

Central Appropriations

Approved amendments for FY 2010 result in a net reduction of \$46.8 million GF in the Central Appropriations. This includes decreases of \$90.1 million GF and increases of \$43.3 million GF. The strategies announced in the Governor's September 2009 Budget Reduction Plan account for \$60.7 million of the decreases, while \$29.4 million are new reductions. Reductions of \$59.4 million GF in funding for teachers that were included under the September 2009 strategies for Central Appropriations have been relocated to public education, and the \$1.7 million reduction for Line of Duty Act benefits is included under the Department of Accounts.

General fund decreases in Central Appropriations for FY 2010 include: a reduction of \$36.1 million from suspension of employers' retirement contribution rates for the fourth quarter of FY 2010; \$13.2 million GF through the suspension of employer contributions for Group Life Insurance, Sickness and Disability Coverage, and the Retiree Health Care Credit in the fourth quarter of FY 2010; \$19.8 million GF by recording the employee retirement contributions for the fourth quarter of FY 2010 in July instead of June; \$9.8 million GF by implementing a one day furlough of state employees; \$3.2 million GF by lowering agency service charges for use of the state purchasing system (eVA); \$1.3 million GF by reducing funding for state-supported local employees by 1/249th of such employees annual salary (which is equivalent to a one-day furlough), and \$2.6 million from other actions.

General fund increases in Central Appropriations for FY 2010 include: \$30.9 million GF in FY 2010 for assistance to localities impacted by the recommendations of the federal Base Realignment and Closure (BRAC) Commission and economic development incentive payments to SRI International and Rolls Royce; \$9.7 million GF for a one-time correction in the decentralized service rates charged by VITA; and \$188,334 for other actions

For the 2010-12 biennium, general fund appropriations for Central Appropriations result in a net reduction of \$1,758.1 million GF over the biennium. Excluding the transfer of the personal property tax relief program to the Department of Accounts Transfer Payments the funding adjustments result in a net increase of \$141.8 million GF.

General fund decreases in Central Appropriations for the 2010-12 biennium include: a technical reduction of \$1,900.0 million GF from transfer of the personal property tax relief program to the Department of Accounts Transfer Payments, reductions of \$125.8 million GF in employee compensation and benefit programs, \$8.4 million from elimination of payments to institutions of higher education for interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases in FY 2012, and \$533,974 from other actions.

The approved compensation reductions include: \$19.5 million GF by recording the employee retirement contributions for the fourth quarter of FY 2011 in July instead of June; \$15.8 million from reinstatement of the 5.0 percent employee retirement contribution for new employees; \$2.0 million GF from reductions in the employer premiums for state employee Group Life Insurance; the Virginia Sickness and Disability Program, and the state employee

health insurance credit, and \$1.1 million from a reduction in the employer contribution for Optional Retirement Plans (ORP).

Approved general fund increases in Central Appropriations for the 2010-12 biennium include: \$44.0 million for increases in the cost of state employee benefit programs, \$3.0 million for the Line of Duty Act, \$2.4 million for the Governor's Miscellaneous Contingency Reserve, and \$132,692 GF of payments to institutions of higher education for interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases in FY 2012.

The compensation increases include: \$23.2 million GF for the employers' share of the increase in health insurance premiums for the State Employee Health Insurance Program and the University of Virginia Health Insurance program, \$14.0 million for the revised employer contribution rates for the VRS state employee retirement system, the State Police Officers Retirement System (SPORS), the Virginia Law Officers Retirement System (VALORS), and the Judicial Retirement System (JRS), and \$6.8 million GF for an increase in Workers' Compensation Insurance premiums.

Governor's September 2009 Budget Reductions

- **Governor's September 2009 Budget Reductions.** The strategies announced in September 2009, contained \$120.5 million in savings from actions in the Central Appropriations. Of these reductions \$59.5 million are included under Central Appropriations in HB 29 and \$0.8 million are continued in HB 30. The \$59.4 million of reductions for teachers is included under public education, and the \$1.7 million reduction for line of duty act benefits is included under the Department of Accounts.

