

Meeting No. 1,095

THE MINUTES OF THE BOARD OF REGENTS  
OF  
THE UNIVERSITY OF TEXAS SYSTEM

Pages 1 - 20

December 6, 2012

Austin, Texas

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 OF  
 THE UNIVERSITY OF TEXAS SYSTEM  
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 AUSTIN, TEXAS

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## MEETING NO. 1,095

THURSDAY, DECEMBER 6, 2012.--The members of the Board of Regents of The University of Texas System convened at 10:37 a.m. on Thursday, December 6, 2012, in the Board Meeting Room on the Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

### ATTENDANCE.--

#### Present

Chairman Powell  
Vice Chairman Foster  
Vice Chairman Hicks  
Vice Chairman Dannenbaum  
Regent Cranberg  
Regent Gary  
Regent Hall  
Regent Pejovich  
Regent Stillwell  
Regent Purgason, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Powell called the meeting to order.

### AGENDA ITEMS

#### 1. U. T. System Board of Regents: Approval of Consent Agenda

The Board approved the Consent Agenda items set forth below. In moving approval of the Consent Agenda, Regent Pejovich recommended that the Board make a finding that, as required by State law, the appointment of Mr. Peppers as Chief Audit Executive (Item a. below) is in the best interest of The University of Texas System.

#### a. Employment Agreement - U. T. System: Appointment of J. Michael Peppers as Chief Audit Executive and approval of conforming changes to Regents' Rules and Regulations, Rule 20401, regarding Audit and Compliance

- The employment agreement summarized below has been executed as approved by the Audit, Compliance, and Management Review Committee. The agreement is set forth on Pages 3 - 5.

Item: Chief Audit Executive

Funds: \$365,000 annually. This rate is subject to annual review.

Period: Beginning January 1, 2013

Description: Agreement for employment of J. Michael Peppers as U. T. System Chief Audit Executive. The Chief Audit Executive reports to the Audit, Compliance, and Management Review Committee of the Board of Regents and the Chancellor and shall hold office subject to the pleasure of the Audit, Compliance, and Management Review Committee of the Board of Regents and the Chancellor.

Additional elements of the employment package will be payment of reasonable costs for expenses related to moving household, personal, and professional possessions; the storage of those items as necessary; and the continued provision of temporary housing, if necessary, until May 31, 2013.

- A conforming change to the Regents' *Rules and Regulations*, Rule 20401, regarding Audit and Compliance, was approved to read as set forth below to remove language concerning service without fixed term for the Chief Audit Executive.

Sec. 1.1 Chief Audit Executive. . . .

- (a) The Chief Audit Executive shall be appointed by the Audit, Compliance, and Management Review Committee after nomination by the Chancellor. The Chief Audit Executive shall hold office subject to the pleasure of the Audit, Compliance, and Management Review Committee and the Chancellor. The Chancellor's actions regarding the Chief Audit Executive are subject to review and approval by the Audit, Compliance, and Management Review Committee.

.....



**The University of Texas System**  
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Chancellor Francisco G. Cigarroa, M.D.  
U. T. System  
601 Colorado Street, Suite 404  
Austin, Texas 78701-2982  
Phone: (512) 499-4201

Francie A. Frederick, General Counsel to the Board  
U. T. System Board of Regents  
201 West Seventh Street, Suite 820  
Austin, Texas 78701-2981  
Phone: (512) 499-4402

November 28, 2012

The University of Texas at Arlington  
The University of Texas at Austin  
The University of Texas at Brownsville  
The University of Texas at Dallas  
The University of Texas at El Paso  
The University of Texas – Pan American  
The University of Texas  
of the Permian Basin  
The University of Texas at San Antonio  
The University of Texas at Tyler

Mr. J. Michael Peppers, CIA, CRMA, CPA, FACHE  
Interim Chief Audit Executive  
The University of Texas System Audit Office  
702 Colorado Street, Suite 3.100  
Austin, Texas 78701

Dear Mike:

This is to officially convey, at the request of the Audit, Compliance, and Management Review Committee (ACMRC) for The University of Texas System Board of Regents, the Committee's pleasure at your acceptance of the position of Chief Audit Executive (CAE) for the U. T. System.

