

1 AN ACT relating to child care.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 199 IS CREATED TO  
4 READ AS FOLLOWS:

5 *(1) As used in this section, "program" means the quality-based graduated early care*  
6 *and education program rating system established under KRS 199.8943.*

7 *(2) It is the intent of the General Assembly that the program shall meaningfully and*  
8 *effectively support voluntary participation by licensed and certified child-care*  
9 *providers in building and maintaining high-quality early learning services for*  
10 *children across the Commonwealth. To that end, the General Assembly intends*  
11 *for the program to:*

12 *(a) Feature objective and measurable intended outcomes;*

13 *(b) Include long-term strategies for empirically assessing and validating the*  
14 *efficacy of the program and routinely studying it to ensure continuous*  
15 *improvement;*

16 *(c) Be predicated upon proven methods and standards that reflect the*  
17 *consensus of the highest-quality academic research on early childhood*  
18 *development;*

19 *(d) Align with state licensing and certification requirements and avoid*  
20 *duplication between those requirements and the program to the greatest*  
21 *extent possible;*

22 *(e) Offer effective financial incentives to encourage and enable providers to*  
23 *participate in the program and to strive for the highest possible rating under*  
24 *the program;*

25 *(f) Offer accessible and high-impact training opportunities for child-care*  
26 *providers and their staff to ensure that they are able to successfully*  
27 *participate in the program and advance their services to higher rating*

1 levels;

2 (g) Utilize digital administrative tools that are easy to use and minimize  
3 compliance burdens associated with participating in the program;

4 (h) Be accompanied by a robust outreach program that involves partnerships  
5 with community-based stakeholders to ensure that providers, parents, and  
6 employers are fully aware of the program and its benefits to children;

7 (i) Be simple and easy to understand for parents;

8 (j) Include a digital, public-facing data system that is accessible to the general  
9 public and researchers;

10 (k) Provide streamlined compliance processes for multisite operators to reduce  
11 administrative burdens; and

12 (l) Allow for flexibility within rating levels in order to accommodate different  
13 approaches to providing high-quality services, provided that these  
14 approaches are informed by research and the consensus of early childhood  
15 education professionals.

16 (3) (a) On or after the effective date of this Act, the Cabinet for Health and Family  
17 Services shall not make any administrative or regulatory changes to the  
18 program unless explicitly authorized to do so by the General Assembly,  
19 unless a change is required to conform with federal law or to access federal  
20 funding. If the cabinet determines that administrative or regulatory changes  
21 to the program are necessary in accordance with this paragraph, the cabinet  
22 shall first notify the Interim Joint Committee on Families and Children  
23 before initiating any changes.

24 (b) Notwithstanding paragraph (a) of this subsection, the cabinet shall, in  
25 consultation with the Family Child Care Network of Kentucky, promulgate  
26 administrative regulations in accordance with KRS Chapter 13A to  
27 incorporate setting-aligned quality standards under the program for

1                   certified family child-care homes and licensed type II child-care centers by  
2                   October 1, 2026.

3   (4) Any established metrics or intended outcomes associated with the program, or  
4                   strategies to evaluate the efficacy of the program, shall respect the privacy of  
5                   children, families, and licensed and certified child-care providers, and shall  
6                   account for programs for children with special needs, children in the welfare  
7                   system, and children from economically disadvantaged households.

8   (5) This section shall not be construed to limit or prohibit aspects of the program that  
9                   are not mentioned in this section.

10   (6) By October 1, 2026, the cabinet shall submit to the Legislative Research  
11                   Commission a written plan outlining a process through which it will develop  
12                   recommendations to modernize the program and align it with the General  
13                   Assembly's intent as expressed in this section for referral to the Interim Joint  
14                   Committees on Families and Children, Education, and Appropriations and  
15                   Revenue and the Tobacco Settlement Agreement Fund Oversight Committee.

16   (7) The modernization process plan submitted by the cabinet shall include but not be  
17                   limited to:

18                   (a) Strategies for robust engagement with impacted stakeholders, including but  
19                   not limited to licensed and certified child-care providers, early childhood  
20                   educators employed in regulated child-care programs, parents of young  
21                   children, parents of children with special needs, parents of children  
22                   benefiting from the Child Care and Development Fund as defined in 45  
23                   C.F.R. sec. 98.2, elementary school teachers, special education teachers,  
24                   school district superintendents, and school principals;

25                   (b) Strategies for robust engagement with outside experts, including but not  
26                   limited to early childhood education professionals and experts, faculty at  
27                   Kentucky-based colleges and universities, economists and statisticians, the

- 1           federal Administration for Children and Families, and Child Care and  
2           Development Fund administrators in other states;  
3           (c) Strategies for utilizing the Kentucky Child Care Advisory Council as a  
4           source for feedback and guidance;  
5           (d) Strategies for utilizing technical assistance, financial, and programmatic  
6           support from the federal government where applicable;  
7           (e) Strategies for updating and seeking feedback from the General Assembly  
8           and other executive branch agencies;  
9           (f) Clear timelines, including expected project milestones, with the intention of  
10           producing final recommendations to the Legislative Research Commission  
11           for modernization and alignment by no later than December 1, 2027; and  
12           (g) Estimates of projected costs to successfully carry out the modernization  
13           process plan, including potential costs for third-party contractors.  
14           (8) In developing the modernization process plan, the cabinet shall consult regularly  
15           and consistently with the Kentucky Child Care Advisory Council. The council  
16           shall provide feedback and guidance to the cabinet throughout the process. Prior  
17           to the submission of the plan to the Legislative Research Commission, the cabinet  
18           shall submit the plan to the council for a review and shall communicate  
19           comments and feedback from the council regarding the plan to the Commission.  
20           (9) By December 1, 2027, the cabinet shall submit its final recommendations for  
21           modernizing the program and aligning it with the General Assembly's intent, as  
22           expressed in this section, to the Legislative Research Commission for referral to  
23           the Interim Joint Committees on Families and Children, Education, and  
24           Appropriations and Revenue and the Tobacco Settlement Agreement Fund  
25           Oversight Committee.

26           ➔Section 2. KRS 199.891 is amended to read as follows:

- 27           (1) As used in this section:

- 1 (a) "Cabinet" means the Cabinet for Health and Family Services; ~~Economic~~  
2 ~~Development; and~~
- 3 (b) "Child care service" means a child care service licensed or certified by the  
4 cabinet; and
- 5 (c) "Local government" has the same meaning as in KRS 65.230 ~~"Council"~~  
6 ~~means the Council of Area Development Districts~~.
- 7 (2) The cabinet shall ~~work in partnership with the council and the area development~~  
8 ~~districts to~~ establish a Certified Child Care Community Designation Program. The  
9 purpose of the program shall be to create new opportunities for local governments  
10 to help increase the supply of child care ~~and early childhood education~~ services in  
11 their communities through voluntary actions related to land use and zoning reform  
12 and programming at the local level. Participation in the program by local  
13 governments shall be optional.
- 14 (3) To administer the program, the cabinet may:
- 15 (a) Delegate authority to a subsidiary department;
- 16 (b) Coordinate and share information with other executive branch agencies ~~and~~  
17 ~~the council~~;
- 18 (c) Enter into contracts with third parties to administer the program or specific  
19 parts of the program; and
- 20 (d) Promulgate administrative regulations in accordance with KRS Chapter 13A  
21 to implement the program.
- 22 ~~(4) (a) By December 1, 2024, the cabinet shall make available, on its website and to~~  
23 ~~the Legislative Research Commission for referral to the Interim Joint Committee on~~  
24 ~~Families and Children, recommendations and best practices for local governments~~  
25 ~~to utilize when evaluating local ordinances, regulations, and land use rules~~  
26 ~~pertaining to the availability of child care services in local communities. These~~  
27 ~~recommendations and best practices shall focus on balancing safety with increasing~~