Central Appropriations - September 2009 Budget Reductions (\$ in millions)			
<u>Action</u>	<u>State Employees</u>	<u>Teachers</u>	<u>Total</u>
Suspend Fourth Quarter Retirement Contributions	\$36.1	\$51.3	\$87.4
Reduce Contributions for Non-retirement Benefits	\$13.2	\$8.1	\$21.3
May 28, 2010 Furlough	\$9.3	\$0.0	\$9.3
Supplant Some Line of Duty Act with Employee Benefits	\$1.7	\$0.0	\$1.7
Delay Purchase of Replacement Vehicles	\$0.7	\$0.0	\$0.7
Reduce Productivity Investment Fund	<u>\$0.1</u>	<u>\$0.0</u>	<u>\$0.1</u>
Total: Central Appropriations	\$61.1	\$59.4	\$120.5

HB 29 (Chapter 872)

- **Higher Education Interest**
 - *Higher Education Interest and Charge Card Rebates.* Captures an additional \$132,692 million GF in FY 2010 to pay institutions of higher education interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases.
- **Planning Budgeting and Evaluation**
 - *Productivity Investment Fund.* Includes a reduction of \$94,800 GF in FY 2010 in support for the Productivity Investment Fund.
- **Compensation Supplements**
 - *State Employee Furlough.* Saves \$9.8 million GF in FY 2010 by implementing a one day furlough of state employees on May 28, 2010. Essential employees, such as state police, and corrections officers, will be placed on an alternative furlough schedule. This strategy recovers salaries only; the Commonwealth will continue to pay benefits so there will be no reduction in retirement, group life insurance, disability, or other salary-based benefits. In addition, \$7.6 million saved from eligible nongeneral fund sources will be transferred to the general fund for a total impact of \$17.4 million.
 - Most state employees would take the furlough day on the Friday before the Memorial Day weekend.
 - Certain employees (faculty, public safety, etc.) will take the furlough day on an alternative schedule that will vary by agency.
 - A one day furlough represents a reduction of 0.35 percent in the annual salary.
 - Language allows institutions of higher education, legislative agencies, judicial agencies, and independent agencies to achieve the savings attributable to the furlough through alternative means.
 - *State-Support Local Employee Furlough.* Saves \$1.3 million GF in FY 2010 by reducing funding for state-supported local employees by 1/249th of such employees annual salary, which is equivalent to a one day furlough. This strategy recovers salaries only. The local employer will determine the actual method of implementing this reduction. A reduction of \$237,978 GF for this purpose is taken directly against the budget of the Compensation Board for application of this reduction to employees of locally-elected constitutional officers.

- ***Suspend Deferred Compensation Cash Match.*** The General Assembly rejected a proposal to save \$2.5 million GF in FY 2010 by suspending the employer cash match on state employee deferred compensation plan accounts of up to \$20 per pay period for the last five pay periods of FY 2010. In addition, \$1.5 million saved for eligible nongeneral fund sources will be transferred to the general fund for a total impact of \$4.0 million.

- **Employee Benefit Reversions**

- ***Suspend Fourth Quarter FY 2010 Retirement Contributions.*** Saves \$36.1 million GF in FY 2010 through the suspension of employer retirement contributions for the fourth quarter. In addition, \$18.1 million saved from eligible nongeneral fund sources will be transferred to the general fund for a total impact of \$54.2 million.
- ***Suspend Fourth Quarter FY 2010 Benefit Contributions.*** Saves \$13.2 million GF in FY 2010 through the suspension of employer contributions for Group Life Insurance, Sickness and Disability Coverage, and the Retiree Health Care Credit in the fourth quarter of FY 2010. In addition, \$10.5 million saved from eligible nongeneral fund sources will be transferred to the general fund for a total impact of \$23.7 million.
- ***Delay Recording the Fourth Quarter VRS Retirement Payment.*** Saves \$19.8 million GF in FY 2010 by recording the employee retirement contributions for the fourth quarter of FY 2010 in July instead of June. At present, these contributions are paid into a holding account in June and transferred to the VRS in July. In addition, \$12.8 million saved from eligible nongeneral fund sources will be transferred to the general fund for a total impact of \$32.6 million.
- ***Local Employee Severance Program.*** A language amendment extends severance benefits provided to state employees under the Workforce transition Act of 1995 to employees of school boards and other political subdivisions who are involuntarily separated from employment. Local governing bodies would be required to pass a resolution electing to participate in this program. No additional funding is provided.

The "cash-out" benefits are phased in to give the greatest benefit to long term employees. The minimum benefit is four weeks and a maximum benefit of thirty-six weeks.

