

STATEMENT OF NEED AND REASONABLENESS governing certification fees for determining eligibility for the federal Targeted Jobs Tax Credit program

Laws of Minnesota for 1984, chapter 432, section 20, authorizes the Division of Vocational Rehabilitation (DVR) of the Minnesota Department of Economic Security to establish a program to determine eligibility and certify an employee for the federal Targeted Jobs Tax Credit (TJTC) program. Under the federal TJTC program, an employer who hires a certified employee receives a federal wage tax credit for the first two years of employment. One of the purposes of the federal TJTC program is to encourage employers to hire handicapped persons. Integral to a DVR certification program is the fee which must be charged for providing eligibility and certification services.

The proposed fees will be charged to Qualified Rehabilitation Consultants (QRCs) and approved vendors. QRCs are licensed individuals who: 1) determine if an employee would benefit from rehabilitation services, 2) provide rehabilitation services to employees, and 3) place employees with new employers. Approved vendors are licensed entities which place employees with new employers. Both QRCs and approved vendors are used by insurance companies and employers.

The fees will reimburse DVR for the costs of the certification program. Upon request by the QRCs or approved vendors, DVR will determine if an employee is eligible for the federal TJTC program. If so, DVR will certify the employee's eligibility.

DVR cannot absorb the costs of a certification program because to do so would deprive other DVR clients of needed services. The Minnesota Legislature recognized this fact when they authorized DVR to charge a fee for the certification services in Laws of Minnesota for 1984, chapter 432, section 20, subdivision 2. In addition, many injured employees who would benefit from the program are economically disadvantaged and cannot afford the certification fee. However, injured employees will not be adversely affected if the QRCs and approved vendors pay the costs of certification. It is therefore necessary to charge the certification fee to the QRCs and approved vendors.

The fee for determining eligibility and certifying an employee for the federal TJTC program is \$120.00. DVR estimates that providing these services will require two hours time. This estimate is based upon the average amount of time spent by DVR in determining whether an injured employee satisfies the eligibility requirements for similar programs administered by DVR. The Minnesota Department of Finance has approved DVR's request to charge \$120.00 for each TJTC certification. A copy of the approved request is attached.

The fee for reevaluating eligibility for certification is \$60.00. An application for certification that is disapproved for lack of information may be resubmitted to DVR with the additional information needed to make a determination of eligibility. DVR estimates that reevaluation will only take one hour because some of the information necessary to determine eligibility will have been evaluated during the initial application for certification. The Minnesota Department of Finance has approved DVR's request to charge \$60.00 for each reevaluation. A copy of the approved request is attached.

These fees are the minimum amount needed to cover DVR's operating costs. To charge less than \$60.00 per hour would result in a financial loss to DVR. The loss could only be absorbed by reducing the amount and quality of services currently offered to DVR's clients. This is an untenable alternative.

Approved vendors and the employers who use QRCs and approved vendors are small businesses as defined in Minnesota Statutes, section 14.115, subdivision 1. Whenever proposed rules may affect small businesses, an agency must consider methods for reducing the impact of the proposed rules on small businesses. Approved vendors and the employers who use QRCs and approved vendors will be affected by the proposed rules because they ultimately bear the costs of the certification program.

The Minnesota Department of Economic Security has considered each of the methods listed in Minnesota Statutes, section 14.115, subdivision 2. Under the proposed rules:

- a. there are no compliance or reporting requirements for small businesses;
- b. nor are there any schedules or deadlines for the requirements in a.;
- c. thus, consolidation or simplification of the requirements in a. does not apply to the proposed rules;
- d. there are no required design or operational standards to replace with performance standards for small businesses; and
- e. small businesses cannot be exempted from any or all requirements of the proposed rules because it would be unreasonable (as explained on page 1) to charge the certification fees to DVR or to the injured employee.

Thus, pursuant to Minnesota Statutes, section 14.115, subdivision 3, the Minnesota Department of Economic Security finds that it is not feasible to incorporate any of the methods listed above into the proposed rules.

Laws of Minnesota for 1984, chapter 628, article 2, section 1, (amending Minnesota Statutes, section 16A.128, subdivision 2a) states that no public hearing will be held if the total fees for the biennium do not exceed the sum of direct appropriations, indirect costs, transfers in, and salary supplements for the purpose for which the fees are charged. The certification and reevaluation fees cover only the operating costs of determining eligibility and certifying an employee for the federal TJTC program. Since DVR does not profit from the fees, no hearing will be held on the proposed rules.