1 ~~the supply of child care and early childhood education services and easing local~~  
2 ~~regulatory barriers, and shall include but not be limited to the following topics:~~

3 ~~1. Local land use policies related to center-based, in-home, and employer-~~  
4 ~~based child care services, including:~~

5 ~~a. Recommendations for definitions for terms such as "child care," "child~~  
6 ~~care center," and "family child care home";~~

7 ~~b. Recommendations on where child care services should be~~  
8 ~~permitted by right, with special standards, and with conditional use~~  
9 ~~permits;~~

10 ~~c. Recommendations for requirements for compliance with~~  
11 ~~conditional use permits and special standards;~~

12 ~~d. Best practices for safely permitting child care services in or near~~  
13 ~~industrial areas;~~

14 ~~e. Best practices for playgrounds associated with child care services;~~  
15 ~~and~~

16 ~~f. Recommendations for parking requirements where applicable;~~

17 ~~2. Policies pertaining to local permitting fees for starting and~~  
18 ~~operating child care services; and~~

19 ~~3. Policies related to other local ordinances and regulations that may~~  
20 ~~pertain to the availability of child care services in local communities.~~

21 ~~(b) The cabinet may enter into a contract with a third party to produce the~~  
22 ~~recommendations and best practices required in accordance with this~~  
23 ~~subsection.~~

24 ~~(c) The cabinet, or a third party under contract with the cabinet, shall solicit~~  
25 ~~feedback and input on these recommendations and best practices from the~~  
26 ~~council, area development districts, and organizations in the Commonwealth~~  
27 ~~representing child care providers and in-home family child care providers,~~

1           ~~local governments, local elementary and secondary school officials, the~~  
2           ~~business community, economic developers, and community planning and~~  
3           ~~design professionals.~~

4           ~~(d) The recommendations and best practices required pursuant to this subsection~~  
5           ~~shall take into consideration the unique needs and differences between urban~~  
6           ~~and rural areas of the state and shall also include recommendations for local~~  
7           ~~jurisdictions that have not adopted local land use rules in accordance with~~  
8           ~~KRS Chapter 100.~~

9           ~~(5) By December 1, 2024, the cabinet shall submit a draft standardized application for~~  
10          ~~certification and draft instructions for the Certified Child Care Community~~  
11          ~~Designation Program to the Legislative Research Commission for referral to the~~  
12          ~~Interim Joint Committee on Families and Children.]~~

13          ~~(4) [(6)]~~ By January 1, 2028~~[April 1, 2025]~~, the cabinet~~[, after consulting with the~~  
14          ~~council,]~~ shall make publicly available a standardized application for certification  
15          and instructions for the Certified Child Care Community Designation Program. *In*  
16          *preparing these materials, the cabinet shall solicit feedback from and engage with*  
17          *the Kentucky Child Care Advisory Council and individuals and associations*  
18          *representing local governments, land use and planning and design professionals,*  
19          *public health officials, licensed and certified child-care providers, business*  
20          *leaders, economic development professionals, and education professionals.*

21          ~~(5) [(7)]~~ The cabinet shall:

22               (a) Begin receiving and approving applications from local governments no earlier  
23               than January 1, 2028~~[April 1, 2025]~~; and

24               (b) Send notice of approval or denial to applicants no later than thirty (30) days  
25               after receiving an application. If the cabinet denies an application, the cabinet  
26               shall include the reason for the denial in its notice and shall invite the  
27               applicant to resubmit.

(6)(8) (a) To attain certification by the cabinet, applicants shall be required to demonstrate that the local government has:

1. Established or joined~~[Developed clear and actionable strategies, including at least two (2) action items from the list below, to help address local child care challenges and raise awareness of state and local child care resources for working families, current and prospective child care providers, current and prospective employers, and economic developers. Action items include but are not limited to:~~

- a.~~Creating~~ a community-wide child care task force that includes representatives from local government, the business community, education, health care, nonprofits, and providers of licensed and certified child care services;~~[and early childhood education professionals;~~
- b.~~Making available and maintaining a public list of certified and licensed child care services in the community;~~
- c.~~Designating a local agency or nonprofit to serve as a point of contact for local child care issues;~~
- d.~~Helping raise awareness of certification and licensing requirements for child care providers;~~
- e.~~Making available an accessible guide to assist prospective child care service providers in navigating the jurisdiction's ordinances, regulations, and land use rules that pertain to child care; and~~
- f.~~Conducting a study of child care challenges in the local community or actively participating in a study of child care challenges in the local region; and]~~

2. Developed a strategic plan through its task force to address identified child care challenges and increase access to child care services in the



1                   local community; and

2                   ~~3.[2.]~~ Analyzed local ordinances, regulations, and land use~~[land use]~~ rules  
3                   that could create barriers to the availability of child care services and  
4                   developed an action plan to implement reforms. To comply with this  
5                   subparagraph, the applicant shall demonstrate that it has:

- 6                   a.     Gathered community input from child care providers and child  
7                   care organizations, local residents and homeowners, local  
8                   elementary and secondary school officials, the business  
9                   community, civic and nonprofit organizations, and economic  
10                  developers through meetings, listening sessions, or surveys;
- 11                  b.     Conducted a comprehensive analysis of the jurisdiction's  
12                  ordinances, regulations, and land use~~[land use]~~ rules that may  
13                  pertain to the provision of child care services and identified  
14                  ordinances, regulations, and land use~~[land use]~~ rules that create  
15                  barriers to the availability of child care services in the community;  
16                  and
- 17                  c.     Established a clear and specific action plan to amend ordinances,  
18                  regulations, and land use~~[land use]~~ rules that create barriers to the  
19                  availability of child care services in the community as identified  
20                  through the comprehensive analysis in subdivision b. of this  
21                  subparagraph.

- 22                  (b) As used in~~[For the purposes of]~~ paragraph (a)~~3.[2.]~~ of this subsection,  
23                  "ordinances, regulations, and land use~~[land use]~~ rules that create barriers to  
24                  the availability of child care services" in the community means local  
25                  ordinances, regulations, or land use~~[land use]~~ rules that local officials and  
26                  community stakeholders have determined to be overly restrictive or  
27                  unnecessary and have the effect of discouraging or limiting the availability of

1 child care services without meaningfully supporting safety or preserving the  
2 character of the community.

