Form: TH-02 August 2022



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Proposed Regulation Agency Background Document

Agency name	Board for Waterworks and Wastewater Works Operators and Onsite Sewage System Professionals
Virginia Administrative Code (VAC) Chapter citation(s)	18 VAC160-40
VAC Chapter title(s)	Onsite Sewage System Professionals Licensing Regulations
Action title	2021 Fee Adjustment
Date this document prepared	September 8, 2022

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Order 19 (2022) (EO 19), any instructions or procedures issued by the Office of Regulatory Management (ORM) or the Department of Planning and Budget (DPB) pursuant to EO 19, the Regulations for Filing and Publishing Agency Regulations (1 VAC 7-10), and the *Form and Style Requirements* for the Virginia Register of Regulations and Virginia Administrative Code.

Brief Summary

Provide a brief summary (preferably no more than 2 or 3 paragraphs) of this regulatory change (i.e., new regulation, amendments to an existing regulation, or repeal of an existing regulation). Alert the reader to all substantive matters. If applicable, generally describe the existing regulation.

The Board for Waterworks and Wastewater Works Operators and Onsite Sewage System Professionals ("the Board") proposes amending the Onsite Sewage System Professionals Licensing Regulations to adjust license application, renewal, and reinstatement fees for (i) onsite sewage system operators; (ii) onsite sewage system installers; and (iii) onsite soil evaluators.

The Department of Professional and Occupational Regulation ("the Department") is funded almost entirely from revenue collected for license applications, renewal, examination fees, and other licensing fees. The Board must establish fees adequate to support the costs of the Board's operations and a proportionate share of the Department's operations. By the close of the next biennium (2022-2024), fees will not provide adequate revenue for those costs. The Department receives no general fund money.

The Department is self-supporting and must collect adequate revenue to support its mandated and approved activities and operations. Fees must be established at amounts that will provide that revenue. Fee revenue collected on behalf of the various boards funds the Department's authorized special revenue appropriation.

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The Board has no other source of revenue from which to fund its operations.

Acronyms and Definitions

Define all acronyms used in this form, and any technical terms that are not also defined in the "Definitions" section of the regulation.

No acronyms or technical definitions are used in this form.

Mandate and Impetus

Identify the mandate for this regulatory change and any other impetus that specifically prompted its initiation (e.g., new or modified mandate, petition for rulemaking, periodic review, or board decision). For purposes of executive branch review, "mandate" has the same meaning as defined in the ORM procedures, "a directive from the General Assembly, the federal government, or a court that requires that a regulation be promulgated, amended, or repealed in whole or part."

This regulatory change was prompted by a Department review of the Board's current financial position, and projected revenues and expenses for the 2022-2024 biennium. The Department's Financial Services Director reports that at current fee levels, the Board's expenditures are projected to exceed revenues by approximately 19% by the close of the 2022-2024 biennium.

Section 54.1-113 of the Code of Virginia ("the Callahan Act") states, in part:

Following the close of any biennium, when the account for any regulatory board within the Department of Professional and Occupational Regulation maintained under § 54.1-308 shows that unspent and unencumbered revenue exceeds \$100,000 or 20 percent of the total expenses allocated to the regulatory board for the past biennium, whichever is greater, the regulatory board shall (i) distribute all such excess revenue to current regulants and (ii) reduce the fees levied by it for certification, licensure, registration, or permit and renewal thereof so that the fees are sufficient but not excessive to cover expenses.

Section 54.1-201 of the Code of Virginia states, in part:

- A. The powers and duties of regulatory boards shall be as follows:
- 4. To levy and collect fees for certification or licensure and renewal that are sufficient to cover all expenses for the administration and operation of the regulatory board and a proportionate share of the expenses of the Department of Professional and Occupational Regulation and the Board for Professional and Occupational Regulation.

Section 54.1-304 of the Code of Virginia states, in part:

Each of the regulatory boards within the Department shall be a separate board. All of the administrative functions of the regulatory boards shall be under the direction and supervision of the Director.

