

199.887 Termination of active contract.

- (1) Termination of an active contract between an employer, employee, child-care provider, and a third-party administrator pursuant to this program shall occur in the following circumstances:
 - (a) If the relationship between the employee and employer is severed, the employer shall notify the child-care provider and the third-party administrator within three (3) business days of the separation, and the contract is terminated on the calendar date provided by the employer in the notification. If the employer fails to make this notification and the third-party administrator issues a state match to the provider on behalf of that employer's employee, then the employer shall reimburse the fund for the unnecessary state match;
 - (b) If the employer fails to make a contribution or contributions for the eligible child-care costs in accordance to the terms of the contract, the child-care provider shall notify the third-party administrator within five (5) business days. After receiving notification from the provider, the third-party administrator shall temporarily cease providing a state match and shall notify the employer that the contract will be terminated unless the employer remedies the nonpayment within five (5) business days of receiving notification from the third-party administrator. If the provider fails to make this notification and receives a state match from the third-party administrator on behalf of that employer's employee, the provider shall reimburse the fund for the unnecessary state match; or
 - (c) If the relationship between the employee and the child care provider is severed and the employee ceases to utilize the child care provider's services, the employee shall notify the employer within three (3) business days, and the employer shall notify the third-party administrator and terminate the contract.
- (2) Termination of an active contract between an employer, employee, child-care provider, and the third-party administrator pursuant to this program may occur in the following circumstances:
 - (a) If the employee fails to pay the child-care provider for costs not covered by the employer contribution and the state match in accordance to the terms of the contract, the child-care provider may give the employee reasonable time to remedy the nonpayment. The child-care provider may notify the third-party administrator and terminate the contract on the date that the notification was issued. If the child-care provider voluntarily excuses the employee's nonpayment or the child-care provider does not notify the third-party administrator within two (2) calendar months from the date of the employee's nonpayment and continues to provide services, then the contract made between all the parties will automatically reflect the reduction in value;
 - (b) If the child-care provider ceases participation or otherwise loses its rating in the rating system described in KRS 199.8943, it shall notify all parties to the agreement immediately; and
 - (c) The employer, employee, or child-care provider may terminate the contract at any time and for any reason. The terminating party shall notify all the parties to the contract and specify the desired termination date, which shall occur no

sooner than two (2) weeks from the date of notification unless the child-care provider gives its consent to an earlier termination date. All parties to the contract shall be financially obligated, according to the provisions of the contract, up to the termination date.

- (3) Any child-care provider who receives an employer contribution as part of this program or a state match for services not rendered and which will not be rendered after the relationship between the employee and child care provider is severed or after the termination of an active contract in accordance with this section shall return those employer contributions and match funds to the respective parties within five (5) days of receipt of the funds.

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History: Amended 2026 Ky. Acts ch. 146, sec. 14, effective April 14, 2026. -- Amended 2024 Ky. Acts ch. 88, sec. 3, effective July 15, 2024. -- Amended 2023 Ky. Acts ch. 24, sec. 2, effective June 29, 2023. -- Created 2022 Ky. Acts ch. 184, sec. 7, effective April 8, 2022.