3 (c) In fulfilling the requirements of paragraph (a)~~3.~~~~[2.]~~ of this subsection, an  
4 applicant shall demonstrate that it has, to the greatest extent possible,  
5 reviewed and incorporated into its action plan~~[taken into consideration the]~~  
6 recommendations and best practices for local ordinances, regulations, and  
7 land use~~[land use]~~ rules pertaining to child care made available by the  
8 cabinet. This demonstration shall include a detailed explanation of where  
9 the applicant's local policies do and do not align with recommended best  
10 practices. If the cabinet determines that the applicant did not adequately  
11 consider recommended best practices in its analysis and action plan, it may  
12 deny certification to the applicant~~[pursuant to subsection (4) of this section.~~  
13 ~~The applicant may satisfy this requirement by demonstrating that it has taken~~  
14 ~~into consideration recommendations and best practices produced by its area~~  
15 ~~development district, provided that they are substantially similar to those~~  
16 ~~produced by the cabinet and were developed with stakeholder input as~~  
17 ~~described in subsection (4) of this section].~~

18 (d) If the applicant has not adopted land use~~[land use]~~ rules pursuant to KRS  
19 Chapter 100, it may exclude, and the cabinet shall not consider, land  
20 use~~[land use]~~ rules and zoning ordinances from its analysis and action plan.

21 (e) The cabinet shall permit local governments to partner together and submit  
22 joint applications. Under a joint application, the community-wide child care  
23 task force shall include representatives from all local governments in the  
24 application, and the strategic plan shall take into account child care needs  
25 across all applicant communities. All local governments that are party to the  
26 joint application shall demonstrate compliance with requirements related to  
27 analysis and modification of local ordinances, regulations, and land use

1 rules that could create barriers to the availability of child care services.

2 ~~[(9) Prior to submitting an application to the cabinet for certification, an applicant shall~~  
3 ~~first submit its application to the area development district in which the applicant is~~  
4 ~~located and receive approval. The area development district shall review the~~  
5 ~~application and, within thirty (30) days, recommend the application for approval or~~  
6 ~~deny it based on the criteria in subsection (8) of this section. In cases where the area~~  
7 ~~development district denies an application, it shall provide a detailed explanation of~~  
8 ~~the reason and allow the applicant to resubmit. The cabinet shall not accept an~~  
9 ~~application for review or approval unless the area development district in which the~~  
10 ~~applicant is located has recommended the application for approval.]~~

11 ~~(7)~~~~[(10)]~~ The cabinet shall:

12 (a) Make publicly available~~[on its website]~~ a list of communities that have  
13 obtained the certified child care community designation; and

14 (b) Transmit, on a quarterly basis, a full list of certified communities to the  
15 Cabinet for Economic Development.

16 ~~(8)~~~~[(11)]~~ By December 1, 2028~~[2025]~~, the cabinet shall submit a report to the  
17 Legislative Research Commission for referral to the Interim Joint  
18 Committees~~[Committee]~~ on Families and Children and State and Local  
19 Government specifying the communities that have obtained the designation, a  
20 summary of the different strategies used by local communities to expand access to  
21 child care and remove barriers, and recommendations for improvements to the  
22 program.

23 (9) When the Cabinet for Economic Development engages with a company regarding  
24 participation in an incentive or funding program administered by one (1) or more  
25 of that cabinet's agencies, including when it initially communicates with, receives  
26 an application from, and approves funding to, any company, the Cabinet for  
27 Economic Development shall provide to the company information regarding the

1 Certified Child Care Community Designation Program, including a list of  
2 communities that have obtained the designation.

3 (10) By November 1 of each year, the Cabinet for Economic Development shall  
4 prepare and post to its website as required in KRS 154.12-2035 a report  
5 containing a list of communities that have obtained the designation, information  
6 regarding its engagement with companies as outlined in this section, and  
7 information regarding its actions under KRS 199.888.

8 ➔Section 3. KRS 199.8983 is amended to read as follows:

9 (1) There is hereby created the Kentucky Child Care Advisory Council to be composed  
10 of thirty-four (34)~~eighteen (18)~~ members. The members appointed by the  
11 Governor shall serve a term of three (3) years. The appointed members of the  
12 council shall be geographically and culturally representative of the population of  
13 the Commonwealth and shall be no less than proportionally representative of the  
14 two (2) leading political parties of the Commonwealth based on the state's voter  
15 registration and the political affiliation of each appointee as of December 31 of  
16 the year preceding the date of his or her appointment. For administrative  
17 purposes, the council shall be attached to the department. The members shall be as  
18 follows:

- 19 (a) The commissioner of the department, or designee;
- 20 (b) Four (4) members appointed by the Governor representing child-care center  
21 providers licensed pursuant to this chapter;
- 22 (c) Two (2) members appointed by the Governor representing family child-care  
23 home providers licensed pursuant to this chapter;
- 24 (d) Three (3) members appointed by the Governor who are parents, de facto  
25 custodians, guardians, or legal custodians of children receiving services from  
26 child-care centers or family child-care homes licensed pursuant to this  
27 chapter;

- (e) Two (2) members appointed by the Governor representing local child-care resource and referral agencies;
- (f) One (1) member appointed by the Governor with a professional background in economics from a list of names provided by the president of the Council on Postsecondary Education;
- (g) Two (2) members appointed by the Governor with professional backgrounds in, or specialized knowledge of, child care and early childhood issues from a list of names provided by the President of the Senate;
- (h) Two (2) members appointed by the Governor with professional backgrounds in, or specialized knowledge of, child care and early childhood issues from a list of names provided by the Speaker of the House of Representatives;
- (i) One (1) member appointed by the Governor with a professional background in, or specialized knowledge of, child care and early childhood issues from a list of names provided by the Minority Floor Leader of the Senate;
- (j) One (1) member appointed by the Governor with a professional background in, or specialized knowledge of, child care and early childhood issues from a list of names provided by the Minority Floor Leader of the House of Representatives;
- (k) Three (3) members appointed by the Governor from the private sector who are knowledgeable about education, health, and development of children;
- ~~(l)~~~~(f)~~ The director of the Division of Child Care within the department, or designee, as a nonvoting ex officio member;
- ~~(m)~~~~(g)~~ The commissioner of education, Education and Labor Cabinet, or designee, as a nonvoting ex officio member;
- ~~(n)~~~~(h)~~ The executive director of the Governor's Office of Early Childhood, or designee, as a nonvoting ex officio member;
- ~~(o)~~~~(i)~~ The commissioner of the Department for Public Health within the

1 cabinet, or designee, as a nonvoting ex officio member;~~and~~

2 ~~(p)(j)~~ The state fire marshal, Public Protection Cabinet, or designee, as a  
3 nonvoting ex officio member;

4 (q) The executive director of the Kentucky Center for Statistics, or designee;

5 (r) The two (2) co-chairs of the Interim Joint Committee on Families and  
6 Children who shall be nonvoting members;

7 (s) The two (2) co-chairs of the Interim Joint Committee on Appropriations and  
8 Revenue's Budget Review Subcommittee on Health and Family Services  
9 who shall be nonvoting members; and

10 (t) The two (2) co-chairs of the Interim Joint Committee on Education who  
11 shall be nonvoting members.

12 (2) The council shall have two (2) co-chairpersons. One (1) co-chairperson shall be the  
13 commissioner of the department, or designee, and one (1) co-chairperson shall be  
14 elected by the voting members of the council.

15 (3) Members shall serve until a successor has been appointed. If a vacancy on the  
16 council occurs, the Governor shall appoint a replacement for the remainder of the  
17 unexpired term.

