# Benefits Cliff Task Force

### Minutes of the<MeetNo1> 2nd Meeting

### of the 2022 Interim

### <MeetMDY1> August 24, 2022

**Call to Order and Roll Call**

The<MeetNo2> 2nd meeting of the Benefits Cliff Task Force was held on<Day> Wednesday,<MeetMDY2> August 24, 2022, at<MeetTime> 9:00 AM, in<Room> Room 131 of the Capitol Annex. Senator Jason Howell, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members:<Members> Senator Jason Howell, Co-Chair; Representative Jonathan Dixon, Co-Chair; Senators Michael J. Nemes, and Phillip Wheeler; Representatives Josh Bray and Russell Webber.

Guests: Charles Aull, Executive Director, Kentucky Chamber Center for Policy and Research; Benjamin Gies, Director of Early Childhood Policy and Practice, The Prichard Committee for Academic Excellence; Sarah Vanover, Policy and Research Director, Kentucky Youth Advocates; and Mandy Simpson, Chief Policy Officer, Metro United Way.

LRC Staff: Audrey Ernstberger, Chris Joffrion, Kirk Smith, and Liz Hardy.

**Approval of Minutes**

A motion to approve the minutes of the July 20, 2022 meeting was made by Representative Webber, seconded by Representative Dixon, and approved by voice vote.

**The Business Community’s Perspective on Benefits Cliff and Child Care Challenges**

Charles Aull, the Executive Director of the Kentucky Chamber Center for Policy and Research, discussed the challenges that employers face due to benefit cliffs. These challenges are primarily caused when an employer offers an employee a wage increase or when an employer offers an employee more hours or a transition from part time employment to full time employment. The state’s labor market shortage has resulted in an increased frequency of these challenges. Mr. Aull detailed policy changes that could combat the issue which included a benefits cliff calculator for families and employers, public private partnerships that offer solutions to the issues associated with benefit cliffs, and an earned income tax credit for low-income earners. The Kentucky Chamber of Commerce also recommends ensuring the success of HB 499 from the 2022 Regular Session that established a statewide Employee Child Care Assistance Partnership program, stabilizing the Child Care Assistance Program (CCAP), studying local zoning ordinances, and ensuring the success of the Business Partnerships Grants Program.

Answering a question from Senator Wheeler, Mr. Aull stated that many different reform options have been considered for the earned income tax credit and discussed the possible benefit of individuals claiming the earned income tax credit on a quarterly basis. In response to a follow up, Mr. Aull commented about bringing awareness of the earned income tax credit to low-income earners.

Responding to Representative Bray, Mr. Aull confirmed that some public assistance programs have programmatic lifetime limits that are not associated with benefit cliffs.

Addressing questions from Senator Howell, Mr. Aull discussed how the child care shortage effects older individuals in the workforce, factors causing the labor market shortage, employers’ reactions to the labor shortage, the ongoing loss of child care providers over the past decade, employment burnout, removing barriers for individuals in the workforce, and transition periods for individuals that have lost public assistance benefits.

Replying to additional questions from Senator Wheeler, Mr. Aull noted that although benefit cliff and cost of living calculators can be helpful to families, the General Assembly may be limited on some statutory changes due to federal regulations.

Answering a question from Representative Dixon, Mr. Aull said it is possible for a state to implement some type of state earned income tax credit without an individual income tax.

**The Child Care Cliff Effect**

Benjamin Gies, Director of Early Childhood Policy and Practice at The Prichard Committee for Academic Excellence, Sarah Vanover, the Policy and Research Director with Kentucky Youth Advocates, and Mandy Simpson, the Chief Policy Officer at the Metro United Way, gave an overview of the major issues throughout the child care sector in the Commonwealth. Child care in the state includes child care centers, family child care homes, and regulated family, friend, and neighbor care. The average cost of child care in the state for center based infant care is $11,200, and more than half of all Kentuckians live in a child care desert. According to Ms. Vanover, there is a child care funding cliff that will be created when federal sustainability payments and flexible funding ends in the next two years. This will result in programs not being able to sustain current employee wages and child care capacity drastically decreasing. Policy considerations for child care include sustaining investment in the Child Care Assistance Program reimbursement rates, eligibility, and transition periods; supporting competitive wages, benefits, and educational opportunities for child care educators; ensuring the success of the Employee Child Care Assistance Partnership; and considering the recommendations of the Early Childhood Task Force.

Answering a question from Representative Bray, Ms. Vanover stated approximately nine percent of child care centers and family child care homes in the state closed as a result of the pandemic, and the capacity of child care centers prior to the pandemic was 165,314 but has decreased to 158,000. She noted that many child care centers across the state are not currently at full capacity due to staffing shortages. In response to a follow up question, Ms. Vanover explained that the number of child care centers that will close because of the federal funding that will soon end is not known, but centers are currently being surveyed.

Replying to Representative Dixon, Ms. Vanover described the tiered system for the $470 million of American Rescue Plan funding that was dedicated to sustainability payments for child care programs explained how the impending child care funding cliff may increase costs and decrease wages. Answering a follow up, Ms. Vanover stated that most of the Commonwealth’s child care regulations are based on federal requirements, but Kentucky has some of the least stringent regulations in the country. There are however some zoning laws in local communities across the state that are preventing family child care homes.

Addressing questions from Senator Howell, Ms. Simpson clarified that the average Kentucky child care employee earns about $22,000 a year full time with a 40-hour work week. The pandemic may have increased the work week for some child care providers due to staffing shortages. Replying to follow up questions, Ms. Vanover discussed reimbursement options for nontraditional child care providers.

There being no further business before the committee, the meeting adjourned at 10:45 a.m.