In the performance and discharge of his duties with respect to the regulatory boards, the Director shall:

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3. Collect and account for all fees prescribed to be paid into each board and account for and deposit the moneys so collected into a special fund from which the expenses of the Board, regulatory boards and Department shall be paid;

Section 54.1-308 of the Code of Virginia states:

The compensation of the Director and the employees within the Department, including the compensation of the members of each board, shall be paid out of the total funds collected and charged to the accounts of the respective boards. The Director shall maintain a separate account for each board showing the moneys collected on its behalf and the expenses allocated to each board.

These statutes require the Department to:

- Pay expenses of each board and the Department from revenues collected;
- Establish fees adequate to provide sufficient revenue to pay expenses;
- Account for the revenues collected and expenses charged to each board; and
- Revise fees as necessary to ensure that revenue is sufficient, but not excessive, to cover all expenses.

To comply with these requirements, the Department:

- Accounts for all revenue collected for each board distinctly;
- Accounts for direct board expenses for each board, and allocates a proportionate share of agency operating expenses to each board;
- Reviews the actual and projected financial position of each board biennially to determine whether
 revenues are adequate, but not excessive, to cover reasonable and authorized expenses for
 upcoming operating cycles; and
- Recommends adjustment to fees to respond to changes and projections in revenue trends and
 operating expenses. If projected revenue collections are expected to be more than sufficient to
 cover expenses for upcoming operating cycles, decreases in fees are recommended. If projected
 revenue collections are expected to be inadequate to cover operating expenses for upcoming
 operating cycles, increases in fees are recommended.

In accordance with these statutes, fee adjustments are mandatory. The Board exercises discretion on how the fees are adjusted by determining the amount of adjustment for each type of fee. The Board makes its determination based on the adequacy of the fees to provide sufficient revenue for upcoming operating cycles.

The regulatory change is expected to ensure revenue to the Board's account will be approximately equal to expenditures allocated to the Board, while keeping the cash balance of the account relatively stable to ensure compliance with the Callahan Act.

Legal Basis

Identify (1) the promulgating agency, and (2) the state and/or federal legal authority for the regulatory change, including the most relevant citations to the Code of Virginia and Acts of Assembly chapter number(s), if applicable. Your citation must include a specific provision, if any, authorizing the promulgating agency to regulate this specific subject or program, as well as a reference to the agency's overall regulatory authority.

The agency is the Board for Waterworks and Wastewater Works Operators and Onsite Sewage System Professionals. Chapter 23 of Title 54.1 of the Code of Virginia enumerates the legal authority for the Board to administer the licensure program for onsite sewage system professionals. Section 54.1-2301 of the Code of Virginia states, in part:

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- C. The Board shall establish a program for licensing individuals as onsite soil evaluators, onsite sewage system installers, and onsite sewage system operators.
- D. The Board, in consultation with the Board of Health, shall adopt regulations for the licensure of (i) onsite soil evaluators; (ii) installers of alternative onsite sewage systems, as defined in § 32.1-163; and (iii) operators of alternative onsite sewage systems, as defined in § 32.1-163. Such regulations shall include requirements for (a) minimum education and training, including approved training courses; (b) relevant work experience; (c) demonstrated knowledge and skill; (d) application fees to cover the costs of the program, renewal fees, and schedules; (e) the division of onsite soil evaluators into classes, one of which shall be restricted to the design of conventional onsite sewage systems; and (f) other criteria the Board deems necessary.

Section 54.1-201 of the Code of Virginia states, in part:

- A. The powers and duties of regulatory boards shall be as follows:
- 4. To levy and collect fees for certification or licensure and renewal that are sufficient to cover all expenses for the administration and operation of the regulatory board and a proportionate share of the expenses of the Department of Professional and Occupational Regulation and the Board for Professional and Occupational Regulation.

Further, § 54.1-113 of the Code of Virginia states, in part:

A. Following the close of any biennium, when the account for any regulatory board within the Department of Professional and Occupational Regulation maintained under § 54.1-308 shows that unspent and unencumbered revenue exceeds \$100,000 or 20 percent of the total expenses allocated to the regulatory board for the past biennium, whichever is greater, the regulatory board shall (i) distribute all such excess revenue to current regulants and (ii) reduce the fees levied by it for certification, licensure, registration, or permit and renewal thereof so that the fees are sufficient but not excessive to cover expenses.