18 (4) Members shall serve without compensation but shall be reimbursed for reasonable  
19 and necessary expenses in accordance with state travel expenses and reimbursement  
20 administrative regulations.

21 (5) The council shall meet at least quarterly and at other times upon call of the co-  
22 chairpersons.

23 (6) The council shall advise the cabinet on matters affecting the operations, funding,  
24 and licensing of child-care centers, child-care microcenters as defined in Section 4  
25 of this Act,~~and~~ family child-care homes, and other matters as directed by the  
26 General Assembly. The council shall provide input and recommendations for ways  
27 to improve quality, access, and outcomes.

(7) The council shall make an annual report by December 1 each year that provides summaries of its actions and discussions from that year and recommendations to address the availability, affordability, accessibility, and quality of child care in the Commonwealth. A copy of the annual report shall be posted on the cabinet's website and provided to the secretary, the Governor, and the Legislative Research Commission for referral to the Interim Joint Committee on Families and Children.

➔SECTION 4. A NEW SECTION OF KRS CHAPTER 199 IS CREATED TO READ AS FOLLOWS:

(1) As used in this section:

(a) "Child-care microcenter" means a category of regulated child care supervised by the cabinet that serves between four (4) and twenty-four (24) children in a nonresidential setting for more than three (3) hours per day;

(b) "Eligible applicant" means a provider of a child-care program that:

1. Has been licensed or certified by the cabinet for at least three (3) years at the time of application;

2. Is in good standing with the cabinet; and

3. Participates in the quality-based graduated early care and education rating system established under KRS 199.8943;

(c) "Nontraditional work hours" means hours of employment that generally but not exclusively occur between 7 p.m. to 5 a.m. Monday to Friday, or between 7 p.m. on Friday to 5 a.m. on Monday;

(d) "Opportunity zones" means a population census tract that is a low-income community and designated as a qualified opportunity zone under Sections 1400Z-1 and 1400Z-2 of the Internal Revenue Code; and

(e) "Rural areas" means a county with a population of less than fifty thousand (50,000) residents.

1 (2) It is the intent of the General Assembly to allow for licensed child-care  
2 microcenters in order to encourage innovative child-care services in high-need  
3 areas and underserved populations, including but not limited to rural areas,  
4 workers with nontraditional hours, opportunity zones, parents in need of  
5 emergency or drop-in services, and postsecondary students and campuses. Child-  
6 care microcenters shall provide quality services, operate under setting-aligned  
7 health and safety standards, and be permitted to request and receive special  
8 variances from established standards and administrative regulations at the  
9 discretion of the cabinet.

10 (3) The Kentucky Child-Care Microcenter Program is hereby established within the  
11 cabinet to regulate the standards and operations of child-care microcenters. To  
12 administer the program, the cabinet may enter into contracts with third parties to  
13 administer the program or specific parts of the program.

14 (4) The cabinet shall promulgate administrative regulations in accordance with KRS  
15 Chapter 13A by July 1, 2027, to implement this section and determine appropriate  
16 standards under which child-care microcenters may be licensed and operated in  
17 Kentucky.

18 (5) The cabinet shall establish standards for operations, including but not limited to  
19 staff background checks, adult-to-child ratios, health and safety standards,  
20 facility requirements, teacher and director training, and required paperwork for  
21 employees and enrolled children. In developing these standards, the cabinet shall  
22 solicit feedback from key stakeholders, including licensed and certified child-care  
23 providers, early childhood experts, local child care resource and referral  
24 agencies, the Kentucky Child Care Advisory Council, and other relevant  
25 stakeholders.

26 (6) (a) The cabinet shall establish a process by which a child-care microcenter  
27 provider may apply for and receive a variance from established standards



- 1           and administrative regulations for child-care microcenters. Applications  
2           shall demonstrate that the requested variance will not, in any way,  
3           jeopardize the health and safety of children receiving care at the child-care  
4           microcenter.
- 5           (b) Approved variances shall only apply to the specific child-care microcenter  
6           for which a variance is requested.
- 7           (c) Denials of applications for variances are not contestable.
- 8           (d) An eligible applicant for the program may request a variance in its initial  
9           program application.
- 10          (e) An approved child-care microcenter provider or eligible applicant may  
11          request a variance only once in a calendar year and shall not be allowed to  
12          operate with more than one (1) approved variance in place at a time.
- 13          (7) Child-care microcenters shall not be required to provide meals or transportation  
14          to children enrolled in the program.
- 15          (8) Playgrounds shall be optional for child-care microcenters, but a program shall  
16          have a plan for gross motor activity.
- 17          (9) Child-care microcenters may utilize mixed age group child care, but the licensed  
18          capacity of the child-care microcenter shall be based on the youngest child served  
19          in the center.
- 20          (10) The cabinet shall ensure that the application and approval process for child-care  
21          microcenters is efficient and streamlined, and the application fee for a child-care  
22          microcenter shall be cost-effective.
- 23          (11) Only eligible applicants may be approved to operate a child-care microcenter.
- 24          (12) The cabinet shall begin accepting and approving child-care microcenter  
25          applications from eligible applicants no earlier than July 1, 2027.
- 26          (13) The cabinet shall approve or deny an application within ninety (90) days of  
27          receipt. If an application is denied, the cabinet shall notify the applicant and

1 explain its reasoning.

2 (14) In reviewing and approving applications, the cabinet shall prioritize applications  
3 from eligible applicants that:

4 (a) Seek to provide services in an opportunity zone or rural area;

5 (b) Seek to provide services to parents of children with nontraditional work  
6 hours; or

7 (c) Involve community partnerships with entities including but not limited to  
8 employers, schools, or faith-based organizations.

9 (15) The cabinet shall authorize no more than ten (10) child-care microcenters to  
10 operate in the state at one (1) time, with no more than two (2) child-care  
11 microcenters allowable within a single county.

12 (16) The cabinet shall develop an outreach plan to raise awareness of the program.  
13 This plan shall include partnerships with nonprofits and local child care resource  
14 and referral agencies in different parts of the state.

15 (17) (a) By December 1, 2027, the cabinet shall submit a report to the Legislative  
16 Research Commission for referral to the Interim Joint Committee on  
17 Families and Children detailing the number of applications received, the  
18 number of applications approved, the locations of approved and denied  
19 applications, the number of children being served, and the number and  
20 nature of approved and denied variances.

21 (b) By December 1, 2028, the cabinet shall submit a report to the Legislative  
22 Research Commission for referral to the Interim Joint Committee on  
23 Families and Children containing updated information on all components  
24 in paragraph (a) of this subsection, and also include commentary from the  
25 cabinet on the efficacy of the program in achieving the legislative intent of  
26 the program outlined in this section.

27 ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 199 IS CREATED TO

1 READ AS FOLLOWS:

2 (1) Of the required hours of cabinet-approved early care and education training that  
3 shall be completed each year between July 1 and June 30 for:

4 (a) Licensed child-care providers, at least three (3) of those training hours shall  
5 focus on working with children with special needs. This requirement shall  
6 begin the first year of employment in a licensed child-care program and  
7 continue each subsequent year; and

8 (b) Certified family child-care home providers, at least two (2) of those training  
9 hours shall focus on working with children with special needs. This  
10 requirement shall begin in the first year of employment in a certified family  
11 child-care home program and continue each subsequent year.

