

**September 27, 2007**

## **Potential State of Michigan Financial Shutdown: MSU Will Remain Open**

The state of Michigan's financial year concludes September 30. If a new state budget is not approved by that date, a partial shutdown of government services and programs could occur. However, **Michigan State University will remain open** to protect students' educational progress and the integrity of ongoing research.

Shutting down is not an option because even a temporary shutdown would have an adverse impact on student schedules and the completion of graduation requirements. In addition, a shutdown would disrupt critical research and risk significant long-term loss to potential findings.

MSU will monitor any state action as it unfolds and will take the appropriate action to protect the long-term interests of our students and programs. Additional information will be posted as it becomes available.

While it is impossible to predict precisely the impact and duration of a shutdown, the summary below outlines the strategies MSU would use to continue operations and the financial effect on MSU of a one-month government shutdown.

### **Continuance of Operations Strategies**

- MSU would reduce central expenditures to slow institutional cash flow.
- Significant capital projects may be deferred.
- State of Michigan-funded grant programming would be sustained over the short term; however, in the event of an extended shutdown MSU would develop plans to suspend that programming.
- MSU would cover in full for the duration of any shutdown financial aid funds originating from or passed through the state.
- General fund units would continue to operate; however, existing contingency plans would be reviewed in the event of a sustained shutdown.

### **Financial Impact**

- The largest single impact on MSU would be the deferral of the monthly allotment of our state appropriation (\$30 million)
- A \$30 million repayment covering the deferment of the monthly payment for this past August would be further delayed.
- The Michigan Cooperative Extension Service receives \$0.5 million per month in budgeted support from county governments, and counties also make direct expenditures in support of extension programming. This funding could be jeopardized by a delay in allocation of state revenue-sharing payments to county governments.

- Over the course of the year, MSU receives an average of \$3 million per month from the state through specific grants and contracts, with about one-third of this amount being federal dollars that are passed through the state to MSU. This payment could be delayed in part or in full. Total awards to date for the month of October are approximately \$975,000.
- The \$1 million per month the university receives from the state in support of the Chemistry Building addition would be delayed.
- Other examples of funds originating or passed through the state include: Michigan Education Trust Program, which typically funds \$10 million in tuition payments each October, and state programs such as Competitive Scholarships and Promise, which typically provide an additional \$6 million in October. These payments could be delayed; however, as noted above, this impact would be fully absorbed by the university, not our students.