Purpose

Explain the need for the regulatory change, including a description of: (1) the rationale or justification, (2) the specific reasons the regulatory change is essential to protect the health, safety or welfare of citizens, and (3) the goals of the regulatory change and the problems it is intended to solve.

The General Assembly has charged the Board with the responsibility for regulating those who install or operate onsite sewage systems, and those who perform the duties of an onsite soil evaluator, by requiring that such individuals obtain a license in order to engage in these occupations.

Residences that do not have access to public water systems must rely on onsite septic systems to properly and safely dispose of wastewater they produce. Installation and operation of onsite septic systems by those who lack sufficient expertise poses a risk to the public health and welfare. Soil evaluators are responsible for testing soils to determine whether sites are appropriate for installation of a disposal system, designing such systems, and certifying that such systems comply with applicable state

regulations and local ordinances. Soil evaluators who lack sufficient expertise to perform these duties may pose a risk to the public health and welfare. In addition, the improper installation or operation of an onsite septic system can pose a substantial risk of financial harm to homeowners who will be responsible for assuming the costs to remediate damage and repair/replace defective systems. The licensure regulation for onsite sewage system professionals helps fulfill the mandate from the General Assembly by ensuring that those who receive a license from the Board meet minimum requirements for education and experience in order to engage in these occupations.

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The Department is funded almost entirely from revenue collected for license applications, renewal, examination fees, and other licensing fees. The Board must establish fees adequate to support the costs of the Board's operations and a proportionate share of the Department's operations. The Department is self-supporting and must collect adequate revenue to support its mandated and approved activities and operations. Fees must be established at amounts that will provide that revenue. Fee revenue collected on behalf of the various boards funds the Department's authorized special revenue appropriation. The Department receives no general fund money. The Board has no other source of revenue from which to fund its operations.

At current fee levels, it is projected the Board will not have sufficient revenue to meet its expenditures. The goal of the regulatory change is to ensure revenue to the Board's account will be approximately equal to expenditures allocated to the Board, while keeping the cash balance of the account relatively stable to ensure compliance with the Callahan Act.

Substance

Briefly identify and explain the new substantive provisions, the substantive changes to existing sections, or both. A more detailed discussion is provided in the "Detail of Changes" section below.

The Board reviewed the fees listed in 18VAC160-40-40, and based on projected revenues and expenses, developed a fee schedule that meets the requirements of the applicable statutes while being the least burdensome to the licensee population. The Board determined that lowering the initial application fee will reduce costs for entry into the profession, as applicants for initial licensure as master onsite sewage system professionals must typically also assume costs for taking the licensure examination.

The following is the proposed fee adjustments to be made in this regulatory action.

Fee Type	Current Fee	New Fee	Change
Initial application (for each profession, class, and category of license)	\$100	\$85	Decrease by \$15.
Renewal (for each profession, class, and category of license)	\$80	\$105	Increase by \$25.
Reinstatement (for each	\$105	\$140	Increase
profession, class, and category	(renewal fee + \$25	(renewal fee + \$35	reinstatement fee by
of license)	reinstatement fee)	reinstatement fee)	\$10.

Issues

Identify the issues associated with the regulatory change, including: 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions; 2) the primary advantages and disadvantages to the agency or the Commonwealth; and 3) other pertinent matters of interest to the regulated community, government officials, and the public.

If there are no disadvantages to the public or the Commonwealth, include a specific statement to that effect.

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The primary advantage of this regulatory change to the public is that the Board will be able to continue to administer these regulatory programs as mandated by the General Assembly without the need to reduce services, obtain a Treasury loan, or request general funds (see Alternatives to Regulation section below). The regulatory change will ensure the Board remains in compliance with the Callahan Act.

There are no identifiable disadvantages to the public or the Commonwealth.

Requirements More Restrictive than Federal

Identify and describe any requirement of the regulatory change which is more restrictive than applicable federal requirements. Include a specific citation for each applicable federal requirement, and a rationale for the need for the more restrictive requirements. If there are no applicable federal requirements, or no requirements that exceed applicable federal requirements, include a specific statement to that effect.

There are no applicable federal requirements.