<u>Years of Service</u>	<u>Weeks of Severance Pay</u>	<u>Comments</u>	<u>Years of Service</u>	<u>Weeks of Severance Pay</u>	<u>Comments</u>
<= 2	4	4 weeks base	13	20	12+2 per year over 9
3	5	4+1 per year over 2	14	22	12+2 per year over 9
4	6	4+1 per year over 2	15	30	2 weeks per year max = 36 weeks
5	7	4+1 per year over 2	16	32	2 weeks per year max = 36 weeks
6	8	4+1 per year over 2	17	34	2 weeks per year max = 36 weeks
7	9	4+1 per year over 2	18	36	2 weeks per year max = 36 weeks
8	10	4+1 per year over 2	19	36	2 weeks per year max = 36 weeks
9	11	4+1 per year over 2	20	36	2 weeks per year max = 36 weeks
10	14	12+2 per year over 9	21	36	2 weeks per year max = 36 weeks
11	16	12+2 per year over 9	22	36	2 weeks per year max = 36 weeks
12	18	12+2 per year over 9	23	36	2 weeks per year max = 36 weeks
13	20	12+2 per year over 9			Change points

Continued coverage under group health and life insurance programs for up to 12 months, with the employer paying the employer's premium.

In lieu of severance pay, an eligible employee aged 50 or over may elect to purchase service or age credit and retire. Purchase of such credits would be at the rate of 15 percent of salary per year of service or age -- up to the value of the involuntary "cash out" benefit. This cost will be factored into the retirement rates of the employer, or the teacher retirement pool, beginning with the June 30, 2011 actuarial valuation, which will establish the retirement rates for the 2012-2014 biennium.

- **Unanticipated Expenditures**

Economic Development Assistance

- *Incentive Payments to SRI International.* Restores \$9.4 million GF in FY 2010 for economic development incentive payments to SRI International. The general fund support for these payments had been eliminated in anticipation of funding with federal funds available under the American Recovery and Reinvestment Act of 2009 (ARRA). Final rules for the use of these funds disallowed their use for this purpose.
- *Incentive for Rolls Royce.* Restores \$2.0 million GF in FY 2010 for economic development incentive payments to Rolls Royce to locate an aerospace engineering and manufacturing facility in Prince George County. The general fund support for these payments had been eliminated in anticipation of funding with federal funds available under the American Recovery and Reinvestment Act

of 2009 (ARRA). Final rules for the use of these funds disallowed their use for this purpose.

Base Realignment and Closure (BRAC) Assistance

- ***BRAC Assistance.*** Restores \$19.5 million GF in FY 2010 for assistance to localities impacted by the recommendations of the federal Base Realignment and Closure (BRAC) Commission. The general fund support for these payments had been eliminated in anticipation of funding with federal funds available under the American Recovery and Reinvestment Act of 2009 (ARRA). Final rules for the use of these funds disallowed their use for this purpose.

Undistributed Support

- ***VITA Rates.*** Includes \$9.7 million GF in FY 2010 for a one-time correction in the decentralized service rates charged by VITA to state agencies under the Northrop Grumman contract for the provision of information technology services.
- ***Payroll Service Bureau Rates.*** Provides an additional \$55,642 GF in FY 2010 for increases in service charges by the Department of Accounts for operation of the Payroll Service Bureau at the seat of government, in Richmond.

- **Two Year College Transfer Grant**

- ***Two Year College Transfer Grant.*** Removes \$1.5 million GF from the transfer grant program due to lower than projected utilization.

- **State Agency Reductions**

- ***State Agency Reversions.*** Captures additional savings of \$1.7 million GF in FY 2010 from all state agencies except institutions of higher education.
- ***Delay Replacement of Motor Pool Vehicles.*** Saves \$0.8 million GF in FY 2010 by delaying the purchase of new vehicles for the state's central motor pool.
- ***Purchasing System Rates.*** Captures savings of \$3.2 million GF in FY 2010 by lowering agency service charges for use of the state purchasing system (eVA) from 1.0 percent to 0.1 percent.

HB 30 (Chapter 874)

- **Personal Property Tax Relief**

- ***Elimination of the Personal Property Tax Relief Program.*** The General Assembly rejected a proposal to eliminate funding of \$950.0 million GF in FY 2011 and \$950.0 million GF in FY 2012 for the Personal Property Tax Relief Program (Car Tax).

Funding of the Car Tax program is relocated to the Department of Accounts Transfer Payments.

