These complexities in the program make providing estimates very difficult as CCAP payments vary greatly from month-to-month. This is also why an assessment of the fiscal impact of discounting copayments for families with more than one child in the program is extremely difficult to estimate. Families enrolled in CCAP frequently make changes in their child care arrangements that affect payments and copayments.

An assessment of what the fiscal impact of discounting multiple copayments for families with more than one child in the Child Care Assistance Program would be:

Since April 2021, the cabinet has used federal Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act funding to pay the copayment portion of a family's child care costs so CCAP recipients have not had to pay copayments recently. Prior to the pandemic, the cabinet did not cover this cost. To date, the cabinet has paid approximately \$23 million to cover the entire amount of required CCAP copayments. It is estimated that it would cost approximately \$18 to \$20 million per year to discontinue (or discount to zero) CCAP copayments. This amount has increased over time as program eligibility limits and participation have increased. Discounting copayments for multiple children in a household would cost less because only households with multiple children enrolled in the program would be affected. There are many child care providers across the state that give a tuition discount for siblings; however, this is a small business decision that is not required or tracked by the cabinet. CCAP copayment amounts are very difficult to estimate due to varying greatly from month-to-month depending on provider location, provider type, part-time or full-time care, and other factors.