Agencies, Localities, and Other Entities Particularly Affected

Consistent with § 2.2-4007.04 of the Code of Virginia, identify any other state agencies, localities, or other entities particularly affected by the regulatory change. Other entities could include local partners such as tribal governments, school boards, community services boards, and similar regional organizations. "Particularly affected" are those that are likely to bear any identified disproportionate material impact which would not be experienced by other agencies, localities, or entities. "Locality" can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulation or regulatory change are most likely to occur. If no agency, locality, or entity is particularly affected, include a specific statement to that effect.

No other state agencies, localities, or other entities are expected to be particularly affected by this regulatory action.

Economic Impact

Consistent with § 2.2-4007.04 of the Code of Virginia, identify all specific economic impacts (costs and/or benefits) anticipated to result from the regulatory change. When describing a particular economic impact, specify which new requirement or change in requirement creates the anticipated economic impact. Keep in mind that this is the proposed change versus the status quo.

The Onsite Sewage System Professionals Licensing Regulations are being amended to decrease the application fees and increase the renewal and reinstatement fees. This regulatory action will increase the revenue for the Board sufficiently to meet the Board's projected expenditures. There is no direct economic or fiscal impact to other state agencies or businesses.

All costs incurred in support of board activities and regulatory operations are paid by the Department of Professional and Occupational Regulation (DPOR) and funded through fees paid by applicants and regulants. All boards within DPOR must operate within the Code provisions of the Callahan Act (§ 54.1-113), and the general provisions of § 54.1-201. Each regulatory program's revenues must be adequate to

support both its direct costs and a proportional share of agency operating costs. DPOR allocates costs to its regulatory programs based on consistent, equitable, and cost-effective methodologies. The Board has no other source of income.

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Impact on State Agencies

For your agency: projected costs, savings, fees, or revenues resulting from the regulatory change, including: a) fund source / fund detail; b) delineation of one-time versus on-going expenditures; and c) whether any costs or revenue loss can be absorbed within existing resources.	The Board for Waterworks and Wastewater Works Operators and Onsite Sewage System Professionals is decreasing the application fees and increasing the renewal and reinstatement fees for the Onsite Sewage System Professionals. The approximately \$17,200 increase in annual revenue will be recorded in fund 09222. No increase in costs or other effects to expenditures are expected.
For other state agencies: projected costs, savings, fees, or revenues resulting from the regulatory change, including a delineation of one-time versus on-going expenditures.	Other state agencies are only affected when paying license fees for employees of the agency. The cost would be the amount of the fee paid for those individuals.
For all agencies: Benefits the regulatory change is designed to produce.	There is no benefit to other state agencies. The benefit to DPOR is that the Board will have sufficient revenue to cover the Board expenses.

Impact on Localities

If this analysis has been reported on the ORM Economic Impact form, indicate the tables (1a or 2) on which it was reported. Information provided on that form need not be repeated here.

Projected costs, savings, fees, or revenues resulting from the regulatory change.	Localities are only affected when paying license fees for employees of the locality. The cost would be the amount of the fee paid for those individuals.
Benefits the regulatory change is designed to produce.	There is no benefit to the localities from this regulation change.

Impact on Other Entities

If this analysis has been reported on the ORM Economic Impact form, indicate the tables (1a, 3, or 4) on which it was reported. Information provided on that form need not be repeated here.

Description of the individuals, businesses, or	All onsite sewage system installers, onsite
other entities likely to be affected by the regulatory change. If no other entities will be	sewage system operators, and onsite soil evaluators are affected by the fee change. Also,
	1
affected, include a specific statement to that	individuals seeking to become licensed as an
effect.	onsite sewage system installers, operators, or
	soil evaluators will be affected. Fees paid to
	apply are decreasing and fees paid to renew or
	maintain the license are increasing.

