

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION

System Implications of a Possible Shutdown of State Government

BACKGROUND

Negotiations continue between the Legislature and the Governor in order to agree on a State budget for Fiscal Year 2012; absent a resolution, it is expected that there will be a general State government shutdown starting on July 1, 2011. A higher education appropriations bill has not been adopted. The Minnesota State Colleges and Universities system is weighing all options to determine whether it will be able to continue operating after June 30, absent a budget resolution.

Under Minn. Stat. § 136F.74, the Minnesota State Colleges and Universities system is authorized to carry over its appropriations from one year into the next, and one biennium into the next. Because of existing account balances and new tuition receipts, the system is financially able to continue operating until a higher education appropriations bill is adopted, through the summer session and fall term. By law, System funds are held in the State Treasury and disbursements and receipts are processed through the statewide systems operated by Minnesota Management and Budget. Those statewide systems include the state accounting system, payroll system, human resources systems, procurements system, and related information access systems.

Consistent with the legislative directive that the board “should strive to provide uninterrupted service and instruction to students” (Minn. Stat. § 135A.19), the system is seeking an arrangement with Minnesota Management and Budget under which the system would be able to access its existing funds and have its payroll and financial transactions processed by MMB in order to allow system operation to continue uninterrupted. MMB is reviewing the system’s request.

If the system is unable to access its cash or the statewide systems, the system will be compelled to consider shutdown of operations effective July 1, 2011. In 2001 and 2005 when the State was faced with full or partial shutdowns, the Attorney General sought and obtained court orders authorizing the State to continue critical functions if the budget impasse was not solved. To avoid an interruption of service in 2001, the system and the Department of Finance (now MMB) entered into an agreement in which Finance agreed to allow the system to access its available fund balances and agreed to continue processing system payroll and financial transactions in the event a shutdown occurred. Had a shutdown occurred for the rest of state government, the agreement would have allowed the system to continue operating. Ultimately, a shutdown of State government

was averted in 2001 because a budget deal was reached at the end of June. In 2005, several state agencies were shut down for approximately two weeks because of the lack of appropriations agreements, but a higher education bill had been adopted and the 2005 shutdown did not impact the system. It is anticipated that the Attorney General again will seek a court order to continue critical State services even if no budget accord has been reached by July 1. Critical services likely would include at a minimum the security of State property and health and safety considerations.

RECOMMENDED BOARD MOTION

The Board supports the goal of continued operation of the Minnesota State Colleges and Universities system without interruption of instruction or services to students using available tuition, fees and reserve funds until a state budget agreement is reached. The Board further supports the pursuit of any administrative or other options deemed appropriate by the Chancellor to facilitate the continued operation of the System in Fiscal Year 2012 and prepare for a possible system shutdown.

Date Presented to the Board of Trustees: June 8, 2011