Your beginning annual salary rate will be \$365,000 starting on January 1, 2013. This rate is subject to annual review, and this agreement may be modified annually accordingly. In addition to the annual salary, all other State-paid fringe benefits required to be provided to higher education employees, by State law and for which you are eligible, will be provided.

Additional elements of your employment package will be payment of reasonable costs for expenses related to moving household, personal, and professional possessions, including the preparation of items for your move, and the storage of those items and continued provision of temporary housing, as necessary, until May 31, 2013.

In your position as CAE for the U. T. System, you are responsible for the duties normally associated with an audit executive. During employment, and excluding any periods of vacation or sick leave to which you are entitled, you agree to devote full time attention to the business affairs of U. T. System and to use your reasonable best efforts to perform faithfully and efficiently such responsibilities.

You agree to know, recognize, and comply in all respects with applicable law, Board of Regents' *Rules and Regulations*, and U. T. System policies in the performance of your duties and obligations.

[www.utsystem.edu](http://www.utsystem.edu)

The ACMRC shall have the right and option to suspend your employment for a period of time with or without pay or to terminate your employment and this agreement for cause. In the event that your employment is terminated for cause, all obligations of U. T. System to make further payment or provide any other consideration hereunder shall cease as of the date of termination. In no case shall U. T. System be liable to you for the loss of any collateral business opportunities or any benefits, perquisites, income, or consequential damages suffered by you as a result of the U. T. System's termination of your employment.

Cause, as defined herein, means any of the following with respect to your position of employment with U. T. System:

- a) Loss of any professional license required to perform the duties of the position
- b) Negligence, fraud, or willful violation of any law or significant U. T. System Policy
- c) Failure to substantially perform the duties reasonably consistent with best audit practices, as determined by the ACMRC of the U. T. System Board of Regents, provided however, that you are entitled to receive written notice of such failure and shall have thirty (30) days from such written notice to resolve or cure such failure to the satisfaction of the ACMRC.

The ACMRC shall have the right to terminate your employment and this agreement without reason and without cause at any time. In the event this agreement is terminated without cause, (1) all obligations of the System to you pursuant to this agreement shall cease as of the date of any such termination, (2) you shall be eligible for any post-termination benefits applicable to regular employees of System, and (3) System shall pay to you, in lieu of any and all other legal remedies or equitable relief available to you, liquidated damages in the amount equal to your current total annual salary for the year in which you are terminated, discounted to net present cash value at an agreed market interest rate, prevailing at the time, consistent with *Texas Education Code* Section 51.948.

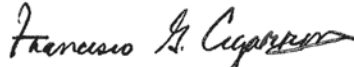
With the sole exception of payments required by this agreement, in any instance of termination for cause or without cause, you hereby waive any claim against U. T. System and its respective officers, directors, agents, employees, successors, and personal representatives for consequential damages by reason of any alleged economic loss. You acknowledge that in the event of termination of this agreement for cause, without cause, or otherwise, you shall have no right to occupy the position of Chief Audit Executive and that your sole remedies are provided herein and shall not extend to injunctive relief.



November 28, 2012  
Page 3

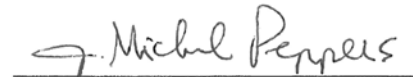
Thank you for your incredible contributions as the Interim Chief Audit Executive for U. T. System. The members of the ACMRC and the undersigned look forward to the opportunity to continue working with you as the Chief Audit Executive for U. T. System.

Sincerely,

  
Francisco G. Cigarroa, M.D.,  
Chancellor



Francie A. Frederick, General  
Counsel to the Board of Regents

  
J. Michael Peppers, CIA, CRMA,  
CPA, FACHE

FAF:mk

c: Chairman Wm. Eugene Powell  
ACMRC Chairman Brenda Pejovich  
Members, U. T. System Board of Regents  
Associate Vice Chancellor, Controller and Chief Budget Office Randy  
Wallace





b. Facilities Planning and Construction - U. T. San Antonio: John Peace Library Building Renovations - to increase total project cost and appropriation of additional funds

Item: Amendment of the FY 2013-2018 Capital Improvement Program (CIP) to increase total project cost and appropriation of additional funds for the John Peace Library Building Renovations project

Funds: Amend the FY 2013-2018 CIP to increase the total project cost from \$7,300,000 to \$9,300,000; and appropriate and authorize expenditure of additional funding of \$2,000,000 from Designated Funds

Source of Funds: Designated Funds (from Student Fees)

Period: The project was added to the CIP on August 12, 2010, and substantial completion is scheduled by August 1, 2013

Description: The scope of Phase Three has increased to include new furniture and technology purchases. These additions, coupled with rising construction costs, result in an increase in the total project cost.