12 (2) (a) If a child in a licensed or certified child-care program is offered support  
13 programs, such as developmental therapy or academic intervention,  
14 through an Individualized Family Service Plan or an Individualized  
15 Education Program created in accordance with the Individuals with  
16 Disabilities Education Act, Part B or C, and the child's parent or caregiver  
17 has submitted written notification describing the support program to the  
18 licensed or certified child-care provider, then a licensed or certified child-  
19 care provider shall not prevent the diagnostician, therapist, or  
20 interventionist from being present on the premises of the child-care center  
21 or family child-care home for the purpose of providing services to that child.

22 (b) This subsection shall not be construed to require personnel of a local school  
23 district to provide support programs on the premises of a licensed or  
24 certified child-care program.

25 ➔SECTION 6. A NEW SECTION OF KRS CHAPTER 199 IS CREATED TO  
26 READ AS FOLLOWS:

27 (1) Beginning December 1, 2026, and every month thereafter, the Education and

1 Labor Cabinet, in coordination with the Cabinet for Health and Family Services,  
2 shall compile and produce a monthly report providing a comprehensive snapshot  
3 of all licensed and certified child-care providers, Head Start services, child-care  
4 services regulated by the United States Department of Defense, and state-funded  
5 public preschool services operating within the Commonwealth.

6 (2) The report shall include statewide and regional counts of the number of each of  
7 these services at the time of the snapshot, and to the greatest extent possible  
8 provide additional information, including but not be limited to:

9 (a) The name and physical address of each service provider;

10 (b) The type of licensure or certification held by each service provider;

11 (c) The licensed capacity of each service provider;

12 (d) The number of child care and early childhood education professionals at  
13 each service provider, and in total on a statewide and regional basis;

14 (e) Whether or not a program's services are half-day or full-day;

15 (f) The actual enrollment by age group of each service provider, if available;  
16 and

17 (g) If actual enrollment is unavailable, an estimated actual capacity reflecting  
18 the number of children the provider can accommodate based on operational  
19 considerations, including staffing levels and available physical space.

20 (3) The report shall be organized at both the statewide and regional or county level.

21 (4) The Education and Labor Cabinet shall make the report publicly available  
22 through a searchable, user-friendly online database. The database shall:

23 (a) Be updated monthly;

24 (b) Include a historical archive of past reports; and

25 (c) Be maintained in a manner that supports access and use by the public,  
26 policymakers, and researchers.

27 (5) This section shall not be construed to authorize the release of personally

1 identifiable information of enrolled children or staff.

2 (6) As part of the first report on December 1, 2026, the cabinet shall include a  
3 historical analysis of the availability of child care and early childhood education  
4 services on both a statewide and regional basis to illustrate how the availability of  
5 child-care services in the Commonwealth has changed over time.

6 (7) By July 1, 2027, or earlier if determined feasible, the Cabinet for Health and  
7 Family Services shall develop and implement processes to track the real capacity  
8 of licensed and certified child-care services in the Commonwealth. The cabinet  
9 shall ensure that its processes are minimally burdensome on licensed and  
10 certified child-care providers. To the greatest extent possible, the cabinet shall  
11 collect and report real capacity information for individual age groups of children.

12 (8) The cabinet shall make information on real capacity available to the public and  
13 shall report this information to the Education and Labor Cabinet on at least a  
14 quarterly basis.

15 (9) Beginning July 1, 2027, the Education and Labor Cabinet, in coordination with  
16 the Cabinet for Health and Family Services, shall develop and publish an  
17 objective quarterly report comparing the supply of licensed and certified child-  
18 care services in the Commonwealth to the potential need for child-care services.  
19 This information shall be made available on a statewide, regional, and county-  
20 level basis and is intended to help policymakers and individual communities  
21 understand gaps between available child-care services and the potential need.

22 (10) As used in this section:

23 (a) "Potential need for child-care services" means children under the age of six  
24 (6) with all available parents in the labor force according to the American  
25 Community Survey;

26 (b) "Real capacity" means the number of children that a child-care service is  
27 actively enrolling in its program at the time in which the analysis of real

1           capacity is being conducted; and  
2           (c) "Supply of licensed and certified child-care services" means the total  
3           number of children under the age of six (6) that child-care services within a  
4           geographic area are actively enrolling at the time in which the analysis is  
5           being conducted. If this information is not available, the total licensed  
6           capacity for licensed and certified services may be used, provided that  
7           capacity is restricted to services for children under the age of six (6). The  
8           report shall also include an accounting of services provided by the United  
9           States Department of Defense, the Office of Head Start, and state-funded  
10           public preschool programs.

11           (11) The report shall utilize a distance-based methodology to account for cross-state  
12           and cross-county interactions between children and licensed and certified child-  
13           care providers. The report shall be made publicly available.

14           ➔SECTION 7. A NEW SECTION OF KRS CHAPTER 199 IS CREATED TO  
15 READ AS FOLLOWS:

16           (1) The Cabinet for Health and Family Services shall establish a voluntary  
17           designation process through which any licensed or certified child-care provider  
18           may identify as a faith-based program.

19           (2) The faith-based designation shall be displayed in all public-facing child-care  
20           databases maintained or overseen by the Commonwealth. The cabinet shall work  
21           to ensure that nonprofits, organizations, and local communities in Kentucky that  
22           maintain public-facing child-care databases are aware of this designation  
23           process.

24           (3) Participation in the designation process shall be optional and open to all licensed  
25           and certified child-care providers.

26           (4) The presence or absence of a faith-based designation shall not be used by the  
27           cabinet or any other state agency to confer preferential treatment, impose

1 limitations, or otherwise discriminate for or against any child-care provider.

2 ➔SECTION 8. A NEW SECTION OF KRS CHAPTER 199 IS CREATED TO  
3 READ AS FOLLOWS:

4 (1) By October 1, 2026, and annually thereafter, the Office of State Budget Director  
5 shall produce a comprehensive report outlining all state and federal spending on  
6 child care and early childhood education services in the prior state fiscal year,  
7 including but not limited to licensed and certified child-care providers and  
8 preschool services. The report shall include:

9 (a) All federal dollars that were received, appropriated, and allocated and shall  
10 clarify what federal programs provided funding, how much funding was  
11 provided, and what Kentucky programs these funds supported;

12 (b) All state dollars, including but not limited to general fund and tobacco  
13 settlement dollars, that were appropriated and allocated to child care and  
14 early childhood education programs in Kentucky;

15 (c) An explanation of instances where federal dollars were braided or  
16 combined with other federal funding streams to support programs,  
17 including instances where federal dollars for child care were rolled into  
18 other programs or where federal dollars not intended for child care were  
19 rolled into child-care programs;

20 (d) An explanation of any budget allotment modifications concerning child-  
21 care services or early childhood education services; and

22 (e) An inventory of all state programs receiving state or federal funding, or a  
23 combination thereof, and list their total funding amounts along with a  
24 breakdown of the specific funding sources for each program.

25 (2) To produce the annual report, the Office of State Budget Director shall:

26 (a) Consult with the Cabinet for Health and Family Services, the Education  
27 and Labor Cabinet, the Department of Education, the Governor's Office of

1                   Early Childhood, and the Department of Revenue; and  
2                   (b) Work collaboratively with the Interim Joint Committees on Families and  
3                   Children and Appropriations and Revenue.