Agency's best estimate of the number of such entities that will be affected. Include an estimate of the number of small businesses affected. Small business means a business entity, including its affiliates, that: a) is independently owned and operated, and; b) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million.	As of July 1, 2022 there are 1,590 licensed onsite sewage system professionals. There are approximately 175 onsite sewage system professional applicants per year. All applicants and licensees are individuals and no small businesses are affected by this change.
All projected costs for affected individuals, businesses, or other entities resulting from the regulatory change. Be specific and include all costs including, but not limited to: a) projected reporting, recordkeeping, and other administrative costs required for compliance by small businesses; b) specify any costs related to the development of real estate for commercial or residential purposes that are a consequence of the regulatory change; c) fees; d) purchases of equipment or services; and e) time required to comply with the requirements.	The major categories for the fee changes are listed here. Applications fees are decreasing as follows: Onsite Sewage System Operators/Installers/Evaluators from \$100 to \$85 Renewal fees are increasing as follows: Onsite Sewage System Operators/Installers/Evaluators from \$80 to \$105 Reinstatement fees are increasing as follows: Onsite Sewage System Operators/Installers/Evaluators from \$105 to \$140 No other costs are expected for individuals or businesses.
Benefits the regulatory change is designed to produce.	There are no benefits to the licensed individuals affected by the regulation change. The regulatory change does allow the board to continue licensing the individuals and businesses and continue protecting the health, safety and welfare of citizens.

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Alternatives to Regulation

Describe any viable alternatives to the regulatory change that were considered, and the rationale used by the agency to select the least burdensome or intrusive alternative that meets the essential purpose of the regulatory change. Also, include discussion of less intrusive or less costly alternatives for small businesses, as defined in § 2.2-4007.1 of the Code of Virginia, of achieving the purpose of the regulatory change.

The following alternatives to the regulatory change were considered:

- Reduce services. Because the regulatory activities conducted by the Board are mandated by statute, this is not considered a viable alternative. In addition, reductions in services would result in delays in issuing licenses, creating barriers to applicants' and licensees' ability to work, and would decrease the Department's effectiveness in ensuring that licensees conduct their activities in a manner adequate to protect the public health, safety, and welfare.
- Obtain a Treasury loan to fund operations. The Department could request a loan from the general
 fund to cover the Board's deficit and supplement its ongoing operations. However, this would be a
 short-term solution only, and would only delay the need for fee increases. When eventually
 implemented, fee increases would need to be even greater to provide for loan repayment.

Supplement Board activities with general funds. The Department currently receives no general
fund revenue, and this would require a change in the Code of Virginia and the Appropriation Act.
The Department's Boards are intended to be self-funding pursuant to §§ 54.1-113, 54.1-201,
54.1-304(3), and 54.1-308 of the Code of Virginia. Use of general funds to support Board
operations does not appear to be an appropriate use of taxpayer dollars.

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Licenses for onsite sewage system professionals are issued to individuals, and do not fall within the meaning of the term "small business" as defined in § 2.2-4007.1.

If this analysis has been reported on the ORM Economic Impact form, indicate the tables on which it was reported. Information provided on that form need not be repeated here.

Regulatory Flexibility Analysis

Consistent with § 2.2-4007.1 B of the Code of Virginia, describe the agency's analysis of alternative regulatory methods, consistent with health, safety, environmental, and economic welfare, that will accomplish the objectives of applicable law while minimizing the adverse impact on small business. Alternative regulatory methods include, at a minimum: 1) establishing less stringent compliance or reporting requirements; 2) establishing less stringent schedules or deadlines for compliance or reporting requirements; 3) consolidation or simplification of compliance or reporting requirements; 4) establishing performance standards for small businesses to replace design or operational standards required in the proposed regulation; and 5) the exemption of small businesses from all or any part of the requirements contained in the regulatory change.

Licenses for onsite sewage system professionals are issued to individuals, and not to business entities. Many individuals who are licensed are likely to be owners or employees of owners or employees of business entities that meet the definition of "small business" in § 2.2-4007.1 of the Code of Virginia.

This action is limited to adjusting license application, renewal, and reinstatement fees. No other issues, including compliance or reporting requirements, or standards for conduct and practice are addressed.

If this analysis has been reported on the ORM Economic Impact form, indicate the tables on which it was reported. Information provided on that form need not be repeated here.