2. U. T. System: Student Debt Reduction Task Force Report

Executive Vice Chancellor Kelley reported on the findings and recommendations of the Student Debt Reduction Task Force, using the [report](#) titled *College "Credit": Reducing Unmanageable Student Debt and Maximizing Return on Education*, which is on file in the Office of the Board of Regents.

The Task Force was formed in response to the Action Plan for the Framework for Advancing Excellence throughout The University of Texas System to research strategic issues that would increase undergraduate student access and success by reducing the financial impact of student debt on students and families.

The key findings of the report were:

- Average debt for borrowers is \$26,200
- Borrowing for higher education can be a good investment
- 80% of those who default did not finish their degrees
- Better and more timely information will lead to better borrowing decisions

Dr. Kelley also identified some of the recommendations in the report as follows:

- Degree Completion Recommendations
  - Increase student work opportunities
  - Encourage students to take AP courses
  - Redistribute grant and gift funds

- Find ways to better engage faculty
  - Encourage higher parental involvement
  - Target students most at risk
- Costs and Return Recommendations
    - Require completion of a personal education plan
    - Identify new opportunities for competency-based learning credits
    - Build on incentive programs for on-time graduation
    - Reexamine current campus cost structures
    - Create better assessment tools for course work completed elsewhere
  - Transparency and Decision Support Recommendations
    - Build on MyEdu application
    - Invest in personal finance principles training
    - Develop standardized borrowing rules of thumb
    - Develop a standard set of “Cost of Attendance” criteria
    - Produce enhanced financial aid statements

Samantha Dallefeld, M.D., a pediatric resident at Dell Children’s Hospital and graduate of The University of Texas Medical Branch at Galveston, is a member of the Task Force. She described the burden of her \$150,000 debt for medical education. Regent Gary asked if her debt burden after graduating from medical school is an average amount, and Dr. Dallefeld responded affirmatively.

Taking into consideration student privacy laws, Regent Stillwell asked about permitted involvement by parents in their child’s university education, questioning if laws could be modified to help. Dr. Kelley said the Task Force looked at ways to address this, such as including the parental access form with the financial aid award letters, finding time at student orientation to encourage that authorization, and possible changes and progress in terms of Family Educational Rights and Privacy Act (FERPA) requirements.

Regent Purgason commented on her passion for career services and recommended more effort be made to link students to jobs and, for medical students, to residency slots. Dr. Dallefeld spoke about the recommendation in the Task Force Report concerning this matter.

Chancellor Cigarroa spoke about barriers imposed by some existing policies that mitigate providing optimal advice, such as what can and cannot be said about, for instance, the benefits of the B-on-Time program. Dr. Kelley said the Task Force Report also addresses this issue.

Regent Hall asked if there is one recommendation that stands out as the easiest to implement with the most impact, and Dr. Kelley said student’s preparation of a personal education plan is a good recommendation, but student employment is probably the best way to help students persist. Dr. Dallefeld agreed, and she spoke about the need for more education on student debt.

Regent Cranberg requested future periodic reports on measurables for the key recommendations, and Dr. Kelley explained that is planned as part of the action plan to implement the Framework for Advancing Excellence throughout The University of Texas System.

In reply to a question from Regent Gary about the impact of a heavy debt burden on a student's choice of field of medicine, Dr. Dallefeld responded the decision is influenced by income. Vice Chairman Foster strongly recommended a) the B-On-Time concept be further developed since graduating on time is cheaper for the student and for the university, and b) efforts be made to lower the cost of a degree. Dr. Kelley spoke of the need for options for students to choose a different path to keep costs down, and he said many of the recommendations in the Task Force Report are being addressed by the U. T. System institutions.

3. U. T. System Board of Regents: Designation of U. T. System Recognition Day

The Board designated the second Friday in November as an annual University of Texas System Recognition Day as recommended by the U. T. System Employee Advisory Council (EAC).

