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Legislature should not allow development funds to run out

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During the same week that the Texas House of Representatives began debate on the state budget for the next two years, San Antonio received a huge reminder of the benefit of state economic development incentive funds.

The University of Texas at San Antonio garnered a \$3.5 million grant this week from the Texas Emerging Technology Fund to boost the university's Internet security program.

The money will flow into UTSA's new Institute for Cyber Security Research. Because of the state's investment, the institute is able to lure away a top international star in Internet security, Ravi **Sandhu**, from George Mason University in Fairfax, Va.

Is it a big deal whether UTSA makes a name for itself in the murky world of Internet security? You bet your wallet it is. On Thursday, Boston-based retailer TJX Cos., operators of the T.J. Maxx and Marshall's chains, disclosed that information on at least 45.7 million credit and debit cards had been filched by Internet hackers.

Was your card one of them? Police in Florida already have arrested 10 people trying to buy \$1 million in merchandise with gift cards purchased using the stolen TJX Cos. information.

Any new Internet security breakthroughs produced by UTSA research would have wide economic implications, giving rise to new security companies likely to start in Texas.

The Texas Emerging Technology Fund is the newer of the two state economic development funds, specializing in technology and biotechnology ventures. In some cases, the state takes an ownership position in companies taking new products to market.

The older Texas Enterprise Fund is an old-fashioned incentive fund that lures companies to invest in Texas. It started in 2004 after the state found a way to land San Antonio's Toyota assembly plant using other state funds.

Before that, the state had no economic development incentives other than the federal job-training funds available to every state.

The two funds are operated by the governor's office, which receives applications. State officials and appointed advisory committees determine who receives the incentives and grants. Contracts are written, and companies that do not live up to their terms must return the money.

To date, the Texas Enterprise Fund has released \$332.42 million in incentives, resulting in investments of \$15.19 billion in business relocations and expansions and more than 45,500 jobs. About \$145 million remains in the pot for future incentives.

The Texas Emerging Technology Fund was approved in 2005 and started last year with \$200 million. So far, it has invested nearly \$77 million, counting the new UTSA

grant. Many applications are pending for both funds.

Both funds will dry up in the next two-year budget, which starts in September, unless the Texas Legislature replenishes them.

Gov. Rick Perry has recommended that \$182 million be added to the Texas Enterprise Fund, and that the new Emerging Technology Fund be expanded with a \$300 million increase.

The \$182 million is a lower amount than previous Texas Enterprise Fund allocations. It is a prudent recommendation, though, reflecting the fund's current balance.

The \$300 million request for the Texas Emerging Technology Fund may seem high. Compared to other state programs, however, especially California's \$3 billion stem cell research institute, \$300 million would barely keep Texas in the global technology development game.

While the technology fund has not had time to demonstrate a track record -- that could take decades -- the Texas Enterprise Fund has produced immediate benefits. Texas lawmakers should keep these economic development victories in mind when they consider the governor's next funding requests.

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