- **Higher Education Interest**

- *Higher Education Interest and Charge Card Rebates.* Provides an additional \$132,692 million GF in FY 2011 to continue payments to institutions of higher education for interest on NGF balances held by the state treasury and a prorated share of rebates received by the Commonwealth on credit card purchases. A reduction of \$8.4 million GF is approved for FY 2012, eliminating funding for the program.

- **Planning Budgeting and Evaluation**

- *Productivity Investment Fund.* Includes a reduction of \$650,000 GF in FY 2011 and \$650,000 GF in FY 2012 for the Productivity Investment Fund, which eliminates funding for this program

- **Tobacco Settlement**

- *Distribution of Tobacco Settlement.* Includes a reduction of \$3.4 million NGF in FY 2011 and \$3.4 million NGF in FY 2012 to reflect actual estimated payments under the Master Settlement Agreement (MSA).
- *Virginia Healthy Youth Foundation.* Language requires at least \$1.0 million each year from the Virginia Healthy Youth Foundation be used for obesity prevention. The foundation director is required to report on funding provided to local organizations to address obesity issues.

- **Compensation Supplements**

Reductions Captured Through Balances

- *Virginia Retirement System Employer Contribution Rates.* Language authorizes savings of \$325.2 million (all funds) in FY 2011 and \$296.2 million (all funds) in FY 2012 resulting from reimbursement of the VRS using the "normal rate" for the state employee retirement in both years, and for teacher retirement the "normal rate" the first year and the "normal rate" plus 20 percent of the unfunded actuarial accrued liability in the second year. The funding provided to agencies in excess of the "normal rate" is reverted to the general fund after a payment into a holding account.

Description	FY 2011	FY 2012	Biennium
VRS Deferral			
Revenues: State	\$163,044,950	\$170,133,860	\$333,178,810
Revenues: Teachers	<u>\$162,126,186</u>	<u>\$126,040,252</u>	<u>\$288,166,438</u>
Subtotal	(\$325,171,136)	(\$296,174,112)	(\$621,345,248)
Interaction of Normal Cost + 20% UAAL and Delay of 4th Quarter 2011 Payment	<u>\$19,492,059</u>	<u>\$0</u>	<u>\$19,492,059</u>
Total: VRS Deferral	(\$305,679,077)	(\$296,174,112)	(\$601,853,189)

- ***Group Life Insurance Premium Holiday.*** Captures savings of \$25.9 million the first year and \$27.1 million the second year in the form of agency balances. These balances are generated from reduction of premiums on the Group Life Insurance program.
- ***Retiree Health Care Credit Premium Reduction.*** Captures savings of \$35.0 million the first year and \$35.0 million the second year in the form of agency balances. These balances are generated from a reduction of premiums for the Retiree Health Care Credit program.
- ***Virginia Sickness and Disability Program Premium Holiday.*** Captures savings of \$20.3 million the first year and \$21.2 million the second year in the form of agency balances. These balances are generated from holiday of payment of premiums on the Virginia Sickness and Disability Program (VSDP).

Appropriation Reductions

- ***Suspend Deferred Compensation Cash Match.*** The General Assembly rejected a proposal to suspend the employer cash match on state employee deferred compensation plan accounts and restored \$5.9 million GF in FY 2011 and \$11.9 million GF in FY 2012 for the program. This funding restores half of the funding in FY 2011, and all funding in FY 2012. Language transfers nongeneral fund cash to the general fund as a result of the first year reduction in the program. The approved budget decreases the match by \$10.00 per period in the first year and restores the funding to its current level of \$20.00 per pay period in the second year.
- ***Delay Recording the Fourth Quarter VRS Retirement Payment.*** Saves \$19.5 million GF in FY 2011 by recording the employee retirement contributions for the

fourth quarter of FY 2011 in July instead of June. At present, these contributions are paid into a holding account in June and transferred to the VRS in July.