One of the recommendations made by the EAC to the Board on November 15, 2012, was to designate the second Friday in November as an annual U. T. System Recognition Day to show a spirit of loyalty and pride for the U. T. System and the U. T. System institutions. The selection of a day in November was premised on the first meeting of the Board of Regents, which occurred on November 15, 1881.

The EAC further requested that this day not be conjoined with institution-specific employee recognition activities and that each institution determine how it will promote and celebrate this day.

4. U. T. System Board of Regents: Approval to amend The University of Texas Investment Management Company (UTIMCO) Code of Ethics

Upon recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO), the Board approved an amendment to the UTIMCO Code of Ethics to add Section 3.01(d) as set forth on Page 10.

*Texas Education Code* Section 66.08 requires that The University of Texas System Board of Regents approve the UTIMCO Code of Ethics (Code) and any changes thereto. The Code was last amended on August 12, 2010.

This revision was based on the joint efforts of the UTIMCO staff, Andrews Kurth LLP (UTIMCO outside counsel), and U. T. System staff. The U. T. System Vice Chancellor and General Counsel found that the changes are consistent with *Texas Education Code* Section 66.08, and the amendment to the Code was approved at the November 9, 2012 meeting of the UTIMCO Board.

The addition of Subchapter C, Section 3.01(d) permits the Chief Executive Officer of UTIMCO, with the approval of the Chairman of the UTIMCO Policy Committee, to waive the application of Section 3.01 with respect to an agreement or transaction with a business entity in which the spouse, minor child, or other dependent Relative of an Employee received more than 5% of his or her income from the entity in the prior year [i.e., a pecuniary interest as defined in Section 1.02(12)(C) of the Code] when the individual is not in a management or executive officer position and does not have control of the operating or financial decisions of the business entity.

## Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS

**Sec. 3.01. Prohibitions Related to UTIMCO.** (a) Except as provided in Sections 3.04 and 3.05, UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

- (1) a Director or Employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a Director entity, Employee entity, or other business entity in which a Director or Employee has, or is in the process of acquiring, a pecuniary interest; or
- (3) an investment fund or account managed by a Director, Director entity, Employee, or Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.

(b) UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with a former Director or Employee, an investment fund or other entity controlled by a former Director or Employee, or a business entity in which a former Director or Employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a Director or Employee.

(c) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a current or former Director or Employee.

(d) Notwithstanding the prohibitions provided by this section, the CEO, with the approval of the Chairman of the Policy Committee, may waive the application of this section with respect to an agreement or transaction with a business entity in which the spouse, minor child, or other dependent Relative of an Employee has a pecuniary interest as a result of Section 1.02(12)(C) of this Code so long as such spouse, minor child, or other dependent Relative is not in a management or executive officer position and does not have control of the operating or financial decisions of the business entity.

5. U. T. System: Approval of a plan for comprehensive educational and health opportunities in South Texas and appropriation of \$100 million over 10 years including appropriation for medical education in South Texas

Chairman Powell introduced the following guests:

- Senator Hinojosa and staff
- Senator Lucio and staff
- Mayor Boswell from Harlingen
- Mayor García from Edinburg
- Mayor Sanchez from San Juan
- Mr. David Young of the Governor's Office
- Mr. and Mrs. Robert Shepard
- Mr. Alonzo Cantu from McAllen
- Nolan Perez, M.D., from Harlingen
- Mr. Randy Whittington, former Chairman of the Texas Higher Education Coordinating Board

Chancellor Cigarroa then presented remarks and recommendations on plans for The University of Texas System to expand comprehensive educational and health opportunities in South Texas. (His slide presentation is [on file](#) in the Office of the Board of Regents.)

Remarks by Chancellor Cigarroa

Thank you, Mr. Chairman, for the opportunity to address the Board of Regents this morning on what will be a historic day for The University of Texas System and the State of Texas.

This Board has shown outstanding support for the initiatives that U. T. System and our campuses have proposed over the past four years, and I am deeply grateful to you and immensely proud of what we have accomplished collectively. It has been rewarding to know that nationally, education leaders are paying close attention to the positive initiatives we have embarked upon to enhance student access and success.

Today, I am here to make a bold and transformational request regarding the education, the health, and economic future of the Rio Grande Valley and our great State of Texas.