4                   (3) The Office of State Budget Director shall submit the report to the Legislative  
5                   Research Commission for referral to the Interim Joint Committees on Families  
6                   and Children and Appropriations and Revenue. The report shall be made  
7                   available to the public.

8                   ➔SECTION 9. A NEW SECTION OF KRS CHAPTER 199 IS CREATED TO  
9 READ AS FOLLOWS:

10                   (1) The Cabinet for Health and Family Services shall submit an approval request to  
11                   the federal Administration for Children and Families to utilize a cost estimation  
12                   model to inform payment rates beginning with the federal fiscal year 2028-2030  
13                   Child Care and Development Fund state plan. The cost-estimation model shall  
14                   incorporate program factors including but not limited to provider type; hours and  
15                   seasons of operation; child age range served; geography; level of quality; staff  
16                   salaries and benefits; facilities, including utilities, maintenance, and insurance;  
17                   training and professional development; curricula; and supplies.

18                   (2) In developing the approval request, the cabinet shall consult regularly with the  
19                   Kentucky Child Care Advisory Council, and the council shall have an  
20                   opportunity to review the request before the cabinet submits it.

21                   (3) It is the intent of the General Assembly to ensure that the state's methodology for  
22                   setting rates for reimbursement to licensed and certified child-care providers  
23                   serving children under the Child Care and Development Fund program accounts  
24                   for the costs incurred by providers to serve these children in addition to estimated  
25                   market rates.

26                   (4) (a) As used in this section, "Child Care Assistance Program" means  
27                   Kentucky's child-care subsidy program providing families who meet



eligibility requirements established by the cabinet, with the financial resources to find and afford quality child care in accordance with the Child Care and Development Fund as defined in 45 C.F.R. sec. 98.2.

(b) To the extent funds are available and to the extent allowable under federal law, the cabinet shall exclude all earned and unearned income from the eligibility determination for the Child Care Assistance Program if an applicant:

1. Meets all nonincome-related requirements for program eligibility as determined by the cabinet; and

2. a. Has verified employment in a regulated licensed type I or licensed type II child-care program, a child-care microcenter program, or a certified family child-care home; or

b. Is the owner or operator of a certified family child-care home or licensed type II child-care program.

➔Section 10. KRS 199.882 is amended to read as follows:

As used in KRS 199.881 to 199.888:

(1) "Cabinet" means the Cabinet for Health and Family Services;

(2) "Child-care provider" means a child-care provider that is rated pursuant to the quality-based graduated early care and education program rating system set forth in KRS 199.8943;

(3) "Contribution" means a direct payment to a child-care provider made either directly by an employer or through a third party on behalf of the employer~~[vendor]~~ to subsidize an employee's eligible child-care costs;

(4) "Eligible child-care costs" means costs to be incurred by an individual for services rendered by an eligible child-care provider;

(5) "Employee" means an individual who works in Kentucky and is employed by an employer;

- 1 (6) "Employer" means a nonprofit or for-profit entity with at least one (1) employee  
2 who works in Kentucky in each of twenty (20) or more calendar weeks in the  
3 current or preceding calendar year;
- 4 (7) "Fund" means the fund administered by the cabinet as described in KRS 199.885;
- 5 (8) "Program" means the Employee Child Care Assistance Partnership;
- 6 (9) "Small business" means a business with fewer than fifty (50) employees who are  
7 individually contracted to work more than thirty-five (35) hours per week;
- 8 (10) "State match" means the money paid directly to the child-care provider by the  
9 cabinet or a third-party administrator from the fund described in KRS 199.885;{  
10 ~~and~~}
- 11 (11) "State median household income" means the most recent estimate available of real  
12 median household income for the state, as determined by the United States Census  
13 Bureau, and adjusted for family size; and
- 14 (12) "Third-party administrator" means a private entity contracted by the cabinet to  
15 administer the program.
- 16 ➔Section 11. KRS 199.883 is amended to read as follows:
- 17 (1) The Employee Child Care Assistance Partnership Program is hereby established  
18 under the cabinet. To administer the program, the cabinet may:
- 19 (a) Delegate authority to a subsidiary department; and
- 20 (b) Coordinate and share information with other executive branch agencies{; ~~and~~
- 21 ~~(c) Enter into contracts with third parties to administer the program or specific~~  
22 ~~parts of the program}.~~
- 23 (2) The cabinet shall oversee and regulate the program, and a private entity  
24 contracted by the cabinet shall administer the program.
- 25 (3) (a) By December 1, 2026, the cabinet shall enter into a contract with a private  
26 entity to administer the program as the third-party administrator. The  
27 cabinet may utilize administrative funding from the fund, in accordance

1 with Section 12 of this Act, to carry out this contract.

2 (b) To provide incentives for a third-party administrator to enroll more  
3 employers and employees in the program, the cabinet shall enter into an  
4 agreement in which a third-party administrator is allowed to retain a  
5 percentage of the employer contribution or state match, or some  
6 combination thereof, for each administered contract, as determined by the  
7 cabinet. The cabinet may offer additional incentives tied to specific  
8 performance metrics.

9 (c) The cabinet shall routinely audit any third-party administrator responsible  
10 for administering the program to ensure compliance with state laws and  
11 administrative regulations.

12 (d) The cabinet shall establish a transition plan for employers already  
13 participating in the program at the time of selecting a third-party  
14 administrator to ensure a smooth transition for providers, employers, and  
15 employees.

16 (4) The cabinet shall partner with a nonprofit entity serving communities in each of  
17 the fifteen (15) area development districts established in KRS 147A.050 to  
18 promote and raise awareness of the program. This work shall be conducted in  
19 coordination with the third-party administrator. Partnerships shall be voluntary  
20 and optional for designated nonprofits. The cabinet may use administrative funds  
21 in accordance with Section 12 of this Act, or other funds, for the purposes of this  
22 subsection.

23 (5) In accordance with a contract entered into with the cabinet under this section, the  
24 third-party administrator shall be responsible for:

25 (a) Creating and making available via a digital dashboard an accessible and  
26 easy-to-use~~[a]~~ standardized application and contract for participation in the  
27 program;

- 1 (b) Using technology and digital tools to process applications and  
2 contracts~~[Processing the contract]~~ between an employer, employee, and child-  
3 care provider that is submitted to the third-party administrator~~[cabinet]~~;
- 4 (c) Notifying the parties of their enrollment status in the program;
- 5 (d) Managing and administering the program funds under the cabinet's  
6 supervision and direction;
- 7 (e) Securing third-party subcontractors~~[vendors]~~ in accordance with all  
8 applicable federal and state procurement regulations, if deemed necessary;
- 9 (f) Verifying the eligibility of the respective employee, employer, and child-care  
10 provider as parties to a contract for participation in the program prior to  
11 disbursement of a state match;
- 12 (g) Collecting and verifying household income information from eligible  
13 employees and determining the amount of the state match for which the  
14 employee is eligible;~~[and]~~
- 15 (h) Distributing educational materials about the program's objectives, benefits,  
16 and eligibility requirements to employers, employees, and child-care  
17 providers;
- 18 (i) Ensuring that application and reapplication processes under this program  
19 for employers and employees are simple and efficient;
- 20 (j) Ensuring that compliance with and utilization of the program is simple and  
21 efficient for all parties;
- 22 (k) Ensuring that application and reapplication processes and contracts for this  
23 program are accessible and available in multiple formats, including but not  
24 limited to digital and paper formats, and that applications and contracts are  
25 allowed to be submitted by various means, including but not limited to  
26 digital platforms, first-class mail, and email;
- 27 (l) Responding to inquiries and requests for assistance from all parties in a

- 1 timely and efficient manner;
- 2 (m) Providing routine updates to all parties on the status of contracts and
- 3 payments;
- 4 (n) Issuing state matches from the fund to child-care providers in a timely
- 5 manner and in accordance with individual contracts;
- 6 (o) Receiving contributions from employers and dispersing them to child-care
- 7 providers in a timely manner and in accordance with individual contracts;
- 8 (p) Creating an efficient preapproval process for employers, employees, and
- 9 child-care providers interested in participation in the program; and
- 10 (q) Creating a streamlined reapplication process for existing contracts which
- 11 parties are requesting to renew.