- ***Other VRS Provided Employee Benefits.*** Proposes savings of \$1.0 million GF in FY 2011 and \$1.0 million GF in FY 2012 from reductions in the employer premiums for state employee group life insurance, the Virginia Sickness and Disability Program, and the state employee health insurance credit. These savings are achieved by using the same actuarial assumption as were applied to the retirement programs. (See above.)
- ***State Employee Virginia Retirement System Contributions.*** As provided for in HB 1189 and SB 232, state employees hired on or after July 1, 2010 will pay the full 5 percent employee contribution. This will result in savings of \$4.5 million GF in FY 2011 and \$11.5 million GF in FY 2012. The General Assembly rejected a proposal to save \$18.3 million GF in FY 2011 and \$37.4 million GF in FY 2012 by partial reinstitution of the employee contribution for VRS retirement for current employees. Since 1983 the Commonwealth has paid the statutorily required 5.0 percent employee contribution on behalf of its employees.
- ***State Employee Optional Retirement Plan Contributions.*** As provided for in HB 1189 and SB 232, state employees who participate in the optional retirement plans and who are hired on or after July 1, 2010 will pay a 5 percent employee contribution. Additionally, the maximum employer contribution paid by the Commonwealth is reduced from the current level of 10.4 percent to 8.5 percent. This will result in savings of \$379,322 GF in FY 2011 and \$716,644 GF in FY 2012. The General Assembly rejected a proposal to save \$3.4 million GF the first year and \$7.0 million GF the second year by instituting an employee contribution for the optional retirement plans for current employees. At present, the state contribution to these programs is statutorily set at 10.4 percent of salary. There is no mandatory employee contribution.

Increases

- ***Employee Bonus.*** Provides for a one-time bonus payment equal to three percent of base pay on December 16, 2010 for all employees of the Commonwealth, except elected officials, who were employed on June 30, 2010. This bonus is contingent on funding of \$82.2 million being realized through a combination of general fund revenue collections for fiscal year 2010 exceeding the official fiscal year 2010 revenue estimate, and any unexpended general fund balances realized from FY 2010 agency appropriations. If available funding is less than \$82.2 million, the one-time bonus payment will be prorated to a percent of base pay for the general fund payroll that equates to the amount of excess revenues collected. Companion language is included in HB 29 (Chapter 872).
- ***Employer Health Insurance Premium Increases.*** Includes an additional \$11.4 million GF in FY 2011 and \$11.8 million GF in FY 2012 to fund the employers'

share of the increase in health insurance premiums for the State Employee Health Insurance Program and the University of Virginia Health Insurance program. The rates for the state health insurance program will increase by 5 percent effective July 1, 2010. The budget eliminates coverage for non-sedating antihistamines and erectile dysfunction drugs.

2010-12 Health Insurance Increases (\$ millions GF)			
	<u>FY 2011</u>	<u>FY 2012</u>	<u>Total</u>
State Health Insurance Program	\$ 10.2	\$ 10.6	\$ 20.8
UVa Health Insurance Plan	<u>\$ 1.2</u>	<u>\$ 1.2</u>	<u>\$ 2.4</u>
Total	\$ 11.4	\$ 11.8	\$ 23.2

- ***Virginia Retirement System Employer Contribution Rates.*** Provides an increase of \$6.8 million GF in FY 2011 and \$7.1 million GF in FY 2012 to fund the revised employer contribution rates for the VRS state employee retirement system, the State Police Officers Retirement System (SPORS), the Virginia Law Officers Retirement System (VALORS), and the Judicial Retirement System (JRS).

The Virginia Retirement System Board of Trustees certified rates based on a valuation of assets and liabilities using an assumed investment return of 7.5 percent, a cost-of-living increase of 2.5 percent, and an amortization period of 20 years. However, budget language establishes the employer contribution rates based on a valuation of assets and liabilities using an assumed investment return of 8.0 percent, a cost-of-living increase of 3.0 percent, and an amortization period of 30 years. These are the same assumptions used in the budget for FY 2010.

- ***State Employee Workers' Compensation Premium Increases.*** Includes an increase of \$3.1 million GF in FY 2011 and \$3.7 million GF in FY 2012 to fund the increase in workers' Compensation Insurance premiums.
- ***Line of Duty Act.*** Provides \$3.0 million general funds to support premiums charged for the Line of Duty Benefit in fiscal year 2012. Changes to funding of the Line of Duty act are described under the Department of Accounts Transfer Payments.

Other Compensation Actions

- ***Public Employee Retirement Eligibility.*** The General Assembly rejected a proposal to increase the early retirement requirements for state employees, teachers, and employees of political subdivisions hired on or after July 1, 2010 and covered by the Virginia Retirement System (VRS) and the Judicial Retirement System (JRS). Instead, the early retirement provisions contained in HB 1189 and SB 232 will apply. Generally, these apply the Rule of 90, which allows unreduced retirement when the total of an employee's age and years of service is equal to 90. The early retirement requirements for state employees in the state Police Officers Retirement System (SPORS) and Virginia Law Officers Retirement System (VALORS) are unchanged.