Ever since I began my tenure as Chancellor, we have all shared the vision of planting a larger U. T. flag in South Texas and the Valley. In my vision statement in August 2009, I said:

“The U. T. System is unique in that we have five campuses on the border of Mexico, and we must take advantage of this binational presence. A plan must be designed to identify synergies between our border universities,

aimed at enhancing the education of students – including advanced professional degrees – among one of the fastest-growing regions of Texas. The U. T. System must be at the forefront of addressing the tremendous opportunities on our border campuses. If we do not do this correctly, Texas will certainly suffer.”

This vision was strongly supported by our Board of Regents and each one of our 15 presidents in 2009. The Framework for Advancing Excellence unanimously approved by this Board of Regents in August 2011 also included the important goal of enhancing education, research, and health care in South Texas.

The vision was also supported with great enthusiasm in a meeting I had with some of the nation’s largest private foundation leaders. I recall a meeting more than two years ago with Luis Ibiñas, President of the Ford Foundation, at his office in New York, and he said, “Francisco, think big! The U. T. System has all of the essential ingredients to build a new educational and economic ecosystem that could transform the entire Rio Grande Valley. And more importantly, by being scaled up, it could transform our nation.”

As I look at the landscape of South Texas and the Rio Grande Valley, I see a region standing at the intersection of the Americas. The U. T. System has an enormous responsibility in this area of Texas. We have experienced some challenges, but we also have great opportunities that can be realized through innovation and hard work. For example:

- The challenge of separating The University of Texas Brownsville and Texas Southmost College provides us with an opportunity to build a new university of the 21st century.
- The reductions of traditional revenue streams as a result of economic headwinds, which our entire nation has faced, have required us to think about how to make our South Texas institutions more efficient and productive while at the same time identifying other funding sources that are not currently available to them, and without financially burdening students and their families.
- The Legislature granted authority to the Board of Regents to create a new medical school in South Texas, and this gave the Board the opportunity to pass a resolution in May 2012 to take the next step in identifying the needed support and plan to transition the Regional Academic Health Center (RAHC) into a Valley-wide medical school consistent with Liaison Committee on Medical Education (LCME) standards.
- One of the largest and fastest-growing geographical areas in the state currently lacks a pathway to an emerging research university, but the opportunity before us is to change that.

During my many visits to the Rio Grande Valley since becoming Chancellor – and in our Valley Vista Summits where we listened to parents, students, and community leaders – it has become clear to me that we need to create a new vision that will provide greater opportunities for our U. T. campuses in the Valley.

It is my firm belief that South Texas should be given the opportunity to establish a new university that has the potential to become a Tier One university over time. Denton, Houston, Dallas, Arlington, Lubbock, El Paso, San Marcos, and San Antonio all have emerging research institutions, but the Valley does not. The success of our four U. T. emerging research universities, our Flagship, and our health institutions is due in large part because of the Permanent University Fund (PUF) and participation in other programs, like the Science and Technology Acquisition and Retention (STARs) program, that are funded by the Regents.

The question is: “How can we align and integrate our three major campuses in the Valley – The University of Texas-Pan American, U. T. Brownsville, and the RAHC to make an emerging research university possible and to catalyze the transition of the RAHC into a school of medicine?”

In recalling the Ford Foundation President’s remarks, maybe we are thinking too small. What if we expand our thinking beyond boundaries? What if we create a new university with its own school of medicine...an institution that aligns the extraordinary human capital and other assets of our three institutions in the Valley?

What would this institution look like? It would have:

- a student enrollment of almost 28,000, which would make it among the top two designated Hispanic-serving institutions in the nation
- approximately 1,500 faculty members
- almost 3,700 staff
- research expenditures of \$11 million
- an endowment of \$70.5 million
- a total operating budget of \$419 million
- total net assets of greater than \$540 million, making it one of the largest enterprises in the Valley.

The new university’s Composite Financial Index would be 3.4, representing a satisfactory rating by our Business Affairs Office. Our campuses are categorized as either satisfactory, watch or unsatisfactory. Organizationally, this new entity would have the President and administrative headquarters in McAllen, with campuses in Brownsville, Harlingen, and Edinburg. We would eliminate administrative redundancies, providing potential annual and recurring cost savings of more than \$6 million.