12 ~~(6)~~~~(3)~~ The third-party administrator~~[cabinet]~~ shall review the completed contract

13 after it is submitted by the employer and within ten (10) business days, notify the

14 parties of approval, disapproval, or request additional information. If~~[, if]~~ the

15 employee, employer, and the proposed child-care provider meet program eligibility

16 requirements, the third-party administrator shall agree to match, from the fund,

17 the contribution made by the employer up to one hundred percent (100%) of the

18 cost of the employee's eligible child-care costs~~[service from the fund]~~. Any denial

19 of a contract shall include an explanation of the exact reasoning for why the

20 contract was denied.

21 ~~(7)~~~~(4)~~ The third-party administrator~~[cabinet]~~ shall only become party to a proposed

22 contract under this program if the fund reflects a positive balance based on both:

- 23 (a) ~~[The cabinet's ]~~Existing contractual obligations already accrued under this
- 24 program; and
- 25 (b) ~~[The cabinet's ]~~Additional financial obligation imposed by the proposed
- 26 contract under this program.

27 ~~(8)~~~~(5)~~ The third-party administrator~~[The cabinet]~~ shall not agree to become party to

1 a proposed contract pursuant to this program if the corresponding financial  
2 obligation would cause the fund to accrue a negative balance.

3 ~~(9)~~~~(6)~~ **The third-party administrator**~~[The cabinet]~~ shall maintain a waitlist of  
4 contracts submitted after available funds were committed. The **third-party**  
5 **administrator**~~[cabinet]~~ shall become party to a proposed contract from the waitlist  
6 as new funds become available and according to the order in which it was received.

7 ~~(10)~~~~(7)~~ **The third-party administrator**~~[The cabinet]~~ shall issue a state match directly  
8 to the child-care provider~~[or through a third-party vendor]~~ for the duration of the  
9 contract.

10 ~~(11)~~~~(8)~~ **The third-party administrator**~~[The cabinet]~~ shall not disclose an employee's  
11 personal information without that individual's express written consent.}

12 ~~(9) In the first fiscal year of the program, the cabinet shall administer the program~~  
13 ~~according to the following:~~

14 ~~(a) The cabinet shall begin administering the program after April 8, 2022,~~  
15 ~~including but not limited to:~~

16 ~~1. Promulgating the required administrative regulations as described in~~  
17 ~~KRS 199.884; and~~

18 ~~2. Soliciting third party vendor contracts, if deemed necessary;~~

19 ~~(b) The cabinet shall not begin accepting proposed contracts from employers~~  
20 ~~pursuant to this program prior to ninety (90) calendar days before July 1,~~  
21 ~~2023; and~~

22 ~~(c) The cabinet shall not disburse state matches from the fund as a party to a~~  
23 ~~contract with an employer, employee, and child care provider pursuant to this~~  
24 ~~program prior to July 1, 2023.}~~

25 ~~(12)~~~~(10)~~ Beginning in **2026**~~[2024]~~ and every year thereafter, the **third-party**  
26 **administrator**~~[cabinet]~~ shall begin accepting proposed contracts **under this**  
27 **program** from employers, employees, and child-care providers for the next fiscal

1 year according to the following:

2 (a) Ninety (90) calendar days before July 1 for employers with existing approved  
3 contracts pursuant to the program; and

4 (b) Forty-five (45) calendar days before July 1 for all other employers.

5 ~~(13)[(11)] [Beginning December 15, 2023, and every year thereafter, ]~~The cabinet shall  
6 publish reports detailing the efficacy of the program by July 15 and  
7 January~~December~~ 15 of each year and shall submit the report to the Legislative  
8 Research Commission for referral to the Interim Joint Committee on Families  
9 and Children. The report shall include at least the following information about the  
10 program:

11 (a) Any appropriation made in the past fiscal year to the fund;

12 (b) The total number of standardized contracts submitted by employers;

13 (c) The total amount of state matches paid out of the fund by the cabinet;

14 (d) The breakdown of the state matches paid by county;

15 (e) Information on the size, geographical location, and industry type of employers  
16 who participated in the program;

17 (f) The number, license type, quality rating, and geographical distribution of  
18 participating child-care providers;

19 (g) The average cost for services charged by child-care providers participating in  
20 the program and information on how these costs have increased or decreased  
21 during the most recent reporting period and previous reporting periods;

22 (h) The number and total dollar value of contracts not approved by the cabinet;~~;~~  
23 ~~and~~

24 (i) The demographic information of employees participating in the program~~[-];~~

25 (j) The number of employers participating in the program; and

26 (k) Recommendations for improving the program and how to give employers  
27 more options to utilize the program in order to support access to affordable

1                   *child care services in the Commonwealth*~~]~~

2   ~~(12) Prior to one hundred twenty (120) calendar days before July 1, 2023, the cabinet~~  
3       ~~shall publish a report detailing implementation plans for the program and submit the~~  
4       ~~report to the Legislative Research Commission].~~

5       ➔Section 12. KRS 199.885 is amended to read as follows:

6   (1) There is hereby established in the State Treasury a revolving account to be known  
7       as the Employee Child Care Assistance Partnership fund. The fund shall consist of  
8       moneys appropriated by the General Assembly, contributions, gifts, or grants made  
9       available for the purposes of the program.

10   (2) The fund shall be administered by the cabinet or its designated department.

11   (3) Notwithstanding KRS 45.229, any moneys remaining in the fund at the close of the  
12       fiscal year shall not lapse but shall be carried forward to the next fiscal year.

13   (4) Any interest earnings of the fund shall become a part of the fund and shall not  
14       lapse.

15   (5) Moneys deposited in the fund are hereby appropriated for the purposes set forth in  
16       KRS 199.881 to 199.888 and shall not be appropriated or transferred by the General  
17       Assembly for any other purpose.

18   (6) *A third-party administrator*~~[The cabinet]~~ shall issue state matches out of the fund  
19       to child-care providers in accordance with the provisions of the respective contracts  
20       and in the order that the cabinet processed the contracts.

21   (7) (a) The state match shall not exceed one hundred percent (100%) of the  
22       contribution made by the employer for contracts in which the employee's  
23       household income is equal to or less than one hundred percent (100%) of the  
24       state median household income.