- ***Retirees' Annual Cost of Living Adjustments.*** The General Assembly rejected a proposal to change the calculation of the annual cost of living adjustments (COLAs) provided to members of the Virginia Retirement System (VRS), the Judicial Retirement System (JRS), the State Police Officers Retirement System (SPORS), and Virginia Law Officers Retirement System (VALORS) in the budget. Employees who are hired on or after July 1, 2010 will be governed by the provisions contained in HB 1189 and SB 232. At present VRS COLAs are calculated based on full coverage for the first three percent increase in the Consumer Price Index plus one-half of each of the next three percent for a maximum annual increase of five percent. Under the revision the calculation would provide full coverage for the first two percent increase in the CPI plus one-half of each of the next four percent up to a maximum annual increase of six percent.

<u>Example: CPI Increase</u>	<u>10.0%</u>	<u>5.0%</u>	<u>3.0%</u>
Current COLA (Continued for Current Employees):			
Fully recognize the first 3%	3.0%	3.0%	3.0%
1/2 of the next 4%	<u>2.0%</u>	<u>1.0%</u>	<u>0.0%</u>
Total COLA	5.0%	4.0%	3.0%
Revised COLA (New Hires):			
Fully recognize the first 2%	2.0%	2.0%	2.0%
1/2 of the next 8%	<u>4.0%</u>	<u>1.5%</u>	<u>0.5%</u>
Total COLA	6.0%	3.5%	2.5%

- *Local Employee Severance Program.* Language continues the local employee severance program included in the amendments included in HB 29. (See above.) No additional funding is provided.

- **Two Year College Transfer Grant**

- **Two Year College Transfer Grant.** Reduces funding for the Two Year College Transfer Grant program by \$1.1 million GF each year. The remaining \$750,000 GF is transferred to the State Council of Higher Education for Virginia who will administer the program.

- **Unanticipated Expenditures**

Miscellaneous Contingency Reserve

- *Additional Appropriation.* Provides additional \$1.2 million GF in FY 2011 and \$1.2 million GF in FY 2012 for the Governor’s Miscellaneous Contingency Reserve.

- **State Agency Reductions**

- *Expenses of Annual Leases.* Captures additional savings of \$80,632 GF in FY 2011 and \$80,632 GF in FY 2012 from a reduction in the administrative expenses of annual leases.
- *Purchasing System Administrative Expenses.* Achieves savings of \$186,355 GF in FY 2011 and \$186,355 GF in FY 2012 by lowering the administrative expenses of annual leases.
- *Printing Expenses.* Achieves savings of \$187,500 GF in FY 2011 and \$187,500 GF in FY 2012 from reductions in agency printing expenses.

- **Federal Stimulus Funding**

- *Federal Stimulus Funding.* Language makes several changes to the Commonwealth’s use of federal stimulus funds available under the American Recovery and Reinvestment Act of 2009:

Fiscal Stimulus – Higher Education. The allocation of federal stimulus funding for support of Educational and General Programs at institutions higher education is reduced by \$51.7 million in FY 2010.

Fiscal Stimulus - General. The allocation of \$109.5 million of general fiscal stimulus previously approved for FY 2010 is reallocated from twenty-one individual items (nine capital projects and twelve operating programs) to support local sheriffs’ offices, and local and regional jails under the Compensation Board. This corresponds to action taken at the end of FY 2009, which reallocated general

fiscal stimulus previously set aside for FY 2011 to support local sheriffs' offices, and local and regional jails under the Compensation Board.

- **Local Aid Reversions**

- *Local Aid Reversions.* Continues the existing reversion clearing account to implement a \$60.0 million GF reduction in state aid to localities in each year. Under this program localities will choose whether to achieve their reductions by one of three methods: 1) reductions to a single program, 2) a percentage reduction in all state payments, or 3) reimburse the Commonwealth and forego any reductions to state payments they receive. Localities are to certify the method by which they intend to implement these reductions by August 30, 2010.

- **Higher Education Reductions**

- *Higher Education Reversions.* Captures savings of \$10.0 million GF in FY 2012 from higher education institutions. The source and distribution of the reductions will be determined in fiscal year 2011.