This new institution will allow the opportunity to integrate the future U. T. School of Medicine within its organization, which would be unique among our emerging research universities. Medical education and health-professional education will be Valley-wide, with medical students in Brownsville, Harlingen, Edinburg, and McAllen. We are also making progress in establishing the core residencies necessary for a medical school in Brownsville, Harlingen, Edinburg, and McAllen. And as I have mentioned on other occasions, we plan to work with the LCME this year to be able to matriculate students at The University of Texas Health Science Center at San Antonio into a South Texas Tract where they will receive their first two years of medical education in San Antonio and their last two years in the Valley. I look forward to a graduation ceremony for these students in the Rio Grande Valley.



Mr. Chairman and Members of the Board, I ask you to approve this vision and to grant me the authority to work with the Legislature to establish a new university in the Valley that includes U. T. Brownsville, U. T. Pan American, and the future South Texas School of Medicine, which will integrate our Valley institutions into a comprehensive new emerging research university. We envision this as a university that spans the entire Rio Grande Valley, with a presence in each of the major metropolitan areas – Brownsville, Edinburg, Harlingen, and McAllen.

To boldly expand medical education in the Valley, I also respectfully ask the Board of Regents to allocate \$100 million over the next 10 years to accelerate the transition of the RAHC to a school of medicine. This will aid us in recruiting necessary leadership, to recruit additional medical school faculty, to enhance biomedical research, and to work with our hospital partners to establish core residency programs throughout the Valley.

If we accomplish this, we will forever change the educational and economic landscape of South Texas and the entire State of Texas.

### **Demographics**

Mr. Chairman, before the Board of Regents considers this request, let me explain to you why we are so passionate about this initiative, and why I am asking the Board of Regents to give me full support to approach the Legislature for their approval to establish this new university.

Chairman Powell, you grew up in Weslaco, which is deep in the heart of the Valley, and I grew up in Laredo. As native sons of the Texas-Mexico border region, we both understand how geography became destiny for many of our schoolmates, neighborhood friends, and even family members. For most people who live near the border, the opportunities for upward mobility were – and continue to be – limited. The statistics have changed since the Chairman and I were schoolchildren, but the challenges remain:

- Unlike the rest of the nation, the Valley is becoming younger, with an average age of 26 years old.
- The population is growing at a remarkable pace. According to the Texas State Data Center at The University of Texas at San Antonio, the current population is 1.26 million in Cameron, Hidalgo, Starr, and Willacy Counties – and by 2020, the population is projected to grow to more than 1.5 million people.
- The median household income in the Valley is a little over \$28,000 per year, while for Texas it is more than \$50,000 per year.
- In the Valley, 40% of families with children live below the poverty line, as compared to 16.8% in Texas and 13.5% nationwide.
- The Valley has 107 physicians per 100,000 residents, compared to 195 physicians per 100,000 residents in Texas and a national average of 220 physicians per 100,000 residents. The Valley has about half as many physicians as it should have by national standards.
- Only 15% of the Valley population has a bachelor's degree, compared to 26% in Texas. 41.6% of the Valley population, ages 25 and older, has a high school diploma compared to 57% in the San Antonio-New Braunfels metropolitan area. The good news is that

83.3 % of the Class of 2011 in Valley high schools, on average, graduated and received their diplomas. This tells us that a new generation is ready and it gives us hope and optimism and faith in the many parents and teachers in the Valley who have worked diligently to improve the educational environment in their communities.

These statistics compel us to think boldly and to make a difference beyond the boundaries. These are also the very reasons we need a greater University of Texas presence in South Texas. We know that medicine saves lives -- but so does education. If we focus our attention on this crucial region of Texas, we can create new jobs, attract new federal and private funding, launch new facilities construction, and most importantly, provide higher education and training and a stronger future for this generation of high school graduates in the Valley and for generations to come.

### **Challenges and Opportunities**

Of course, there are risks to launching any enterprise of this scale, and challenges to face and overcome. For example:

- This new university requires approval by two-thirds of the Legislature.
- Changes in institutional identity are never easy.
- There will be initial operational and transitional expenses to create a new infrastructure, but beyond that there will be significant opportunities and cost savings.

But I believe that the creation of a new University of Texas institution will truly outweigh the risks.

We can create an institution in the Valley, utilizing technology, blended and online learning, and world-class facilities to better prepare students to become future leaders and well-educated citizens of the world.