25       (b) The state match shall decrease by ten percent (10%) for each twenty percent  
26       (20%) increase in household income over one hundred percent (100%) of the  
27       state median household income up to one hundred eighty percent (180%) of



1 the state median household income.

2 (c) The state match shall equal fifty percent (50%) for contracts in which the  
3 employee's household income exceeds one hundred eighty percent (180%) of  
4 the state median household income.

5 (8) In each fiscal year, twenty-five percent (25%) of the total fund shall be distributed  
6 to agreements in which an employer is a small business.

7 (9) In fiscal year 2022-2023, five percent (5%) of the total fund shall be distributed to  
8 the cabinet to administer the program. Beginning in fiscal year 2026-2027 and in  
9 every fiscal year thereafter, up to ten percent (10%)~~[three percent (3%)]~~ of the total  
10 fund shall be distributed to the cabinet for administrative purposes related to the  
11 program~~[to administer the program]~~.

12 (10) A state match issued pursuant to this program and administered by a third-party  
13 administrator~~[the cabinet]~~ is for the promotion of the general welfare and shall not  
14 be considered compensation for an employee's service.

15 ➔Section 13. KRS 199.886 is amended to read as follows:

16 (1) If an employer wishes to provide child-care assistance to an employee as a benefit  
17 of employment and participate in this program, the employer may enter into an  
18 agreement with its employee and a child-care provider using the standardized  
19 contract provided by a third-party administrator~~[the cabinet]~~.

20 (2) To participate in the program, an employer shall do the following:

21 (a) Access~~[Obtain]~~ the standardized contract created by the cabinet and enter into  
22 it with the employee and child-care provider;

23 (b) Submit the proposed contract to the third-party administrator; and~~[cabinet;]~~

24 (c) Submit any additional information as deemed necessary by the third-party  
25 administrator~~[cabinet]~~ pursuant to KRS 199.884~~[-; and]~~

26 ~~(d) Make contributions to the employee's eligible child care costs directly to the~~  
27 ~~child care provider or through a third party vendor in accordance with the~~

1                   ~~amount and frequency agreed to in the final contract~~].

2       (3)   (a)   *The employer shall submit its contributions for each contract under this*  
3                   *program to the third-party administrator, either in lump-sum payments or in*  
4                   *accordance with the amount and frequency agreed to in the final contract.*  
5                   *The third-party administrator shall distribute the contributions from the*  
6                   *employer to the child-care provider along with the state match in a timely*  
7                   *manner and in accordance with the contract. In the event that a contract is*  
8                   *terminated early, for any reason, the third-party administrator shall remit*  
9                   *any remaining funds contributed by the employer for the particular contract*  
10                  *back to the employer.*

11               (b)   *If requested by the employer and approved by the third-party administrator*  
12                   *and the child-care provider, employers shall have the ability to make*  
13                   *contributions directly to child-care providers.*

14               (c)   *All payments to child-care providers shall be made in a timely manner in*  
15                   *accordance with each contract's individual stipulations.*

16       (4)   To participate in the program, an employee shall complete the standardized contract  
17               with the employer and the child-care provider and provide any additional  
18               information as deemed necessary by the cabinet pursuant to KRS 199.884.

19       (5) [(4)]   In the event that the agreement includes costs of service not covered by the  
20               employer's contribution and the state match, the employee shall make payments to  
21               the child-care provider according to the amount and frequency determined by the  
22               final contract. If another member of the employee's household or family becomes a  
23               party to an agreement in accordance with KRS 199.881 to 199.888, the employer  
24               contribution and state match of that agreement may be utilized to pay for costs of  
25               service not covered by the employer contribution and state match of the preceding  
26               agreement, provided that it does not result in overpayment to the provider.

27       ➔Section 14. KRS 199.887 is amended to read as follows:

- 1 (1) Termination of an active contract between an employer, employee, child-care  
2 provider, and a third-party administrator~~[the cabinet]~~ pursuant to this program  
3 shall occur in the following circumstances:
- 4 (a) If the relationship between the employee and employer is severed, the  
5 employer shall notify the child-care provider and the third-party  
6 administrator~~[cabinet]~~ within three (3) business days of the separation, and  
7 the contract is terminated on the calendar date provided by the employer in  
8 the notification. If the employer fails to make this notification and the third-  
9 party administrator~~[cabinet]~~ issues a state match to the provider on behalf of  
10 that employer's employee, then the employer shall reimburse the  
11 fund~~[cabinet]~~ for the unnecessary state match;
- 12 (b) If the employer fails to make a contribution or contributions for the eligible  
13 child-care costs in accordance to the terms of the contract, the child-care  
14 provider shall notify the third-party administrator~~[cabinet]~~ within five (5)  
15 business days. After receiving notification from the provider, the third-party  
16 administrator~~[cabinet]~~ shall temporarily cease providing a state match and  
17 shall notify the employer that the contract will be terminated unless the  
18 employer remedies the nonpayment within five (5) business days of receiving  
19 notification from the third-party administrator~~[cabinet]~~. If the provider fails  
20 to make this notification and receives a state match from the third-party  
21 administrator~~[cabinet]~~ on behalf of that employer's employee, the provider  
22 shall reimburse the fund~~[cabinet]~~ for the unnecessary state match; or
- 23 (c) If the relationship between the employee and the child care provider is  
24 severed and the employee ceases to utilize the child care provider's services,  
25 the employee shall notify the employer within three (3) business days, and the  
26 employer shall notify the third-party administrator~~[cabinet]~~ and terminate the  
27 contract.

- 1 (2) Termination of an active contract between an employer, employee, child-care  
2 provider, and the third-party administrator~~[cabinet]~~ pursuant to this program may  
3 occur in the following circumstances:
- 4 (a) If the employee fails to pay the child-care provider for costs not covered by  
5 the employer contribution and the state match in accordance to the terms of  
6 the contract, the child-care provider may give the employee reasonable time to  
7 remedy the nonpayment. The child-care provider may notify the third-party  
8 administrator~~[cabinet]~~ and terminate the contract on the date that the  
9 notification was issued. If the child-care provider voluntarily excuses the  
10 employee's nonpayment or the child-care provider does not notify the third-  
11 party administrator~~[cabinet]~~ within two (2) calendar months from the date of  
12 the employee's nonpayment and continues to provide services, then the  
13 contract made between all the parties will automatically reflect the reduction  
14 in value;
- 15 (b) If the child-care provider ceases participation or otherwise loses its rating in  
16 the rating system described in KRS 199.8943, it shall notify all parties to the  
17 agreement immediately; and
- 18 (c) The employer, employee, or child-care provider may terminate the contract at  
19 any time and for any reason. The terminating party shall notify all the parties  
20 to the contract and specify the desired termination date, which shall occur no  
21 sooner than two (2) weeks from the date of notification unless the child-care  
22 provider gives its consent to an earlier termination date. All parties to the  
23 contract shall be financially obligated, according to the provisions of the  
24 contract, up to the termination date.
- 25 (3) Any child-care provider who receives an employer contribution as part of this  
26 program or a state match for services not rendered and which will not be rendered  
27 after the relationship between the employee and child care provider is severed or

1       after the termination of an active contract in accordance with this section shall  
2       return those employer contributions and match funds to the respective parties within  
3       five (5) days of receipt of the funds.