Committee on Academic Policy and Planning  
Report on Proposal for a Master of Science in Finance Program

CAPP received the proposal and conducted an evaluation. CAPP met with CBA faculty from the Department of Financial Economics and Institutions (FEI) who wrote the proposal and talked to the Dean of CBA, the Graduate Division, and a faculty member from the Economics Department. After gathering information, CAPP discussed the information at length. The committee had reservations regarding the proposal ranging from minor to severe. CAPP drafted a resolution which mentions concerns and gives tentative support for the proposal (attached).

CAPP found the following:

1. Overall summary: CAPP feels that CBA has come up with a good idea for an academic program and is well qualified to offer it. However, CAPP has concerns related to the program format, the budget, the reliance on non-faculty and the impacts to workloads of CBA faculty of the proposed MSF. The Dean of CBA, all of the FEI faculty and the Graduate Division support the proposal. The Economics Department supports the academic program but wonders why it will be “off-line” and had very minor concerns regarding details of proposed course content and a proposed textbook.

2. The program will be a non-thesis (Plan B) MS with 30 credits taken in one calendar year. It will consist of eleven new courses all of which will be required and there will be no electives. From the course descriptions in the proposal, it appears to require a full “semester” in the summer. However, the FEI faculty explained to us that the length of the summer session is still not yet established, but likely it would encompass the entire summer (about 13-14 weeks). Another problem of format is that FIN682 is described as a three-credit course (new course proposal) but it is shown as one credit taught in the Fall semester and two credits in the following summer “semester.” This format is not described in the course proposal and the proposal lists prerequisites that would not be completed prior to the course. The FEI faculty told us that they will fix this. The FEI faculty made clear that the program would be for full-time students and courses would be offered in late afternoon/evening.

3. The program is described as a “self-sustaining” “off-line” executive program which will not require additional resources and will be run through Outreach College. The meaning of this became clear upon talking to the FEI faculty. They gave two reasons for this; 1-it gives them flexibility and they will only offer it if they attract 20 students per year, 2-it is a way to generate funds for the department to become self-sustaining and upgrade facilities, equipment and software since they do not generate RTRF. It turns out that CBA’s existing executive MBA program is operated in the same manner. CBA faculty are contract employees of RCUH and teach “off-line” courses in the evening during the academic year and during the summer at salaries well in excess of those paid by Outreach College for Summer Sessions. The exact salaries are not known, but appear to be between $10,000 and $20,000 per course depending upon enrollment. The proposed MSF program will have a tuition of $23,000 for one year. With this format, CBA will keep essentially all of the tuition funds minus a small amount of overhead paid to the university. The indirect cost rate given in the proposal is not constant and varies from year to year between 5.2 and 6.2%. This seems to CAPP like a low rate and may not represent
the impact of the program on the UH. The amount of money generated for department benefit (net revenue) in the estimated budget varies depending upon enrollment. They predict in the 1st year with 20 students a profit of $15,021 (3.3% of $460,000 revenues). For the 3rd year with 30 students they show a profit of $91,308 (13.3% of $688,000 revenues). For the 5th year with 40 students they predict a profit of $197,511 (21.5% of $920,000 revenues). CAPP was concerned about existing FEI teaching loads and the effect of the MSF on them. FEI faculty explained that they currently each teach 4 courses per year and the MSF will increase that to 5 per year.

CAPP’s academic concerns: Is this a good thing for FEI faculty to spend their time doing? Shouldn’t they be doing research instead of more teaching for additional salary? Since teaching loads are currently 4 courses per year per faculty and this will increase it to 5 per person, won’t this impact research and service efforts? CBA’s answer was that this fits in with their research and will enhance it. CAPP felt that additional scrutiny of the proposal regarding finances/budget may be needed.

4. The MSF program will be taught partly by FEI faculty (about six courses) and partly by a combination of faculty from other US and foreign universities (about 5 courses). The program will require two courses that cannot be taught by UH faculty and will rely on outside professionals who have full-time day-jobs (C.S. Wo and D. VanDeventer). These courses are both required every spring semester and represent 50% of the program during that semester. CAPP wondered how this would be accomplished and will these people be compensated? Thirteen non-UH faculty are listed that will “serve as adjunct professors”, however this may not be possible since to be an adjunct faculty member, a person must be a faculty member somewhere else (at least four are not). CAPP asked for clarification on this and how the others would teach since they are not in Hawaii. FEI faculty clarified that the professionals would be compensated for teaching (included in the budget), and that the faculty from outside UH would be those who routinely come to Hawaii for one to four weeks to teach and do research here. The FEI faculty insisted that the MSF would not impact their existing teaching responsibility for “on-line” programs. There is a statement on page 18 of the proposal (Section X.3) that raised eyebrows – it states that no additional faculty are needed for the “initial stage” of the program. The FEI faculty said this is not meant to imply the need for more faculty and should be removed.
RESOLUTION RELATING TO A PROPOSED
MASTER OF SCIENCE IN FINANCE PROGRAM

WHEREAS, the UHM College of Business Administration has earned a reputation as a leader in Asia-focused business programs; and

WHEREAS, the proposed Master of Science in Finance (MSF) program will be offered by the Department of Financial Economics and Institutions (FEI), and will be unique in the USA due to its emphasis on Asian Finance; and

WHEREAS, the 30-credit, non-thesis, plan B degree program will consist of eleven new courses taken in sequence by cohort groups of full-time students in a period of twelve months; and

WHEREAS, the proposed MSF program format and requirements follow accreditation standards established by the American Association of Collegiate Schools of Business (AACSB); and

WHEREAS, the MSF will be an executive education program with an initial tuition of $23,000, that will be operated through the Outreach College and will be self-supporting without extra direct costs to the University; and

WHEREAS, the new MSF courses will be taught partly by UH faculty (six courses), and partly by visiting scholars (faculty from other US and Asian universities) and respected local industry experts; and

WHEREAS, the FEI Department will take advantage of existing network of financial institutions in the Asia-Pacific Financial Markets Research Center and the Center for Japanese Global Investment and Finance for student recruitment; and

WHEREAS, the Proposed program has been endorsed by the Dean of CBA and approved by the Graduate Council (Graduate Division); and

WHEREAS, budget projections for the MSF indicate net benefits for the College begin when enrollment achieves 20 per year, substantial benefits are projected for the fifth year with enrollment of 40 students, and if enrollment is insufficient the program will not be offered; and

WHEREAS, there are concerns regarding potential impacts of the proposed program on faculty workload, the details of the proposed budget regarding the balance of salary versus overhead return to the University, and potential proliferation of such programs; therefore

BE IT RESOLVED, that pending establishment of a formal policy regarding such programs and that the proposed program satisfies said policy, then the Manoa Faculty Senate recommends that the proposed Master of Science in Finance program be approved