We can provide a new destination for students who are interested in receiving a college degree using the most advanced developments in higher education – edX, the Institute for Transformational Learning, and myEdu are powerful tools that the Regents have provided to our universities over the past year.

### **Intersection of the Americas**

We also have a unique opportunity to establish this new institution as an intersection with the Americas.

President Juliet García refers to U. T. System institutions in the Border regions as “interface zones.” Even though the U.S. shares 2,000 miles of border with Mexico, for example, there are very few real touch points between our countries. El Paso, Laredo, and the Rio Grande Valley represent significant points of convergence where our U. T. institutions make first contact with our neighbors to the south, not only through student exchange programs and shared research, but also on the larger stage of commerce, culture, and language.

We have an opportunity to make the Rio Grande Valley a center for bicultural programs in economics, business, medicine, biomedical sciences, energy, environmental studies, Latin American studies, and a host of other areas that will emerge in time.

Imagine our impact if we remain authentic to the region with our educational and research programs. Any student in the world interested in international and bicultural programs would benefit from attending this new global institution, with opportunities to engage in programs connecting all of the Americas – north, central, and south. In addition, we would be able to build the human capital that industries in the Valley need, so they can, in turn, enhance the Valley's leadership role as one of the nation's strongest manufacturing bases. We could build a vibrant health care industry, port industry, and other international ventures – all the assets that already exist in the Valley. This will be great for business in Texas!

With this new university, we have an opportunity to become a center for enterprise development that transforms the border economy into a global economy. The new U. T. institution has the potential to become a major nexus of cultures that can share what we have in common and greatly benefit each other.

### **Conclusion**

Mr. Chairman and Members of the Board, today we offer a monumental opportunity for this Board of Regents to make history, to think bold and big, to expand educational and health opportunities in South Texas, beyond what we envisioned in the Framework. It is very possible to realize significant strategic, financial, and operational benefits by creating a new bicultural, emerging research institution – a new University of Texas for the Americas.

I would like to introduce Jon Hockenyos, economist and founder of TXP, Inc., an economic analysis and public policy consulting firm, who will provide us with his economic impact forecast for this endeavor.

### Remarks by Jon Hockenyos

Mr. Hockenyos said this endeavor offers the opportunity to have an enormous effect on the patterns of economic and community development in the Rio Grande Valley. He indicated the combination of the medical school, U. T. Pan American, and U. T. Brownsville would have a ripple effect on the local economy in terms of employment and spending, and would account for 7,000 new jobs in the Valley by 2022 with an average salary of \$63,000 (in today's dollars).

He spoke about the effect of economic development in the region due to an improved skilled labor force, commercialization of research, and the overall capacity in the region for synergy to happen in terms of the relationship with people south of the border. He thought the number of new jobs could grow to 10,000. Mr. Hockenyos described the social implications of people who graduate from universities as tending to be more active and vibrant participants in their community, including in philanthropy.

Regarding the implications of increasing the level of college graduates, he said well-educated people who have the capacity of higher education would give a comparative advantage to the region, the state, and the nation and this proposal could be one of the biggest economic development options available to the Rio Grande Valley, and he recommended its consideration.

Remarks by Chancellor Cigarroa, continued

Mr. Chairman and Members of the Board, I know that achieving this reality, even with the Board's support, cannot and will not occur without the full support of the Rio Grande Valley communities, legislators, faculty, students, and staff.

I need your support on this. If you concur, I will be in the Valley as early as tomorrow, beginning this dialogue with the University communities and legislators.

Mr. Chairman, this is truly all about the students.

Thank you for the opportunity to share this vision with you today. It is my pleasure to ask President Juliet García and President Robert Nelsen to offer their thoughts on this concept.

Remarks by President Juliet García, U. T. Brownsville

Dr. García spoke about the work at U. T. Brownsville to prepare for this opportunity, and she expressed support to transform one of the fastest-growing regions of the U.S. into a productive, vibrant, and educated contributor to the state. She said the action the Board is considering will serve to sustain democracy, and she explained the strategic advantage of the Rio Grande Valley that is located at the epicenter of the Americas, just a short distance from Texas' largest and most important trading partner. She said the Valley is poised to be able to produce biliterate graduates with a complex, cultural competency to deal in a global environment.

