Department of Administration
Notice to Contractors, Vendors and Grantees Regarding the Potential Suspension of State Contract Performance

This is a notice to contractors, vendors and grantees that have contractual relationships with the State of Minnesota. It concerns both current contracts with an expiration date after June 30, 2011, as well as any new contracts that are to become effective on or after July 1, 2011.

The State of Minnesota operates on a biennial budget. Funds are appropriated by the Minnesota Legislature every two years, with each fiscal year beginning on July 1 and ending on June 30 of the following calendar year. Our current biennial budget is due to end after June 30, 2011.

The Minnesota State Legislature adjourned on May 23, 2011. With the exception of funding for the Minnesota Department of Agriculture, no agreement has been reached between the governor and the legislature regarding funding for the biennium beginning July 1, 2011. As of this time, the executive branch of the State of Minnesota is preparing contingency plans in the event of a possible shutdown of state government commencing July 1, 2011.

In the absence of legislation specifically appropriating funds for the continuing operations of the State of Minnesota for the next biennium, state authority to expend or release funds to pay for goods or services will be limited after June 30, 2011. Details of those critical services that may continue to operate on an emergency basis after July 1, 2011 have yet to be determined.

Although it is possible that agreement on a budget will be reached in time to avoid a disruption in state operations, the state must advise all contractors, vendors and grantees that in the absence of legislatively authorized appropriations as of July 1, 2011, work activity under the contracts as of that date must be suspended, pending authorized appropriations, as will all payments required of the State of Minnesota under those contracts.

Please note that the State is not invoking cancellation or termination clauses in State contracts at this time. The State is simply providing notice to contractors, vendors and grantees that a suspension of work and payments may occur after July 1, 2011. If cancellation or termination of contracts becomes necessary as circumstances change, the affected parties would be contacted directly by the State.

We sincerely appreciate the work you do with and on behalf of the State of Minnesota and recognize the difficulties that the potential shutdown could cause for you.

We will make every effort to provide timely information as matters progress and also suggest that you monitor the Department’s Materials Management Division web site (www.mmd.admin.state.mn.us) and media reports for developments.

Spencer Cronk
Commissioner, Department of Administration
State of Minnesota