DEPARTMENT DES/DVR

Office Memorandum

TO: Allan A. Yozamp
Budget Operations and Support
Department of Finance

DATE: July 26, 1984

FROM: Edwin O. Opheim, Assistant Commissioner
Department of Vocational Rehabilitation

PHONE: 297-2962

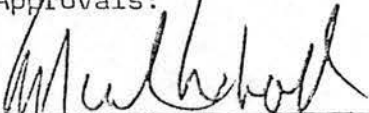
SUBJECT: Fee for Targeted Jobs Tax Credit Certification.

The 1984 Legislature directed the Division of Vocational Rehabilitation to establish a program to certify injured workers referred by private qualified rehabilitation consultants or vendors for the federal Targeted Jobs Tax Credit program. It also directed the Division to establish a fee for this service.


DVR anticipates charging a flat rate of \$120.00 for determining the eligibility of a referral and making the proper certification to the U.S. Department of Revenue. It is also anticipated that there will be a limited number (under 5%) of applications for reconsideration of previous determinations. DVR anticipates charging one half the cost of a new determination, i.e., a flat rate of \$60.00, for each reconsideration.

A copy of the Fee Review and the requested fee rate calculation are attached.

Approvals:

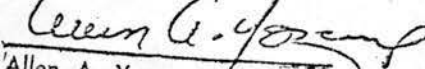


Michael W. Wold, Assistant Commissioner
Division of Program and Management Support
Department of Economic Security



Bruce J. Reddemann, Controller
Department of Finance

cc: M. Shortall
W. Niederloh
C. Ottmar
P. Moe
G. Belisle
J. Burns
S. Bertrand

Approved: 
Allen A. Yozamp, Director
Budget Operations & Support

Date 8/27/84

Department of Finance

Fee Review

Department/Agency: Economic Security Vocational Rehabilitation	Budget Activity: Basic Client Rehabilitation Services
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Fee Name: Certification of Federal Targeted Jobs Tax Credit Application

Legal Citation: M.S. 176.1041	Fee Set By: <input type="checkbox"/> Law <input checked="" type="checkbox"/> Agency
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Purpose of Fee: To accept referrals of injured workers from qualified rehabilitation consultants and approved vendors under state workmans compensation statutes for the purpose of certifying their eligibility for Federal Targeted Jobs Tax Credit.

<input checked="" type="checkbox"/> Dedicated * <input type="checkbox"/> Non-Dedicated	Revenue Code: 210 *Refund of Federal expenditures
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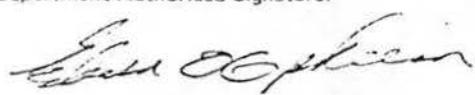
APID: 18060-00-30	Accumulated Difference Thru 1982 N/A	Dollars in Thousands (137,522 = 137.5)
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Fiscal Year	Actual F.Y. 83	Actual F.Y. 84	Estimated F.Y. 85	Requested F.Y. 86	Requested F.Y. 87
Actual/Anticipated Receipts	N/A	N/A	48.0	60.4	66.5
Less Actual/Anticipated Costs			47.9	60.0	66.0
Current Difference			.1	.4	.5
Accumulated Difference			.1	.5	1.0
Number Paying Fee			400	465	475
Present Fee			120/ea	130/ea	140/ea
Date Fee Last Changed			N/A	N/A	N/A

Remarks: The 1984 Minnesota State Legislature directed the Division of Vocational Rehabilitation to: "establish a program authorizing qualified rehabilitation consultants and approved vendors to refer an employee to the division for the sole purpose of federal targeted jobs tax credit eligibility determination. . . The division is authorized to collect a fee from the qualified rehabilitation consultant or approved vendor in the amount necessary to determine eligibility and to certify the employee for this program".

The required rulemaking process to establish this fee has been initiated.

Finance Department Recommendation:

Department Authorized Signature: 	Agency Controller Signature:
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TARGETED JOBS TAX CREDIT CERTIFICATION OFFICE
DETERMINATION OF REQUESTED FEE
August 15, 1984 - June 30, 1985

SALARIES

Counselor		\$19,823
Clerical		6,616
Supervision		<u>4,669</u>
Total Salaries		\$31,108
Fringe		<u>6,318</u>
Total Salaries and Fringe		<u>\$37,426</u>

OTHER EXPENSES

Space	\$1,115	
Telephone	315	
Travel	1,050	
Supplies and materials	87	
Furniture and fixtures	1,050	
Office copier	105	3,722
Indirect Costs		<u>5,737</u>
Total Costs		\$47,885
Estimated number of referrals		400
Cost per referral		<u>\$ 119.71</u>
Requested fee rate per referral		<u><u>\$ 120.00</u></u>