Remarks by President Robert Nelsen, U. T. Pan American

Dr. Nelsen then described the support for the creation of a new university to transform the Valley. He spoke about the need to support the children in the Valley and the need for education, doctors, and jobs in the Valley and about the potential of entrepreneurship and technology transfer to lift the regional economy.

Chairman Powell then called on Executive Vice Chancellor Kelley for remarks on the financial aspects of the proposal. Dr. Kelley said the U. T. System has the capacity to support the \$100 million requested for the medical school, and he commented on the financial management of the U. T. System institutions in the Valley. In response to a question from Chairman Powell about the need for additional money or a fiscal note on a proposed bill, Dr. Kelley said no additional dollars would be required from the State to support the proposed institution, and he agreed that although there will be some one-time costs associated with the consolidation, there would be, conservatively, approximately \$6 million in recurring savings over current operations.

Vice Chairman Dannenbaum asked about lease bonuses and royalties on the University Lands, and Dr. Kelley said there are record revenues being generated in part on the lease bonus sales, which he said are unlikely to continue, and by increased production. He said the increase is driven more by returns by The University of Texas Investment Management Company (UTIMCO) that have been prudently managed, but he cautioned the financial markets can change. He noted the conservative investment strategy that still yields capacity to move forward on other initiatives. Chairman Powell wanted to be sure the creation of a new university would not compromise current PUF support of the U. T. System and The Texas A&M University System institutions, and Dr. Kelley provided assurance that A&M University would continue to receive one-third of the PUF allocation, The University of Texas at Austin would receive its percentage for excellence funding and funding for the new medical school, and the remaining dollars would continue to be split among the capital requests from other U. T. System institutions.

### **Motion**

Chairman Powell recommended that Members of the Board take the Chancellor's proposal with utmost sincere consideration. Regent Stillwell then said it is with pride and his highest honor to move that the Board adopt and approve the plan for the University of the Americas educational initiative and medical school as outlined by Chancellor Cigarroa and repeated as follows:

Mr. Chairman and Members of the Board, I ask you to approve this vision and to grant me the authority to work with the Legislature to establish a new university in the Valley that would include U. T. Brownsville, U. T. Pan American, and the future South Texas School of Medicine, which will integrate our Valley institutions into a comprehensive new university. We envision this as a university that spans the entire Rio Grande Valley, with a presence in each of the major metropolitan areas – Brownsville, Edinburg, Harlingen, and McAllen.

To boldly expand medical education in the Valley, I also respectfully ask the Board of Regents to allocate \$100 million over the next 10 years to accelerate the transition of the Regional Academic Health Center into a school of medicine. This will be extremely important in recruiting necessary leadership, to recruit additional medical school faculty, to enhance biomedical research, and to work with our hospital partners to establish core residency programs throughout the Valley.

The motion was seconded by Vice Chairman Dannenbaum.

Executive Vice Chancellor Shine commented on the medical school component of the proposal, saying the requested funds to jump-start a medical school are critical, but further funding will be required to fully fund the school. Vice Chairman Dannenbaum thanked the community leaders and health leaders for their support.

The motion carried unanimously, with Chairman Powell showing that he voted for the motion and Regent Purgason also expressing her support and the support of students of the U. T. System institutions. The action received a standing ovation.

RECESS TO EXECUTIVE SESSION.--At 1:36 p.m., Chairman Powell said the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.073, 551.074, and 551.076 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 3:18 p.m., the Board reconvened in open session for the following action taken on a matter discussed in Executive Session.

1. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

2a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees

No action was taken on this item.

2b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to performance incentive compensation goals for Presidents and U. T. System Executive Officers

No action was taken on this item.

3. U. T. Austin: Approval of proposed negotiated gifts with potential naming features

Vice Chairman Hicks moved that the President of The University of Texas at Austin and the Vice Chancellor for External Relations be authorized to conclude negotiations necessary to finalize and accept gifts to benefit U. T. Austin with potential naming features consistent with the terms outlined in Executive Session.

The motion was seconded by Regent Stillwell and carried unanimously.

4. U. T. System Board of Regents: Discussion and appropriate action regarding safety and security issues, including security audits and the deployment of security personnel and devices

No action was taken on this item.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 3:19 p.m.

/s/ Carol A. Felkel  
Secretary to the Board of Regents

January 25, 2013