Periodic Review and Small Business Impact Review Report of Findings

If you are using this form to report the result of a periodic review/small business impact review that is being conducted as part of this regulatory action, and was announced during the NOIRA stage, indicate whether the regulatory change meets the criteria set out in EO 19 and the ORM procedures, e.g., is necessary for the protection of public health, safety, and welfare; minimizes the economic impact on small businesses consistent with the stated objectives of applicable law; and is clearly written and easily understandable. In addition, as required by § 2.2-4007.1 E and F of the Code of Virginia, discuss the agency's consideration of: (1) the continued need for the regulation; (2) the nature of complaints or comments received concerning the regulation; (3) the complexity of the regulation; (4) the extent to the which the regulation overlaps, duplicates, or conflicts with federal or state law or regulation; and (5) the length of time since the regulation has been evaluated or the degree to which technology, economic conditions, or other factors have changed in the area affected by the regulation. Also, discuss why the agency's decision, consistent with applicable law, will minimize the economic impact of regulations on small businesses.

This action is not being used to conduct a periodic review or small business impact review.

Public Comment

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<u>Summarize</u> all comments received during the public comment period following the publication of the previous stage, and provide the agency's response. Include all comments submitted: including those received on Town Hall, in a public hearing, or submitted directly to the agency. If no comment was received, enter a specific statement to that effect.

No comments were received during the public comment period following the publication of the previous stage.

Commenter	Comment	Agency response
N/A	N/A	N/A

Public Participation

Indicate how the public should contact the agency to submit comments on this regulation, and whether a public hearing will be held, by completing the text below.

The Board for Waterworks and Wastewater Works Operators and Onsite Sewage System Professionals is providing an opportunity for comments on this regulatory proposal, including but not limited to (i) the costs and benefits of the regulatory proposal, (ii) any alternative approaches, (iii) the potential impacts of the regulation, and (iv) the agency's regulatory flexibility analysis stated in that section of this background document.

Anyone wishing to submit written comments for the public comment file may do so through the Public Comment Forums feature of the Virginia Regulatory Town Hall web site at: https://townhall.virginia.gov.

Comments may also be submitted by mail, email or fax to:

Joseph C. Haughwout, Jr.
Regulatory Administrator
9960 Mayland Drive
Perimeter Center, Suite 400
Richmond, VA 23233
WaterWasteOper@dpor.virginia.gov
(866) 350-5354 (fax)

A public hearing will be held following the publication of this stage, and notice of the hearing will be posted on the Virginia Regulatory Town Hall website (https://townhall.virginia.gov) and on the Commonwealth Calendar website (https://townhall.virginia.gov). Both oral and written comments may be submitted at that time.

Detail of Changes

List all regulatory changes and the consequences of the changes. Explain the new requirements and what they mean rather than merely quoting the text of the regulation. For example, describe the intent of the language and the expected impact. Describe the difference between existing requirement(s) and/or

agency practice(s) and what is being proposed in this regulatory change. Use all tables that apply, but delete inapplicable tables.

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If an <u>existing</u> VAC Chapter(s) is being amended or repealed, use Table 1 to describe the changes between the existing VAC Chapter(s) and the proposed regulation. If the existing VAC Chapter(s) or sections are being repealed <u>and replaced</u>, ensure Table 1 clearly shows both the current number and the new number for each repealed section and the replacement section.

Table 1: Changes to Existing VAC Chapter(s)

Current chapter- section number	New chapter- section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
40-40	N/A	Establishes application fees for initial licensure, license renewal, and license reinstatement as follows: • Initial: \$100 • Renewal: \$80 • Reinstatement: \$105 Provides for temporary reduced renewal fees for licenses expiring on or after January 31, 2018, and before January 31, 2020. Renewal fees set at \$50. Provides for temporary reduced reinstatement fees for applications received on or after January 31, 2018, and on or before January 31, 2020. Reinstatement fee set at \$75.	Adjusts application fees for initial licensure, license renewal, and license reinstatement. Fee for initial licensure would decrease to reduce costs for entry into the profession, as applicants for initial licensure for master licenses must typically also assume costs for taking the licensure examination. Fees for license renewal and reinstatement would be adjusted upward. Adjusted application fees would be as follows: Initial: \$85 Renewal: \$105 Reinstatement: \$140 The adjusted fees will ensure revenue to the Board's account will be approximately equal to expenditures allocated to the Board, while keeping the cash balance of the account relatively stable to ensure compliance with the Callahan Act. The provisions pertaining to the temporary reduced renewal and reinstatement fees are removed as these reduced fees are no longer in effect.