Risk Management Case Study: Financial Emergency

The Council of Independent Colleges

Under the Big Tent

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Facilitator

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Financial Emergency

Miller College, located in a suburb of Deerstand, a medium-sized city in west-central Wisconsin, is a well-respected liberal arts institution with a proud 100-year history. In the years since the pandemic, however, Miller has seen half of its 1200 student body disappear and with it, significant annual revenue. In 2023 the college faced an operating budget deficit of close to $1 million out of an operating budget of just over $30 million. President Faith Brown and her administration anticipated additional deficits for another three to five years. For Miller College to survive, Brown concluded, there will need to be additional revenue streams as well as severe cuts to programs and personnel, including faculty. For Brown, this means adding lucrative pre-professional programs, cutting traditional liberal arts programs, and fundamentally changing the mission and culture of the institution.

Brown’s announcement of her plans led to a week of protests from students, alumni, and faculty. Then, suddenly, the college announced that its board had declared a "financial emergency." Layoffs of some 30 faculty and staff members would begin immediately, and a new approach to the curriculum would launch in the next semester. Under the college bylaws, a declaration of financial emergency can be approved when there is a "need to reorder the college’s financial obligations in such a way as to restore and/or preserve the financial stability of the institution." Under those bylaws, such a declaration "authorizes Brown to restructure all of its expenses, including staff and faculty salary and other expenses, in pursuit of financial stability."

Response and Risk Management

Q1 Identify the Problem and First Steps Needed/Triage

Q2 Identify Stakeholders and Response Teams

Q3 Communicate a Plan

Q4 Get Feedback and Assess Results

Q5 Reflect on Preparations

Scenario Changes

1. Two days after the board declared a “financial emergency,” the school was hit by a ransomware attack. Staff and students were locked out of their accounts and President Brown decided that the only course of action was to meet the cyber criminal’s ransom demand of just over $100,000. (No confidence vote)

2. After paying the ransom, President Brown received a call from a prominent conservative donor offering to provide the school with up to $10 million if Miller College can find matching donations. Half the money would be used to develop a new curricular program on financial risk and half could be used at the u’s discretion.

3. You get news from the state police that a strange virus is quickly spreading and turning people into zombies.

Q&A Session

Thank you for attending this session!

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